

Umeå School of Business

Masters in Strategic Project Management (European)

Master Thesis,

Fall Semester, 2007

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The Relationship Between Business Strategy and Project Strategy in Innovation Projects

ACKNOWLEDGEMENT

This dissertation couldn't be written without the advices of our supervisor, Professor Anders Söderholm. We would like to thank him for all his support during our study time and while we were working on our thesis.

In addition, we are very grateful of Professor Artto whose generous advices were a great help in our way to clarify ambiguities.

We would also like to thank AIG group, especially the Human Resources team Ms. Dawn Cheyrouze, Ms. Ariela Camis de Fonseca, Ms. Margo Schmidt and Ms. Berit Adolfsson for making the on-site observation possible. Deepest appreciation to those experts who kindly gave us their time for the interview, although they were busy and thank them for the honesty of their answers. A warm thank you to especially the Financial Lines team in Milan, Italy, the CSG team in Stockholm, Sweden and BSO team in Paris, France.

More over we are grateful of all academic staff of Umea university who were always there to offer a hand to us .We had a priceless experience during our stay in Sweden and it is mainly because of the great academic environment we were exposed .Those who not only were our, but also did their best to provide a comfortable environment for us.

We will leave Umea, but we always keep the memory of this chapter of our life as a precious remembrance.

ABSTRACT

This report is a case study with the aim of examining the link between business strategy and the strategy of projects. The field of project management in strategy of projects and their link to the strategy of parent company has yet to be explored. The existing body of literature presents the alignment of project to strategy in two main views which are that projects should have a similar strategy with the parent or that projects should be independent in strategy and follow its own approach. Researchers acknowledge that the limited theoretical frameworks in this stream suffer from the lack of empirical research. Thus this research is based on the question “What is the relation between company’s business strategy and project’s strategy in innovation projects following the position driven alignment approach?” The researchers utilize the position-driven alignment framework as propositioned by Arto, Kujala, Dietrich and Martinsuo (2007). The factors of stakeholder complexity and project autonomy are examined to explore the relationship between the parent strategy and the project strategy. The study conducted is a single case study design on an IT Platform in a large insurance company. Analysis from the data reveal interesting results; that i) The obedience of the project creates risk on the parent strategy, ii) parent strategy changes as the project progresses and that iii) the perception of importance of the project by the parent influences the project autonomy. Further evidence through empirical research is suggested on the other project positions in this framework.

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Chapter 1 – Introduction

This chapter has been written to provide a big picture from research topic and information that reader needs in order to understand state of our study. Hence the chapter consists of background of the study, research question and AIG's background. In addition we clarify the limitation we faced to collect data of the research.

1.0 Background of the study

Although there is a broad literature in business strategy and projects, the field of study in Project management in relation to business strategy is still on infancy (Dye and Pennypacker 1999; Cleland D 1998; Turner 1999; Levine 2005) and a sustainable business strategy from Project management has yet to be explored. While many scholars talked about the usefulness of strategy and mentioned it as a critical success factor, the link between project's strategy and company's business strategy is missed.

Reviewing the literature led the researchers to a few theoretical frame works which discuss about the relation between company's business strategy and project's strategy, especially in the context of innovation. Moreover, the theoretical frameworks are not supported by empirical research and it is worth exploring.

From the existing literature review in the field of projects management, the basic idea was that projects' strategy should follow their parent's strategy (Turner 1999; Gardiner 2005; Jamieson and Morris 2004; Milosevic & Srivannaboon 2006). However, recent researches especially about innovation projects shows there are some deviations in following parent company's strategy in different phases of projects. Even some authors have gone further to mention that projects should follow their own strategy despite of whatever the strategy of parent company is. (Shenhar, 2004; Anderson and Merna, 2001; Arnaboldi et al.2004) This is mainly because of involvement of other factors such as stakeholder's complexity and so on. (Artto, Kujala, Dietrich and Martinsuo, 2007)

These factors are more pronounced when we look at innovation projects, i.e. the environment where uncertainty is the main element as a result of innovation (Kash and Rycoft 2000; Berggren 2004; Hobday, Rush and Tidd 2000). Innovation became a key point for companies to be competitive in the market and companies look into it as a winning card in their hand. Although innovation projects are under the classification of projects in the first place, there are some additional factors which affects them in term of following parents companies' strategy especially in implementation phases.

In this research, the main idea is to study the relation between the strategy of the parent company and the project. The researchers identify two main methods of selecting strategy of projects in an organization i.e. the process driven and the position driven alignment which the “positioning driven alignment” perspective is chosen approach for this research. The literature review in chapter 2, presents a review on these 2 main approaches and the main theoretical framework which follows to evaluate the given data.

Based on that, the research question is as follows:

1.1 Research Question:

“What is the relation between company’s business strategy and project’s strategy in innovation projects following the position driven alignment approach?”

1.2 Objectives

This research aims for a deeper understanding of the link between strategy of the parent company and innovation projects. We conduct a case study to investigate how much in practice innovation projects are linked into parent company’s strategy using the “position alignment” approach. In our research we look for evidence in the objective company to see if the positioning approach works out in practice. We experiment the link between project’s strategy and parent company’s strategy based on project’s position in the company.

1.3 American International Group, Europe (AIG Europe), A close up

American International Group, Inc. (AIG), is an international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Paris, Switzerland and Tokyo. AIG Europe is a member company of AIG. AIG Europe has over 30 years experience of working with businesses and individuals in Europe, offer insurance solutions, both is tailor-made programs or more traditional insurance protection to their clients.

AIG has 4 principal business segments:

General Insurance: including personal lines business and mortgage guaranty insurance. AIG offers a range of products that protects individuals from the financial consequences of illness, accidental death or injury, both at home and abroad.

Life Insurance & Retirement Services: life insurance organization and a retirement services franchise

Financial Services: A major presence in aircraft finance, capital markets, consumer finance and insurance premium finance.

Asset Management: Institutional, retail and private fund management through a growing global network

(Ref:AIG website <http://www.aigcorporate.com/corpsite/about.html>)

1.4 Research limitation

This research is restricted to the study of the “IT-Extra platform” project in AIG Company. Our main focus is on positioning of the mentioned project in the company and the implementation of project’s strategy based on parent company’s strategy.

Our main limitation was the access to information we needed to perform the analysis . The company was reluctant to offer the project’s business plan due to confidentiality issues. Hence the researchers were limited to documents gathered, observation as well as interviews for collecting required data which was also not easy since interviewees were all senior managers and they were only (if not at all) available for a short interviews, therefore the interviewer had to limit her questions to the main outlines and could not go into further detail.

It is worthwhile mentioning that shortage of time was another constraint in our research procedure. Inevitably, we had to simplify some part of the qualitative literature review and shorten the data collection period.

1.5 Lay out of the report

This chapter has been written with the aim of providing a general view from the report. The following is the layout of upcoming chapters:

Chapter two: literature review

In this chapter, the definition of strategy, methods of choosing strategy for projects , innovation projects and also strategy selection in innovation projects from the scholars point of view is discussed .In this chapter we review what is available in literature about the strategy of projects and also its strategy in relation with the parent company.

Chapter three: Methodology

The sources of evidence in the case study (as the chosen methodology for this report) is discussed in chapter 3. Furthermore, the link between theoretical approach and methodology is clarified. In addition, the reader will find the description of the different ways of data collection and finally, chapter 3 is closed by a critical perspective of the research as well as validity and reliability of data collected.

Chapter four: Data collection (Empirical evidence)

In this chapter, we will present the data collected through documentation, observation and also interviews. In addition, reader will find detailed explanation of the “IT extra platform” project to get a deeper understanding of the case. The data is triangulated to illustrate the perspectives from 2 angles: the project and the parent strategy.

Chapter five: Discussion

Analysis of the data in the light of research model and theoretical framework is discussed in chapter 5. We argue the validity of the positioning driven approach in practice based on our findings from our case study. Reader will find a discussion in this chapter which directs him/her into our conclusion. We will point the result of our empirical study to see whether in business world, selection of strategy for projects is matched with what is suggested in positioning model and also how to improve theoretical framework.

Chapter six: conclusions and recommendations

Chapter 6 presents the conclusion of report based on previous chapters. In this chapter we intend to come up with a conclusion in order to answer our research question, summarize the result of previous chapters and also provide some managerial recommendations as well as opportunities for further studies on this subject.

