



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTER
INDUSTRIAL MANAGEMENT AND STRATEGY

MASTER'S FINAL WORK
DISSERTATION

**STRATEGY FORMULATION: A CLOSER LOOK AT PORTUGUESE
CORPORATIONS**

GONÇALO AMORIM LOPES PEREIRA

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**SUPERVISION:
PROFESSOR DOUTOR ABÍLIO PIRES ZACARIAS**

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ABSTRACT

Strategic analysis and formulation are the two first steps of the Process of Strategy Management, which aims to make a company strategically competitive. Being strategically competitive in the Digital Age means serving the Customer with services and products suited for their needs and going beyond the problems these customers have. Given this relevance, this exploratory study aims to understand and know several organizations' realities and how strategies' analysis and formulation happen. Through a qualitative study, interviews with professionals of 19 different Portuguese service suppliers, product manufacturers (both in B2C and B2B contexts), and also to GBS (Global Business Services) and SSC (Shared Services Centers) organizations were conducted. As a global result, the Process of Strategy Management Framework can be applied in organizations that have contact with competition, as this factor significantly impacts strategy formulation. Therefore, the Process of GBS/SSCs has to be adjusted. It was also discovered that smaller organizations have more informal processes of analyzing and defining strategies. The CEO takes responsibility for most of the tasks related to this matter, not having fixed moments for their execution. In 60% of micro and small organizations, these strategies are only thought about, not having time to define them. On the other hand, larger organizations are often created by other teams and professionals with fixed times and moments to happen. In this sample, 95% of the organizations recognized that Technology and everything related to Innovation and Development influences the organization's strategic process and the duration of these strategies. Therefore, and as the literature explains it, strategy and its formulation also depend on the type of industry and the organization's size.

Keywords: Strategy; Industry and Business Analysis; Strategy Formulation; Digital Age; Innovation.

RESUMO

A análise e a formulação da estratégia são os dois primeiros passos do Processo de Gestão Estratégica, o qual, por sua vez, tem a finalidade de fazer com que a empresa seja estrategicamente competitiva. Ser estrategicamente competitiva na era Digital, em que vivemos, para servir o Cliente com serviços e produtos baseados nas suas necessidades. Dada esta relevância, o propósito deste estudo exploratório é conhecer a realidade das empresas selecionadas, como analisam e formulam as suas estratégias competitivas. Através dum estudo qualitativo foram realizadas 19 entrevistas a organizações portuguesas de prestadores de serviços e fabricantes de produtos (tanto em contextos B2B como B2C) e em GBS (Global Business Services) e SSC (Shared Services Centers). O resultado global é que este *framework* do Processo é aplicável em organizações que tenham contacto com a concorrência, uma vez que esta também tem um impacto significativo na formulação de estratégias, e por isso, o Processo das GBS/SSCs terá de ser ajustado. Por outro lado, também se apurou, que as organizações mais pequenas têm processos mais informais de análise e definição de estratégias, uma vez que o CEO assume a maior parte da responsabilidade nestas tarefas, não havendo datas fixadas para a sua realização. Em 60% das pequenas e microempresas entrevistadas, estas estratégias são apenas pensadas, não havendo tempo para as definir. Por outro lado, em organizações maiores, estas são frequentemente feitas por outras equipas e profissionais, com momentos e processos de ocorrência fixos. Nesta amostra, 95% das empresas reconheceram que a Tecnologia e tudo relacionado com a Inovação e Desenvolvimento influenciam o processo estratégico da organização, influenciando também a duração das estratégias. Deste modo, e como postula a literatura, a estratégia e a sua formulação dependem de fatores como o tipo de indústria e a dimensão da empresa.

Palavras-chave: Estratégia; Análise de Indústria e de Negócio; Formulação Estratégica; Era Digital; Inovação.

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LIST OF ABBREVIATIONS AND ACRONYMS

B2B – Business to Business

B2C – Business to Customer

GBS/SSCs – Global Business Services / Shared Services Centres

NPS – Net Promoter Score

SLA – Service Level Agreement

1. INTRODUCTION

The Digital world is revolutionizing the way organizations interact with each other. The role of their customer has completely pivoted from the last century, as customers would only get what corporations decided to make, as their wishes would had to be what was produced. Nowadays, instead of having massive corporations making money from manipulated customers, if customers are not being delighted, the firm will need to change procedures, systems, or tools currently being used to try to generate better results. As Steve Denning (2018, pp. 69), stated in *The Age of Agile*, "slogans like "the customer is number one" are no longer slogans. Now, the customer truly is number one. If internal systems, processes, goals, values, or culture are getting in the way of making that a reality, they must be changed. The customer—collectively—is now the boss". In the end, what matters for the customer is the value they are getting with different organizations. The challenge for companies is to make decisions (in particular, strategic ones) that go hand in hand with clients' wishes and the organization's needs. But how do these customers get more value? What is the strategy for them to get more value?

Alongside the evolution seen in the Digital world, the way strategy is formulated also been evolving. As Mintzberg and Rose (2003) clarify, the evolution came from strategic planning to the emergent core competencies as the changes in the "one best way" term shaped organizations' strategic thinking. Despite all the factors, strategy is conceived by the "average Joe" as the plans that an organization's leaders have to achieve specific goals in the future. Therefore, the formulation is followed by its implementation (Mintzberg, 1985).

However, strategy and its formulation depend on various factors, such as the industry and the organization's size (Hitt, Ireland & Hoskisson, 2017). Therefore, their organizational structure towards a more efficient value delivery varies. Some large organizations seek ways to reduce costs and gain efficiency and scale, as these create GBS/SSCs to make it happen (Gospel & Sako, 2010; Sako, 2010). On the other hand, smaller organizations tend to be organized around value delivery and customer needs (Jankelová, 2017). Alongside the size and type of industry, strategic decisions are also influenced by external factors. Before making any decision, organizations need to understand their context to avoid being harmed by these contexts and make the most of

their realities (Adner, 2017; Lucas & Kirillova, 2011; Rastogi & Trivedi, 2016). From these industry factors, afterwards, companies need to understand where to position themselves to gain the best possible results from the market and explore sources of competitive advantage (D'Aveni, Dagnino & Smith, 2010; Kamukama, Ahiauzu & Ntayi, 2011). From the analysis created, organizations create plans to pursue results according to the strategic orientation in place, creating their own identity (Porter, 1985). Strategy can be seen as just a plan (Ulwick, 1999). However, from the perspective of Mintzberg (1977) is an "incomplete" plan, as a strategy should be considered as guidelines towards decisions, as well formulated strategies should be seen as frameworks that constantly incorporate new pieces of information from the market (Mintzberg, 1977).

This exploratory study's primary purpose is to provide information about the strategy formulations from a group of different organizations and the "level" of this formulation. The second primary purpose is to study the possibility of seeing the Strategic Management Process framework as a guide to provide professionals from different companies with areas to look for answers and have strategic processes with higher impacts. To achieve these objectives, semi-structured interviews were done with different types of organizations in different industries. By analyzing these results, this study enables the possibility of discovering the different aspects of the strategic formulation of different organizations and what influences these choices, contributing to a more practical view of what is written in the literature.

This master's thesis is divided into six chapters. The first chapter is this introduction. The second chapter contains the literature review, in which there is more detail about the organizational structure of organizations and more detail about how that could influence strategy formulation, with more detail about the different aspects according to the Strategic Management Process, being business and industry analysis and how that influences strategic choices. The third chapter goes into more detail about the methodological choices of this study, as the findings from these interviews are presented on the fourth chapter. The fifth contains a discussion of these findings if they are said according to the literature. The study finishes with the conclusions in chapter six, the theoretical and practical implications, and the limitations faced in this study, being followed by the references and the appendices.

2. LITERATURE REVIEW

2.1. Organizing to a better Value Delivery

The Age of Software and Digital brought a different view of the way companies do business with each other. New and more sophisticated technologies are transforming industries. The digitization process has enabled a broader way of looking at strategy and innovation processes when searching for better internal and customer value creation ways (Steiber, 2020). Foreseeing when new practices and products emerge is crucial in terms of preparation for threats and preparing next steps of action (McGrath & Euchner, 2020). For this, organizations need to align operations, strategy, and innovation, bringing new ideas and solutions to both customers who search for the optimal balance between customer value and attractive prices (Kohtamäki et al., 2020) and organizations that seek new and better ways of creating internal value (Silva et al., 2017).

Organizations tend to organize their structures in search of ways to develop and support innovation, as it differs from business "as usual", helping an organization stay competitive and making decisions that meet customer's desires (Daugherty et al, 2011; Iranmanesh et al., 2021). The way companies are organized and take decisions is highly dependent on the size of a company: As shown in a study by Jankelová (2017), small organizations follow an intuitive model approach, in which customers tend to have more "importance" in strategic decisions. On the other hand, formal processes tend to be followed in large organizations, as it is the difference between having several departments and just a person making decisions. A possible solution for large organizations to focus more on core activities is the creation of Global Business Services (GBS) and Shared Service Centers (SSCs) models. These units specialize in operational activities and business processes shared across units within a company (Gospel & Sako, 2010). These units can add value through the cost-reduction effect and by turning these business support tasks into core competencies (Sako, 2010). These insights can also be taken from the 2021 Global Shared Services and Outsourcing Survey Report (2021), where it can be understood that not only the interest of multinational companies in implementing their GBS/SSCs units in Portugal is also growing. From this study, we see that the respondents of this survey identified high-cost reductions, more standardized processes, and an increment in the business value delivered to the entire organization.

