



JÖNKÖPING INTERNATIONAL
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Corporate and business level strategies at MNEs

A managerial practice view

Master thesis within Business Administration

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Jönköping May, 2012

Acknowledgement

We firstly would like to express our special thanks of gratitude to our supervisor professor Rolf A. Lundin who gave us great opportunity to accomplish this research on corporate and business-level strategies at MNEs. We appreciate his huge experience and useful advices during the research.

We would also want to thank Maria Norbäck who guided our research process from the beginning and to the end.

This project gave us new insights in the field of corporate and business-level strategies. We want to thank all participants of the research for their time and energy during the interviews.

Also we would like to thank our parents and friends who helped us a lot during the research.

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Title: **Corporate and business level strategies at MNEs. A managerial practice view**
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Date:
Subject terms: Strategy, global strategy, business unit strategy, MNEs, five factors

Abstract

Background:

Corporate strategy is a foundation for companies operations, processes and the ways in which its various businesses work together to achieve particular goals. Scholars and managers recognize different levels of strategy for organizations. One of the differentiations is based on governance structure of the organization, and divides corporate strategy on two levels: corporate strategy and business-unit strategy. In many cases, some might think that business and corporate dimensions are the same. However, when divided into strategies, there is a difference. This especially relates to MNEs (multinational enterprises), with their massive and sometimes complicated structure and business units all over the world.

Purpose:

This study intends to find out whether and how corporate strategy as whole is employed and engineered in terms of this differentiation at MNEs, as well as to explore the additional factors to well-known ones, affecting strategy development on both levels. Even though, a decent amount of studies have been done on a field, the views on which questions should be answered by corporate level strategies or business unit strategies are significantly differ. Hence, in order to develop understanding and contribute to the further research, this study has been undertaken.

Method:

The multiple case study method has been chosen for the research. Personal interviews with corporate-level executives in five different MNEs were conducted. The selection of participants was based on their authority levels and experience in working with strategy. In addition, the authors tried to test research questions on people with different background and business experience (e.g. marketing, business development, sales, etc.), in order to avoid one-side functional view.

Conclusion:

The notion of corporate strategy lies in defining the general direction for a company. Furthermore, corporate strategy is a process of selection a possible ways to achieve the goal.

Corporate-level strategy is value oriented, conceptual and less concrete than business level. It consists of three dimensions: “where, when, how”, “knowledge” and “coordination and control”. This level of strategy will most likely be concerned with expectations of owners and investors.

Business-level strategies are about to take next steps, to create action plans, aiming to deliver goals stated at corporate level. Their aim is to transfer high-level strategy into execution strategy. The interaction between two levels of strategy works both ways, back and forth. Corporate level affects business level through coordination, control and knowledge sharing. The business-level strategy

interacts with the corporate strategy through communication of local successful initiatives, which can be implemented on other markets.

Two additional factors to consider in strategy development are government and corporate confidence. The government relates to business level and is external factor. The corporate confidence is an internal characteristic of organization and can be described as the company's belief in its products and people.

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1 Introduction

In this chapter, the background and problem discussion are presented. Moreover, purpose and delimitations are formulated here.

Nowadays, managers, politicians, journalists and academics heavily use the concepts of globalization, global industries, global competition, *global strategies* and global corporations. Moving to the practical side, more and more organizations choose to enter new geographical markets and introduce new products. As organizations engage into new businesses and becoming more and more diversified, their strategies are no longer concerned just with the business-level but with the corporate-level decisions, required to unite different businesses within one global company (Johnson, Scholes, Whittington, 2009).

Those two levels of choices can be clarified in more details by applying the corporate strategy concept presented by R. Lynch. According to him, corporate strategy consists of two main elements: corporate-level strategy and business-level strategy. At the *general corporate* or headquarters level, basic decisions need to be taken over, e.g.: what is the business of the company and where it wants to be. The culture and leadership of the organization are also important at this broad general level. At the *business* level, corporate strategy is concerned with: competing for customers, generating value from the resources, and as result – creation of sustainable competitive advantage over rival companies (Lynch, 2006).

A decent amount of studies have been done on this differentiation. The views on definitions and which questions should be answered by each level are different. Hence, in order to provide the reader with the different opinions on a topic, the more detailed discussion will be raised next.

1.1 Problem Discussion

As a starting to point for discussion, the definition of corporate strategy as whole should be given. However, it does not seem easy as it's been said that there is no universally agreed on definition of strategy (Lynch, 2006).

One definition for corporate strategy can be that this is a process of exploring market opportunities, trying things and developing competitive advantage (Quinn, 1991). Ireland, Hoskisson, Hitt (2003) defined corporate strategy as a mix of actions, undertaken by business, aiming to gain a competitive advantage, through selecting and managing a group of different businesses competing in different markets. Johnson et al (2009) at their definition of corporate strategy, in general agrees with first two authors, but mentions that corporate-level strategy will likely be concerned with the expectations of owners – the shareholders and stock market.

By narrowing down corporate strategy, at the *business level*, corporate strategy can be seen as a: “match between its internal capabilities and its external relationships. It defines the way how “organization responds to its suppliers, its customers, its competitors and the social and economic environment within which it operates” (Kay, 1993). Johnson et al (2009) points that business-unit strategy deals with the ways various businesses, included in the corporate strategy, should compete in their particular market.

1.2 Purpose

As the definitions and concepts of corporate-level and business-unit level strategies are vary, from authors observations there is a need to get responses from the business world, what are their views and concepts regarding the topic. The primary aim of this research is to get answers from business: *what are their definitions of corporate strategy itself, corporate (headquarter) level decisions and business unit level decisions*. In addition, we would like to discover what the relationships between these two are, how do they *interact with* each other and the factors affecting strategy development on each level. As the foundation for research questions, the model presented by Lynch (2006) has been taken. The model presents the questions, which should be answered either by corporate or business unit level strategies. The frame of reference on the topic clearly shows possibility of questioning this model in terms till which side each question relates. However, it combines the main questions regarding corporate strategy as a whole (both business-unit level and corporate one), hence it can be used as a foundation of awareness for the reader.

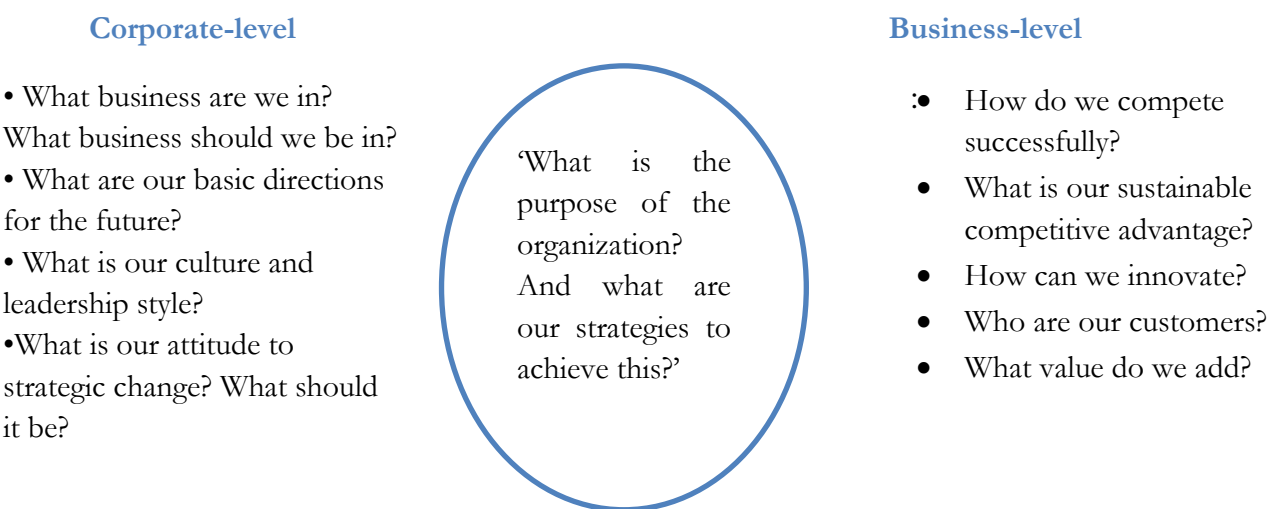


Figure 1-1 The Essence of Corporate Strategy (Lynch, 2006, p.6)

1.3 Delimitations

The research objects for this paper are multinational enterprises (MNE), diversified organizations having more than one business unit. For the simple flat organizations, having only one business unit, there is no distinction on corporate-level and business-unit level strategies.

2 Theoretical Framework

This chapter will present the theoretical background regarding MNEs and corporate strategy concept, through presenting the history of research over the years. Furthermore, it will describe in details the differences between corporate and business unit level strategies, along with relationships between these two and factors affecting their development. Finally, a sum up table with the main thoughts and views on business unit and corporate level strategies among the scholars will be formed, which will be further used as the foundation for interview questions and empirical research.

2.1 Multinational enterprise

MNE's are the primary objects of this study. The authors may assume, that there some readers which can be not aware of this concept, hence clarification regarding the term should be given at the first place.

One definition for MNE can be: "A multinational enterprise (MNE) is enterprise that engages in foreign direct investment, or, in some way controls value added activities on more than one country" (Dunning, Lundan, 2008). MNEs, as a term, were firstly specified by economists in the 1960s, despite the existence of early forms already at the end of nineteenth century. On primary research stage, the economists were focused on United States based MNEs, as they were pioneers in internalization and modern MNEs establishment and development. Chandler (1962) has linked the rise of large corporations to market and technology changes. He furthermore stressed the importance of hierarchies within a multi-divisional corporate structure, and even defined them as a key success factor in a mass production development.

Inspired by American success, the European and Asian businesses have started to enter international markets. However, their business models and strategies have significantly differed from American ones. Hence, the researches aiming to find the best internalization strategies have risen accordingly. Geringer, Beamish (1989) have summarized past researches, by highlighting two fundamental blocks of MNE's internalization strategy:

- a. Diversification strategy (the product range and their relatedness)
- b. Degree of internationalization (proportion of company's emphasis between international/local businesses)

Based on the blocks presented above, plus the differences in corporate structure the MNE's typology has been stated and commonly agreed among the economists. It's based on two pillars: the level of global integration at business activities, and the level of independence at decision making on the local level, which also can be described as local responsiveness of business units on particular market. This framework creates next three strategy types for MNE's (Kasper, 2009):

- a. Global MNE's: global integration high, local responsiveness – low
- b. Multidomestic MNE's: global integration low, local responsiveness – high
- c. Transnational MNE's: global integration high, local responsiveness – high

The nature of MNE's with its complex structure and hierarchy requires a diversification in decision making, risk taking and management. The MNEs have been trying to apply different techniques,

strategies and tactics to overcome the obstacles and get the best result from the available resources. MNEs existence and development have raised the questions of how to build the international company structure and governance in a best way, and as a part of it, has launched the discussion regarding strategy differentiation on corporate and business unit levels, which is the topic of this study.

2.2 Corporate strategy as a whole

Short introduction to the topic and research objects have been presented so far. In this chapter the discussion will continue with describing the corporate strategy as a whole. By aiming to create the deeper awareness at reader's minds, the views by different authors on "what is the corporate strategy" will be presented below. In addition, the key words from each definition given will be highlighted, pointing to stress out the similarities and differences among them.

According to Andrews: "the corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company pursues, the kind of economic and noneconomic contribution it intends to make for its shareholders, employees, customers and communities." (Andrews, 1997, p.245)

Key words: decisions, objectives, policies, plans, range of business, company's contribution.

As another point of view, Mintzberg (1988) argues that corporate strategy consists of four main blocks:

- a. Plan, how to get from point A to point B.
- b. Pattern of actions over timeframe
- c. Strategy is position
- d. Strategy is perspective, that is, vision and direction

Key words: plan, actions, positioning, timeframe, vision, direction.

Johnson et al (2009), been describing corporate strategy, highlighted the choices of markets and products as a first step, and how a company is planning to operate on those markets or with particular products. They have also discussed the corporate strategy from overall scope of an organization and how value should be added to the different parts (business units) of an organization.

Key words: choices, directions, how and where.

Till now, the reader should be aware of several definitions for corporate strategy. The history of research on corporate strategy will be given next in order to provide a reader with background of the research problems.

2.3 History of research on corporate strategy

The research on corporate strategy has started in 1950's and till nowadays emerged to strategic management discipline. At one of the first works related to corporate strategy, Chandler (1962) highlighted the need of coordinating different aspects of management under one, all-covered strategy. Before, the different functions of management had low level of coordination and have been separated often. In addition, he stressed the importance of time at strategy definition, by presenting

strategy as a long-term aimed action. He came with concept, that long-term coordinated strategy should be a starting point for development company structure, defining direction and focus of their operations. By his words: “the structure follows strategy” (Chandler, 1962).