Chapter 2-Literature Review

2.0 Introduction

The literature in business strategy and projects is vast with samples of empirical case studies research, theoretical framework building across multiple industries. The field of study in project management in relation to business strategy is growing (Dye and Pennypacker 1999; Cleland D 1998; Turner 1999; Levine 2005) however the sustainable business strategy from project management has yet to be explored. There has been no fail-safe process or methods in existence to ensure that strategy is incorporated into sustainably in an organization. (Dye and Pennypacker, 1999).

Innovation however is a form of keeping a business sustainable in uncertainty thus sustaining competitive advantage (Cozijnsen, Vrakking and Ijzerloo 2000; Pinto & Khabanda,1995; Kandampully and Duddy 1999). Innovation, value innovation and organizational innovation seem to be the key in addressing the issue of sustainable business advantage (Cozijnsen et. al 2000; Chan Kim and Mauborgne 1997; Martinsuo, Hensman, Artto, Kujala and Jaafari 2006) Literature on innovation exists as far back as the 1960s with seminal works by Schumpeter (1962).While existing literature still continues on innovation of products, services and technology (Cozijnsen et. al 2000; Martinsuo et. al 2006; Kandampully and Duddy 1999) Innovation projects are one of the vehicles of organizational change which is worthy of exploration.

Nevertheless empirical research in this field is still in its embryonic stages and is worthy of exploration. Thus the research aims grounding this article is “The link between innovation projects and strategy”.

2.1 Business Strategy

In analyzing the cumulative literature in strategic management, the variety of pluralism is obvious. According to Volberda (2004), in the classical perspective, strategy is outlined as a strategic plan, a master process or clear positioning of the firm whereas modern and postmodern perspectives lean towards the behavioral theories, cognition and symbolist theories.

The literature of strategic management can be clustered into the 3 schools of thought i.e. the boundary, dynamic capability and configurations (Volberda, 2004). However in segmenting the schools, an overlap of the three may also be possible. The current dominant view of business strategy in project management is centered on the **dynamic capability school** (Gardiner, 2005) where resource based theory and the collection of its strategic capabilities. However the current view on strategy is defined as the progression of the organization over a long period which taking

advantage of the changing externalities through the combination of resources and competences with the objective of fulfilling its stakeholder expectations (Johnson, Scholes and Whittington, 2005; Volberda 2004; Gardiner, 2005; Hamel and Prahalad cited in Srivannaboon, 2006) The 3 elements of the uncertain external environment, competitive advantage through internal capabilities and also fulfillment of stakeholder expectations provides robust business strategy (Johnson et. al, 2005) .The lens employed which deems suitable for the research question could alternate between the different strategic schools of thought (Mintzberg, Ahlstrand and Lampel, 1998). However when project planning is concerned, the most relevant school of through is under the ‘design’ school where strategy is a ‘plan, process and position’ where the operational part of strategy is deliberate and structured but taking into consideration the internal and external context of its environment (Mintzberg et. al, 1998, Johnson et.al, 2005)

There are two views on positioning of a firm in formulating strategy: the *resource based (internal)* and *competitive (external)* view. Through the resource-based view of business strategy (internal), the grounds of advantage are the firm’s internal environment in relation to its resources and capabilities (Johnson et al 2005).

On the other hand, through the environmental view of strategy (external), the basis of business strategy is the approach of the firm to the dynamicity of the environment (Porter 1980). The marriage between the both is not exclusive as current literature expounds when applied to project management, but could be complemented as sound strategic approaches to business but may provide some better understanding of relative new strategic phenomena (Volberda, 2004) An example in the external competitive view is of the financial services industry, where being competitive and mature in nature according to Porter (1980) should be driven by process innovation as the maturity of the firm grows. An example given by Porter is the Japanese manufacturing firms’ approach in staying competitive in these circumstances.

In the research aims behind this literature review, strategy could also be defined in 3 different levels:

- Corporate Strategy which is the over-arching scope of the organization (Johnson et al 2004),
- Business Strategy which takes into considerations the competition in the market (Johnson et al 2004; Porter 1980) and also
- Operational Strategy which takes into consideration the components to deliver organizational business strategies (Johnson et al 2004; Whittington 2002).

Corporate strategy is dependent on four factors: comparative advantage, economies of scale or learning curve extending beyond the scale and proprietary product technology (Porter

1980). In the sample of study Porter (1980) i.e. the multinational insurance company, its comparative advantage is the classic determinant of global competition.

According to this view, the country in which is the site of production has advantages in factor cost or factor quality thus allowing product flow to the other parts of the world. In terms of economies of scale, centralized production allows faster learning through having a common platform of shared knowledge and resources thus providing an added advantage (Porter 1980). Business level strategy is closely related to the concept of *strategic business units* (SBU) (Johnson et. al 2004). The role of SBUs have been emphasized where the dominant logic is that the SBU's closeness to the local market would lead to better formulation and feedback and thus implementation of the project (Gardiner 2005; Johnson et al 2004; Jamieson and Morris 2004). The components of the operational strategy is described according to Whittington's (2002) model of praxis (work), practitioners (workers) and practices (tools) unifying the components under the term 'practice perspective of strategy'. The framework of the project, the documentation (tools) or job descriptions in empirical research literature has already been documented (Jamieson and Morris 2004)

2.1.0 Alignment of Project to Business Strategy Literature

The literature sources of represented research in the line of strategy management and projects itself is scarce (Artto and Wikstrom, 2005) and to further challenge the issue, literature on the links between **innovation projects to business strategy** is rare.

Therefore empirical based research on whether the basis of how effectively or to what degree innovation projects affects or influence strategy is an area to be explored in. In this literature review, we assume the term 'project' as 'innovation projects' in alignment to strategy due to the limitation of literature.

The theoretical foundations of the phenomenon of projects in firms seem to lean on the cross-disciplinary approach of organizational, innovation and sociological theories (Artto and Wikstrom, 2005)

An interesting view point explaining these phenomena by Aarto and Wikstrom (2005) is that modern project management stems from efficiency as opposed to efficacy paradigms: pharmaceutical, manufacturing, construction and IT fields developed the proponents of study for project management researches thus leading to the technical aspects of project management efficiency. But as today's project management field extends to the business world, the efficacy of projects in relation to strategy becomes more important (Aarto and Wikstrom 2005; Srivannaboon and Milosevic 2006; Cleland D 1998). According to Gardiner (cited in Smith 2005), there are several critical challenges which an organization faces in the field of strategic governance or

alignment of strategy in its implementations: it is an ongoing process of ‘focusing and refocusing’ of the organization’s perspective in the prevailing internal and external environment’. The perspective on focusing the strategic alignment of the project portfolio is dependent on the four domains of business strategy, technology strategy, business processes and technology processes. There are a few literary categorizations of the alignment of business strategy to projects which for the purposes for our research can be divided into process-driven alignment and positioning alignment framework.

2.1.1 The Process Driven Alignment

An important perspective on strategic management of projects is the process view to strategy where strategy is formulated and then implemented (Burgelman in Artto and Wikstrom 2005). A process defined is a system of operations where the production is a service or object which brings an end result i.e. a project (Cleland, 1998). In this context, projects arise because of an end result of the business strategy therefore it is the object used to fulfill a business need (Gardiner 2005, Turner 1999). The process driven alignment stream of literature which we categorize in this section are the views that support that projects are aligned through strategy by design (Mintzberg et. al 1998) in the business planning process. This is described by Turner (1999) where there are four essential steps in this process. Business process is divided into the phases of defining the mission of the business, setting objectives in the long-term, developing strategies for achieving the objectives and developing tactical plans for achieving each element of the strategy (see Figure 1) (Turner 1999) thus in developing the strategic business process, the need of the organization is defined which is translated into the project management process.