This way of structuring organizations can provide strategic decision makers with helpful information for the organization, consulting assistance, and coordination across different subsidiaries, enabling faster and better decisions (Davis, 2005). It is a way of using available resources effectively, as time urges, due to how fast customers can get to other competitors (Dowlatshahi & Cao, 2006; Teece, 2010).

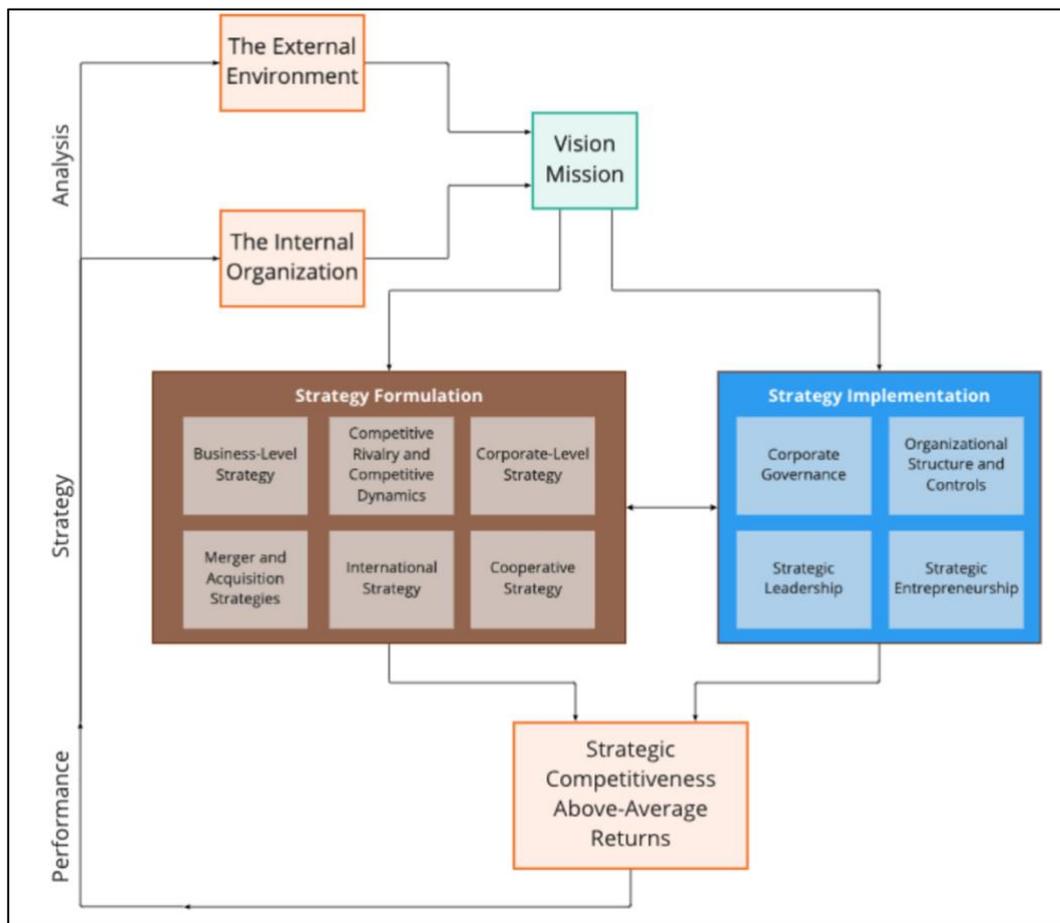
2.2. *The Strategic Management Process*

A strategy has to consider the innovation of new products and ideas and bring the optimal balance between customer value and attractive prices (Kohtamäki *et al.*, 2020). There is a need to optimize existing procedures and the different ways of doing business and bring innovations into the daily lives of different organizations, increasing the potential revenue (Kahn, 2018; Prokopenko, 2020).

One of the many challenges is relating and connecting these different factors. Michael Porter (2015, pp. 1681) wrote "strategy is about making the choices necessary to distinguish an organization from meeting customers' needs." More simply, Ulwick (1999) suggested it be seen as "just" a plan. This plan formulation and evolution play an important role as time and context change and the consequences of decision-making processes. Despite this factor, Henry Mintzberg (1977) suggested that the point of view of strategy as just a plan is "incomplete". To "complete" this observation, a strategy should be seen as a priori guidelines that evolve due to decisional behaviour. A study by Mishra & Mohanty (2020) suggests a definition based on studies by Jeffrey Bracker, which argues that strategy formulation involves the determination of a firm's posture through environmental analysis. It enables a better realization of goals through the appropriate use of resources, highlighting the behaviours that companies have to adjust when put into practice. One key factor for strategy's success is how adaptable these plans can be, as shown by many successful innovations and enterprises that had to be pivoted from their original plans (McDonald & Gao, 2019). Hitt, Ireland and Hoskisson (2017) consider the Strategic Management Process framework to bring the whole picture of strategy to an organization. This framework guides the decision-making processes of different areas, relating strategy formulation and the a posteriori implementation, keeping in mind the organization's ecosystem / external factors and internal factors. To complete

this picture, the Strategic Management Process also takes into consideration the necessary analysis that has to be made to formulate goals, both in the short and long term for the organization (therefore, the Mission and Vision statements). The framework is the represented by figure 1:

FIGURE 1 – Strategic Management Process



Source: Hitt, Ireland & Hoskisson, 2017

This framework puts the mission and vision statements in a special place in maintaining sustainable business performance in the long term (Duygulu *et al.*, 2016). Of those, the mission statement has a particular "assignment" to communicate better the orientation of companies to different stakeholders and customers, which is crucial for customers when taking a first look at a company, or other organizations looking for business partners (Penco, Profumo & Scarsi, 2020). These factors also work as an identifier of the foundations of a group of people and also on a company's performance (Darbi, 2012), as they also influence the strategy formulation process by making different

strategy needs (Depperu & Gnan, 2006). However, these must be well defined as a function of both internal and external analysis of a company, which proves to be a crucial step for a better strategy definition (Haveman, 1992). As the saying goes, "If you do not know where you are going, you are never going to get there."

2.2.1. The External Environment Analysis

As "context is everything", naturally, the first step is to understand the influential factors in the enterprise's environment and ecosystem that contribute to unique goals and strategies (Adner, 2017). Actions from every organization are always influenced by the external environment and their understanding of it, which is one of the primary sources of uncertainty for a company (Lucas & Kirillova, 2011). Decision makers can choose from various perspectives for this aspect, such as the PESTLE analysis, which investigates an organization's political, economic, social, technological, legal, and environmental factors (Day, 1990). These factors are essential for organizations, especially when considering multiple projects in different areas. Considering this mix of external factors can make a team or organization spot opportunities and better identify the reasons for the failure of projects (Rastogi & Trivedi, 2016). To emphasize the importance of these factors in the external analysis, a study conducted by Mapulanga (2013) can provide evidence that the influence of these external factors negatively impacted the formulated strategy, which could lead to a reformulation of the whole strategy. Moreover, the disruption caused by the technology of the digital age tends to decrease profits and bring negative impacts (Yang *et al.*, 2022). Therefore, a well-formulated and complete external analysis can guide companies, avoiding the reformulation of strategies. This all depends also on the pace of change in every sector. If organizations are in stable environments, their businesses can optimize their resources by optimizing all the parts that make their business "come to life" (McGrath, 2019).

Alongside analyzing the external factors, it is crucial to visualize the limitations associated with the industry (or industries), influencing business decisions, and strategic choices made (Davidson *et al.*, 2015). One of the most well-known frameworks for the analysis of structural characteristics of an industry is Professor Porter's five competitive forces model (Renko, 2011). This framework is shaped by the influence of different

stakeholders in the organization. The components are the rivalry between existing competitors, the threat of new entrants, power of suppliers and buyers, and substitute products and services (Porter, 2008), and "is based on the perception that an organizational strategy should encounter the opportunities and threats in the organization's external setting." (Bruijl, 2018, pp. 1).

From the point of view of different authors (Bruijl, 2018; Grundy, 2006), this framework brings a simplified microeconomic view, making the "industry competitors" a function of the other forces. This view helps to combine the input and output analysis of a specific industry with its boundaries through analysis of the barriers and substitutes and focuses on managers in external environments for more than a traditional SWOT analysis. Based on an analysis of competitors' movements, organizations can combine them into different groups (strategic groups), providing more information to predict the nature and movements of competition (Mas-Ruiz *et al.*, 2014). However, the unpredictability of the digital age can create competitors from different sectors. For example, Apple has led the smartphone market, entered the smart TV market with Apple TV (Shin, Park & Lee, 2015), and even started producing its shows.