Igor Ansoff (1965) built on Chandler’s works and developed strategy grid, which also can be found in literature under the name “product/market growth matrix”. The grid represents the choices, which company may select in order to growth, and among them: product development strategies, market penetration strategies, horizontal and vertical integration and diversification strategies (Ansoff, 1965).

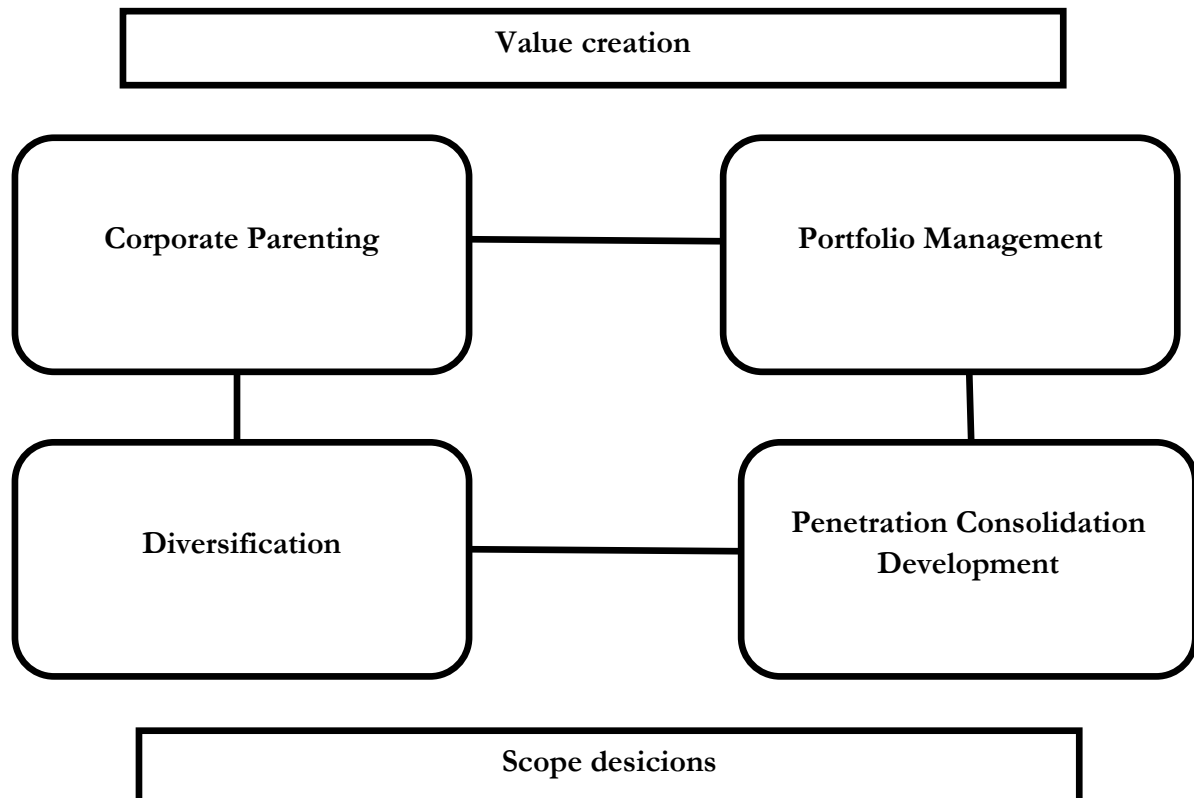


Figure 2-1 Strategic directions and corporate-level strategy. (Johnson et al, 2009, p.257)

At the same time period, the first works from one of the most influential authors of strategy field, Peter Drucker, have been published. The authors will highlight some of them next. Firstly, he stressed the importance of setting clear objectives, which have evolved lately in theory of management by objectives. Secondly, he firstly stressed the importance of “knowledge worker”, predicting future shift to team working and leadership by expertise. (Drucker 1954, 1969)

Globalization processes and continuous diversification of multi-divisional companies have been one of the engines at portfolio theory raise. The essence of this theory lies in hypothesis that broad portfolio of financial assets could reduce risks. The popularity of this theory has led to the rise of the marketing oriented firms in 1970s. However, this theory has been competing with theories of growth aimed strategies, whereat such factors have been studied like: relationship between profitability and strategy, benefits of high/low market share and decentralization. (Ireland, Hoskisson, Hitt, 2003)

Moving to 1980's/1990's, Gary Hamel and C Prahalad (1990) showed the importance of concentrating on fields of expertise, and introduced the concept of "core competence". They argued, that discovering and concentrating on your core competence should be a starting point for strategy development. (Hamel, Prahalad, 1990)

Michael Porter probably has been the most cited author at the given time period. His contribution to research on corporate strategy is uncountable; therefore the most important findings and theories will be presented. Firstly, he introduced the concept of 5 forces which should be analyzed for strategy development; we will discuss this concept further in a separate chapter. Secondly, he challenged managers to change from "growth as result" strategies to value chain, "value as result". (Porter 1979, 1985, 1998)

Unfortunately, the length limitation for this paper does not let researchers present all theories in a field of corporate strategy. Hence, even for advanced readers, some concepts seems to be missed, in authors' defense it can be mentioned, that the choice of theories presented above has been the most difficult part of this paper, as there a lot of bright and revolutionary ideas and concepts have been presented over the years.

Next, the concept of corporate strategy in a light of two dimensions will be discussed: the corporate-level and business-unit level strategies.

2.4 Corporate-level strategy

According to Goold and Sommers Lurchs (1996) corporate-level strategy deals with two main questions: a) what businesses should the company compete in; b) how headquarter should manage the number of business units. The corporate strategy is an essential thing that unites different business units into the one organization.

The premises for successful corporate strategy are next: MNEs do not compete among each other, only business units do; shareholders can diversify their portfolios without additional expenses; predictable costs during the diversification of business units. The only factor for corporate strategy success is the criteria that this strategy adds value.

Goold and Sommers Lurchs (1996) argued that best use of corporate strategy may be seen in portfolio management. It is the process when companies develop their diversification through acquisitions. The aim of the company, while performing diversification, is to add shareholder's value.

Bartlett and Ghoshal (1989) stressed the needs of developing the global (corporate-level) strategies. First of all, the development of global strategy enables company to be globally efficient. It could be seen as a way to create more standardized products and remain competitive (e.g. Coca-Cola, McDonalds). From the other hand, the creation of global strategy will help to adequately respond to local market needs. Moreover, global strategies may help to develop and spread innovations internationally. Most probably company will spread innovation through its entire business units in order to stay competitive and compete with the rivals. (Bartlett, Ghoshal, 1989)

There were different views among authors on how to manage global strategy in diversified corporation. Levitt (1983) has argued that product standardization is the key for effective global strategy. According to him, the products have to be standardized under such extent, which will make them sellable on different markets. Hout (1982) argued that combination of actions have to be taken

in order to develop competitive global strategy. The opposite view on Levitt (1983) theory has been given by Hamel and Prahalad (1983). They introduced the portfolio management theory, with many products' variables, where at the investments and distribution will be shared, which will lead to the cost and risk decrease at the end. (Hamel, Prahalad, 1983)

The notion of corporate-level strategy assumes that corporations should own and control businesses in a range of markets and products (Johnson et al, 2009). However, some authors have argued that there is no need any more of controlling from headquarters. For example, (Williamson, 1998) in his work "Strategy Research: governance and competence perspectives" argues that "diversified corporations should only exist in the presence of market failures" (Williamson, 1998). Business units can be independent, with level of control from headquarter to decrease and rise by necessity.

2.5 Business-level strategy

Brown and Blackmon (2005) have defined business-unit strategy as a process of decision making at the strategic business unit (SBU) level. According to them, primarily it identifies how SBU supports organizational goals. Furthermore, business-unit strategy refers to aggregated strategies of single firms or SBU within one diversified corporation (Brown, Blackmon, 2005). While corporate strategy deals with the question in *what businesses* the company should compete in, business unit level strategy decides *on how* to compete in these particular businesses. (Beard, Dess, 1981)

As it was mentioned in previous chapter, business diversification adds value to shareholders. To diversify their business, companies create different strategic business units. It helps to establish competitive advantage among competitors on local markets, reduce costs on production, spread and develop innovation through the company. (Beard, Dess, 1981)

Furthermore, Michael Porter (1998) has identified business-level strategies which are cost leadership, differentiation, and focus to achieve a sustainable competitive advantage. The strategy of cost leadership was common in 1970s. This strategy requires construction of efficient-scale facilities, cost reductions, control over expenses, and cost minimization etc. The low-cost strategy gives several advantages before rivals. It may be explained by the possibility to be more efficient than competitors. (Porter, 1998)

Differentiation strategy has its goal in developing a unique service/product offering. There are several ways to differentiate product or service: design, features, customer service, dealer network, etc. By adopting a differentiating strategy, firm creates unique conditions for their buyers and rivals. On the one hand, a company produces unique products or services which are hard to copy. On the other hand, due to the uniqueness of their offering, the prices may be too high for customers. Therefore, top management has to find a right balance between the price and quality in order to gain maximum profits. (Porter, 1998)

The strategy of focusing on specific market, buyer, and product line may appear in different forms. The primary goals of previously described strategies were to gain the maximum number of clients in the whole industry. Alternatively, focusing on strategy implies serving to a particular client, or niche. The reasons to choose this particular strategy may lie in an aim to serve better than competitors with a wide product/service offering. This can result in lowering costs, better fitting to clients. (Porter, 1998)

By critically acclaiming, there are several disadvantages in presented strategies (Hill and Jones, 2007). For example, a company which uses cost-leadership strategy may be overcome by another which

copied or implemented technology from its rival; the technology of successful differentiator could be copied very quickly.

Hill and Jones (2007) have developed the curve which connects together the three issues in developing a successful business model.

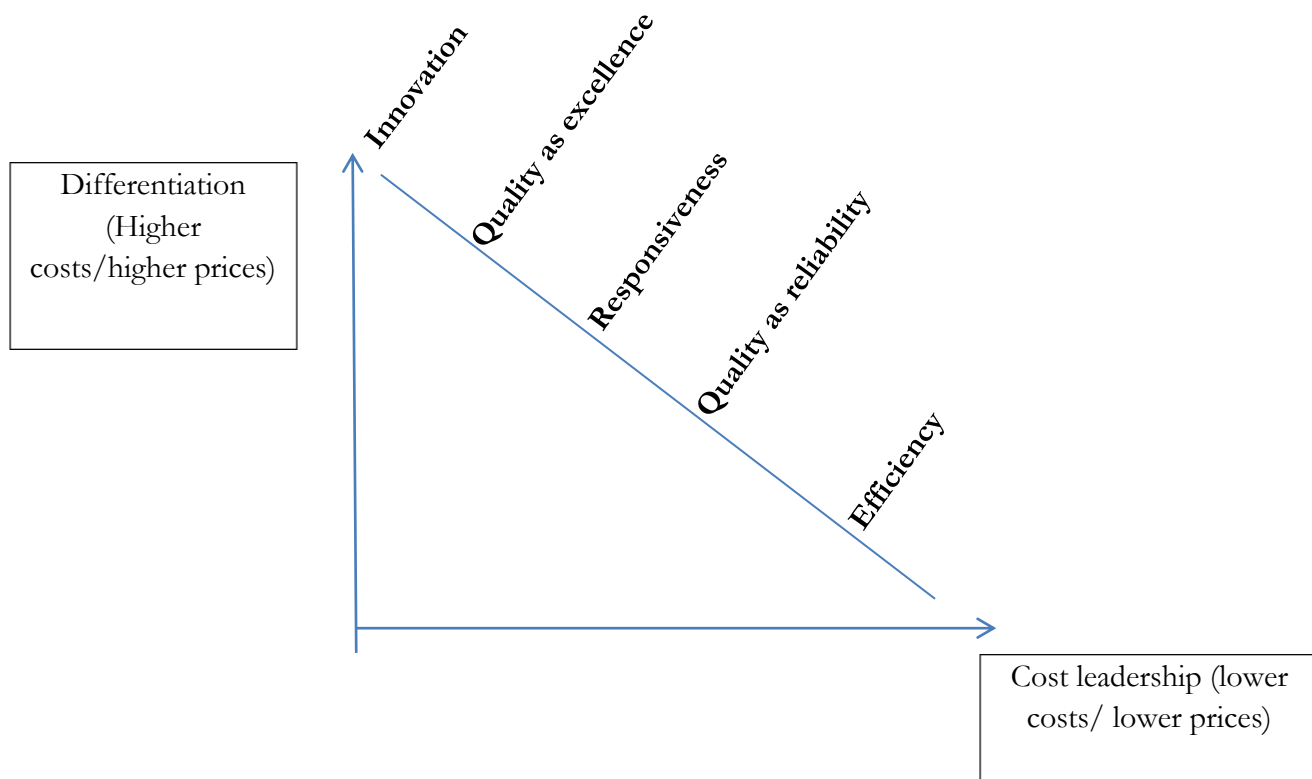


Figure 2-2 Competitive Positioning and the Value Creation Frontier (Hill and Jones, 2007, p.160)

Researchers are still discussing the perspectives of business-level strategy (De Wit and Meyer, 2005). There are two major threads nowadays. First one is the outside-in perspective, when companies adapt to the environment. These firms take into considerations demands of customers and market, and then try to find needed resources in order to fulfill those demands. Another point of view is inside-out perspective, when top executives are trying to build organization on strengths, which are available at that moment. During the implementation of this strategy, managers face with an issue of careful selection of resources and further refined. (De Wit and Meyer, 2005)

Moving from definitions given on different levels of the corporate strategy, the interaction and relationship between these two will be discussed further on.