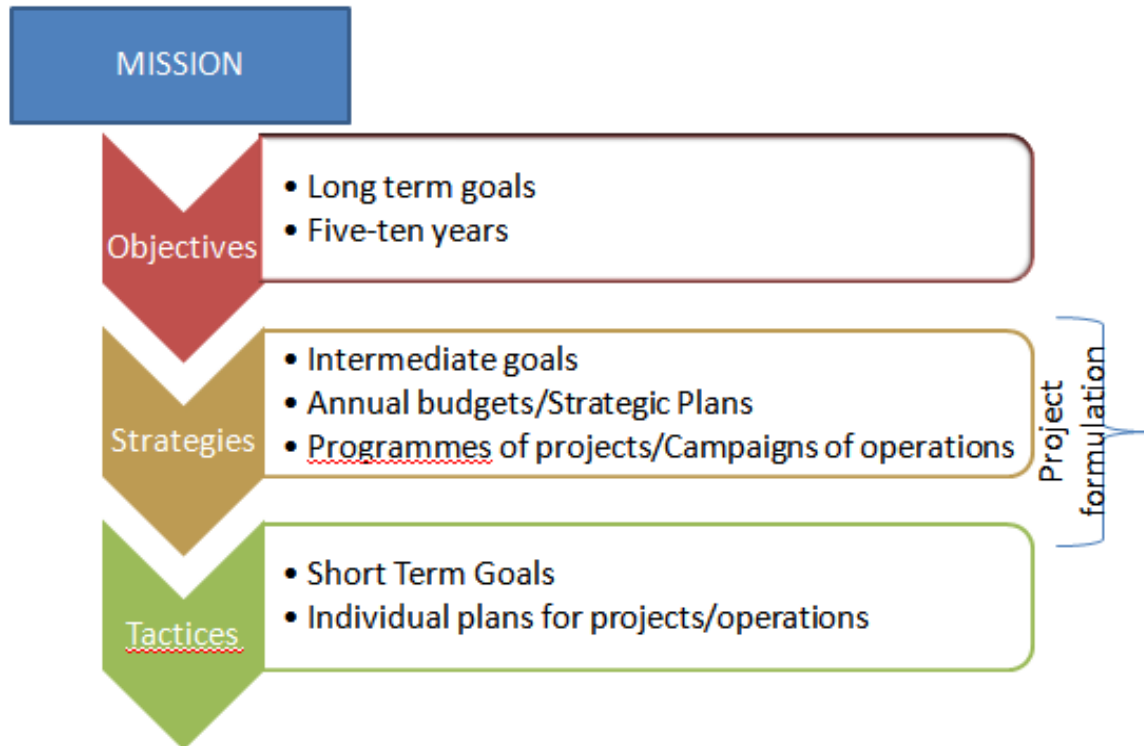


Figure 1: The hierarchy of the business planning process

Source: Turner, R 1999

Thus the over arching view is the inception of the business process first followed by the project management process. The project management process can be defined as the planning, organizing, motivating, directing and controlling through the use of budgeted resources (see Figure 2) (Cleland 1998). Cleland and Archibald's (cited in Jamieson and Morris, 2004) hierarchy of strategy and objectives clearly shows the transition from the corporate level to the strategic business unit level which is consistent with the process driven alignment framework.

Time continuum

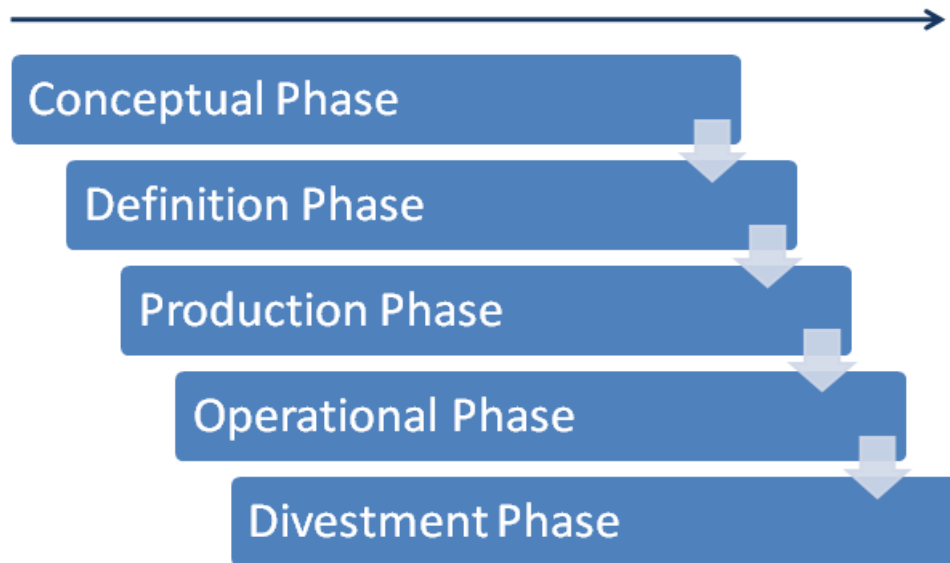


Figure 2: The Generic Model of Project Life Cycle

Source: Cleland 1998

Value delivery' or 'Value delivery processes' are some of the terms used to orchestrate the project management process translation to business strategy (Jamieson and Morris 2002). The role of strategic business units also appear in literature of that describes the business strategy to project management process (Gardiner 2005, Jamieson and Morris 2004, Johnson et al 2005, Cleland 1998). Jamieson and Morris (2004) describe how business strategy is typically cascaded through SBUs into collections of projects, portfolios ,programs and the vehicles of choice of the SBU's are projects at the operational level. Turner (1999) describes this as the differentiating factor between parent organization and the subordinate (project or strategic business unit)

The critical issue in the process driven strategy alignment model is that the flow from the inception point from business process to the project management process is linear. Thus when the strategic objectives change due to changes in the internal and external environment of the project, misalignment from business to project strategy could occur.

To overcome these challenges, strategy and measurement must be aligned to promote operational performance. In fact, the right connections about strategy intent, measurement capability and operational performance provides foundation for competitive success (Fawcett et al 1996). To view strategic alignment to projects as a process which incorporates feedback in a system is a useful example using measurement capability. In a feedback system, the changing factors that affect business strategy can be addressed. Feedback is defined as the comparisons of output information with control data and then making adjustments in the system to compensate variations (Gardiner,2005).

By comparing the changing objectives in the project (i.e. changing business strategies), the project manager or participant will be able to make necessary adjustments for the future (feed-forward) thus aligning the project to strategy again. (see Figure 3) The primary purpose is through control of the project environment where control is defined as a monitoring action to assess the effectiveness of strategies and actions (Johnson et al 2004).

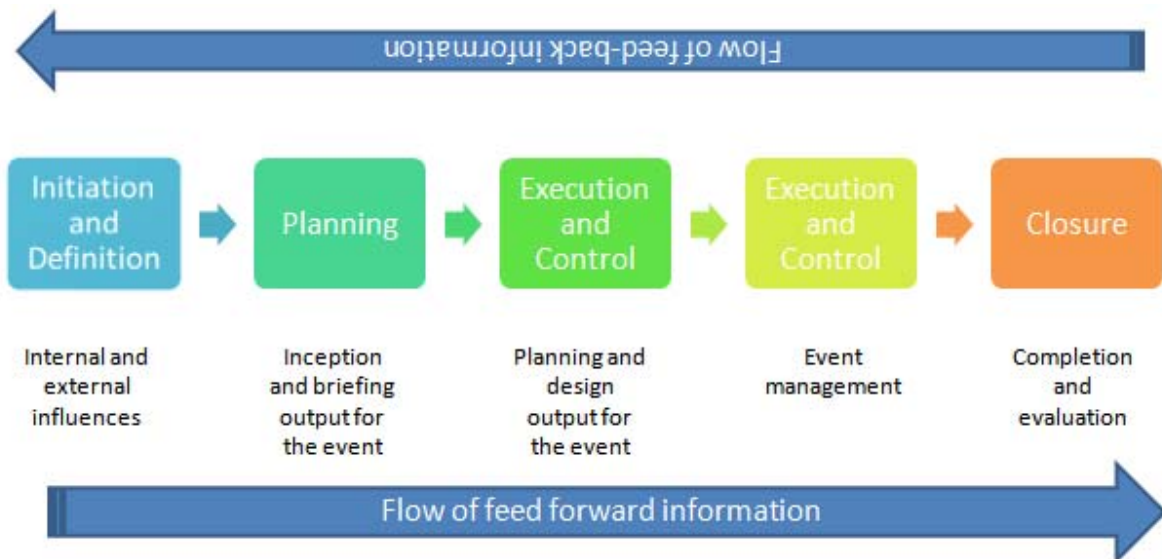


Figure 3: Feedback and feed-forward information flows
Source: Gardiner, 2005

Another issue in the process driven strategy alignment model is that the end result of corporate strategy is the project strategy which is fixed, static-like plan which is subject to the documentation spelled out in the planning process. Thus project goals and strategies are not autonomous or empowered to behave emergently unless the feedback is given. Shenhar (2004) suggests project strategy be created before the traditional project plan which suggests that corporate and business strategy be incorporated IN the project strategy itself.