The customers and their needs take an essential place in the external analysis, influencing the innovation choices and processes of different organizations. The tables have turned, and as Steve Denning wrote in *The Age of Agile* (2018a, p.69), "The customer—collectively—is now the boss" as if customers do not find what they are looking for in one organization, they will go to another one. There is a sense of urgency and pressure to find solutions that are driven by value-creation processes and are aligned with customer needs (Carlson, 2019; Denning, 2018b). The power of innovation is nowadays even more important, as they are often keen on increasing operational efficiency, employee satisfaction, or improving the innovativeness of a company (Steiber & Alänge, 2015). This makes innovation one of a company's most essential and successful factors and one of the most complex challenges (Tohidi & Jabbari, 2012).

"While most businesses agree that innovation can drive growth, few know how to innovate successfully and repeatedly" (Rigby, 2003, pp. 113). These two attributes of innovation are highly related, and as Denning (2017b, pp. 4) advises, "innovation proposals have to develop compelling hypotheses for both the product offering and the

business model", as they have to satisfy not only the client but the other stakeholders of the organization as well.

2.2.2. *Internal Organization Analysis*

From the internal point of view of an organization, the main objective is to highlight the capabilities and resources available, such as economies of scale or natural and technological bases, which can lead to core competencies, which may result in sources of competitive advantages (D'Aveni, Dagnino & Smith, 2010; Kamukama, Ahiauzu & Ntayi, 2011). Alongside this, it is vital to search for dynamic capabilities due to the importance and guidance when searching for better financial results. (Schoemaker *et al.*, 2018). The internal analysis is crucial for clearly defining the goals and strategies that will take place, generating options, and selecting the most relevant ones (George, Walker & Monster, 2019). However, in a highly uncertain world, strategy development needs to become closer to a process of innovation and discovery (Leavy, 2014; McGrath, 2010), seen as temporary waves due to the pace of transformation of resources and organizations (McGrath, 2013b).

Adding to this analysis, the internal point of view also considers the value streams of teams and organizations and how they are organized to provide better results to the company. Even though the value created might not benefit all members of society, every internal factor, when seen as a part of the value creation process, brings positive results to the organization (Bull & Whittam, 2020; Keil, Maula & Syrigos, 2015).

As pointed out by Rita McGrath (2013a, pp. 18), "one of the most notable features of the companies that have so far shown how to manage the resource reconfiguration process continuously is the remarkable dynamic balance that they can achieve between stability and agility". Businesses cannot stop. Finding this "balance" between existing tools (and its constraints that are impeding progress) and the capacity to innovate is critical for the success and optimization of resources, as these are "complementary, interdependent, mutually beneficial capabilities that need each other to survive" (Rigby, 2020, pp. 28). With this purpose in mind, it raises the importance of formulating a strategy that must have this sense of urgency in fast-paced environments that consider these factors (McGrath, 2013a).

2.3. *Strategy Formulation on the Business Level*

After analysing the internal and external environments, companies develop its Mission and Vision statements. After this step, it is essential to trace different paths to accomplish different and newer objectives, therefore, formulate their strategies. Companies create strategies to achieve long-term objectives (Chandler, 1962), meeting customer and stakeholder expectations (Ginting, Widodo & Purwadi, 2021). Regardless of the definition, an organization's ability to strengthen its strategic position depends on one crucial factor - its ability to create the strategies that produce the desired results (Ulwick, 1999). Strategies at the level of the businesses are designed to achieve a set of business objectives and to have a critical influence on the performance of the business, creating differentiation among competitors (Porter, 1980). Strategies at the business level, alongside the Mission, are the two main factors of positioning (Mintzberg & Rose, 2003).

Based on what was analyzed, the formulation of strategies starts with choosing what to do at the business level. This aspect has the purpose of "helping" customers choose a set of products/services over another and also to understand better what was previously decided (mission, vision, and company goals) (Kitsios, Kyriakopoulou & Kamariotou, 202; Porter, 1996). Strategic choices are mainly influenced by the size of the enterprise in each industry, as small and medium companies are more likely to challenge the market and make more competitive actions to gain market share from incumbent organizations, as well searching for more profitable ways of doing business outside their geographies, which impacts the strategic formulation processes (Golovko & Valentini, 2014; Karakaya & Yannopoulos, 2011).

Strategic choices can proceed with many orientations at the business level, bringing together the vision and mission of organizations, which provides clear guidance and makes an organization unique (Porter, 1985). The orientations can be Cost Leadership, when an organization is keen to provide goods and services at the lowest possible cost and, in that way, achieve better results (Haque *et al.*, 2021; Porter, 1985); Differentiation for companies to satisfy their customers with products that have unique qualities, desired by them, compared from those which already exist in the market (Banker *et al.*, 2014; Porter, 1985); Focus strategies at these levels for satisfying needs in a particular segment, being possible to change one segment to another if possible (Porter, 1985; Selove, 2014);

and Integration between Cost Leadership and Differentiation strategies, involving the creation of primary activities and support functions to also achieve low costs and differentiation from other competitors (Hitt *et al.*, 2017). Strategy at the business level is the core of business strategy, describing how firms compete in markets and influence the performance of business units (Hitt *et al.*, 2017). These also define what behaviours to have towards the competitors of an organization; that is important to take into consideration that competitors move earlier to spaces that appear “attractive”, making fast and effective decisions (McGrath, 2013a).

Great formulated strategies have to take into consideration these different aspects. Mintzberg *et al.* (2003, pp. 87) suggested that “a good strategy does not need constant reformulation. It is a framework for continuous problem solving, not the problem solving itself”. Opposite to this, a strategy that needs constant reformulations when encountering different challenges, the result could be an ever-changing environment. It may lead to unnecessary costs and the lack of a defined market position (Reed, 2021). As Denning suggests (2020, pp. 21), “changing the values, practices, processes, systems, and structures of a large bureaucracy can involve a long and difficult journey”.

As Rita McGrath stated (2019, pp. 120), “the growing mismatch between what once made an organization successful and the environment it finds itself in now eventually leads it to dramatically lower performance, if not to its demise”. Companies that want to thrive in the digital world have to be capable of responding to change. If the response to these changes is the constant reformulation of strategies, therefore, if companies are not prepared for change, embracing the digital world, and do not have certain agility to combine strategy, innovation, and effective change, the result might be “its demise”.

3. RESEARCH METHODOLOGY

3.1. Methodology Orientations

The methodologic choice made had to be thought of as an appropriate method to analyze and measure the effectiveness and the possible match between the Strategic Management framework developed by Hitt, Ireland & Hoskisson (2017) and the strategic “activity” of different organizations. With this in mind, the research conducted was an

exploratory study (Malhotra & Dash, 2016), by defining the variables that were seen as parts of the Strategic Management framework and designing an appropriate method to measure them when relating them to different organizations. As there was a small sample of data, it was needed to have a descriptive point of view. However, with a more profound investigation around those, each organization is different from another (Saunders, Lewis and Thornhill, 2016), with different thoughts about strategy, innovation, and decision-making options.

For better gathering and understanding of different types of qualitative information and data, the technique that might provide better guidance is a semi-structured interview based on a survey to provide guidance for these interviews. The interview was conducted with Google Forms for a simpler and easier information gathering. Since this was the only source of information, it would be considered a mono method qualitative of gathering information (Saunders, Lewis and Thornhill, 2016).

3.2. Sample and Data Collection

Malhotra and Dash (2016) consider a sample to represent the target population. Therefore, a list or set of directions for identifying the target population, being a group of people that share common attributes relevant to this research. However, this is not representative of the global target population, therefore, it is not possible to generalize the results.

For this study, the sample selection relied on CEOs, Founders, Directors, Heads of different departments, Senior Managers from Strategy departments, Management controllers, Supervisors from management departments, and Strategy and Business consultants. The first contact with professionals of different companies was first made via LinkedIn, with a preference of people from previous professional connections or via personal contacts gathered at job fairs and other events.

As this study is centred on the perspective of Portuguese organizations about how Strategy is put into practice in these, the target population for this study was Portuguese individuals who understood how this happens in their company. These companies could be both in the B2B or B2C environment, as well as being a GBS or a SSC unit, since it

was important to get different perspectives in terms of distance to the final Customer of these organizations. The organizations that participated are from the following areas: clothing, engineering and software solutions, furniture manufacturers, electric mobility, nautics, energy, automobile, pharmaceutical, communications, hardware solutions, IT services and financial services, as represented in the following table:

TABLE I - PARTICIPANTS OF THE STUDY

Company	Organization Nature	Industry/Sector	Size
1	GBS/SSC Unit - Services	Production and Supplier Fashion and Sportswear	Large
2	GBS/SSC Unit - Services	Engineering and Software Solutions Provider	Large
3	B2C - Products Manufacturer	Furniture Manufacturer	Micro
4	B2C - Products Manufacturer	Electric Micro-Mobility Solutions	Small
5	B2C - Products Manufacturer	Acoustic Solutions Producer	Micro
6	B2B - Services Provider	Intralogistics Solutions Provider	Large
7	B2C - Products Manufacturer	Producer of Classic Boats	Micro
8	B2B - Product Manufacturer	Energy Producer and Supplier	Large
9	GBS/SSC Unit - Services	Automobile Parts Producer	Large
10	B2B - Services Provider	Pharmaceutical Consultancy	Large
11	B2C - Products Manufacturer	Information and Communications Hardware Producer	Large
12	B2B - Services Provider	Software and IT Services Provider	Large
13	B2C - Services Provider	Financial Services Provider and Consultancy	Small
14	B2B - Services Provider	IT Services Supplier	Medium
15	B2B - Services Provider	Telecommunications Services	Large
16	B2B - Services Provider	Hardware Technology Distributor	Large
17	GBS/SSC Unit - Services	Automobile Parts Producer	Large
18	B2C - Products Manufacturer	Automobile Producer	Large
19	GBS/SSC Unit - Services	Energy Producer and Supplier	Large

These interviews took place from the 14th of April to the 20th of June of 2022, being considered a study with a unique period, being considered a cross-sectional study (Saunders, Lewis and Thornhill, 2016).