2.6 Corporate/business level strategies interaction and alignment

Till now the reader should be aware, that corporate-level strategy deals with the ways in which corporation manage a set of businesses (Grant, 2008), while business-level strategy implies on how to compete within particular business. The primary question here is how MNEs manage different business-unit strategies within one entity?

We will start with statement that every SBU usually is driven by its own strategy (De Wit, Meyer, 2005). In case of diversification in business activities, top managers should pay attention on finding and developing the most effective and efficient forms of integration between different SBUs. De Wit and Meyer (2005) have derived next mechanisms of managing this issue:

- a. Centralization. In order to improve firm's performance, it is important to allocate resources and activities within one division. This division may be situated either on corporate level or within one of the business units.
- b. Coordination. Successful integration could be achieved only when corporation controls and coordinates interaction between business units. This may result in the ability of different business units to work as one entity.
- c. Standardization. Corporation could achieve increase in profitability by establishing universal standards for resources, activities, product features, etc.

The second question in alignment the strategies is how to manage cross-business interaction. De Wit and Meyer (2005) have defined the successful business integration through control and cooperation. In order to meet goals of standardization and to manage activities across boundaries it is possible to provide certain level of authority and control over operations. It can be seen as direct supervision, setting up goals and discussing initiatives. Moving to cooperation, SBU can cooperate because they believe it is important for company's growth or in its interests. Top management is interested in such activities because it could be a tool for successful development and profit generation.

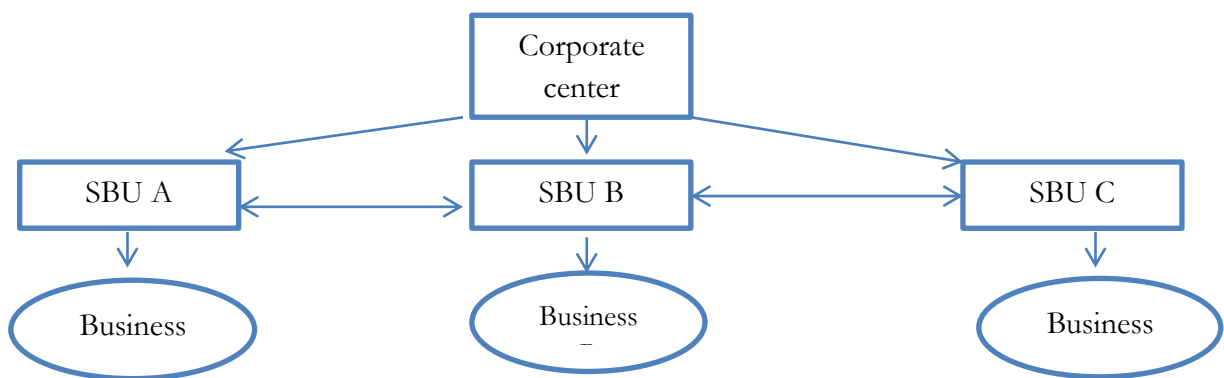


Figure 2-3 Corporate integration through control and cooperation (De Wit and Meyer, 2005, p.302)

Top managers at corporate level should decide on control styles which they have to use in order to achieve certain goals. It can be financial, strategic or strategic planning style. By implementing financial control style, SBU has high autonomy, only particular activities centralized or standardized. During the execution of this style, corporate center does not monitor cross-business activities. At strategic control style. SBUs have close interaction with corporate center, corporate center strives to coordinate some activities that go beyond the one business unit, central activities exist, but some of them are standardized. Finally, by adopting strategic planning style, SBUs have small autonomy. The majority of activities are standardized; interactions between SBUs are being monitored and secured by corporate center.

In order to become a successful organization, a company has to overcome its rivals on the same business markets by creating successful business model with optimized competitive positioning (Hill, Jones, 2007). To make it happen, organization should develop a strategic fit between its internal culture of the organization and external environment. Such fit can also be called "strategic alignment". Acur, Kandemir and Boer (2012) explained this definition by saying that this is the

process of aligning different parts of business, e.g. manufacturing, marketing strategies to corporate strategy. Brown and Blackmon (2005) have emphasized the importance of strategic alignment and pointed out that this fit determines the competitive advantage of a firm.

As the last part of theory review, the factors affecting strategy development will be discussed. The authors believe that understanding of factors affecting the strategy development on each level of corporate strategy will help develop understanding of research problem.

2.7 Five factors that affect strategy development

Firstly published in 1979, the Porter's "The five competitive forces that shape strategy" presents and discuss the framework for the industry analysis. The aim of this work was to understand the factors influencing profitability in the specific business area. The concept has been argued with popular those days SWOT analysis, which has been challenged by Porter's work. Porter (1979) has suggested that strategy development should be started with defining the boundaries of a company business, and in order to define these boundaries - five forces have to be analyzed and assessed:

- a. Buyers
- b. Suppliers
- c. Entrants
- d. Rivals
- e. Substitutes

He further added that strategy can be viewed as a "building defenses against these forces" and the process of finding a position on a market where their influence is lowest.

In the second part of article, Porter (1979) gives instructions, which are according to him, should be used at industry analyze process:

- a. Define the relevant industry
- b. Identify the participants and segment them into groups, if appropriate: Who are?
- c. Assess the underlying drivers of each competitive force to determine which forces are strong and which are weak and why
- d. Determine overall industry structure, and test the analysis for consistency
- e. Analyze recent and likely future changes in each force, both positive and negative that might be influenced by competitors, by new entrants, or by your company Identify aspects of industry structure

Toward to the end, Porter (1979) concludes that one of success measurement for company's strategist is the understanding competition through industry analyses, and usage of 5 forces can be a tool for solving this task.

The 5 forces concept has been heavily used in further researches. The simple search at Google Scholar represents a big amount of citations at business administration related papers. Some proposals for extension at forces have been made by Brandenburger and Nalebuff in the 1990s. They have suggested adding another force, called complementors. This term has been used to describe the products or services which complement each other by adding value to final customers (Nalebuff, Brandenburger, 1995). Another point of view, which has presented widely among

business field and citations, that additional force can be government, however we have not found relevant academic proof for this argument.

During this research, some of our interviewers have mentioned government as an important factor. Plus such factor like “corporate confidence” has been mentioned by one of our interviewers. The evidence of previous records on this factor has not been found during theoretical research. Therefore, it can be considered as an important empirical finding and it was decided to include this factor in current research paper.

2.8 Summary of the theoretical framework

To summarize, this chapter provided the readers with concepts toward MNEs, corporate strategy as whole, corporate and business level strategies, strategies alignment and interaction. Additionally, the factors affecting strategy development, Porter 5Ps, has been presented.

3 Methodology

This chapter explains the methodological terms in scientific research and the method chosen to conduct this study through a discussion on the relevant theoretical concepts which includes philosophy of science, research approach, research strategy as well as the data collection tools and data analysis processes. It aims to give the readers an overview about how the authors conducted their research, determined sampling and how the empirical data was gathered. Moreover, in the end of this chapter, there is a discussion on the trustworthiness issues regarding how we ensure the reliability and validity of the research

Research can be described as the process of exploring a ways to solve stated problem through studying existed material and discovering the factors affecting exact problem (Sekaran, 2002).

There are different views among scholars on what should be the outcome of research. Ethridge (2004) defines research as approach to obtain and support new knowledge. On the other hand, Sekaran (2002) sees research as a process aiming to get solution as a result. From definitions given, it can be concluded that some may measure research success by solving the exact problem, which has been stated at the beginning. In contrary, others may argue that any other knowledge discovered during the research, even though it may not solve the problem stated at the first place, is the main criteria for success. In this paper those two possible options have been considered during the study. The researchers combined open-ended questions and the ones intended to get a particular answer, during the interviewees. Sometimes, during the discussion with participants the borders of the problem researched have been broken, more broad discussion took place, and as result, interesting findings have been obtained at the areas, which haven't been considered as a primary at the beginning.

3.1 Research philosophy

It is important to define the research philosophy as the first step of methodological part of the thesis, because both, research and philosophy have a same goal – to improve our understanding of the world (O'Leary, 2010; Bjerke, Arbnor, 1997). In next several paragraphs the concepts of research philosophy chosen for this research will be presented and discussed. There are several philosophical debates on the topic, thus in order to support philosophical concepts used in this study and provide the reader by background and motivation regarding methodological choices , theory review for each will be presented firstly and then complimented by comments related to this study.

Positivism and constructionism:

The French philosopher Auguste Comte was the first to conceptualize positivism as a theory. Basic knowledge of positivism implies existence of external factors that affect human beings. Therefore, it should be measured by objective methods, rather than subjective, for instance being inferred through intuition, sensation or reflection (Easterby-Smith, Thorpe, Jackson, 2002). In opposition to this concept, the constructionism theory has raised recently. By summarizing the latest views given on a topic, the key idea of constructionism can be defined as focusing on particular people and their experiences, rather than external factors. In contrary with positivism, the person takes the central place, not the environment (Ethridge, 2004).

Organization, as an object of this study, can be seen as a community of people and its behaviors, which relates to constructionism concept. Hence, at the empirical data collection stage, this concept has been applied, as researches have been collecting the views from particular people inside organization. However, there are external factors around organization, e.g. environment where company operates, which are affecting the people inside organization and particularly the strategy of a company. Apart from our primary research question, which is business and corporate level strategies differentiation, the additional concept has been discussed: the external factors affecting strategy development. Thus, the organizations have been studied from both sides: person view and environment view.

Epistemology and ontology:

The next two types of philosophical choices are epistemology and ontology. In order to explain these two, the research framework presented by Crotty will be discussed below. Crotty (1998) suggests the following framework for research process (he uses “theoretical perspective” term instead of ontology:

Epistemology
Theoretical Perspective (=Ontology)
Methodology
Methods

Table 3-1 Research stages (Crotty, 1998, p.4) (adapted)

Epistemology deals with the scope and nature of knowledge. It intends to answer the questions: what is the nature of knowledge, how it should be acquired and where those borders are, meaning, till which extent the researcher may develop knowledge for specific topic. Ontology, on the other side, refers to present, rather than future. It explores the ways of systematize and categorize existed knowledge (O’Leary, 2010).

This research combines those two types. Firstly, the authors questioned and critically assessed existed definitions of business and corporate level strategies differentiation. Then, at the empirical data presenting and discussion, the ontological philosophy has been used partly through systematizing and generalizing empirical findings.

Once the research philosophy is described and defined, the next step is research approach discussion, which follows in next chapter.

3.2 Research approach

Depending on research target, the different research approaches may be undertaken (Hyde, 2000). According to Sekaran (2002) there two major approaches used to conduct a study – deductive and inductive. The key idea of deductive approach lies in considering or/and logical generalization of known fact or idea, in this research case – testing the theory. In contrary, induction is related to observation of certain situation, and then based on findings – logical conclusion arrives (Sekaran, 2002). Those two types are the part of scientific approach, which has been used in this study.

The main drivers for the author’s choice of scientific method were previous researchers’ experiences and scholars’ suggestions. Some of the researchers (Hyde, 2000; O’Leary, 2010) have argued that theories built on deduction and induction are helpful for understanding the business issues.