Thus the overarching goal of corporate strategy translated into project strategy may also be derived in this manner as “the strategy (assumption of corporate strategy) do not always address the necessary elements and contingent factors which are derived in project mode” (Anderson and Merna, 2003) Literature streams differentiate between ‘strategic management of projects’ which is the management of projects tactically to achieve its aims and the ‘management of projects strategically’ but the meanings of which are not similar and should not be confused. The emphasis on this article is on the former.

2.1.2 The Position Driven Alignment

The Position Driven alignment of strategy to project foundations is in relation with strategic management theory under the 'learning school' and 'configuration school' of strategic thought (Mintzberg et. al, 1998). Strategic planning of the project is viewed as an effort to position itself by actively developing and managing portfolios of corporate real options in the context of competitive interactions thus 'positioning itself' strategically by looking at its resources and capabilities and also 'scanning' the environment.

The literature which explains the position driven alignment is in the project portfolio management literature stream which looks at real options and project portfolio management to align projects to business strategy (Cooper 1990; Levine 2005; Olsson 2006; Smit and Trigeorgis, 2006; U Prichard and Pullan, 1997) Some metrics such as profitability and future growth option value are used in valuing real options (Smit and Trigeorgies 2006). This can be used by management to adapt its resources and capabilities to adapt/redeploy assets, develop/exploit synergies and gain competitive advantage.

This is consistent with the resource-based view of strategy which is centered on economic rent and views companies as a collection of capabilities (Johnson et al 2004; Gardiner 2005). The position driven alignment strategy is reflected in literature of new product development (NPD) literature where the strategy for managing individual NPD projects is enabled through balancing multiple NPD projects across multiple functions by planning and adjusting resource capacity (Cooper 1990; Milosevic 2004).

According to Smith (cited in Gardiner, 2005), there are several critical challenges which an organization faces in the field of strategic positioning. It is an ongoing process of 'focusing and refocusing' of the organization's perspective in the prevailing internal and external environment'. The element of strategy and processes are also reflected in Shenhar and Wideman's (1996) study, where "...the important factors in the early stages of a project are internal-meeting budget, schedule and technical performance. Yet in more advanced phases of the project, the external factors such as customer needs and satisfaction become more important" Both authors advocate the importance of identifying the changes in the factors, in order for the 'underlying processes to keep pace' (Gardiner, 2005)

The connection between a dynamic business strategy to prioritization and selection of projects is often difficult to accomplish and manage especially if it is a long term initiative. However the definition of 'long-term' is also prevalent with the views of Shenhar and Wideman (1996) where "...success in strategic management is where project efforts must be aligned with the strategic long-term goals of the organization" Firms although now recognize the importance of projects as a strategic vehicles and are enthusiastic to incorporate it as part of corporate culture are now faced with too many projects in hand but too few resources to effectively manage the portfolio. The key

factor thus is the weak evaluation of the project strategy and also an absence of an established process, as mentioned by Cooper (1993).

The alignment of projects to strategy no longer be evaluated on the time-old view of time, cost and quality but should reflect a dynamic and emergent process adaptable to create competitive advantage and fulfill the business objectives (Turner, 1999). Therefore the project should not only “...specify the work efforts”, but also “outline key areas for improvement and establishes measures and targets....” (Dye and Pennypacker, 1999)

2.2 Strategy and innovation projects

2.2.1 Innovation: Why is it important to be innovative

It is argued that using projects and project management is beneficial for the organization, especially due to rapid change of market ,increasing complexity of products and technology and respond to changing client needs shortly (Pinto & Khabanda,1995 cited in Davies and Hobday 2005) Cleland (cited in Dye and Pennypacker, 1999) defined projects as “*building blocks*” in planning and implementation of organizational strategies and an essential factor to survive and growth of organization.

The concept of innovation in business dates back to Joseph Schumpeter’s (1962) critique of capitalism. He defined Innovation as a new and different way of doing things: “*Technological change in the production of commodities already in use, the opening of new markets or of new sources of supply, Tailorization of work, improved handling of material, the setting up of new business organizations such as department stores – in short, any “doing things differently” in the realm of economic life – all these are instances of what we shall refer to by the term **Innovation***” (Schumpeter1962)

Mostly in business literature the concept of innovation is along with creativity and establishing something which did not exist before (Cleland, 1999) Nowadays, what makes competitiveness for a company is “being innovative”, rather than competing with what is already existed. Competition which is built on operational performance only makes organization similar to others and this doesn’t lead to superiority and victory. (Cleland 1999; Tranfield, et al., 2003)

Innovation is one of the main elements that creates customers loyalty in the market, it is not limited to offer new products, but also to creating different standards for future (Kandampully and Duddy 1999). Customers look into companies in a way that what innovative product or service they can offer. According to Popcorn (cited in Kandampully and Duddy 1999) if customers find

more advanced products or services somewhere else in the market, they will leave their current supplier behind and move into new suppliers which offers a better option.

As a confirmation to Popcorn's opinion, Pilzer (1990) argued that to be successful in modern market, it's not enough to fulfill customer needs, but also to create a new need to the market. An example of failure in the market due to NOT being innovative is Swiss watch industry. A major reason that Swiss watch lost its market share was not because they didn't follow the modern technology, but because they didn't predict the possible change in the market and failed to be innovative (Kandampully and Duddy, 1999). They rigidly followed the same strategy for a long period. Whereas just because their strategy was working for a while, it didn't mean that the same strategy would be successful forever. This point plays a big role in today's market that the company's future is dependent on innovative products or services (Cleland cited in Dye and Pennypacker, 1999) The case of the watch industry is an example of failure by following the same strategy in a changing market. The changes in the market environment show that watches are no longer only devices to show time, but are also fashion items. Hence, flexibility to change and innovation become 2 main elements in company's competences. (Peters, 1987)

Kandampully and Duddy (1999) argued that a company will achieve market leadership by having these 3 abilities: Predicting future of the market, being innovative and create a good relationship with customers by fulfilling their needs. Innovations should be a continuous process since it challenges itself by increasing customers' expectations (Kandampully, 2002) As a result of what was mentioned, organizations showed more interest in possible ways that provide a dynamic view to use innovation and innovation projects in their structure. It is ideal for the organization to be innovation-oriented in strategy and organizational form (Hamel, 2000). Thus this will resolve major innovation alternatives (Brown and Eisenhardt, 1998; Sharma, 1999) which is a result of hypercompetitive environments (D'Aveni, 1994).

2.2.2 Innovation-projects and Project-based Organizations

The concept of "innovation projects" probably was initiated when organizations started to have an innovative direction in their activities as well as their projects. Chahal (2004) defines innovation projects as an intersection in which practices of different fields like marketing, manufacturing research, etc. meet and combine with each other. In the literature, the concept of innovation projects mainly comes with the project-based organizations and new product development. (Artto et al 2007; Gemunden et al 2005 ; Davies and Hobday 2005; Gann and Salter 2000)

Project-based organizations (PBOs) are considered as one of the best environments for innovation projects since they are flexible, manage project risks and uncertainty in a better way and also have

the ability of combining different knowledge and skills(Hobday et al, 2000) However, innovation projects are not exclusively implemented in pure project based organization . A division or subsidiary of a large enterprise (the part which deals with projects) is also considered as a PBO (Davies and Hobday, 2005). Furthermore, larger project-based organizations can have some functional support departments. (Sydow, Lindkvist and De Fillippi, 2004). In this way, literature of innovation projects and project-based organizations is applicable to any kind of company despite of their basic type (functional or project-based structure). In our research ,the sample is an insurance company . Although it's not a project-based organization in total, they are running a project and one department is in charge of planning and implementation of the project. This department is considered as a PBO in our research.

2.2.3 Innovation-projects' specifications

Innovation projects always go towards a new direction, so they do not follow a clear path which has already been unfolded. In other words, uncertainty is a common characteristic of innovation projects. (Kash and Rycroft 2000; Berggren 2004; Hobday et al 2000)

It is argued that innovation projects are a potential of huge benefits for the organization while it also can be cause of a big loss in case of failure. (Keizer and Halman, 2007) Since uncertainty and risk is inherent with innovation projects, risk management is one of the key parts of business strategies when companies deal with innovation projects. Cooper (1993) and Wheelright (1992) suggest a proactive risk management method for controlling innovation projects in which risk can be identified and mitigate more in early phases. Keizer and Halman (2007) classified “innovation projects” in 2 main categories:

1-*Radical innovation projects* with following specifications:

- Longer life cycle
- Include more cross-functional and or cross-unit teamwork
- Reliant on context-dependent so that the strategic factors can impede or aid progress
- Assessment criteria are focused on *return of new value to the market* (impact of new technology to the market, rate of success on fulfilling market's need, etc.)