4. ANALYSIS OF RESULTS

The main themes in these interviews were the Macro-Environmental factors that influence the environment of different organizations, the Industry analysis, the Business analysis, and the Formulation of strategies. The Business analysis part is divided into the General part, the competition companies face, and how analysis helps to make better decisions. The Internal analysis is in search of the organizational capabilities to provide the Customer with what is expected. Finally, the strategy Formulation is in search of how everything is put together and how everything happens in the Digital Age.

The interviews followed different patterns in terms of types of business. “Complete organizations”, being both from B2B/B2C types, followed a pattern, and GBS/SSCs followed another. The main difference can be identified via the answers about the competition. Due to the characteristics of GBS/SSCs groups, the only competition that could be found was via other groups and units of these types, regarding the different skills and people to hire. Therefore, in several interviews, these questions would not be asked.

4.1 External Macro-Environmental Factors

Every external factor influences companies and teams. 32% of the interviewees mentioned that everything influences their companies. Apart from these responses, the factors that have a more significant influence on interviewed companies are the ones related to Technology and everything related to Innovation and Development, which were mentioned in 95% of the interviews. This high level of agreement between these interviewees is justified by the fact that these organizations are either in a sector with a high technology level or have a more significant presence in the technology sector due to customer requests and innovations that must be made. As exemplified by interviewee 12: *“Technology ends up being a big deal here due to being our sector and the expansion of clients and their needs makes us going after this factor and made us search more and*

more for different opportunities". The second and third most important areas that influence these organizations are the Sociocultural and the Global Markets, which tend to influence hiring processes, and business relationships with partners, among other factors.

The cultural aspect gave companies a sense of urgency due to the different factors that also change the characteristics of the market. An example of this scenario is mentioned in interview 5: *"Each and every factor influences, in particular the sociocultural one. One product is different from the other, has different people, different attributes, and even on the way you sell it, it changes: Portuguese people like to spend more time in markets, just walking and seeing around, but in Switzerland people do not. They go straight to the point. They go to buy and are more pragmatic. Our posture in these markets is different, it has to be as you can see, and we always try to take the best from one and apply it to the other. For example, the quality, from both the work and the service, the method, strategy, relationships with customers, and the type of solution, if it is more for the short term or the long term, and especially the way you sell these solutions. Influences everything"*. Moreover, every interviewee considered there not to be a fixed routine when looking at the different factors, not an analysis or other fixed way to get information.

For GBS/SSC Units, there is a clear sense of urgency in the hiring process due to different urges to satisfy internal customers on their different needs. Demographic and Sociocultural data tend to guide these units in terms of the different salary level to provide and the different skills that are needed, as it was recognized on interview 9: *"This (the Demographic and Sociocultural factors) is extremely important for us to keep being competitive in terms of our group demands. In the end, our survival depends on the value that we deliver to the business and to the top management, so more capable people are needed"*.

4.2. Industry Analysis

4.2.1. Strategic positioning

Interviewees can be divided into several groups based on their answers. From GBS/SSCs organizations (1, 2, 9, 17, and 19) the general response was to provide an effective and efficient service to the internal partners and businesses. Organizations 6, 10 and 18 focused on being the best on their markets, as the interviewees from organizations

3, 5, 7, 11, 13, 14, and 16 mentioned the importance of providing the customer with the most of their products and services for solving their needs. On the other hand, organizations 4, 12, 15 mentioned the uniqueness that the product or solution has in their market, and organization 8 spoke on the destination that the current changes are leading to the impact they can have on the market.

4.2.2. Value Delivery to Customers

The overall vision that the interviewees shared is that strategic decisions tend to position companies to provide better answers and solutions to customers by understanding their current pains (without discarding the future ones), which must be directly related to the services and products that these provide. Investigations to discover what annoys customers have to happen, in a more formal or informal matter. 75% of the professionals from medium and large organizations (that being organizations 2, 6, 9, 11, 14 15, 16, 18, and 19) shared different examples, NPSs (Net Promoter Scores), Customer Satisfaction inquiries, Focus Groups, Case Studies (to search in a more profound way what is needed by the customer) and also interviews with key personas, representative of the customer database.

In smaller product manufacturer companies (3, 4, 5, 7) the feedback and contact is directly made with the CEOs of these organizations, despite not being recognized a specific cadence in any of the examples, as is directly dependent with the flow of work. It is essential to highlight a different and more personal view that a professional from company 4 shared: *"At the moment, as the customer database is still very exclusive, there is a direct contact between the CEO and CPO with these customers. We have a "WhatsApp" channel in which we send messages with updates, and we answer them. They immediately contact the Product Team to provide feedback when they have something to say"*. In the same context, large product manufacturer companies (8, 11, 18) appear to aim for a continuous relationship with these customers on the long terms, with the selling of different products of their business lines.

Particularly from GBS/SSCs companies 1, 2, 9, 17, and 19, it can be found that the most common thing is facilitating and providing the organizations with the correct information needed to make significant strategic decisions. They understand what this

(unique) customer needs in more direct contact. For example, from the professional of company 17, *"Every information is going to provide an anticipated and clear vision for the business, which is highly relevant for executive decisions. We are an arm and extension for these functions"*.

4.2.3. Segmentation of Customers and Suppliers

Every interviewed company has a Customer segmentation created, except company 7: *"We do not do this customer segmentation, but if we did, the only possible segmentation would be in terms of the dimension of the project - we work project to project"*. In terms of the switching costs for these companies, only company 11 recognized its possibility of existence, but when they did, they would be insignificant.

In terms of Supplier segmentation, the reality of these organizations is different. Professionals from organizations 1, 17, and 19 did not refer the creation of a Supplier segmentation. These three GBS/SSCs units could lead to the origins of the inputs and information that these companies work with. Despite this fact, all other companies create a supplier segmentation. However, there is nothing in common regarding the number of suppliers and the dimension of these segments. The overall message is segmentation being made with the source and types of materials, with different suppliers for each segment. For example, the professional from organization 6 identifies: *"We have a supplier segmentation, defined for each product, and in almost all cases we have replacement products in case these are unavailable"*.

4.2.4. Market entrance barriers

When looking at the market barriers to the entrance of new competition, there is a clear distinction between B2B and B2C companies, according to their typology of organization, when compared to GBS/SSCs units.

Considering all the B2B and B2C organizations, three significant barriers were referred: The cultural, financial, and professional ones, 43% of the interviewees referred the cultural and cultural and social barriers, especially when the reputation/stigma that different regions and countries have, which is highly damaging. Companies that are

service providers (6, 10, 12, 13, 14, 15, 16) mentioned barriers related with the high degree of knowledge that the manpower has to possess. On the other hand, product manufacturer companies (3, 4, 5, 7, 8, 11, 18) referred the high investment that was made to create their products and organizations. Particularly on organization 7, the professional barrier is specially referred: *"When you consider classic boats, it is a very restricted market. You cannot just join this market. These companies live with tradition and are still alive due to their years of market experience. In my case, I put together very senior people, I went for tradition. Otherwise, I would not have an entrance into this market. No one would believe in what we are capable of. It would be impossible if I did not have this backup from the people I have had with me for years. I am talking about people in the 60s when we started who have seen three prior generations in this area. Therefore, if someone wants to start something in this market, it would be extremely complicated because you cannot find the tradition and the know-how you need to do great work. There are no courses at this level to any position in this area"*.

On the other hand, GBS/SSCs have a different perspective on their market. As an extension of a company designed to provide information, there is not a market where these units compete. The only competition that was recognized between these professionals was the competition for the proper knowledge and skills of other professionals. Therefore, a market barrier does not exist due to no other possible entry into their markets.

4.2.5 Threat of substitute products and services

As the global market thrives and influences more and more decisions that are made, it also brings new opportunities to new and more different organizations to go to new markets. Substitution Services in terms of GBS/SSCs would be different due to these units' exclusivity in their organizations. Organization 19 recognized that *"the threat where it is would only be thinkable if we do not provide a good service, the other organizations of the group would not want our services, and afterwards would create their own departments to manage this kind of area"*.