Talking about the choices for this particular paper, it was not so easy for us to define what approach should be taken. As from the one side, we intended to develop a theory, which is the half of deductive approach. However, we have not used hypothesis testing, which is usually the next step of deductive approach. On the other side, the inductive approach has been used through collecting empirical data and getting deeper in existed theory, which has resulted by development of our knowledge in the field. Hence, it can be concluded, that this research implies deductive approach with some elements of inductive one.

3.3 Research strategy

Once the philosophy and approach of research has chosen, subsequently the choice of applicable strategy appears. The research objectives should be a starting point at selecting the appropriate research strategy (Hyde, 2000). There are different research strategies, among them case study, survey, experiment. Each of them has its strengths and weaknesses, moreover various strategies differ in techniques and instruments used (Saunders, Lewis, Thornhill, 2009). For this research multiple case studies has been chosen as research strategy.

The essence of case study lies in looking deeply at one or small number of businesses at one time period (Easterby-Smith et al., 2002). Even though, case studies are heavily used for education and research purposes, there is a large amount of controversy over the method. The criticism comes from assumption that knowledge received through case studies is lacking reliability and validity, as it represents only one particular organization or object (Thietart, 2001). However, Yin (2003) has argued that case studies can be efficient at testing existing theory, whether the aim is to check or challenge it. It has been mentioned before, that among the other goals of this research, the main purpose relates to checking existed theory and challenging it, therefore authors decided to use case study as a proven instrument for such intentions.

3.4 Research method and time horizon

There are several factors affecting research design, some of them have been described above. By next stage the narrowing down to particular method used in this research will be discussed.

According to Saunders et al. (2009) there are two major ways of collecting data, depending on information type– quantitative and qualitative research. Qualitative method implies to discover the nature of decision making by answering the questions why and how. It concentrates on social factors mostly. Quantitative method, on the other hand, refers to development and usage of mathematical and statistical models, whereas based on analysis of them researcher can build hypotheses (Easterby-Smith et al., 2002). It focuses mostly on measurements. The main aspects of qualitative and quantitative research designs are presented in table 3-2.

This paper uses qualitative research as the basis. Flyvbjerg (1998) has argued that combination of qualitative method and case study are appropriate for generalizing beyond the precise cases studies. As this paper intends to study several companies, the qualitative method strengths let the researchers investigate different aspects with more focus and better result. Another important factor while selecting method was the ability to get relevant empirical data and validity. Finally, the time constraints have been considered.

Quantitative

Paradigm/assumptions: positivism, empiricism
Methodology: Scientific method, hypothesis driven, deductive, reliable, valid, reproductive, objective, generalizable
Methods: Large scale, surveys, random control trials
Data type: Generally quantitative
Analysis: Statistics

Qualitative

Paradigm/assumptions: subjectivism, interpretivism, constructivism
Methodology: Ethno methodology, phenomenology, ethnography, action research, inductive, subjective, idiographic, intuitive
Methods: Small scale, interviewing, observation, document analysis
Data type: Generally qualitative
Analysis: Thematic exploitation

Table 3-2 Assumptions related to the qualitative and quantitative traditions (O’Leary, 2010, p.99)

3.5 Literature review

Among the pillars of research process, the literature review usually takes central place. It helps to discover existed knowledge in a field and gives hints regarding direction in further investigations (Easterby-Smith et al., 2002). According to Silverman (2000) there are six main blocks of literature review:

- a. Existed knowledge re topic
- b. Critical acclaim
- c. Previous similar researches on exact topic
- d. Will this research fit to existed knowledge?
- e. What is the value of this particular research

For this study researchers used the presented above model in order to conduct literature review. Firstly, the overview and evaluation of the existing literature within corporate strategy has been made. Regarding choices of theory presented in this paper, around fifty major books and most cited articles has been investigated, and as result, the most common, acknowledgeable views have been discussed. Saunders et al. (2009) suggest that literature describing subject in general should be a starting point at literature review, then narrowing down to specific aspects of theory is placed. The researchers have followed these suggestions and firstly introduced the common views on corporate

strategy as a field of study with highlighting the main steps, theories during the time of research. Then, more detailed view on differentiation in strategies at diversified organizations has been given. Finally, the additional factors to Porter 5's, which are affecting strategy development, have been investigated.

3.6 Data collection

The primary data collection has been organized through interviews. Participants have been selected according to their knowledge and experience in international management and likely participation in corporate strategy development and execution.

3.6.1 Interviews and sampling

There are several methods of primary data collection. Among them, researchers derive interviewing. (Sekaran, 2002; Thietart, 2001) By adopting this method investigators must be clear about objectives of the research. In case of accepting particular goals and aims of research, it is easier to choose among different kind of available techniques of interview (Easterby-Smith et al., 2002).

Moreover, researchers (Thietart, 2001) describe main types of interviews, such as: unstructured and semi-structured. In case of unstructured interview, all questions concern only area of the chosen subject. Interviewer does not interrupt interviewee, tries to stay on track of particular subject. Similar rules apply for semi-structured interviews except that interviewer has subject areas in advance, so he/she can narrow and guide interview in the process. For this research semi-structured interview has been developed and performed.

The first two in-depth interviews concerning the topics of corporate strategy, strategy execution, and alignment of corporate and business strategies, cross-cultural differences in strategy were held in Kraft Foods Russia. Both interviews were more than one hour long and were broad. The results from those interviews have been used in further research and helped to narrow down further steps. At the earlier stage of this research, the authors were planned to concentrate on one company and use single case study method to answer the research questions. Hence, in order to collect sufficient quantity of empirical data for the research, requests for contacts and interviews were sent to Kraft Foods Russia, Kraft Foods Sweden and headquarters in Chicago.

The choice of interviewees for this case and next ones was based on the managerial positions they hold, level of their authority (emphasis on C-level executives) and the corporate strategy related experience. C-level executives are highest-level executives. Authors were not provided with any further contacts and had to find new contacts by themselves. The research instruments were LinkedIn (professional social network), direct contacts with public affairs departments of the companies and networking.

Around fifty requests have been send to different Kraft Foods units, however the reply rate was really low and even in case of positive answers, the timing suggested for interview by the possible participant has been unacceptable in terms of time constraints for this paper. Therefore, it has been decided to change the tactics and method of research and expand it to the other companies, so it became the multiple case studies.

The authors have agreed the next sampling, consisting of two if:

- a. Diversified companies, operating internationally
- b. Having more than one business unit

The prepared interview questions were concentrated on the main dimensions of this research. Additional questionnaire, aimed to test Lynch model, have been developed. Questionnaire has been integrated in interviews, as final question. These interviews were aimed to be short, mostly 15-20 minutes and contained selected questions, taken from two previous broad interviews. The choice of participants and method of searching and contacting has been the same as in Kraft case. The companies which have been contacted: Arla Foods, Oriflame, Scania, Ericsson, Tele2, TeliaSonera, Volvo Cars, Husqvarna, Abba Foods, Unilever, Nestle, ABB. The questionnaire based on Lynch model has been developed after the first two interviewees in Kraft Foods, hence have not been asked in Kraft case.

The response rate has been low. Some companies like Scania and McKinsey, has rejected to talk within corporate strategy field as they consider this topic private for the company. The researchers were aiming to interview higher level employees, with cross-functional knowledge within the company. Another important guideline for researchers was the ability to have at least two people for interviewing within one company, in order to avoid one side view. The following companies were interviewed: Ericsson, Oriflame, Husqvarna, and Arla Foods. These are all Swedish-based diversified companies, operating in different countries; therefore the sampling requirement was been performed.

Table 3-2 Interviews' participants

Location	Interviewee, Position	Date and length	Type of interview
Moscow, Russia	David Steer, CEO Kraft Foods Russia	05.03.2012	Skype (phone)
Moscow, Russia	Oxana Glazunova, Supply Chain Director, Kraft Foods Russia	10.03.2012	Skype (phone)
Stockholm, Sweden	Tayana Borges, Global Brand Manager Personal & Hair Care at Oriflame	23.04.2012	Phone
Stockholm, Sweden	Global Category Director Wellness at Oriflame	09.05.2012	Phone
Sweden	Rickard Andersson, Head of Strategic Business Development at Ericsson	23.04.2012	Phone
Sweden	Niklas Orelund, Principal, Strategic Program Practice at Ericsson	23.04.2012	Phone
Jönköping, Sweden	Henrik Jacobsson, Global Demand Manager at Husqvarna	08.05.2012	Phone
Jönköping, Sweden	Per Christiansson, Brand & Marketing Manager McCulloch and Partner brand at Husqvarna	23.04.2012	Phone
Sweden	Magnus Glennborn Business development Manager at Arla Foods	26.04.2012	Phone Phone
Sweden	Helena Fagraeus Lundström Business Development Director at Arla Foods	08.05.2012	Phone

3.6.2 Secondary data collection

According to Thietart (2001) secondary data is the data which is already available (e.g. database, financial data and statistics, published literature). The main task of researchers here is to investigate and show cause-effect relationships within existed data.

Thietart (2001) further argues that researchers may use internal and external secondary data collection. Internal secondary data collection is the set of sources that has been released but has not been organized for specific needs (notes, reports, documents, written procedures). In its turn, external secondary data has been already organized and may be used without any categorization. The advantage of using secondary data, according to Sekaran (2002), is the reduction of time consumed on collecting and costs for obtaining information.

As secondary data the company's yearly reports and publications in media have been used. Some examples: published in media interviews with C-level executives, sustainability reports, official communication.

3.7 Data analysis

The analysis part may be an important tool for researchers to compare variables with each other, to find whether findings are highly correlated or not (Thietart, 2001). For this paper data analysis has been conducted through firstly systematizing the answers received for each interview in blocks, which correlate with a frame of reference structure. Then, questionnaire answers were analyzed according to Lynch model described in the introductory part. Thirdly, the data from all interviews was grouped based on the same blocks as in the literature review and compared with each other through critical discussion. As result, the common view for the research problem has been presented.

3.8 Validity

Validity has no particular definition, but it strives to answer whether stated concept, conclusion corresponds with the real situation (Sekaran, 2002). Thietart (2001) in his work states that validity is an assessment of concrete tool. It measures how particular phenomenon corresponds with expected results. The reason of finding validity of an experiment is that there are always some factors that may affect end results. Thus, validity is an important tool to measure accurateness of the test.

Researchers derive next types of validity (Sekaran, 2002; Thietart, 2001):

- a. External validity. In order to estimate external validity, researchers examine different conditions and possibilities of approaching the model to other situations. Firstly, researchers have to examine results investigated through the mean and their reliability on the whole population. Only after this, researchers can examine by extrapolating results on different fields, sites.
- b. Internal validity. This type of validity refers to what extent researchers can rely on cause and effect results in their findings. The aim of internal validity is to assess accuracy of the causal connections established in research. The ways of addressing internal validity are pattern matching, explanation building, and using of logic models in the data analysis set.

Multiple-case studies apply replication, which is the careful process of selecting cases that are likely to show comparable results. This helps to examine how generalizable the findings may be, e.g. valid.

For personal interviews, as the instrument of this study, the interview questions have been checked before went to interviewing process, in order to determine if they are prompting the types of responses the researches expected. The researches have performed a pilot test with a small set of managers from Kraft Foods Russia, in order to check how the answers received are valid to the research problem stated. The responses from these people have not been included in this study.

3.9 Reliability

The importance of reliability of research is very high due to the fact that some researchers may rely on previous findings which might be inapplicable to the particular study (Thietart, 2001). As Sekaran (2002) stated, reliability indicates stability and consistency of used measurement instruments to evaluate the experiment or concept. Therefore, reliability of research results is an important consideration.

To evaluate reliability, researchers verify that the different processes involved in research could be repeated by other scholars during their own researches. Reliability concerns all main types of research: data collection, data analysis, coding (Thietart, 2001).

During qualitative research, which implies to this study, the researchers should describe and be able to reconstruct the observational field. Moreover, researchers should pay attention to communication between researchers and observational fields; methods of data collection and processing should be clearly described (Sekaran, 2002).

This research was conducted according to guidelines agreed and universally acknowledged among scholars for the method chosen (multiple-case studies). The authors put high importance on reliability of research as this paper scientific goal is to extend the knowledge in a field and test the existed theory. At the second part of research (after first two in-depth interviews) the interview questions were clearly targeted to the particular field or definition. Hence, the authors believe that answers received can be used in further studies at the area. However, this paper does not intend to generalize the definitions, as the amount of responses received and companies studied is not statistically relevant. On the other side, the results of this research can be combined with others or being investigated further, by adding more participants, in a future.

