SUMMARY

In the strategy field situational theory is not very common. Nevertheless, there are reasons to assume that the strategy formation of an industrial firm will be different from that of a building or an engineering company. These differences have been the primary focus of this thesis. The research concentrated at the processes in which strategy comes about, or in the terminology of this text, the processes of course formation. The central purpose has been to provide a useful insight in these processes, and in their relations with the context in which they take place. 'Useful insight' refers to the two ambitions of the research, on the one hand to make a contribution to strategy theory, and on the other hand its usefulness for strategy practitioners.

The central purpose has been translated into four research questions:
1. How can the forces leading to the course formation of an organisation (read: course changes) be appointed and analyzed?
2. Which patterns can be recognized in the course formation of organizations?
3. How is a relevant context to be defined?
4. Which relations can be defined between patterns of course formation and context?
These four questions include the entire research and will now be briefly answered.

The VOC-model of course formation

Course formation is the sum of all thinking, decision and acting processes, which result in the course of an organization. The basic model applied to describe and analyze course formation, the VOC-model\(^\text{11}\), has been constructed as a combination of a process model and a forces model (figure 1). The course of an organization is understood as the result of three basic processes, which constantly are under the influence of three basic forces.

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figure 1: the VOC-model of course formation.

\(^{11}\) The VOC-model is named after the sixteenth and seventeenth century Dutch trading company ‘Verenigde Oostindische Compagnie’, the United East-Indian Company. In this research VOC stands for Vision, Entrepreneurship (Ondernemerschap) and Consolidation.
The three basic processes include planning, decision making and operational processes. In planning an organization elaborates its intentions regarding (elements of) its course. A further distinction has been made between two types of plans, action plans and strategic plans. The first type is a direct preparation for decision making on concrete course changes, while the second type contains more broadly defined intentions for the course development as a whole. The processes of decision making may or may not lead to the acceptance within an organization of a change in course. The operational processes are the processes in which the course is finally realized and converted into results. These are the primary value creating activities.

The basic processes of course formation do not take place isolated, but are under the influence of forces. The force of entrepreneurship represents the pressure for innovation and change within the organization. The force of vision has a more indirect influence on the course of actions. It includes both the (collective) consciousness of the identity (mission), and that of the ambitions and desired direction of development for the organization and its activities. The force of consolidation influences the course by its orientation on preserving and elaborating the existing course and the realization of successes on this basis. Ideally the three basic forces are in balance, but in practice they often are not. Sometimes entrepreneurs are dominating, which implies the risk of changes being not well enough considered, or implemented too quickly and incompletely. In other situations consolidating forces can be leading, which discourages initiatives for change and may keep the organization on the same course too long. In both cases vision is needed to stimulate a better balance.

Patterns of course formation

Course formation can follow different patterns, depending on two elements. One is the extent in which processes are being given direction by visions, and the other is the level of integration of the course formation itself (figure 2). An integrated course development leads to one or a few course(s) for the entire organization, an isolated course development brings about many independent courses for different units.

<table>
<thead>
<tr>
<th>Directed course formation</th>
<th>Autonomous course formation</th>
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<tbody>
<tr>
<td>Integrated character</td>
<td>planned pattern of course formation</td>
</tr>
<tr>
<td>Isolated character</td>
<td>convergent pattern of course formation</td>
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figure 2: patterns of course formation.

The integrated or isolated character of course formation is directly connected with the kind of activities the organization executes. Directed patterns are to be found in organizations with well developed visions that have a relatively strong influence on course formation, while autonomous patterns are to be seen in organizations leaving more free space for the entrepreneurs.
The Basic Activities Typology

To define the context of course formation, a typology has been developed under the name of the Basic Activities Typology, in which three types of activities have been defined: product activities, project activities and effort activities. The three activity types show fundamental differences because they are connected with specific types of transactions between suppliers and buyers. These transactions also lead to a different kind and level of commitments for the organizations involved. Commitments have been defined as the way organizations are tied to their present course.

An organization that performs product activities specifies its own products, creates them and sells them in the marketplace. Product activities are accompanied by investments in product development, production facilities and marketing, which usually lead to considerable commitments to former choices. Most industrial companies perform product activities, as do many service providers. Where project activities are involved, it is the buyer that specifies the end product or project result. The supplier accepts the obligation to realize this end product. These obligations do create commitments for the supplier, but their main sources of commitment are the competencies and experiences they built up in time. Examples of project activities are easily to be found in the building and software businesses. Effort activities are being performed on the basis of transactions containing effort obligations only. The buyer does have a goal to achieve, but the value creation itself cannot be fully specified in advance. Lawyers, engineering companies and consultancy firms are excellent examples of this kind of activities. For the suppliers of effort activities commitments are generally low.