From product manufacturer organizations, small organizations had these analyses created by the CEO and Leadership Teams and adjusted with time, while large

organizations had teams created specific to this matter, being helpful when comparing performances between their products and emerging replacing products. In terms of service provider organizations, all the professionals commented that the organizations have the different solutions monitored and are aware of new entrants into the market. 43% of these organizations acquire new emerging companies if they had a better solution, and the 57% of these had developed specific solutions to stay competitive. As an example from the interview with the professional from organization 10: *"what is emerging are small companies in a niche that, with a slower price or flexibility in changing, can provide some competition to us. In some cases, acquisitions might occur. However, if it does not make sense, we do not do anything about it"*.

4.2.6. Studies about Competition

The general message is that *"these studies are a good source of information for us to become better and better"*. Despite this, similar to what was found in the Replacement Products and Services study, a significant distinction between these companies from B2B and B2C when compared to GBS/SSCs was found. Since GBS/SSCs companies did not have clear competition, the related questions with this topic did not apply to these.

When considering service provider organizations, 28% of these had studies done by marketing teams, while in the other 72% these were created by the CEOs and Leadership Teams, who took the decisions. In small product manufacturer organizations that created these analyses, they made by the CEO, and by R&D teams in case of large organizations. Moreover, 21% of all the organizations count with the help of consulting organizations, such as Gardner, Bain, or Nielsen to better understand their markets. Opposite this, when the information is not available, these have to be done by themselves, as is the case of interview 6: *"Our company does it on a central level, and this happens due to being an area where it does not exist much information, you don't have a Nielsen as it exists for the Retail industry. It is tough to find information about our market"*.

4.2.7. Investigation on Customer Needs

With every resource available, these organizations need to understand what challenges and needs of the customer have to be solved. However, there is not a fixed pattern when considering the type of business and organization.

Organization 1, 8, and 9 is shared that the Leadership Team handles the negotiation and conversations with customers and later defines what teams should do. On the other hand, the reality of organizations 11, 12, 14, and 18 was that they had specific teams for understanding and perceiving customer needs. These teams study stakeholders and identify the needs not yet satisfied by both the organization and the competition, which helps to see opportunities. In some cases, organization 12 also leads the conversation to different workshops to try to visualize other perspectives and scenarios, leading to a more refined perspective on the current need. At organization 15, the services of consultants and other organizations, such as universities and market studies organizations, are hired to identify customer needs and trends better.

On another level, organizations 2, 4, 6, 13, 17, and 19 have constant contact with customers where they maintain the relationship and make requests, complain, or suggest possible improvements on products and services. As an example from organization 19, *"we have monthly meetings with clients, several meetings with directors from other organizations, and board to study the SLAs, indicators, cost reductions, projects, everything. Often, what happens is to work with what you think the customer wants without really knowing what is wanted. Here, we want to work with a clear perception about what the need is, so we have to listen to customers and make some rituals to do it"*.

Finally, organizations 3, 5, 7, and 16 work more with projects, different businesses, and negotiations. So, the perception of needs in place is often related to the investigation to know better how to execute the project.

4.2.8. Components of an Analysis to the Competition

From organizations that create an analysis to the competition, all of those believe that comparing their Capacity and Strengths with the competition is the key component that makes a successful analysis. As an example, also from the same company 11, it is

"important to provide the information to the customer that are some capabilities that are going to be available in the future, that if the need pops up, perhaps even appear on the "backlog" and priorities board of different teams".

Apart from organization 11, no other professional from the organizations that created this analysis provided a perspective about when this analysis took place. However, organizations 4 and 13 analyze it when the competition launches a new product or any news to the market. Similarly, organization 12 also takes another perspective on studying the competition's movements: *"This information is also fed from the application to public propositions to monitor and study how are new in our markets and how the competition is positioning their offers".*

From this part of the interview, the interviewees were asked about strategic groups and if their organizations created these analyses, to which only professionals from organizations 4, 6, 12, and 14 responded affirmatively.

As expected, several questions had to be adjusted to the reality of the different organization types. The main difference between the interviewees would be the Competition studies, as GBS/SSCs organizations do not have the "traditional" competition due to their nature. In value delivery, it is interesting to see different dimensions shared by different organizations. While some organizations use more traditional methods to better understand the customer's satisfaction level, others refer to close contact with customers, which would be better for the experience as a client of these organizations.

4.3. Company Analysis

4.3.1. Major components of a company analysis

Looking at the internal side of these organizations, the interviewees were asked what parts of an internal analysis were and how it was created. In general, there is no difference between the type of organization and the internal analysis that is made.

Apart from professionals of organization 10 recognized that the Resources were a component of an internal analysis of their organizations. 63% of all organizations recognized that all the options, Resources, Dynamic Capabilities, Value Stream, and

Competitive Advantages, when compared with Competition, were in their internal analysis. As an example from organization 13, *"this is extremely important due to the simple fact that we will have to go to higher levels on the value stream. With this vision of a value stream, we often must understand the customer's origin and why their reality also brought problems for us to solve. With this view, you can position yourself better and offer solutions at the entire value stream level, not limited to a small part of this value stream. Our focus is always to go beyond"*.

As an example from a GBS/SSCs organization, organization 17 identifies the resources, dynamic capabilities, and value stream as the critical components of an internal organization: *"The analysis here is about what is done towards the strategy of the GBS, and not only looking for resources, which are the tools that we have available such as technology, the intellectual capacity of people and what is needed to advance in on the value stream. The value stream is significant because, being a GBS, we do not possess the full value stream, so the idea is always to increase this. When analyzing the strategy in place, everything is connected, and sooner another process could be brought to the GBS. There could be other parts that are more important and so, we must always think how we are going to provide better service and insights to our internal Customer"*.

4.3.2. Main Resources and Dynamic Capabilities

In terms of the most essential Resources and Dynamic Capabilities. Unanimously, one most important resource identified is the Human Resource. Organizations 4 and 7 recognize this as inevitable because *"without our people, this business would not be possible"*. (organization 4). *"I work with highly specialized people in a minimal area. I have known since the beginning of this company that we would always be small, as it would also be a tragedy if we had many boats simultaneously. It would be easy, yes, but in terms of quality, it would not be the same. Our case is small and simple, and that is how we always see ourselves"*. (organization 7).

Despite this, a perspective is on the opposite side of this discussion. From the interview with the professional from company 11 recognizes that *"people might be the most answered that you have, and nicest answer that could be given, but I believe that knowledge would be more correct, due to if people leave the company and if they have a*

good hand over the baton, about insights and core values of the organization this is solved. Of course, you also have patents with economic value and the products themselves. I think it is nice to say to people, but obviously, each organization's value stream and infrastructure are unique".

Interviewed organizations identified other critical dynamic capabilities, such as Technology and internal capabilities related to this area, identified by 37% of the interviewees.

4.3.4. Performing Internal analysis

With all the factors identified, different perspectives emerge in terms of the way these analyses take place. In 28% of product manufacturer organizations, these happened in an annual way, with the rest identifying the existence of "non-formal" processes. As an example of organization 4: *"This analysis is an output of our daily observations. As our dimension is small, and our relationships are very close, in just a couple of conversations, we can see how this is going, if it is all right or not, in a very genuine way. There is no necessity to turn it into a formal moment yet. It is always present and is seen on a normal daily basis".*

On the other hand, 85% of the service provider organizations have methodological processes of an internal analysis, with the other 15% being made reference of a transformation of informal to formal. In terms of GBS/SSCs units, only organization 2 referred a formal way of creating these analyses, with the other organizations creating these analyses informally.

4.3.5. Actions with non-existing resources

Each individual was also asked what the company would do if the customer requested some resources that are currently available to the organization. 85% of the service provider organizations search for solutions concerning merge and acquisition processes and subcontracting services. On the other hand, from organization 13 was mentioned the availability of the organization: *"we make decisions, and we put them on the pipeline. When possible, we execute them. We have many more problems and challenges to solve*

compared to people, so we always have projects and initiatives in the pipeline. We open one more project, evaluate the need level, and we decide if we make it now or later, after also evaluating if it is a small or big problem that takes few or a big amount of resources. In the end, they are always solved with the right priority".

From the product manufacturers, 43% of these organizations search outsourcing initiatives, and 28% of these internally adjust to provide an answer to emerging customer needs. The rest of this group focus only on what can be done with their existing resources.

In terms of GBS Units, these searches of subcontracting solutions having in mind the budget of different projects and initiatives.

4.4. Strategy Formulation

4.4.1. Mission and Vision

After understanding the external and internal factors that influence these companies' work, it was time to learn how the strategy works in these organizations. Moving to a more formal part of the interview and a crucial part in the strategy area, the first question was related to definitions of the Mission and Vision of these organizations.

In these organizations, it was discovered that some have defined moments to review their mission and vision, others have these procedures when needed, and others were never concerned about this area. Despite this, every organization has changed its mission and vision since its beginning and creation of these organizations. However, the reasons vary with the different cases, with a pattern by business type not being created.