4 Empirical data

This chapter is introducing to the case of the companies. In a previous chapter it has been introduced that the primary method of data collection in this study is interviews. This chapter presents the data collected through series of interviews, which has been categorized according to frame of reference structure, aiming to help the reader easily compare the theory and practical findings.

4.1 Introduction of the company “Kraft Foods Russia”

Kraft Foods Inc. is a global food, confectionary and beverage MNE. It possesses many brands and represented in more than 170 countries. Their major twelve brands annually earn more than \$1 billion worldwide. The company is headquartered in United States, Chicago. The company is diversified by geographical based business units, plus aggregated on region level by summarizing several business units. Kraft is an independent public company and listed on the New York Stock Exchange and a component of the Dow Jones Industrial Average.

Kraft Foods Russia has been established in 1994 and has been growing enormously over the years, mostly thanks to acquisitions of different businesses. In 2007 as a part of the global Kraft’s acquisition of Danone’s biscuit business, the local “Bolshevik” brands and production facilities has become part of Kraft Foods Russia. In February 2010, Kraft Foods globally acquired Cadbury. Key Brands LLC "Dirol Cadbury" on the Russian market: gum Dirol, Stimorol, Malabar, Halls lozenges and Dirol Drops, Chocolate Cadbury, Tempo and Picnic. In Russia, Kraft Foods owns six factories in Vladimir, Saint-Petersburg, Novgorod and Moscow regions. The number of employees exceeds four thousand people. The company is actively investing in the Russian economy, and provides extensive social and charitable projects.

In terms of structure, Kraft Foods Russia relates to EEMA region (Eastern Europe, Middle East and Africa), which is the Kraft’s largest geographic region. Russia, together with Ukraine, account for more than half of revenue and profit at the region. The Kraft considers Russian market as having a huge potential and growth promising. According to Kraft Foods Russia present CEO, David Steer: “The hardest decision in Russia is what not to do...” This phrase refers to one of the definitions of strategy given by M. Porter, he has been highlighting that strategy can be viewed as a bunch of trade-offs, choices of what not to do (Porter, 1979). In Russia, Kraft presented by 5 major product categories, and leads at three of them, these are freeze-dried coffee, chocolate and sweet biscuits. The brands portfolio is mixed, with local ones and global ones brands, however the prioritization is given on local brands, mostly thanks to their history and power on the market. The management team are mostly local and only 5% of second level leadership are foreigners.

According to the global Kraft Foods website, their current strategies concerns with:

- a. “Delight with global snacks customers”. It has been recently announced that snacks category is main focus of the company
- b. “Unleash the power of our iconic heritage brands”
- c. “Create a performance-driven, values-led organization”

Two representatives have been interviewed at Kraft Foods Russia: CEO, David Steer and Supply Chain Director, Oxana Glazunova. Transcripts of both interviews can be found in attachments to this paper.

4.1.1 What is corporate strategy?

The first question in both interviews was dealing with the definition of strategy itself for our participants. Even though the wording of answers was different, the overall meaning appeared to be the same. The word “game” took central place in both responses. In more detail they referred to areas, products, categories the company plans to play with, how the company is going to win in there and overcome the competition. The other important term which appeared was “direction”. According to both interviewees, the strategy for them is the prioritization of the directions the company chooses to get to the destination. Conversely, it has been further added that strategy is far more complex, than just directions:

“Direction example is, we want to get to the final objective, and we are going in that direction. However, if you’ll take what you’ve got, you can call them over the mountains, you can call them the shortest distance in terms of places, which is probably the highest climb, longest distance but the easiest. So, the question is what will get you there and the right combination of factors to give you end result you want? And there would be two, three, hundreds of potential strategies you could take. You might do that through focusing on one particular part of chocolate business and becoming the dominant player in that part or you may choose scale across the market place, two strategies, and two different actions for that choice.” David Steer, CEO Kraft Foods Russia.

By answering the question whether or not the strategy can be defined as a bunch of trade-offs, (choices what not to do) the views differed. According to David, the strategy is clearly the question of choices and then sorting out which of these opportunities the company can drive to get the maximum return. On the other hand, at the beginning, Oxana has not fully supported David. She replied by saying that for her it lies in the definition of strategy itself:

“I may put it on a different priority levels. For instance, you do have in mind the chain of projects, steps which you can do in theory, aiming to reach particular result. Further, by next step, you are working on prioritization of these possible initiatives. The selection process based: max effect/min cost (material and human resources)” Oxana Glazunova, Supply Chain Director Kraft Foods Russia.

Basically, by interpreting her words, at the end she has agreed with David, however divided those choices on strategic and tactical ones.

4.1.2 Strategy communication

The second block of questions was aimed to answer the question how global strategy should be translated into business units. According to them, communication starts from the global corporate level, beforehand being aggregated in blocks, structured; and then spread through the organization. Firstly, it is structured for a reason so that next levels in the organization can put it closer to their own goals. According to our interviewees, it is a leader task to transform global corporate strategy to the strategy of exact business units, functions, etc. It is structured by exact guidelines and follows the company’s hierarchical levels.

“You have to make sure that your employees are engaged, they connected with the business and they want to go in the same direction with a level of involvement. You can’t do that without telling that where are you going and why? So you

have to share the elements of strategy; even the framework within you is going to operate, so they will know that this is something that we spend time on and this is not.” David Steer, CEO Kraft Foods Russia.

4.1.3 Business-level strategies vs. corporate-level strategies

Interaction between levels of corporate strategy should be stated as a process in a company. Both participants were highlighting, that market differences and cultural differences, so widely hyped among the business and academic world, do not affect strategy alignment to a large extent. According to them, there are differences, but not significant. Furthermore, they mentioned that successful companies have a global model which they are able to adapt to local conditions. Additionally, the most successful companies are the ones who can find consumer insights on a continual basis and utilize them to get a product appealing to more than one place quickly.

“Funny enough, companies swing back-n-forth between center-driven model and a market-driven model. And consultancy firms write papers claiming that it’s time to be a centralized company because something has changed in a world economy. It’s all bullshit. And it has to balance between these two models and in the middle it’s screwed up. Simple way is to pull similar ideas, galvanize them, turn them around and finish product quickly, and in the markets which put them out harvest directly” David Steer, CEO Kraft Foods Russia

The words “quickly”, “speed of reaction” have been central in both discussions, both participants were highlighting the world becoming more and more globalized, the competition becoming more intense and the company’s ability to quickly react on changes and adapt their strategies as a critical success factor. David has been concerned about the used term “alignment”, by saying that alignment for him: “is like somebody came up with something and enforced to go with a process”. According to him, it has to be a consistence in decision-making instead.

Speaking about independence level at the local strategic decisions, Oxana has mentioned that she has never had any concerns about changing strategic choices given by headquarter. According to her, what can be thought differently are tactics and details of solutions. However, such view may perhaps reflect the company subordination and hierarchy policies. Hence, it has been decided to investigate further on other companies.

Both have agreed on a business-level strategy being more detailed and including more actions than directions. Having the right people inside the organization and the right relationships outside the organization have been mentioned as key success factors at local strategies.

By moving further and answering the question, whether or not the company nowadays should become more centralized and apply global standardization strategies, the views have differed slightly. David replied, in addition to what he mentioned before, that for him it is not so important to have standardization. In case if he would have a choice, he would not refuse it. However, the market should take the central place in such decisions. If a product fits to the market, he would consider having similar products in different regions, and by this improving flexibility in supply chain and production. Oxana, as a truly supply chain person, has putted very high importance on it, and highlighted the speed of reaction as a result once again, plus company’s ability to survive in more simple flat structures as result of applying standardization. Those two shades in responses probably reflect the “origin” of those persons, David came from marketing, and Oxana has been working in supply chain most of her career.

4.1.4 Can industry changes affect strategy and can local success change global strategy?

In order to prepare our interviewees to answer the question whether or not the industry changes should affect strategy and under which extent, interviewers were firstly asked about the ways they measure industry. The responses were quite similar and can be grouped in four blocks.

- a. Industry analysis through KPIs (key performance indicators)
- b. Retail condition
- c. Current media and advertisement focuses
- d. Networking and sharing knowledge through professional communities

Even in case of major industry changes, the strategy cannot be changed quickly, according to both respondents. The strategy is a long-term decisions model; however some corrections at tactics can be undertaken. The speed of change depends on the company's structure, size, and hierarchy levels.

The local success, innovative approach can definitely change the global strategy, according to both interviewees. The realization depends on two main parameters: the size of success market and size of success itself. Clear communication through hierarchy levels and strong belief in you are the key factors here.

“For example, we have planned at global level to grow at sales on 20%-30%, but new innovative approach gave us 200%-300% instead on some particular market. It should be communicated clear and supported by decent arguments and facts. The situation will be analyzed on a global level and then changes can be possible”. Oxana Glazunova, Supply Chain Director, Kraft Foods Russia.

4.1.5 Five factors that affect strategy development

When analyzing the Porter 5 Ps, the authors thought about the other factors, which can be included in this model. Those thoughts and assumptions have been discussed with participants. This research has not intended to check Porter 5's; those were considered as an agreed model.

The first factor hypothesized was government, meaning law regulations and licenses. Both respondents have agreed on this factor. David has referred this factor to the case if you were a foreign company and entering a new market, it is better to understand whether or not you will be allowed to compete and with whom. Hence, the authors assumed, that “government factor” is not only the law regulations, but also the “black” sides, meaning some unofficial support and assistance by local authorities for local companies.

According to Oxana, the “government factor” is certainly impacting strategy at business unit/market level, but not on a global one. Five factors stated by Porter are enough for corporate-level strategy development. However, when we talk about local strategy – “government factor” should be added.

The other factor has been introduced by David. He named “corporate confidence” as another factor to add to 5 P's and put the first priority on it. By his definition, the “corporate confidence” is a mental attitude that you can take the competition on. “He might be bigger, but I'm better.” By simplifying the definition, it can be said, that its company belief in their own powers, ability to take risks and to set the goals looking impossible at the moment.

“This overconfidence, this belief that you can win is worth everything; that passion and that belief”. David Steer, CEO Kraft Foods Russia

Oxana's view on this factor was slightly different. She agreed on this factor, but added that she will put it on a global level. In addition, according to her, it is not only company's confidence in a way David described it, but also the company's ability and willingness to invest money and resources on a long term perspective. The authors assume, that such definition can be related to the "corporate confidence" also, but with some delimitation.

4.1.6 Conclusions

The first two interviewees were extremely useful; they were broad and long, and contained many open-ended questions, which have resulted interesting empirical findings at the areas, which have not been considered as primary for this thesis at the very beginning. The results of Kraft Foods case has become a foundation for further research in a field.

4.2 Introduction of the company "Ericsson"

Ericsson is one of the biggest world and Swedish companies in telecommunication industry and other related sectors. The company operates worldwide in 180 countries and 108 551 employees. It has four different business units such as: business unit networks, devices, business unit global services, and business unit support solutions. The company's headquarter is placed in Stockholm, Sweden. In 2011, Ericsson earned 226 billion SEK in revenue. According to company's annual report, the most growing regions are China and North East Asia, Northern Europe and Central Asia, and Latin America. The sales increased up to 47, 25 and 23 percent respectively. Moreover, the company is publicly traded and listed on the NASDAQ Stock Market.

The company was founded in 1876 by Lars Magnus Ericsson who opened telegraph repair workshop. Since that time, company is growing and innovating in telecommunication industry. It was one of the first companies who started its operations overseas. The essence of company's growth lays in acquisitions, expansions, diversified portfolio and cooperation with the different companies on the different markets. The main competitive advantage of Ericsson is the number of different patents in telecommunication industry. The company has a diversified portfolio, holds around 30 000 of patents and is the largest holder of standard-essential patents for mobile communication. Moreover, the company has cross-licensing agreements with major equipment producers. Currently Ericsson has 22 000 employees in R&D and 16 of new patents sought each day.

Business unit Networks offers solutions to network operators (e.g., radio base stations, base stations, radio network controllers, etc.). Business unit Global Services offers solutions related to BU Networks and includes planning, building, and optimizing networks for clients. Besides, this business unit is responsible for development of consultancy services in fields of strategy, technology, and networks. Business unit Devices produces mobile phones, personal computer cards. In 2012, Ericsson presented a new strategy for Multimedia BU which focuses now on Operations support systems and Business support systems (OSS/BSS, TV and media, M-commerce).

Ericsson has a goal of remaining a world leader in telecom industry and a leading player in Information Communications Technology industry. The strategy of the company involves key concepts of technology leadership, service leadership, global presence, and scale. The company is continuing to innovate in high-quality networks and solutions. To remain on a competitive edge, Ericsson invested SEK 32.6 billion in R&D in 2011. This was made due to previous decision to develop several different products. The primary aim of the company is optimizing networks and

developing standards that keep them working under high traffic loads. The major part of investment in R&D is software development.