The three types of activities are ideal types. Not all existing organizations or activities can be given an exact place in the typology. Activities can bring together qualities of more than one type, and moreover organizations can perform more than one type of activities.

Course formation in context

The main thought of the VOC-research is that the dynamics of course formation can best be understood in direct relation with its context. This relationship is shown in figure 3. Each activity type appears to have its own pattern in course formation.

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<td><strong>PRODUCT ACTIVITIES</strong> (planned pattern)</td>
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</tr>
<tr>
<td><strong>PROJECT ACTIVITIES</strong> (organic pattern)</td>
<td><strong>EFFORT ACTIVITIES</strong> (divergent pattern)</td>
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figure 3: relations between patterns of course formation and context.

Organizations performing product activities usually have an integrated course formation. Product development, production and marketing are possible only by coordinating the efforts of many functional disciplines. In this type of organization the basic force of consolidation takes the natural lead in course formation, because course changes are connected with in-
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Investments, and therefore have a long-term impact. Consolidation is to be found in the efficiency and quality control of the routine-based, standardized and (partly) automated operational processes, in the control of yearly and monthly budgets, and is also reflected in the absence of 'free space' for entrepreneurs. Visions are well developed and externally oriented, that is on buyers, markets and competitive positions. Missions are relatively stable and taken for granted. Entrepreneurial initiatives must be supported and directed by visions, are closely being observed by management and changes in course come about on a project basis. The field of forces that leads to the planned pattern of course formation has been made visible in figure 4. The meeting points of the basic forces are mainly the processes of (action) planning and decision making.

The course formation of organizations performing project activities also has an integrated character. The realization of project results requires the coordinated efforts of many different functional experts. However, here the entrepreneurs are leading in course formation, because organizations are highly dependent on the acquisition of new project contracts. Generally top management itself is responsible for this, which leads to a relatively autonomous attitude in close contact with the market. Consolidation is concentrated on planning and control of the project realization. On this level procedures, methods and budgets are extremely strict, but consolidation has little influence on the behavior of the entrepreneurs. Visions are more or less supportive to consolidation, and are mostly internally oriented on the experiences and competencies of the organization. However, they are less developed and missions are (consciously) broadly defined. Course changes are not accompanied by significant investments, nor developed in a planned way. They are merely the result of a pragmatic, organic process. Along the way the conditions for new activities are created within the organization. The field of forces that leads to the organic pattern in course formation of project activities is shown in figure 5. The main meeting points for the basic forces are the processes of decision making.
The course formation of organizations performing effort activities has an isolated character. The relatively independently operating units in fact all develop their own course. Because entrepreneurs are spread over these units and react autonomously on their client's requirements, course formation for this type of activities naturally shows a divergent pattern, with several courses growing into different directions (figure 6). This pattern is caused by the actions of many employees and influences of (collective) visions are relatively weak.

When activities and working methods grow apart, the cohesion within the organization and its profile to the outside world will diminish. Therefore converging visions on the organization (structure, concepts and culture) are being developed, often accompanied by a redefinition of the mission. These visions force the entrepreneurs to a more convergent pattern, while effectively supporting the by nature less influential consolidation (figure 7). These changes generally start with a major reorganization and sometimes face fierce opposition and large numbers of employees leaving the organization. The course formation of effort activities can be characterized by the alternation of periods with a divergent pattern and periods with a convergent pattern.
Course management

The results of the VOC-research do not provide ready-made recipes or success formulas for the management of a firm’s course. What they do provide is an insight in the differences in considerations and visions that underlie the course management of organizations that perform specific activity types. Those that perform product activities concentrate on investment decisions and need clear visions on market developments in order to make these decisions. The competitive advantages of firms that perform project activities are mainly dependent on their capacities, experiences and competencies, but visions on these aspects appear to be less developed. Organizations that perform effort activities naturally tend to a divergent course pattern and therefore management concentrates on convergence, mostly through definition and redefinition of the mission.

These differences in orientation of visions lead to considerable differences in organizational thinking and control, and make combinations of activity types difficult to manage. Under market pressures these combinations do however easily arise and may lead to considerable frictions. The developed insights of the VOC-research may be useful in analyzing these frictions and finding ways to solve them.