In terms of a redefinition of the vision and mission of these organizations, there are several main reasons for this to have happened in the past. Organizations 1, 3, 12, and 19 have suffered a change in these formulations due to a change on the Board of the organizations due to retirements or exits. One aspect that stands out is related to group 12: *"Last year we created a model of strategic discussion more open and also agile, that is focused on listening to the organization, trying to understand the main problems that lack visibility, the ones that we were feeling from customers, both internal and external. All this with a definition of a set of objectives. We created a structure based on the Lean Value Tree and defined a set of goals that relate to the mission and vision. It is currently*

a work in progress. This was created due to the global pandemics crisis's different markets. The CEO changed along the way, which resulted from trying to incorporate every variable and understanding if our mission still makes sense and what changes it needed to make".

Organization 5 had the mission and vision refined due to market experience and reset for a more tangible and inspiring mission. Organizations 2, 8, 9, 10, 11, 14, 16, and 18 have re-thought due to changes in external-macro environment factors.

As some organizations have less than two years of age, this question did not apply to companies 4, 13, and 17. Related to 6 and 15, they changed due to a merger and/or acquisition. Lastly, in company 7 there is no definition since the day it began: *"I cannot say that there was strategy around the formation of this company because it was not. We are even considering the way it was born. Nowadays, some strategy starts to emerge due to the need to jump to areas that were once forgotten. We are very dedicated to the boat recovery area and producing vintage materials for these projects. The idea is to explore different areas key to the production. However, this is not something that is yet interiorized. In our 25 years of age, 24 did not have any strategy at all, so we do not have this mission and vision that you speak of defined. However, I could say that our main goal is always to do a great job, recover, and not let these classic boats die. We keep going until we are not capable to".*

4.4.2. Business-Level Strategy Orientations

In terms of the strategy on the business level that these organizations have, Michael Porter defined that there are four types of Business Strategies. So, the questions that follow are about this area. In general, and as seen before, there are no trends for the type of organization against what was initially thought. GBS/SSCs are often created for better cost optimization and cost savings, and so, what was thought was that these organizations would have either Cost Leadership as their answers. The Differentiation mindset also has great value for this kind of organization, as some answers rely on the Integration between Cost Leadership and Differentiation.

Organizations 1, 8, 9, 11, and 16 identify themselves as having a strategy of Cost Leadership, companies 4, 5, 7, 12, and 14 identify themselves as having a strategy of

Focused Differentiation, and organizations 2, 3, 6, 10, 17, 18, 19 identified most as the Integration between Cost Leadership and Differentiation. As an example from organization 2: *"When talking about basic IT commodities, operative systems and so on, we want to get and provide the most useful value at the lowest cost, buying at scale, having a lean service manager, the lowest possible. In terms of what is not a commodity, we look at ourselves from a more differentiation point of view, from the use of the skills of our developers in terms of the needs of our clients, in terms of their needs and so, the differentiation is more suitable in this case".*

The answer that was provided by organization 13 was Value Leadership, which can be close to a Focus Differentiation strategy: *"I do not see our organization in any of the options. We are very focused on delivering value. For us, what matters the most is delivering value to our partners and our people. We first do the value analysis and perceive if it is reliable, but we never see only ways to save money for productivity. Our way of thinking is more focused on how we will deliver more value to gain productivity".* From organization 15, its professional answered Efficiency Leadership, being similar to a Cost Leadership orientation: *"We want to be the most efficient of all, and so you do not want never to spend unless it is going to be useful and necessary. Here is more or less as the market studies - if it makes sense, we want that to exist".*

4.4.3. Changes on Mission and Vision Statements

Over the years, only organizations 3, 7, and 17 did not change their strategy. The main reason for the first two could be in terms of the stability present in these markets, and from organization 17, it was due to the age of this organization, which was at the moment, less than three years old.

Despite these organizations, every other organization has changed its strategy. Organizations 1, 2, 15, and 19 had their strategies changed alongside the Mission and Vision of the organization. Organizations 4, 5, 11, 13, 14, 16, and 18 changes in the Mission and Vision are related to the experience these companies have with the market and customer experience. In these cases, only slight adjustments to make objectives more tangible were made. The perspective from the organization also 13 provides a different insight from the usual responses: *"For now, we are annually analyzed by the*

shareholders, and we create this analysis. We have an Executive Committee that analyzes from 3 to 3 months how the annual strategy is going. We define a strategy per year to present to the Board of the organization afterwards, they approve, and from time to time, we make these adjustments. That is our model”.

Organizations 6 and 12 were changing their strategy by the moment these interviews took place. From organization 12, the testimonial was that *"people are changing, the internal structure is redesigned from the organization's point of view. The governance routines of the leadership teams that lead them to a strategic decision are different. In the end is a system, a dynamic and interactive framework, and you review it, incorporate more inputs and improve, which makes the logic of "review in 2 years" useless, due to the constant review, from month to month, 3 to 3 months incorporating new things. Everything about this might be bold because people are not used to it. In this case, we are talking about creating routines and education for people who often do not have the capacity to create operational systems to replace strategic systems. It takes time. Here we start to see the results, but these are things that need patience."*

In contrast, in organizations 8 and 10, the strategy is expected to change somewhere in the future. For example, from organization 8, the reality is different: *"There are projects that will be implemented in 2030 and are associated with this strategy. The previous strategy was in practice for 15 years. This is always changing compared to the mission and vision. Despite this, I think it will last for more than 15 years due to market limitations."*

4.4.4. Relationship between Strategy and Innovation

Innovation is essential to provide customers with newer and better solutions to their needs and problems. This theme needs to be profoundly related and connected with the strategy that a customer is conducting. For these cases, organizations 1, 6, 10, 17, 18, and 19 only have specialized teams or departments searching for new solutions and creating innovations to bring to the organization. Organization 9 has these teams connected with the innovation with which the people from other departments are invited to participate.

Companies 3, 5, and 7 have internal renewal programs, with new tools and more know-how integrated into the organization, with particular attention to the production and

manufacturing processes. Organizations 2 and 8 have both these processes. A strategic team focused on innovating, while others are invited and looking for more innovative processes.

From organizations 4, 13, 15, and 16, it was seen that these were always innovating due to the nature of the industry where these companies are, or in terms of the age of the organization, to be able to find new solutions and to always find new and different ways to sell and provide value to customers and shareholders.

Finally, organizations 12 and 14 have decentralized processes validated with the market's experience. From organization 14: *"We make investigation and development projects that, in general, come from ideas of the customer, we want to be like that because making products and trying something, the same thing over 2 or 3 years and putting that on the market to see if it works, no longer exists. Moreover, that is exactly against the Agile manifesto and what we always want to get the customer's buy-in from the beginning of the development. Sometimes it is hard, but we try every time possible."*

From the perspective of every organization, it is said that the strategy these companies are conducting is highly connected and integrated with the Innovation that their teams and people are leading. If it is by having it formulated on the mission and vision or by seeking new ideas, great ones could also be integrated.

4.4.5. Strategy Reformulation

In every organization, the decision for a strategy reformulation is taken by the Executive or Leadership team, in several cases being done with the "Heads of" different parts and departments. These decisions are from a top-down perspective, perceived with inputs and information from the market.

In organizations 1 and 19, there was also the mention of consultancy teams to guide the leadership team to make those decisions. Organizations 3 and 13 also spoke about the importance of having different people from different generations in terms of innovation and the perspective that these can bring to the business.

About organizations 6 and 18, it was pointed out that typically these decisions happen within 2 years. In contrast, in organization 7 it was shared that, due to the limitation of

people and type of industry, strategy reformulation becomes complicated, almost impossible to happen, due to the rigidity of processes of this organization. Organization 8 shared that it is highly ruled in their industry, and every reformulation has to happen according to these requests, while the strategy formulation could last 15 years. Organizations 10, 11, and 14 mentioned the proactive board of the organization to avoid full reformulation situations. On the other hand, the interviewees from organizations 15 and 16 referred to the importance of changes in the sector and how to respond better in those situations.

There is also a different way for these reformulations to happen, as the professional from organization 12 answered: *"In the end, this model is a model of distributed leadership. The strategic tree has routines to be reviewed constantly. The operational tree is reviewed daily, which is this unity's dynamic. So, how does this strategy reformulate? Ends up being the Senior Leadership, that with the involvement with other "Head ofs" and other people more on the field that work with this strategic tree, and on the operational part are the units and teams that manage on a daily basis. The operational tree is the less visible one, is very dynamic, and ends up being very hard to create a model that allows visualizing everything."*

It is essential to add that GBS/SSCs companies have a profound connection with the leadership team from the global organization, which in these cases can create different dynamics, from organization to organization, without leading to a trend in these types of companies. For example, on organization 17: *"It is on a forum with a more strategic purpose to re-think, if the strategy is being followed or not, and what needs to be changed."*

4.4.6. Strategy in the Digital World

To the question, "how did a Digital World change the way Strategy is formulated" the professional from organization 3 confessed important insights about the history that this company has: *"the reason why this company still exists is that our spirit has always been very open. We are talking about a constant transformation of a woodworker who, when I started working with him, was that typical woodworker. We bought some facilities. We changed the image a little bit because of the technology that my father (1st generation)*

at the time found very strange: when talking about the internet and the IoT (Internet of Things) and all those things that are very important in our market, I was lucky that he accepted and that I was able to change the perspective of someone who was always used to doing things in a certain way, saying "look, we have to look a little bit ahead, because this is the future" and this is a little bit the future needs of the market. I review myself with some of the decisions my son makes, along with his way of thinking. In a way, the importance of it in the same way, helps me not to slow down and keep worrying about quite important topics and issues, and that for a company that was created in 1976, it has come a long way - it has gone through several phases in terms of technology and the company has only survived because of a constant acceptance that it has to adapt for what the future holds."