The key to success in telecom services is local service competence and highly skilled project managers. USD 1 billion was invested by Ericsson in developing of processes, methods, and tools for developing common frameworks and ways of working.

Two representatives have been interviewed in Ericsson: Niklas Oreland, Principal, Strategic Program Practice at Ericsson; Rickard Andersson, Head of Strategic Business Development at Ericsson.

4.2.1 Corporate-level strategy

For both respondents the essence of corporate-level strategy lies in how they as a company are going to achieve their long-term goals. According to them, the corporate-level strategies should include: knowledge of competitors, environment, and the ways a company is going to act in that environment. Corporate-level strategy deals more with divisional, business unit, company structure issues, and acquisitions or segments within industry. For both respondents the corporate-level strategy seems as a very high, broad level of decisions without getting in in large amounts of details, more close to the vision and mission of organization in its broad definition. Corporate-level strategy has role of supporting functions inside organization and should include the issues about portfolio which cannot be addressed on a business-unit level, the respondents furthermore added.

4.2.2 Business- level strategy

According to Rickard, business-unit strategy at Ericsson Sweden is more concerned with the portfolio question and driving growth in current businesses. By answering the question whether or not the business-unit level strategy is more concerned with tactics of decisions, then strategy itself, Rickard has not supported this argument. He further complimented his answer by saying that the business-units in Ericsson are very strong and definitely deal with strategy on a long-term base. Typically, Ericsson business-units plan everything for five years ahead.

For Niklas, the business-unit strategy is a breaking down of corporate-level strategy for the specific BU.

4.2.3 Can local success change global strategy?

Both respondents have strongly supported the possibility of change in global strategies, influenced by local success. In order to make a change in a global level, change management tools should be applied with strong emphasis on proving and communicating the local successful initiatives to the rest of the company. Similar to previous responses, the Ericsson respondents have named the communication to the high levels, supported by arguments and facts as engine in changes on corporate-level by business one.

“Given all the budget constraints, it will be a lot of constraints from corporate or central head-office. Local management always has to decide: we have certain needs, there is something we can do, something we can’t, so let’s see on what we can spend our money; and not execute all initiatives that come from corporate office. If there was a success in another market that might be similar to their own market, then they are much more likely to try the same”.
Rickard Andersson.

However, Rickard’s answer may reflect the particular company governance and financial independence on a local level. In contrary to Kraft Foods, the Ericsson business-units are more independent in decisions and budgets; hence, it can be assumed that they are more flexible in

The size and perspectives of the local market are the important factors in local success assessment, according to Niklas.

4.2.4 Five factors that affect strategy development

The “government factor” has been strongly supported by both respondents. According to them, the government and law regulations are very important in telecom industry and even take a central place in majority of cases. They specifically highlighted the appearance of “black” side for this factor, described before, at developing markets.

In contrary, the “corporate confidence” has not been supported. This factor corresponds to the term “focus”, “strategic focus”, according to them. Though, this is very important for strategy, this factor will not fit to Porter’s 5 as it is an internal characteristic of the company, whereas the Porter 5 P’s relates to external factors.

4.2.5 Lynch model testing

Table 4-1 Answers by Rickard Andersson, Head of Strategic Business Development at Ericsson

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?			+	
What are our basic directions for the future?		+		
What is our culture and leadership style?			+	
What is our attitude to strategic change? What should it be?		+		
How do we compete successfully? What is our sustainable competitive advantage?	+			
How can we innovate?	+		+	Maybe both, but primarily BU
Who are our customers?		+		

Table 4-2 Answers by Niklas Oreland, Principal, Strategic Program Practice at Ericsson

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?		+		Could be both
What are our basic directions for the future?			+	
What is our culture and leadership style?		+		
What is our attitude to strategic change? What should it be?	+			
How do we compete successfully? What is our sustainable competitive advantage?		+		Could be both, but if I have to choose it would be on corporate level.
How can we innovate?	+			

Who are our customers?			+	
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4.3 Introduction of the company “Husqvarna AB”

Husqvarna AB is the world’s leader in producing of outdoor products (e.g. chainsaws, trimmers, lawn movers, etc.) The company was founded in 1689 and nowadays has 15 000 employees. Moreover Husqvarna operates in three business areas: Europe & Asia/Pacific; Americas, and Construction (1). The organization includes five business units: Product Management & Development; Manufacturing & Logistics; Sales & Service Europe and Asia/Pacific; Sales & Service Americas and Construction. The company is listed on OMX AB Stock market, the subsidiary of NASDAQ OMX Group.

The competitive strategy of the company lays in its primary strengths which are: strong brands, efficient global distribution network, broad product offering, and flexible supply chain. The whole strategy was developed with the aim to increase investments in product development and brands which may result in further strengthen of the company. The core brands of the company include: Husqvarna, Gardena, McCulloch, and Diamant Boart.

The company strives to act in a non-bureaucratic way with the aim of quick response to changing market needs. This helps to imply changes rapidly and evolves employees in active participation in the decision-making process of the company (3).

According to company reports, the major part of sales takes place in Europe (48%), North America (38%), and in the rest of the world (14%). The company sells its products through a wide network of retailers and dealers offering a broad product range. Moreover, the major part of dealers also offers service for the products. Husqvarna Group has strong positions on European market, although it competes with Bosch, Echo, and Fiskars in Europe. The main competitor in Americas is John Deere.

Currently main markets for Husqvarna are Europe and North America where demand is driven by comparably high purchasing power of the clients and general economic trend (2). The future development of the company is in the growing of the users in South America and China where large forested areas drive market demand.

We have chosen two interviewees from Husqvarna group: Per Christiansson, Brand & Marketing Manager, McCulloch and Partner brand at Husqvarna; Henrik Jacobsson, Global Demand Manager.

4.3.1 Corporate-level strategy

According to Per, corporate-level strategy works with issues of investment relations, regular resources of the company (e.g. suppliers), overall strategy, and where and how the company sells its products. Henrik has emphasized that corporate-level strategy deals with the questions of upcoming products the company has to offer to the market in mid- and long-term perspective, and on which market to extend. Moreover, Henrik highlighted that level of control on global level depends from operations. For instance, the parent company handles all contracts with the suppliers, media agencies, etc. Also, he has pointed out that all purchases in Husqvarna Construction are tightly connected to the global organization.

4.3.2 Business- level strategy

Per stated that the goal of business-level strategy is to explain everyone in the company what the company goals are and how to achieve them. He described the process of the development of the business-level strategy as following steps: first of all, global headquarter develops corporate level strategy, then the corporate headquarter sends it to local business units which are developing own versions of strategy. The business-level strategy concerns mainly tactics and decisions of achieving certain goals stated in corporate strategy.

In turn, Henrik replied that business-level strategy is a mix of tactics and decisions. He mentioned next activities of business-level strategists: competition analysis, analysis of competitors' performance, improvement of supply chain channels, and stock level. Moreover, he explained the working process in supply chain as a process of face-in and face-out operations. It means that new products are coming in, old products are going out. In order to adjust supply chain to these changes in product lines, supply planners have to develop own strategies for new products/service offerings.

What is important is that Husqvarna Group decides on providers of third-party logistics providers, but local business-units have their own requirements.

Finally, Henrik emphasized the necessity of strategic thinking. He stated that the majority of big companies are too much involved in operational process. This can negatively affect production process and overall success.

4.3.3 Can local success change global strategy?

Per replied that local success can change the corporate strategy. He emphasized that companies should constantly monitor situation in the world in order to adapt to changes as quickly as possible. He gave an example of Kodak. They knew that changes were coming but were unable to implement changes.

For Henrik local success can definitely change global strategy. He described it as constant improvements in projects within specific markets. After projects gain success on a local market, business units can introduce them to others. Henrik provided with example of a new product launch. First of all, business unit develops certain product or solution. Afterwards, managers of this business unit present the product/service to global managers and business developers. He has emphasized the importance of a good presentation, so everyone could understand and see the opportunities in the new product/service offering.

4.3.5 Five factors that affect strategy development

Per emphasized that government is playing significant role in the development of strategy. He gave an example that companies have always to consider regulations regarding intellectual property. He also supported the mention of corporate confidence as another factor to Porter's 5 factors.

Henrik agreed with Per on the government factor. He stated that big companies should be aware of conditions on local markets, how government treats the market, and factors that should be taken into consideration.

Regarding corporate confidence factor, Henrik answered that company should have corporate culture and belief in its products, which will contribute to success on the market as result. He gave an example of big companies (Google, Apple). Henrik emphasized that these companies believe in

their profit, product, in companies themselves. Also he mentioned that it is culture that really enforces employees to do their outmost performance.

4.3.6 Lynch model testing

Table 4-3 Answers by Per Christiansson, Brand & Marketing Manager, McCulloch and Partner brand at Husqvarna

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?			+	
What are our basic directions for the future?		+		
What is our culture and leadership style?			+	
What is our attitude to strategic change? What should it be?		+		
How do we compete successfully? What is our sustainable competitive advantage?	+			
How can we innovate?			+	
Who are our customers?			+	

Table 4-4 Answers by Henrik Jacobsson, Global Demand Manager at Husqvarna

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?			+	It depends on how you define your business
What are our basic directions for the future?		+		
What is our culture and leadership style?		+		
What is our attitude to strategic change? What should it be?			+	
How do we compete successfully? What is our sustainable competitive advantage?	+			
How can we innovate?			+	
Who are our customers?	+			

4.4 Introduction of the company “Arla Foods”

Arla Foods is a Danish-Swedish company and the largest producer of the dairy products in Scandinavia. The company was founded in 2000 as a result of merger between Swedish company Arla and Danish company MD Foods. The production of the organization takes place in 13 countries, sales offices in 20 countries, and more than 17 000 employees. Company’s headquarter is placed in Århus, Denmark.

Arla Foods is the biggest producer of organic dairy products in the world. Core brands of the company are Arla, Lurpak, and Castello. The products are sold in more than 100 countries. Meanwhile, company has core markets are Denmark, Sweden, Germany, UK, and Netherlands. Growing markets for the production of Arla Foods are Russia, USA, Poland, and China. Arla is concentrating in maximizing profits and developing relationships with strategic partners. Value markets for Arla Foods are: Canada, Spain, Greece, Brazil, and Norway.

The organization of the company consists of the following business groups:

- Global categories and operations;
- Consumer international;
- Consumer UK;
- Consumer Sweden;
- Consumer Denmark;
- Consumer Germany and Netherlands

Arla Foods employs Close to Nature™ concept which enables it produce products that are free from artificial coloring and flavoring, and limited use of additives. The company values health of its products, natural taste, and organic food.

Arla Foods executes Strategy 2015. The aim of this strategy is to become the best dairy company for more than 250 million of consumers in Northern Europe/Asia and UK through three core brands: Arla, Lurpak, and Castello. The company aims to growth through acquisitions, economy of scale, value creation, and innovation. Therefore, Arla Foods is going to double its budget on innovation within 2015.

Two persons have been interviewed in Arla Foods: Helena Fagraeus Lundström, Business Development Director at Arla Foods; Stockholm, Sweden and Randi Wahlsten, Business Development Director at Arla Foods, Copenhagen Area, Denmark. Unfortunately, the recording from the Randi's interview has been missed due to technical issues, however the interviewer made notes during session, hence some views still will be presented below.

4.4.1 Corporate-level strategy

By giving their definitions on corporate-level strategy both respondents once again have named the overall direction of a firm as a primary aim for this level of strategy. Helena also stressed the importance of cross-alignment among different businesses on this general level. Furthermore, the participants mentioned that corporate-level strategy usually answer the questions, concerned mergers and acquisitions and the strategies of entering new markets. Similar to David's view (Kraft Foods), Helena pointed out that to some extent corporate-level strategy might be good enough for you and you only have to translate it to the local market conditions. Just to remind the reader here, according to David (Kraft Foods): the successful companies are the ones who are able to develop and adapt the same business model all around the globe. We see these two phrases are quite connected, as both emphasize the importance for companies to have their own identity and not being ruled by environment.

4.4.2 Business-level strategy

Business-level strategy is looking at the direction that was set by corporate strategy and transferring it to local execution, according to our interviewees. Business-units in Sweden and Denmark still have

to work with strategy by making it more detail and concrete than on corporate one. In Arla, corporate level strategy is more general concept, while business-level strategies take next steps, create action plans to make sure they can deliver goals stated, and transfer high-level strategy into execution strategy. Similar, to previous cases studied, the tactic of decisions appears more on business-unit level; however, till which extent, depends on business area and function.