2- *Incremental* projects with following specifications:

- More linear and predictable
- Less uncertainties
- Simpler relationships in teams
- Assessment criteria are focused on return *to* the company within the anticipated schedule (Profit impact, market share percentage, etc.)

They suggest 2 kinds of risk for radical innovation projects: *ambiguous* risks which are more related to the market (external) and *unambiguous* risk which are risks related to managing and organizing the projects (internal).

In addition Joyce Wycoff (2003) in his article suggested the following characteristics for innovation projects:

- Innovation projects are not well defined in the first place. Ambiguous objectives will be clearer during the progress of project. Hence they more follow an experimental process rather than a linear instruction.
- Project teams should have a culture of flexibility, trust, risk taking and authority delegation since they move toward a new area in which failure is possible therefore it needs to receive necessary scarce resources of time and budget.
- Innovation projects need commitment of business unit manager from early stages.
- Teams have strong implementation skills and are more active on risk management. They learn fast from their failure and move on toward a more beneficial idea.

2.3 Factors which affect implementation of Strategy in Innovation projects

In the literature, it is generally accepted that interest of project's stakeholders is one of the key project's success factors. Hence project management inevitably has to deal with stakeholders' interests. This fact highlights the importance of considering stakeholders affect in planning the strategy for projects. However, Vos and Achterkamp (2006) in their research indicate lack of attention to have a clear definition for the concept of stakeholders in publications. Also it is argued that most of the articles which discuss about stakeholders of the projects, suffer from lack of a clear definition for stakeholders (Vos and Achtercamp,2007)

Along with identifying stakeholders, a right evaluation of their power and role as well as their desires in the project is a key factor which leads projects to success (or failure in case of misjudgment).The minimum affect of being careless to what stakeholders want, is having delay on projects and in many cases it can jeopardize the project.(Vos and Achterkamp, 2007)This is why paying attention to stakeholders in projects strategy plays a big role in project's success.

Freeman (1984) was one of the pioneers who brought up the concept of stakeholders in projects. According to him stakeholders are '*any group or individual who can affect or is affected by the achievement of the firm's objectives*' (p. 46) and they can be primary (those that have a direct impact on the firm) or secondary (those who indirectly influence the firm via primary stakeholders). Mitchell. Agle, and Wood (1997) in their theoretical frame work (the salience

classification) defined 3 attributes for stakeholders in order to measure their importance. These attributes are:

- Legitimacy :A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs , definitions
- Urgency: The degree to which stakeholder claims call for immediate attention
- Power : A relationship among social actors in which one social actor. A, can get another social actor, B, to do something that B would not have otherwise done

Accordingly, 7 stakeholder groups are identified (Figure 4) based on the combination of mentioned attributes. Among these 7 groups those who possess all 3 attributes are called definitive stakeholders and receive highest attention of managers.

Although classification models are necessary, the main question is how to fit each stakeholder in any of these groups in order to make the model more practical in the field of management.(Vos , 2003) .Hence, where scholars (Mitchell. Agle, and Wood 1997; Frooman, 1999;Rowley and Moldoveanu, 2003) talked about stakeholders in general, other streams of literature in project management also argues these models need some supplementary attachment in order to fit the model with the situation. In this literature the most emphasize is on the role of stakeholders and their responsibility (Vos ,2003; Turner, 2006)

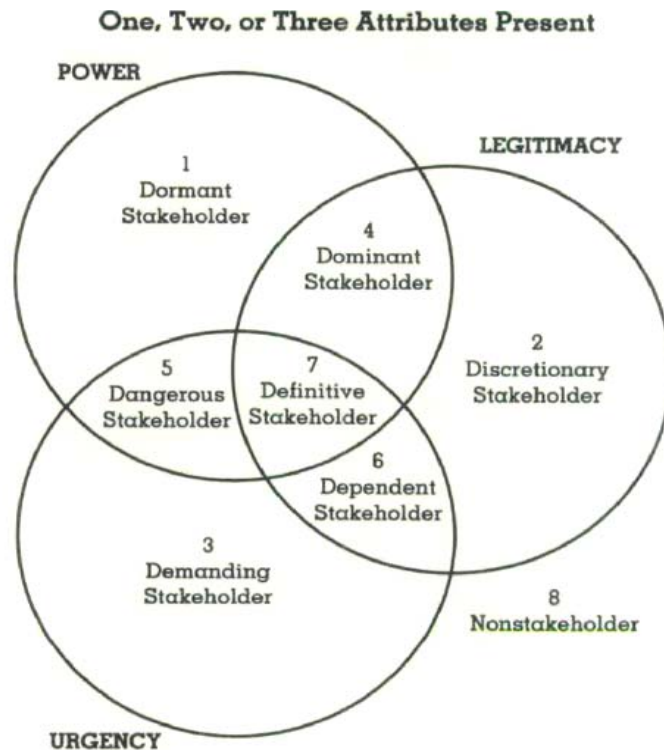


Figure 4: Stakeholders Typology Adapted from Mitchell, Agle, and Wood (1997)

Vos and Achtercamp (2006) tried to fit the model in innovation context for the managerial standpoint.

They suggest a role-based model to illustrate activities in the context of innovation projects. This classification model specifies four roles for stakeholders in innovation projects (figure5). These for types are: Client, Decision-maker, Designer and Passively involved. The first 3 types are called actively involved.

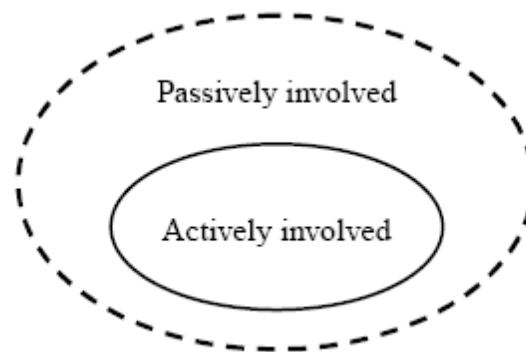


Figure 5: Two types of involvement for stakeholders in projects adapted from Achterkamp & Vos (2006)

From the literature of innovation, strategy and the alignment of projects to strategy, two views emerge:

1. Projects should have the similar strategy as their parents company (Turner 1999; Gardiner 2005; Jamieson and Morris, 2004; Milosevic and Srivannaboon 2006)
2. Projects should be independent and should follow their own strategy and their own approach (Shenhar, 2004; Anderson and Merna, 2001; Arnaboldi et al.2004)

Authors of this report argue that based on the definition of stakeholders along with looking at projects as temporary organizations (Lundin and Soderholm, 1995), the parent organization in projects are only one of the stakeholders (active stakeholder). In this sense we do not view projects as only an *obedient servant* (Arto et al, 2007) to its parent's organization, but the internal organization environment is considered as a part of project's external environment. As a result, projects will have a dynamic nature; they take a position in their environment and interact with their external competitive stakeholders. Hence, project's strategy depends on its position in the environment and the possible pursuit to improve the position.

As a result of this expanded view point, projects are allowed to define their own strategy in alignment with their outsiders. This is a result of viewing projects as an autonomous organization

which tries to survive in a complex environment. It is an open system which interacts continuously with the environment (Artto et al, 2007).It's worthwhile mentioning that parents company still have a great affect on the project as an active or definite stakeholder even in this view point .

In this research, we follow the definition of project strategy in Artto et al's (2007) paper:

*“Project strategy is a **direction** in a project that contributes to **success** of the project in its **environment**”*

In this definition the word **direction** implies precise factors of the strategy .It can be applied to the goals, plans, guidelines, tools, etc. They are elements which directly or indirectly influence projects. As a result of following a dynamic strategy, all these elements can be altered in any phase of projects implementation. **Success** in this definition relates to project's self established goals which even could be against of some of stakeholders' interest. In addition, the word **environment** refers to project's external environment that project has to interact with. As we mentioned before, project's parents company as well as other stakeholders are a part of environment.(Artto et al, 2007)

Artto et al (2007) argues that projects, based on their position in their context, require different ways in setting strategy which could be somewhere in between these 2 extremes (completely autonomous or parent's servant). A project with several stakeholders and a complex environment, demands a strategy in which different stakeholders are considered and as a result it deviates from the strategy of single parent company. According to him the prior literature about projects strategy is more from planning point of view rather than positioning projects in their context. He believes that the involvement of two major variables in project strategy is neglected in the literature. These variables are:

1-*Autonomy of projects*

2-*Project's stakeholder environment*

Consequently, he suggests a 4 quadrant model to present how projects' may define their strategy based on their position in the environment. The 2 factors of projects independence and number of strong stakeholders are main elements to frame different projects' strategies. Figure 6 shows how this model classified different strategies for projects.