This is an example of how the digital world transformed and keeps transforming the way businesses have their businesses running. Businesses are more international and must look for the customer in a global market, and always be capable of changing their business to provide better answers. As the perspective on organization 11: *"Sometimes there is a need that may have been identified in Portugal, and suddenly it may be a key feature that can be used across products and transcribed to other countries."* In the Digital world, everything is connected.

5. DISCUSSION OF RESULTS

The initial part of the interview was destined first to understand the environment where these organizations positioned themselves. The importance of these factors is referred to by different authors, such as Mapulanga (2013), who studied the influence of external factors on strategy, being significant contributors to the reformulation of the strategy. The general answer was that every factor influences not only the strategic formulation but everything related to the running of every organization. Adding to these answers, the importance of the Technological sector is a natural factor due to the importance of everything digital, not only for the continuation of a business but also in the search for new, more effective, and efficient production methods, as this is seen specifically in organizations that seek more traditional ways of working. This significant influence of the Technological dimension is present in the study of Yang *et al.* (2022) and

seen more specifically in organizations 2, 4, 6, 11, 12, 13, 15, and 18 due to the proximity and existing dependency due the respondent industries.

To better understand the different customer needs, interviewed organizations either use techniques such as the NPS analysis and Customer Satisfaction surveys, or the relationship is close between organizations and customers that this is not needed as their reality very well understood. From the interviewees, it is understood that larger organizations have support and sales teams that provide these insights to decision-makers and to their Leadership Teams. On the other hand, smaller organizations have closer relationships, as the CEO is closer, via a phone call or a lunch. Despite this, the customer interactions have the purpose of creating long-term relationships, searching for new ideas and needs to solve, to a better value delivery. These actions go according to the existing literature, as these themes are brought by McGrath (2020) and Steiber (2020). For a better exploring and selection of the types of customers, 79% of the interviewed organizations created customer segmentation, which is helpful for creating more value specific for each customer type (Thakur & Workman, 2016).

Internal analyzes are crucial for a clear definition of the goals and strategies that are going to take place, generating options, and selecting the most relevant ones (George, Walker & Monster, 2019). From the results of this study, it is possible to see that smaller organizations, being number 3, 4, 5, and 7, tend to have informal processes that can happen daily. Larger organizations appear to have formal processes, such as annual surveys and studies for the people of companies. This evidence and result also follow the tendency identified in the study of Jankelová (2017), as from the studies of Golovko & Valentini (2014) and Karakaya & Yannopoulos (2011). However, this is not always the case. As people make organizations, internal analyses also provide the opportunity to understand businesses better when searching for competitive advantages and what adjustments must be made to pursue those due to the more “unstable” and temporary nature that nowadays they have, as the literature identifies it. One case from the interviewees is organization 7 or 8, which is present in very stable or highly specialized markets, with strategic decisions that could last fifteen years as in organizations (in the case of organization 8). On the other hand, other companies, such as 11, 12, 13, 14, and 16 from technological sectors, have to rethink their strategies in shorter cycles.

As discussed by Mintzberg and Rose (2003), the way companies are creating strategies evolves through the years. The “one best way” meaning has also been evolving, meaning that according to the age that these organizations have can also influence the strategy creation choices. With the age, comes experience from the market, another factor that can influence changes on strategy formulation. Also, changes on the leadership team of companies and the influence the macro-external environments have are the most important drivers of change in strategy, which could be better explained and understood when considering the that when the level of analysis is higher, so is the level of strategy formalization (Depperu & Gnan, 2006), and ultimately also influences the changes of the Mission and Vision, important “details” for organizations and customers, as they can influence consumer choices and the performance of a company (Darbi, 2012; Mintzberg & Rose, 2003).

From the interviewed organizations, there is a higher “usage” of the Differentiation and the Focused Differentiation strategies (organization 3, 4, 5, 7, 10, 11, 12, and 15). The usage of this organization has different risks, such as the value the customer is willing to pay for the different products, and the differential price, when compared to the cost leader, is too large (Hitt *et al.*, 2017). The second most answered strategy is the Integration between Cost Leadership and Differentiation, from organizations 2, 6, 17, 18, and 19. A study by Thornhill and White (2007) it is shared that in terms of performance, pure strategies (Cost Leadership and Differentiation) bring better performances than hybrid strategies (Integration between Cost Leadership and Differentiation), as it is shared that organizations might end up being “lost in the middle”, as the use of these is not advised, according to this study.

As uncovered by Mintzberg and Waters (1990), strategies tend to take a long time to change, which takes long and complex processes. However, the Digital world also brought a fast-paced world, being predictable that it now occurs in shorter cycles. Micro and small organizations (3, 4, 5, 7, and 13) tend to have less defined and formal processes and analyses made (Hitt, Ireland & Hoskisson, 2017). Against what is seen from large organizations, these analyses are the responsibilities of the CEO or a person with a high position in the organization (such as the CPO). As shared, these organizations tend to have less availability to think about processes. Micro organizations (3, 5, and 7) also

shared that the CEO must compensate if any worker misses a day at work, and in doing so, several ideas have to be put on hold to avoid failure of the ongoing projects, more closely to the customer need, agreeing from what is said in the literature (Jankelová, 2017). In the end, it is all about decisions. Even for organization 7, where “*in our 25 years of age, 24 did not have any strategy at all, so we do not have this mission and vision that you speak of defined,*” the reality is that these strategic choices may not be formalized. However, they are taken, even if they are concerned about what project to take and with what materials to work. On the other hand, medium and large organizations (1, 2, 6, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, and 19) tend to have defined and fixed timings for strategic thinking and teams created to provide the much-needed analysis. Strategies organization 8 could last for more than 15 years. Organizations 1, 6, 11, have revisions in 5 years, in organization 10, 14 strategy is reviewed in every 3 years, organization 2 reviews in every 1 to 2 years, while about other organization was not shared the fixed time length, however, as a strategy revision was made less than 5 years ago, it could have that justification.

Generally analyzing GBS/SSCs (organizations 1, 2, 9, 17, and 19), it was shared that strategic decision making is taught in Leadership Teams from global organizations. The mission and strategies of this kind of organization are to facilitate and provide the correct information to global organizations. As it is shared, most of these choices are passed to these organizations, as they could participate in the decision making moments. However, there is a lack of independence in this matter. Therefore, strategy formulation differs, as the Strategic Management Process framework needs to be adjusted in these cases.

From this study, it is understood and according to the literature, only two organizations have evidence to have solid structures to assure adaption to different changes on the market. “Good” formulated strategies, are a “framework for continuous problem solving, not the problem solving itself” (Mintzberg *et al.*, 2003, pp. 87). However, this is not equal to great results. From these organizations (12 and 13), constant reviews and reformulations from formulated strategies are mentioned, happening within a fixed period of 3 months, which can refer to the unpredictability of each market of the organization.

6. CONCLUSIONS

6.1. Main Conclusions

The two primary purposes of this research were to understand if organizations followed a strategy formulation process for their strategic decisions. Based on the Strategic Management Process, a framework from the authority of Hitt *et al* (2017), it is seen that organizations follow a process, however, is not always the same, as in several studied cases it must be adapted due to the environment and organizational characteristics. The second primary purpose was to understand better how strategic decisions are taken in the “real world” with these “case studies” based on answers from this group of professionals.

The first and main conclusion is that a strategy formulation always happens, independently of the type and sector of the business. What changes is the level of formality, and the personas to create it, who appear to change according to the dimension of the organizations. Large organizations have a fixed time to analyse, to formulate and adjust their strategies, while in micro and small organizations happen according to the different market experiences that these companies have, not in fixed moments. Surprisingly, there is no reference to a defined framework or tool that large organizations use when considering strategy formulation. What is seen is defined moments for analysis and revision. What is often seen as a group of people discussing and making decisions together, this group is made from only 3 to 4 people when considering small organizations. Despite that, every organization has its way of creating strategic formulations, being even possible not to have a strategic orientation or make any strategic choices formulated.

By analyzing the reality of product manufacturers and service providers, both on the B2B and B2C companies, and GBS/SSCs units in different industries, we can understand that GBS/SSCs units have an absence of competition, which influences strategic thinking. Therefore, the second conclusion is that the Strategic Management Process framework could be applied to organizations with both autonomy and market competition to formulate their strategies better. As the strategy formulation from these organizations, as it was shared, was created by the Leadership Team from the organization’s headquarters,

for an internal strategic view this would be redesigned without competition factors, as these are an extension of the company and help organizations make strategic decisions.