4.4.3 Can local success change global strategy?

Both respondents have agreed on possibility of local successful initiative to drive the change on the global level. Here some example related to Arla from Helena:

“To take for example, in Arla, Sweden, we have a lot of lactose-free equipment, so we make sure that people that are intolerant to lactose consume our products. And it was a great success here, in Finland as well. Clearly it’s one of our key strategic areas we are focusing on for the next few years. And they have not been seen over the corporate strategy couple of years before. I think, success in Sweden and Finland made the corporate part of organization working on it as well”.

4.4.4 Five factors that affect strategy development

Once again, we have questioned our participants, what are their opinions on two additional factors to add to Porter 5 Ps. Both respondents have agreed on government as additional factor to consider, however they did not put high importance on it. According to both respondents, the government factor should be considered at development of the local strategies, and does not appear on corporate level.

Regarding corporate confidence, both have agreed on importance of having this characteristic in organization. However, from respondents opinions this factor refers to internal characteristic of a company, hence can’t be included in Porter’s model.

In addition to factors discussed, Randy put high importance on ownership structure as additional factor to consider at strategy development. Helena further supported Randy and provided interviewer with practical example:

What we are using in Arla and that is very important for us. I think that is s about confidence, people. That can be for sure very crucial thing for success. I think, in Arla it is about the owners. We owned by farmers. And they are confident in the company which is very crucial for us. They have a great influence on decisions we are taking. And if they are not agreeing with some decisions, then we don’t have money on that. If you look at the company that is on the stock market, they have very different relationships with the owners.

4.4.5 Lynch model testing

Table 4-5 Answers by Helena Fagraeus Lundström, Business Development Director at Arla Foods

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?			+	
What are our basic directions for the future?		+		
What is our culture and leadership style?		+		
What is our attitude to strategic change? What should it be?			+	

How do we compete successfully? What is our sustainable competitive advantage?			+	
How can we innovate?			+	
Who are our customers?	+			

4.5 Introduction of the company “Oriflame”

Oriflame was founded in 1967 and one of the world’s leading companies selling cosmetics. It represented in more than 60 countries. The company offers a wide range of high-quality products. Oriflame has 7 900 employees and product range of approximately 1000 products. The company is listed on NASDAQ OMX Stockholm since 2004. Company’s headquarter is situated in Luxembourg. Oriflame entails five production units situated in Poland, Russia, India, China, and Sweden. Every unit manufactures only the high quality products using latest technologies. Annual sales estimate approximately 1.5 billion Euros.

The main sales channel of Oriflame is direct sales through consultants. The company has around 3.6 million consultants worldwide. Hence, core values of the company are togetherness, spirit, passion. The main activities of the company include:

- Purchasing of raw materials;
- Manufacturing;
- Supply and distribution planning;
- Logistics control;
- Quality management control;

The company highlights its key points of business strategy in following points (1):

- Great career opportunities;
- Trustworthy ordering, delivery and payment system;
- Wide portfolio of beauty products at reasonable prices;
- Energetic and fun global community;
- Programs for personal growth;

Oriflame strives to develop products with low environmental impact in order to cut ecological impact. In 2011, the company introduced the Eco beauty cosmetic range – fully environmentally responsible beauty range. The company ensures that the experience gained during the development of Eco beauty will be used in the development of future products and lines.

Two representatives were interviewed in Oriflame: Tayana Borges, Global manager Personal & Hair Care; Marcus Jacobsson, Global Category Director Wellness.

4.5.1 Corporate-level strategy

Oriflame has a number of key tasks and goals to achieve, and strives to accomplish them. The corporate strategy is being developed on a global level and then it is being spread to local business units all over the world. Tayana has emphasized that corporate strategy sets particular objectives and ways to reach the goals stated. While developing corporate strategy, the company does not look into

the details; the strategy is more of a general nature. It is more top-down process. For Marcus the main goal of a company is to deliver the best quality beauty products for affordable prices to as many markets as possible.

4.5.2 Business-level strategy

Tayana described business-level strategy as a part of the corporate one, which should be adjusted when it comes to a specific market. According to her, this adjustment can be explained by the fact that the corporate strategy operates with the general definitions and, when it comes to specific markets, not everything is the same, and some new settings are needed. During the process of development of the business-unit strategy, management of business-units goes down into details and new specialties occur. According to Marcus, the main task of business-unit level strategy is the recruitment of a new personnel and retaining the best all over the world. The corporate strategy sets goals, and business-unit strategy strives to reach these goals by implementing certain decision or tactics.

4.5.3 Can local success change global strategy?

Tayana and Marcus emphasized that success on local markets can definitely change the global strategy. Marcus highlighted that Oriflame encourages all local initiatives. Tayana described her vision as an adjustment to the local market conditions that can be transferred to other markets in case of success.

4.5.4 Five factors that affect strategy development

Both Tayana and Marcus have fully agreed on government factor necessity to add at strategies development. Marcus highlighted that due to high governmental regulations of the business this factor appears to become more and more important.

Marcus has emphasized that corporate confidence factor is one of the prerequisites for making strategy working. In turn, Tayana has not supported her colleague, and put it as an internal factor of the company, while other factors are external.

“I think this is something more connected to an organization, DNA of the company, the principals that I wouldn’t put. If I put something before strategy then it would come before. Speaking that you have that, then the factors that you’re saying. Because all the factors you are saying is more external for the company to certain extent. The suppliers, the buyers, the rivals, the entrants, and the buyers. And this one for me is less connected?”

4.5.5 Lynch model testing

Table 4-6 Answers by Tayana Borges, Global manager Personal & Hair Care

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?			+	Corporate more
What are our basic directions for the future?	+			Not sure
What is our culture and leadership style?		+		

What is our attitude to strategic change? What should it be?	+			
How do we compete successfully? What is our sustainable competitive advantage?			+	
How can we innovate?			+	More business unit
Who are our customers?				It's interesting question. It's specific with direction of the model. Sometimes they are both customers and consumers. It depends on who you talking about. If you talking for marketing it might be the region. If you are talking for the region, then consultants.

Table 4-7 Answers by Marcus Jacobsson, Global category director, Wellness, Oriflame

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?		+		
What are our basic directions for the future?			+	
What is our culture and leadership style?			+	
What is our attitude to strategic change? What should it be?			+	
How do we compete successfully? What is our sustainable competitive advantage?			+	Depending on the perspective of the company
How can we innovate?			+	
Who are our customers?			+	

5 Analysis

At this chapter, the concepts and models, introduced in the frame of reference, will be compared with empirical observations the authors have made. The structure of the chapter follows the frame of reference, with some exceptions and aggregations. Additional theory concepts will be added to discussion by necessity.

5.1 Corporate strategy as a whole

For the most of participants, the notion of corporate strategy lies in defining the general direction for a company. Furthermore, corporate strategy is a process of selection a possible ways to achieve the goal. There can be several options a company can take and further focus on. Hence, the recognition of the particular company strengths, together with a future emphasize on them is a key to win the competition game.

Corporate strategy should answer the questions: where, how and when a company intends to reach its goals. Looking back at the frame of reference chapter, researchers may conclude that scholars' view on corporate strategy mostly corresponds with the results of this research. The table 5-1 presents essentials from definitions given at the frame of reference, being analyzed and grouped in terms of discussion above.

Table 5-1 Key definitions from the frame of reference

Corporate strategy:	Andrews, 1997	Mintzberg, 1998	Johnson et al, 2009
Direction		+	+
Choices	+	+	+
Timeframe		+	
How and where	+	+	+

Only few participants have mentioned vision of organization as the part of corporate strategy. Even in cases, where vision been mentioned, the emphasis on this dimension of corporate strategy has been significantly lower than on others. This observation leads authors to the assumption, that business differs those two, corporate strategy and vision of organization, despite on some theoretical views, seeing them as a whole. However, this conclusion relates only to particular cases and should be investigated further on a larger research scale.

5.2 Corporate-level strategy

The most of respondents see corporate-level strategy as a very broad concept, without getting in in large amounts of details. Surprisingly, in a light of discussion above, even close to the vision and mission of organization, according to some of interviewees. This level of strategy is value oriented, conceptual and less concrete than business level.

The respondents' views on corporate-level strategy were grouped in three blocks for analysis purposes. These blocks will be referred and discussed with the theory subsequently.

The first block can be named "*where, how and when*". According to our interviewees corporate-level strategy deals with next questions: which markets to enter and global portfolio of products to offer to specific BU. Moreover, corporate-level strategy defines priorities among categories, products and

markets. The research and development function, responsible for development and invention of new products is also should be located on general corporate level, according to some respondents. Finally, corporate-level strategy operates on mid-term and long-term perspective. According to Goold and Sommers Lurchs (1996) one of the questions the corporate-level strategy deals with, is “what businesses should the company compete in”. They further argued that the best use of corporate-level strategy lies in portfolio management. Portfolio management term almost accurately describes the issues regarding choices of products, categories and markets, which have been discussed above. Hence, the authors may conclude that “where, how, when” dimension of corporate-level strategy has been supported by empirical observations of this study.

The second block is “*knowledge*”. The respondents talked about that corporate-level strategy should adsorb and develop knowledge of competitors, environment, and blue-prints for processes engineering and business models. The creation of knowledge management system on corporate-level, with further cascading on business-level strategies is becoming one of the critical dimensions for corporate-level strategies and corporate strategies as a whole. For instance, Carpenter and Sanders (2007) argued that knowledge systems are helpful in creation and alignment of common goals. However, authors believe that knowledge dimension appears on both levels of corporate strategy; hence it cannot be related to corporate-level only. On the other hand, the process of knowledge sharing should be initiated and coordinated by corporate-level, according to the respondents of this study. This leads to the next dimension of corporate-level strategy: *coordination and control*.

Participants of this research highlighted that among other roles corporate-level strategy plays, the coordination and control over the different businesses takes central place. Starting from the structure of a company and ending by mergers and acquisitions. The respondents emphasized on, that corporate-level strategy should be supporting and controlling function for business units or divisions. Moving back to the questions, should be answered by corporate-level strategy, (Goold and Sommers Lurchs, 1996) the researchers may conclude that the second dimension of corporate-level strategy, which is “how headquarter should manage their businesses?” have been confirmed by empirical data of this study.

Bartlett and Ghoshal (1989) have argued that the only factor for corporate-level strategy success is the criterion that this strategy adds value and the development of global strategy enables company to be globally efficient. Even though it has not been said directly by our respondents, through discussions on global standardization strategies, global suppliers’ agreements and knowledge share systems, this argument has been supported.

Finally, some of respondents mentioned that corporate-level strategy deals with expectations of owners, stock market and capital investments.

5.2 Business-level strategy

In contrary to corporate-level strategy discussion, to give the definitions on business level strategies was much easier to research participants. The authors assume that main reason for this is that business-level strategies is more concrete concept and at some extent, relates more to actions, rather than directions. According to Beard and Dess (1981), business-level strategy deals with the questions of how to compete in particular businesses. There were two main ways the respondents defined business-level strategies. First way was connected to corporate-level strategy and following definition applies here: business-level strategies are about to take next steps, create action plans to make sure

they can deliver goals stated, and transfer high-level strategy into execution strategy. The second way almost replies the definition by Beard and Dess (1981) given at the beginning: business-level strategy is a mix of tactics and decisions aiming to drive growth in particular businesses.

The most of respondents have agreed that business-level strategy is more about tactics of decisions than strategy itself. However, till which extent, the views have differ. As an example, Oxana (Kraft Foods) has mentioned that she has never had any concerns about changing strategy vs. given. According to her, what can be thought differently are tactics and details of solutions. On the other hand, the Ericsson's respondents have replied that business-level strategy plays significant role in operations of the company. Moreover, Ericsson develops long-term strategy for its business units. This could be explained by a different governance structure of these two organizations. Some organizations have more power of decisions on business level.

Beard and Dess (1981) have also stated that the primary aim of business-unit strategy is the diversification and adding of the shareholder's value. This statement was supported by almost all respondents. However, it was mentioned in different words, but the general idea of answers was that local business-units must have competitive advantage and be relatively independent.

Porter (1998) has developed three kinds of strategies for business units (differentiation, cost leadership, and focus to achieve sustainable competitive advantage). Our respondents have agreed that strategy of differentiation is very important for the development of the company. Some of them have pointed that companies at global level encourage local initiatives. Others have mentioned that the main obstacle while development of a new product is a difficulty to explain the importance and possible features of new product to managers.