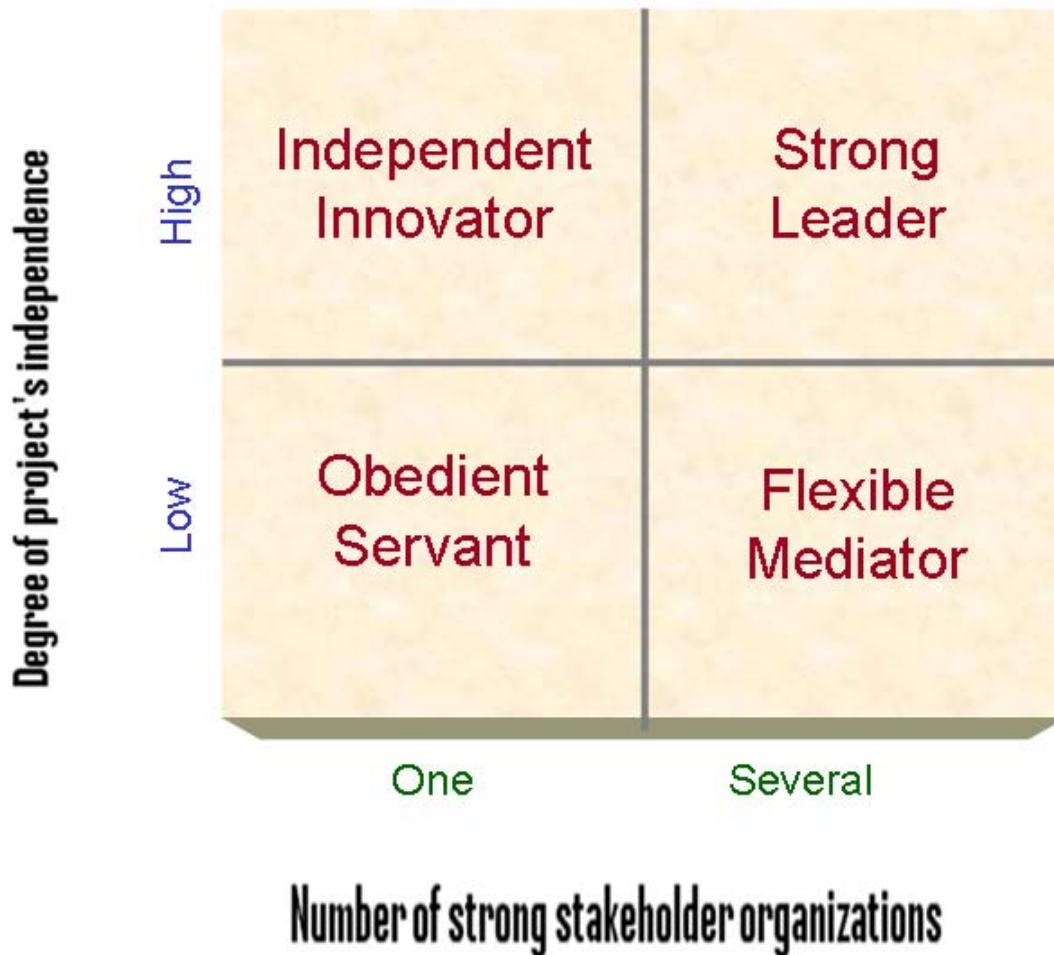


Figure 6: Project strategies based on 2 factors of Stakeholders and Project's independency level (adapted from Artto et al , 2007)

It is shown in some researches that not all kind of projects autonomy causes to increase project innovativeness (which leads to project success). Among all kinds of autonomy (Figure 7) only those which are related to organizational behavior (e.g. co-location of project team) shows increasing project innovativeness (Gemunden, H., Salimo, S.& Kriger, A., 2005).

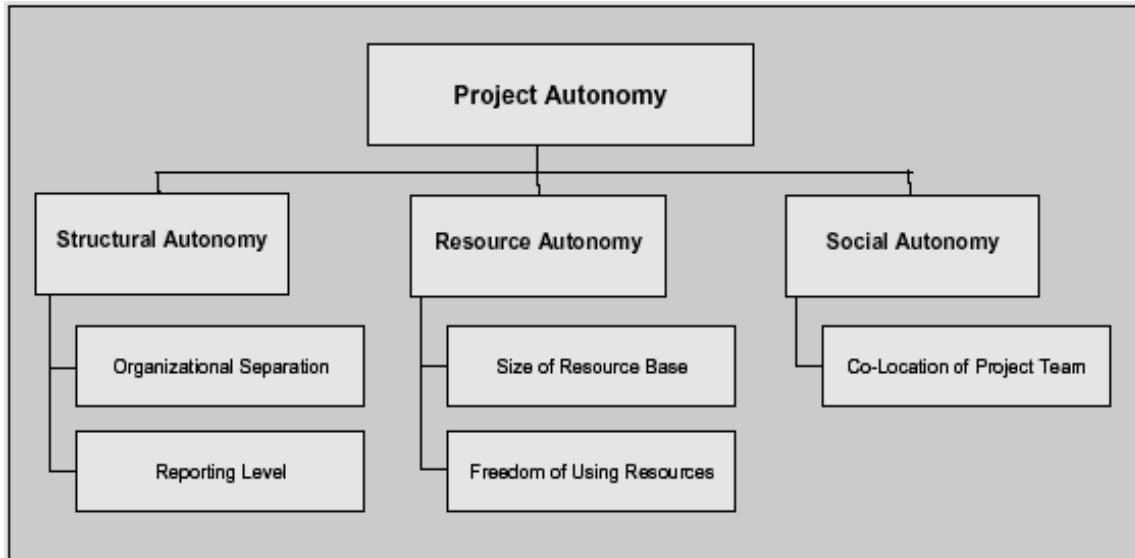


Figure7: Dimensions of project autonomy in research project INNOVATION COMPASS (Source: Gemunden et al . 2005)

However, Artto et. al (2007) argues this autonomy assumed only one parent organization for the project or in other words only one major external stakeholder. As it was discussed before, increasing the number of stakeholders multiplies complexity and the level of complexity should be considered in selection of the strategy for the projects. Hence, radical innovation projects need more independency due to their high level of complexity.

The type of strategy for projects are related to the type of the project .Table 1 summarizes the relation between project position, project direction and project success criteria in order to choose the appropriate strategy

Project position in the Environment and Example in Innovation Literature	Direction in Project Strategy	Project Success Criteria for Project Strategy
A. Parent's Subordinate Project NPD Projects, Outside-in strategy: from parents to project	Intended: Alignment with Parent's Strategy	*Reaching of Financial Goals *Reaching of Technical Goals e.g. customer satisfaction *Incremental Benefit to Parent Org *Development e.g. fulfillment of strategy
B. Parent's Autonomus Projects e.g. Venture Projects Front-end of Radical of Innvation	*Intended and Emergent: Radical Renewal of Parents *Inside-out strategy: From project to parents	*Impact on business e.g. creation of a new market *Radical benefit to parent organizatsion e.g. renewal strategy
C. Projects with Weak Position in a Complex Stakeholder e.g. R & D consortia partnerships, industry networks of learning	* Intended and Emergent; Derived from Stakeholders negotiated strategy or negotiated based on project proposals *Mediating and compromising among many stakeholders	*Benefit to stakeholder organization *Stakeholder satisfaction *Industry impact e.g. market share and profit
D. Autonomous project in a complex stakeholder environment e.g. open source software, internet communities, scientifici communities, new industry birth, inter-firm modularity	*Emergent: Based on contributors' ownership and participation in projects. Creation and survival of a community or industry * Self organizing the project from inside out by creating a governance umbrella where stakeholders are positioned in purposeful roles	* Public good * Benefits to invovled individuals e.g. learning 'intrinsic utility' *Any project deliverables as new input to emerging new strategies.

Table 1: Summary of project positions in the environment, practical examples, and project strategy contents in innovation management literature. (Adapted from Arto et al.2007)

To investigate how projects in the innovation context act in practice, this report is a case study on an innovation project in insurance industry. Arto et al's (2007) model is the reference to identify project's position in the environment. We examine the procedure of strategy implementation in an innovation project in order to observe the interaction of projects' strategy and Parent Company as well as other stakeholders.