The third conclusion is that the context of these organizations influences the pace of the decision-making processes, as is the case of organizations in the energy and pharmaceutical sectors compared to sectors more related to digital and IT, due to the high volatility brought by the digitalization and speed of innovation from the technological side. Therefore, this influences the applicable strategic decision-making framework and even determines its existence. From the starting point of this study, the Cultural factor had emerged as one of the major influence points of these organizations, since not only in international organizations (organization 11), but in national ones (organizations 3, 14, 16) it negatively impacted the results of these organizations.

6.2. Theoretical and Practical Implications

This study was based on the different levels of business-level strategy, according to the inputs needed to make these decisions, which were given by Strategic Management by Hitt *et al* (2017). The guidelines for the interviews were divided into an environment analysis, with the understanding of the more critical external macro-environmental factors, as these influence the strategy formulation process (Adner, 2017) and the behaviours of these organizations in terms of different themes. Afterwards, an internal analysis, which was destined to look inside of an organization's structure, in terms of the resources available and how could identify and satisfy customer needs, as everything related to the business is fundamental to create and explore different strategic options for organizations (George, Walker & Monster, 2019). Finally, looking inside the business-level formulation, to understand when and why missions and visions of organizations change, and to learn how strategy could be incorporated with innovation processes and how strategic reformulation took place, not forgetting how the digital world influenced and continues to influence the strategic decision-making process of different companies. Creating a strategic identity and framework and later executing what was found in the difficult primary part for organizations (Nwachukwu, 2017) can be seen from the examples and personal views these interviewees shared.

This study also contributes to a clearer understanding of the main differences in different types of organizations and their structures, as it is made clear what the differences between GBS/SSCs units and "complete organizations" are in terms of strategic thinking. By interviewing different professionals of organizations, from guidelines based on the work of Hitt *et al* (2017), this enabled a better understanding of these professionals in terms of areas of the core strategic thinking in the academy, and also providing academic researchers with different views on what is currently happening in practice, being mutually beneficial. These different realities, are also highly dependable on the context and different factors of the organization. As the world has been changing due to the pandemics and other factors, these influence the behaviour of these organizations in their industries, as alongside the size that these have also influences the outcomes of those strategies (Hitt *et al*, 2017).

6.3. Limitations and Further Studies

This exploratory study has counted on the vision and contribution of different CEOs, Head ofs, Directors, and Managers of several organizations. However, there are several limitations to keep in mind.

The first limitation encountered is related to the professional occupation of the researcher. Being a part of a consulting company, several potential participants of this study declined the invitation to participate due to the concern that this study might benefit the professional activity, even though, from the first contact, it was made clear that these were separate things as it would not benefit the organization.

Another limitation was the positions and knowledge these interviewees had about their organization. Several questions from this group of participants could not be answered due to insufficient knowledge and understanding of how the organization executed different topics.

From this research, the topic of strategy implementation is more investigated, with the existence of several case studies in this area. However, a possibility of further research could be an investigation to understand how these organizations put the ideas into practice

and execute their formulated strategies, hence completing what is now understood from these companies. As shown from the literature, separating the formulation from the implementation is complicated since one of the primary sources of reformulations is translating these ideas into what happened in practice. For that, a couple of organizations from these groups of interviewees could also participate and “complete” this research about strategic thinking, hence developing different case studies about the more interesting scenarios.

7. REFERENCES

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8. APPENDICES

8.1. INTERVIEW GUIDE

Strategy: From Concept to Practice

Trabalho Final de Mestrado – Dissertação
Mestrado de Gestão e Estratégia Industrial



A presente entrevista é realizada no âmbito de um programa de Mestrado, em Gestão e Estratégia Industrial, do ISEG - Lisbon School of Economics and Management, da Universidade de Lisboa, sendo parte integrante de uma dissertação no âmbito de Estratégia Empresarial.

A questão de investigação insere-se na validação prática em termos de pressupostos da Formulação Estratégica e posterior tomada de decisão, investigando diferentes fatores que influenciam a escolha de profissionais e decisores de organizações.

A sua colaboração, que será de extrema utilidade, permitindo dar um maior conhecimento à comunidade académica sobre que questões pretinentes influenciam a tomada de decisão destes decisores, ao nível do negócio. Em posterior análise, pode também influenciar a forma como a Academia leciona temas tão pertinentes nos dias de hoje.

Os resultados do estudo serão usados exclusivamente para fins de investigação científica. Ao prosseguir para a secção seguinte do questionário, está a dar consentimento para que os investigadores procedam à recolha e análise dos dados, em formato de publicação científica. Desde já, agradecemos a sua colaboração!

1. Quais dos seguintes fatores Macro envolventes considera mais importantes para o seu negócio?
 - a. Demográfico – Características (idade, distribuição, ...)
 - b. Económico – Taxas de inflação, juro ...
 - c. Político/Legal – Legislação e regulamentação
 - d. Sociocultural – Dados sobre empregabilidade, diversidade de força laboral, qualificações ...
 - e. Tecnológico – Inovações de produtos, aplicações de conhecimento, despesas em I&D
 - f. Global – Eventos políticos (Cimeiras da UE, etc) e mercados globais
 - g. Segmento de Sustentabilidade de Mercado – Consumo de energia, esforços de aplicação de energias renováveis
2. Em relação a estes, o que é feito? Quem e quando é que fazem?
3. Qual é o Posicionamento Estratégico da empresa?
4. Em relação ao comportamento e conhecimento que a empresa tem sobre os clientes - como é que a empresa sabe que está a entregar valor aos clientes?
5. Qual a Segmentação dos clientes? Quantos segmentos existem e qual o peso relativo destes segmentos? Existem switching costs?

Strategy: From Concept to Practice

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6. Qual a Segmentação dos fornecedores? Existem quantos grupos de fornecedores? Existem alguns fornecedores de produtos substitutos quando outros não estão disponíveis?
7. Quais são as barreiras à entrada no vosso mercado? Têm vindo a mudar?
8. A empresa lida constantemente com ameaças de produtos substitutos? Quem é que realiza esta análise, e de que forma é conseguida a contornar?
9. Existe algum estudo sobre os concorrentes? Quem é que faz? Quando é que faz?
10. Fazem análise aos concorrentes da empresa? Que componentes fazem parte de uma análise aos concorrentes?
 - a. O que move os concorrentes e que é refletido nos Objetivos Futuros - Comparação de objetivos, no foco em relação ao futuro, atitude em relação ao risco;
 - b. O que os concorrentes fazem e que podem fazer, revisto pela Estratégia Atual - Na forma de como competem atualmente, e se a estratégia apoia as mudanças na estrutura competitiva;
 - c. Aquilo em que os concorrentes acreditam, demonstrado pelas Presunções e Dados adquiridos - Assume-se que a volatilidade do futuro ou sobre os dados atuais da empresa;
 - d. Quais são as Capacidades dos concorrentes - Em relação às forças e fraquezas, como está a empresa posicionada face à competição;
 - e. Não fazem.
11. Quem faz? Quando faz?
12. Fazem a identificação de grupos estratégicos (conjunto de empresas com orientações estratégicas semelhantes) no vosso negócio? Como e quem é que constrói essa identificação e posterior análise? Quantas empresas tem o vosso grupo estratégico?
13. Outra informação a adicionar (contexto externo)
14. Que componentes fazem parte da análise do contexto interno?
 - a. Recursos (Tangíveis ou Intangíveis)
 - b. Capacidades Dinâmicas
 - c. Cadeia de Valor
 - d. Vantagens Competitivas face aos Concorrentes?
15. Quais são os principais recursos da empresa?
16. Quais são as principais capacidades dinâmicas da empresa?
17. De que forma realizam esta análise a cada componente?

Strategy: From Concept to Practice

Trabalho Final de Mestrado – Dissertação

Mestrado de Gestão e Estratégia Industrial



18. Em relação às necessidades dos clientes, é realizado algum tipo de investigação para as determinar? Como é que identificam as necessidades ainda não satisfeitas?
19. Quando não existem certos recursos para satisfazer as necessidades ainda não satisfeitas, o que fazem?
20. Outra Informação (contexto interno)
21. Quando é que foi revista a visão e a missão da empresa? Quem fez? O que mudou e porque mudou?
22. Qual destas alternativas identifica-se com a orientação estratégica do negócio?
 - a. Liderança pelos Custos
 - b. Diferenciação
 - c. Focalização pelos Custos
 - d. Focalização pela Diferenciação
 - e. Integração entre Liderança pelos Custos e Diferenciação
 - f. Outra: _____
23. Porque usam esta estratégia?
24. Mudou a sua estratégia? Quando? Porquê? Quando está previsto alterar/reapreciar?
25. Como é que a empresa trabalha com inovação? Quando e quem é que inova? Como é que são lançadas iniciativas/novas ideias de inovação para o mercado?
26. De que maneira está a estratégia interligada com a inovação na sua empresa?
27. Quando a estratégia não se encontra alinhada com novas informações do mercado, de que forma é que é revista/reformulada? Quem é que executa uma eventual “reformulação”?
28. De que forma a internet e o mundo digital alterou (no geral) a formulação estratégica?
*(perguntar quando a empresa e entrevistado for anterior a 1980)