Finally, having the right people inside the organization and the right relationships outside the organization have been mentioned as key success factors at local strategies by some respondents.

5.3 Corporate/business level interaction

The interaction between corporate and business levels of strategies has been discussed partly above. In this section, the discussion will continue in more details.

As an essential of interaction, corporate-level strategy comes first and then at business level it is transformed in goals and targets for particular business unit (Beard, Dess, 1981).

The interaction has been discussed in details during the first two in-depth interviews with Kraft Foods representatives. During interviews with other studied companies this research question has been discussed through the explanation of the definitions on different levels of the strategy, and interview question has been raised: "Can local success change the global strategy?" The authors used this question in order to define the level of control from corporate level in particular organization. All participants have answered positively on the possibility of local success to change the global strategy. However, the shades of responses were different, depending on level of a control from the corporate level at a particular company.

The most of respondents have highlighted that in order to be applied on a corporate-level the size of success's market and size of success itself should be significant. Secondly, clear communication through hierarchy levels and strong belief in correctness of your solution are the local strategist must to.

The respondents have emphasized that successful companies have a global model which they are able to adapt to local conditions. Looking back to the frame of reference, Hill and Jones (2007) have argued that in order to become a successful organization, a company has to overcome its rivals on the same business markets by creating successful business model with optimized competitive positioning. Hence, it can be concluded that empirical data of this study confirms theoretical concepts.

Moreover, some interviewees argued that the overall conditions on local markets may play a significant role in the future success of a company. The particular business unit should monitor local conditions, conditions on a world market, resources conditions, etc. If local business unit fails to monitor all those activities, it can become vulnerable for rivals. Hence, overall strategy of the company may fail in a long perspective. By constant monitoring of conditions, local business units may come with the new product/service. Helena mentioned an example of lactose-free milk. Firstly, this product was implemented in Scandinavian countries; but after gaining important success, it was introduced in other countries.

To summarize, De Wit and Meyer (2005) have defined the successful business integration through control and cooperation. These two dimensions have been confirmed during empirical study and discussed in above chapters.

5.4 Five factors model that affect strategy

Porter (1979) has described five factors that company strategist should consider at strategy development. They are buyers, suppliers, rivals, entrants and substitutes. The authors have not been focused on checking or ranking this five, due to limitations of this paper. The additional factors to add to Porter 5's have been explored.

During our first interview with David Steer, CEO of Kraft Foods Russia, the authors have tested one additional factor, they consider as important, and have been suggested by another one. These factors are government and corporate confidence. While conducting theoretical research authors were unable to find relevant literature on these particular topics. In order to test the significance of these factors it has been decided to further investigate participants' opinions.

Governmental factor was supported by all respondents. It was mentioned that governmental regulations play significant role in the development of the strategy. Companies should know 'the black sides' of the market (e.g. which companies are being supported by the authorities, regulations, economic conditions, etc.). Moreover, the level of dependence on governmental factor may differ from industry to industry. For instance, representatives from Kraft Foods, Husqvarna, and Ericsson have mentioned that this factor is extremely important for strategy development, while other interviewees from Arla Foods and Oriflame did not pay significant attention to this factor. The governmental regulations may be important tool as an entry barrier for different companies. So big telecommunication companies like Ericsson should pay attention to the regulations being issued in particular country. The respondents from Ericsson emphasized that governmental regulations play significant role in some cases. The majority of respondents agreed that governmental influence is external factor, as the others Porter 5's, and should be considered at corporate strategy development. All participants have argued that this factor should be considered at business-level only, as law and regulations issues are relating to particular market.

Corporate confidence is another factor. It was presented to researchers by David, Kraft Foods Russia CEO. According to him, this factor is about a company’s belief in its own products and people. Unlike governmental factor, which is external, the corporate confidence is internal factor that belongs to a particular company. Oxana added that corporate confidence is a company will to invest on a long-term perspective. Some of our respondents have agreed that this factor plays significant role in the development of corporate strategy. It was even related to such definitions as “focus”, and “strategic focus”. Our respondents from Oriflame have stated that this factor is a prerequisite for successful execution of the strategy. Tayana Borges even mentioned that it can be even “DNA of the company”. The main obstacle about including ‘corporate confidence’ into Porters 5 factors was the general nature of this factor. All factors presented in Porter’s theory are external characteristics of the business environment. In turn, corporate confidence is internal characteristic that belongs to the particular company and develops with it. Hence, it can be concluded, that despite on importance of this factor, it shouldn’t be added to Porter 5’s.

One additional factor that was discovered during the interviews is the ownership structure of the company. It is highly important factor in Arla Foods. The decision making process is highly dependent on acceptance of the shareholders of the company. If the decision does not fit in the vision of the owners, most probably that it would not be accepted. Therefore, company should act according with the vision of the owners.

5.5 Lynch model testing

For cases of Oriflame, Husqvarna, Ericsson and Arla Food the questionnaire, aiming to test Lynch model of corporate strategy has been designed. The results are presented below. The number on a right column reflects the quantity of positive answers for particular question corporate or business level should answer.

The results show, that this differentiation made by Lynch is not always applicable for the organizations. The details have been partly discussed above, but the major reason here is the different level of control from corporate-level. In some organizations business units can be strong enough to their strategies take roles of corporate ones.

Table 5-2 Answers concerning corporate level strategy

Question	Corporate (global) level
What business are we in? What business should we be in?	2 ++
What are our basic directions for the future?	5 +++++
What is our culture and leadership style?	3 +++
What is our attitude to strategic change? What should it be?	2 ++
How do we compete successfully? What is our sustainable competitive advantage?	1 +
How can we innovate?	
Who are our customers?	1 +

Table 5-3 Answers concerning business-unit level strategy

Question	Business unit level
What business are we in? What business should we be in?	
What are our basic directions for the future?	1 +
What is our culture and leadership style?	
What is our attitude to strategic change? What should it be?	2 ++
How do we compete successfully? What is our sustainable competitive advantage?	3 +++
How can we innovate?	2 ++
Who are our customers?	2 ++

Table 5-4 Answers concerning both levels of strategy

Question	Both levels
What business are we in? What business should we be in?	5 ++++++
What are our basic directions for the future?	2 ++
What is our culture and leadership style?	3 +++
What is our attitude to strategic change? What should it be?	3 +++
How do we compete successfully? What is our sustainable competitive advantage?	3 +++
How can we innovate?	5 ++++++
Who are our customers?	3 +++

6 Conclusions

The purpose of this study was to find out how the corporate strategy as a whole is employed and engineered in terms of differentiation on corporate and business level at MNEs. Additionally, the factors affecting strategy development, through discussing Porter 5's, have been discussed in a light of any missing or adding to existed model. Multiple case studies method has been undertaken. The views form ten persons in five different MNEs have been used in order to develop understanding of the research problem and as result to get answers for stated research problems. The results are concluded below by answering each research question subsequently.

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Corporate strategy as a whole

The notion of corporate strategy lies in defining the general direction of a company. Furthermore, corporate strategy is a process of selection possible ways to achieve the goal. Only few participants have mentioned vision of organization as the part of corporate strategy. Hence, the authors came to the conclusion that business differ corporate-level strategy from business-unit strategy. Overall conclusion the authors made is that theoretical views on corporate strategy have been confirmed during this study.

Corporate-level strategy

This level of strategy is value oriented, conceptual and less concrete than business level. The authors defined three dimensions that corporate-level strategy consists of:

- a. *“Where, how and when”*: Which markets to enter, which products to introduce, how to overcome the competition and during which period.
- b. *Knowledge*: Corporate-level strategy plays a role of knowledge hub within organization. The examples can be: industry analysis, new products development, customers' insights, etc. The process of knowledge sharing should be initiated and coordinated from corporate level.
- c. *Coordination and Control*: The main dimension of corporate-level strategy according to research respondents. Corporate-level strategy should be supporting and controlling function for business units or divisions.

During the empirical study, the argument presented by Bartlett and Ghoshal (1989), that the only factor for corporate-level strategy success is the criterion that this strategy adds value has been

supported. The corporate-level strategy plays role of a hub uniting businesses, and helping them to be more efficient by combining resources from different markets.

Some respondents have mentioned that corporate level strategy will be most likely concerned with expectations of owners and stock market.

Business-level strategy

According to research respondents, business-level strategies are about decision making process, creation of action plans and making sure that goals, stated on corporate-level, will be delivered. The aim of business level strategy is to transfer high-level strategy into execution strategy. The second definition can be that business-level strategy is a mix of tactics and decisions aiming to drive growth in particular businesses. The major part of respondents has agreed that business-level strategy is more about tactics of decisions than strategy itself. Depending on level of independence at business unit level, business level strategies may cover only tactical questions or, in contrary, take the corporate level of decisions, e.g. long term strategic ones. This depends on particular company governance structure.

Finally, having the right people inside the organization and the right relationships outside the organization have been mentioned as key success factors at local strategies by some respondents.

Corporate level/business-level interaction

The interaction starts through communication between different levels of organization. Coordination and control from corporate level is a part of it. However, local businesses can affect corporate-level strategy at some extent. Hence, it is back and forth process. The most of respondents have highlighted that, in order to be applied on a corporate level, the size of success's market and size of success itself should be significant. Secondly, clear communication through hierarchy levels and strong belief in correctness of your solution are the things that local strategist must take into consideration.

Interaction between levels of corporate strategy should be stated as a process in a company. Majority of respondents have argued that cultural differences should not affect to large extent the strategy development. They further emphasized that successful companies have a global model which they are able to adapt to local conditions.

To summarize, the theoretical concepts used in frame of reference of this study have been confirmed by empirical observations.

Five factors model that affect strategy

Two additional factors to Porter 5 have been either tested or discovered during this study.

First factor is government. This factor has been discussed in two shades. First definition for this factor is: law and regulations of particular market. The other side of this factor is "black" one, meaning unofficial support, lobby, which creates advantage for competitor on a particular market. It was mentioned that governmental regulations play significant role in the development of the strategy. The level of dependence on governmental factor may differ from industry to industry. The majority of respondents agreed that governmental influence is external factor, as the others Porter 5's, and should be considered during the corporate strategy development. All participants have

argued that this factor should be considered at business-level only, as law and regulations issues are relating to particular market.

Corporate confidence is another factor. It was presented to researchers by David, Kraft Foods Russia CEO. According to him, this factor is about a company's belief in its own products and people. Unlike governmental factor, which is external, the corporate confidence is internal factor that belongs to a particular company. Some respondents have agreed on this factor. They mentioned that it plays significant role in the development of corporate strategy. The main obstacle about including 'corporate confidence' into Porter's 5 factors was the general nature of this factor. All factors presented in Porter's theory are external characteristics of the business environment. In turn, corporate confidence is internal characteristic that belongs to the particular company and develops with it. Hence, it can be concluded, that despite on importance of this factor, it shouldn't be added to Porter 5's.

There were two factors which have not been discussed widely, but appeared in some cases. One additional factor that was discovered during the interviews is the ownership structure of the company. It is highly important factor in Arla Foods. The decision making process is highly dependent on acceptance of the shareholders of the company. The second factor, the authors discovered during the analysis of empirical data. The authors assume that another additional factor to consider at strategy development is CSR (corporate social responsibility).

Limitations and Future Research

The main limitation of the research is the scope of research. The quantity of studied cases is not enough for generalization of findings. The primary goal of this research was to test existed definitions, which have been reached and reflected above. As this research was conducted in reliable and valid way, the authors believe that it can be used further as foundation for deeper study.

Regarding future research, the authors believe that interesting topic can be to develop concept of corporate confidence factor and CSR factor in strategic planning.

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For the introductions parts of copanies studied, the following resources have been used:

www.kraftfoods.com

www.ericsson.com

www.husqvarna.com

www.oriflame.com

www.arlafoods.com

Appendix

Lynch model testing

Question	Business Unit	Corporate (global) level	Both	Comments (if any)
What business are we in? What business should we be in?				
What are our basic directions for the future?				
What is our culture and leadership style?				
What is our attitude to strategic change? What should it be?				
How do we compete successfully? What is our sustainable competitive advantage?				
How can we innovate?				
Who are our customers?				

Questionnaire guidelines

Q1: Please give a definition of a corporate-level strategy?

Q2: What is business-level strategy for you?

Q3: Can local success on some particular market change the overall corporate strategy? And what can be measurements for such decisions?

Q4: There are Porter's 5 factors that affect strategy (buyers, suppliers, rivals, substitutes, entrants). During our in-depth interviews we have discovered two additional factors. They are government and corporate confidence. Do you support these factors? Please elaborate your answer.