In chapter 3 (methodology) the indicators of identifying stakeholders as well as project position are explained. We will investigate the position of target project in relation with its environment following the 4 quadrant model. The correctness of this model will be examined in this report based on the result of selected strategy and its position.

Chapter 3-Methodology

This chapter aims to explain and justify the choices made for writing the thesis. The method, design and validity of research are justified here.

3.0 Rationale for Case Study Research design

This work is focused on the single case study design representing the critical case in testing a well formulated theory (Artto et al, 2007's position). The researchers use this to determine whether the theory's proposition is correct or whether there is a need to offer an alternative proposition (Yin, 1984) The case study approach is deemed most suitable for a number of reasons. First, the case study research design is attractive due to the availability of the sample of study and also the advantages of establishing reliable and valid evidence in a phenomenological setting (Remenyi, Williams, Money and Swartz, 2002). Secondly, the case study is able to exhibit a context (Bryman, 1989). The reader will feel inter-connectedness while reading the case thus providing a point of reference in interpretation. This was possible due to the physical availability of the researchers on site of the studied organization. Third, the case study is able to exhibit a range of information (Bryman, 1989). The availability of data in a participant-observer setting is advantageous which was an opportunity acquired by the researchers. Due to the opportunity available, the researchers felt it would be richer to incorporate the information available through triangulation rather than to base it on a single method of data collection such as solely semi structured interviews or participant observations. Finally, the theoretical framework of strategy positioning is relatively new and would benefit more from empirical evidence rather than from a qualitative research design. On the question of generalization, due to the short duration of the research, the single case study was conducted as opposed to a multiple-case study approach which would have provided positivistic evidence and wider inference of the phenomena. Nevertheless we believe that the single case study approach would be developed holistically to provide empirical evidence for this field of study.

3.1 Scope of Case Study

Case study design (Yin, 1984)

1) The Boundaries of the Case Study: The Study's Questions

What is the relationship of company's business strategy and project strategy in innovation projects following the position alignment approach?

Sub-questions:

What are the project autonomy and the complexity of the stakeholders in this situation?

Does the overall business strategy dictate project strategy?

<p>2) The unit of analysis</p> <p>The project strategy The business strategy The autonomy of the project The stakeholder complexity of the project</p>
<p>3) The proposition of the study</p> <p>Proposition 1: That the strategy of the project in study is influenced by the perception of the project in terms of autonomy Proposition 2: That the strategy of the project is also influenced by the level of stakeholder complexity in the project Proposition 3: That Proposition 1 and Proposition 2 defines the contextual positioning of the project in the company.</p>
<p>4) The Logic Linking the Data to the Propositions and criteria for interpreting the findings</p> <p>We identify the method of ‘pattern-matching’ (Yin, 1984) whereby several sources of evidence may be related the propositions of the case.</p>

Table 2: Case Study Design

3.2 Holistic versus Embedded

We use more than one unit of analysis to determine the positioning of the project in the firm. The holistic design is defined as a case study design which examines the global nature of the program (Yin, 1984) whereas the embedded case study design includes the outcomes of the programmes as the unit of analysis. However due to the nature of the research question which is more exploratory in nature we look at the holistic view of the project.

3.3 Risks of Holistic design

Due to the time constraint, the level of detail would not be in-depth thus the measure of the data might lead to different questions arising from the research questions (Yin, Bateman and Moore in Yin 1984)

3.4 Evidence Collection

The researchers utilized 4 out of the 6 sources of evidence (Yin, 1984) which are : documentation, archival records, interviews, direct-observation. A sequential multi-method approach was utilized to obtain generalizability and credibility of results. Execution of the research modal was initiated through a qualitative study to study the foundational understandings of the concepts of ‘strategy’ and ‘project strategy’, ‘project stakeholder’ and ‘project autonomy’. The simultaneous

3.4.1 Documentation

Documentation collection and examination are often an integral part of qualitative research (Bryman, 1989). Such sources of data can fulfill the functions of a qualitative researcher by providing information on issues that cannot be readily addressed through other methods. A method on pinpointing strategy which utilized the observation on documents similar to Mintzberg and McHugh(1985) was used where the research was broken down into 4 stages.

First, basic data was collected from the archives. The material shown was mainly for communication and administrative purposes which included:

- Communication and training material in MS PowerPoint format
- Administrative documents – reports and memos
- News clippings, online articles in the mass media

This would be the post-decisions that have been inscribed based on past decision and actions taken by the management of the project and the organization. Taking note of the temporal indicators of the documentation provided a chronological report on the progress of the project in relation to the company strategy. The temporal indicators could be categorized in the following periods which are 1) The publication of the documents, 2) The planned inception dates of the actions and 3) The point of time the researcher was in the company. Thus a decisions and actions could be chronologically extrapolated over time.

Secondly, environmental changes and also changes in the performance measures of the project provided the pattern of the strategy. For example, action plans which were in the documentation would reflect the current daily activities in the office environment. If no such activity was present therefore would point out the break in the pattern of the strategy. In terms of performance measures, realized strategies in terms of characteristics such as finance, length of turn-around-times and staffing were inferred and noted.

Thirdly, interviews were conducted with senior management (and normally heads of departments and direct project managers) in order to clarify the strategic elements of the action in the

documentation. In oftentimes, documentation would be limited in terms of clarity due to the staticity of the material. Document analyses in retrospect were rarely used on their own and in fact needed additional data to check on the findings derived from the other sources of data (Bryman, 1989)

Thus further meeting sessions with senior management were needed to corroborate the information published.

The final step was the theoretical analysis of the material garnered in order to interpret the various themes related to the unit of analysis.

3.4.2 Semi Structured Interviews

The collection of qualitative evidence involved a semi-structured interview which is appropriate to collect evidence for more complex evidence concerning “why”, ‘how’ and ‘who’ (Remenyi et al, 2002) This form of evidence is the major part of the case study research protocol (Bell 1992 in Remenyi et al, 2002) A tendency of bias is recognized on the part of the researcher and the research. Although it cannot be totally eradicated, bias was minimized through triangulation of various forms of data i.e. documentation and narrative evidence. The primary source of evidence is derived in the interview with the individuals in the organization which are related to the organization and the project. Secondary sources of evidence from the publications in the web sites are corroborated with the results of the interview.

A series of 5 semi-structured interviews were conducted of which all were of senior management positions within the organization. We select the individuals based on the segmentation of internal project persons versus external project persons. Internal project persons were selected to represent the perspective of the project strategy. These were the project members assigned to execute the project which included the project leader and the team members. In viewing projects as temporary organization, we view the parent’s internal environment as the external environment of the project (Artto et al, 2005). External project persons were categorized under 1) The parent person overseeing the direction of the projects and 2) The project stakeholders. The parent person oversees the direction of the projects. Thus the researchers attempted to obtain at least one view from the fore-mentioned perspectives. The role and the category of the interviewees can be viewed from the Table 3.

The first respondent was the overall programme manager: this individual’s task was to oversee the overall direction of the project towards the overall business strategy thus provided the perspective of the parent strategy. The 2nd and 3rd respondents were project managers in different branches who were directly involved in the project and reporting through a matrix to the program manager whilst also reporting to their own departmental heads. This group of respondents represented the perspective of the project strategy. The 4th and 5th interviews were conducted for the reason of

providing project stakeholder perspective where the success of the project was determined by the met expectations of these stakeholders.

Perspective	Position	Office Type	Title	Office Location
Internal	Project Manager	Branch Office	Leading Underwriting Officer	Italy
Internal	Project Manager	Branch Office	Front Desk Administrator	Sweden
External	Program Manager	Regional Head Quarters	Business Solution Officer	Paris
External	Stakeholder	Branch Office	General Manager	Italy
External	Stakeholder	Branch Office	Financial Lines Manager	Italy

Table 3: Perspectives of Internal and External Project Participants

All the interviews were conducted either face to face or via telephone, each lasting about 45 minutes to one hour. The interviews questions were based on exploring the 3 propositions. The interviewees were not guided on a structured response and were encouraged to express opinion on a free rein. The interview normally began with the background of the interviewee in order to understand the seniority and also the role that he/she plays in the project. This is not apparent in the initial interview thus this step was sometimes necessary due to the size of the project and also the complexity of the matrix reporting within the organization. A project manager in a branch would normally not be full time and may have other functional duties to perform. Thus his role in the project may differ from one organization to another. Although the discussion initially followed a question, a description of a scenario was sometimes given to clarify the understanding of the interviewees. The terms ‘project strategy’, ‘stakeholder complexity’ were often not used but general questions on the frequency of reporting of the project, organizational structure and also influential factors of the project were explored, Responses were recorded manually and notes were taken to corroborate with future data. The researcher is being very much on the periphery of interaction where the researcher is a fully integrated member of the organization

3.4.3 Archival Records

The potential sources of data deployed in this section are considerable. Also, the data covers longer time spans and are feasible approach to study organizational change. Projects being changeable entities are often not studied fully due to the short term nature of research however this element is countered with archived records. It is deemed that archival evidence would also serve as an

alternative form to corroborate with the other sources of evidence. Since the material is static, (that is not a 'conscious' product of study) it is possible that the biases could be removed from other sources such as interviews and questionnaires. Archival records utilized in this case study was in organizational records such as

- organizational charts meetings
- list of participants in project meetings
- budget reports
- electronic reports
- minutes of meetings

Archival records also serve the method of linking the data obtained to the proposition of the case study for example budget reports which reflected the resource distribution from parent to project; list of participants in meetings which reflected the level of parent participation. Information which are normally not accessible for example interviewing senior management and enquiring about budgets and cost i.e. considered 'sensitive' topics could be inferred from archival materials

3.4.4 Participant – Observation

Participant-observation was conducted in the period of 10 weeks where the researcher negotiated access to 2 branches in the company in 2 different points of the project. On both assignments, the researcher kept the same hours as the staff and participated in small support tasks. This gave a distinctive opportunity to gain access to events and persons otherwise inaccessible in external investigations. According to Yin (1984), the perspective of an insider is invaluable as the portrayal of the case study phenomenon would be more 'accurate'. . The researcher would also be able to adopt the stance of an insider to the organization which is the advantage of being in close proximity to the phenomena.

In a similar setting illustrated by Bryman (1989), it was also described where a researcher followed the same tactic and was able to 'observe the flow of the interaction first hand and develop an understanding of what was important to the subjects as a direct product of close proximity'. However it should be noted that the researcher was involved more in the role of observer rather than participant as the project as the internship role did not require full involvement in the project . The advantage of this internment within the company was the opportunity to participate in the social and organizational dynamics of the company and also of the project. Coffee breaks, staff meetings, casual conversation provided the feel of the staff towards the work and the hidden nuances of the perception of the project members towards the project could be more effectively discerned through multiple occasions rather than the one-time interview and survey-questionnaire method.

The researcher also participated in ad hoc department meetings which were held to resolve internal issues not relevant to the project. This was also felt to be important as the general workload of the staff could be inferred. Most likely the project is an addition to the functional roles being carried out as there are no dedicated project team members. Also, the issues which were brought up would show the prioritized concern of the management not necessarily of the organization. In the course of these meetings, brief field notes were taken in order to allow data in relation to the other. Nevertheless not all meetings were in direct relation to the project however they were insightful in observation. Two risks which would occur would be firstly the causal effect of the participant in the case study setting and secondly potential biases would occur (Yin 1983) However this risk would be triangulated with the other sources of data such as the archive data and documentation.

Office Type	Location	Duration	Period
Branch Office	Italy	4 weeks	August 2007
Branch Office	Sweden	5 weeks	Dec 07 – Jan 08
TOTAL		9 weeks	

Table 4: Duration and location of research

3.5 Case Study Design Evaluation

We examine the construct validity, internal validity, external validity and reliability of the data

Test	Measures
Construct Validity	Multiple sources of evidence Maintaining chain evidence
External Validity	Multiple sources of evidence
Internal Validity	Not applicable due to the exploratory nature of the case study
Reliability	Case study documentation

Table 5: Case Study Design Evaluation

3.5.1 Construct Validity

Construct validity is defined as the correct operational measures for the ideas and proposition which is studied. The researchers construct validate the nature of the underlying variable being studied by using a scale (Remenyi et. al 2002) In this research, a qualitative review of the variables were conducted to identify the variables affecting project autonomy and stakeholder complexity in the underlying proposition. To meet the test of construct validity we utilize the measures of triangulation of the data and establishing a chain of evidence through the sources of evidence i.e. interviews, archival records, documents and participant observation. This is done in order to demonstrate that the selected measures taken in the research actually addresses the variables identified (Remenyi et. al 2002) thus the rigor of the research is maintained.

3.5.2 External Validity

Remenyi et. al (2002) defines external validity as ‘the generalisability of the researcher’s findings to a wider universe beyond the immediate research environment’. The case-study approach is defined as the best use of in-depth evidence that is evaluated based on analytical generalizations which strive to associate to a broader theory (Yin in Remenyi et.al, 2002) thus a single sample size case as the one this research attempts to cover is not an issue. Though the Sample Company and project is of a specific industry type, the business and project management theory remains the same under a broad theory thus the researchers are confident that external validity is present. The findings in order to make further theory development could be expanded through replicating the case study logic in other types and projects.

3.5.3 Reliability

Findings from the research were carefully documented by the researcher in the form of research notes in order to maintain reliability. Where documentation was not accessible, observations through the participant-observation method was noted in a case document which was compiled for data analysis and reporting.

Chapter 4- Empirical Evidence

This chapter depicts the results obtained from the data collection. For each perspective, data from documentation, notes from participant observation and semi-structured interviews are illustrated.

Traditionally project management literature has been overlooked by the rational assumption that the project strategy has been dominated by the overall parent strategy. Implementation through project is output of the overall business goals. This systematic process approach we identify in literature as the ‘process-driven approach’ to strategy. In the process approach, the boundaries of the project are defined by the expectations of the larger entity which we identify as the parent. The goals and the aims of the project are driven by the parent aims thus outlining the activities and the tasks in hand i.e. the collective tactics become the outward strategy of the project.

Nevertheless, in this study we illustrate the position driven approach where the strategy of the project is driven by its position i.e. based on the focusing of the projects perspective in relation to the prevailing internal and external environment. We focus on an area which is still lacking in empirical study i.e. the state of expectation of the project by its stakeholders and its autonomy against parent expectations.

4.1 Empirical Illustration

4.1.1 Case Study of an IT Platform in AIG Europe

In 2002, AIG Europe launched an online IT platform to help its underwriters and brokers process commercial line insurance accounts more efficiently to support the business strategy of expanding to middle market accounts. This entailed larger volumes with standardized product characteristics to support the growing consumer market growth. Companies such as Carrefour, Unilever, Procter and Gamble have recognized the implications of the growing ‘emerging consumer’ taken on various forms. The growing informal economic activity account for 40-60% of all economic activity in many developing countries .It creates an additional opportunity to reach consumers with lower disposable income in otherwise known as the ‘rising middle class’ in the developing economies. In Europe, the capitalization of the economies and the reform of government policy as a welfare state provided AIG Europe with the unique opportunity to capture the growth of small and medium enterprises. The appropriate infrastructure support through information systems would efficiently deliver AIG Europe’s services through this IT Platform. It (IT platform) saves significant time and the benefits are the improved service to AIG’s customers and ensuring that each account is soundly underwritten.

The IT Platform was initially used by brokers, underwriters and administrative staff in the United Kingdom and France. Through a revision in business strategy in late 2004, it was decided

that in 2007, a programme of expansion of this IT Platform would be commissioned to its regional offices in Germany, Italy, Spain and finally Sweden. The expansion programme was spearheaded by the company headquarters in Paris and the programme office would be based in Paris otherwise known as the Business Office Department. As it entails the system functions of the organization across multiple product channels, the programme requires the co-operation of branch offices in the designated regional offices.

The programme was broken down into 4 streams of projects to support various system functions mainly as follows:

Stream 1: Functional interface for underwriting a specific designated line of insurance which includes automated calculation of premiums and quoting features

Stream 2: Platform for Work Management of insurance delivery such as automatic document generation and booking to back end systems

Stream 3: Functional interface for renewal management where automatic renewals and booking could be made and also automatic start entry and updates could be made

Stream 4: Functional interface for underwriting a 2nd line of insurance product. (similar function to stream 1 but with a different type of product line)

Each stream would be technically governed by a business services officer in the Program Office. However a regional designated project manager was selected from an existing staff in the regional office to support the implementation of the business side and functionality of the project (see Appendix)

4.2 Perspectives of The Project Strategy

In defining the boundaries of the project, we utilize the definition of project as ‘a temporary organization which aims to fulfill a goal/objective’ (Lundin R.A. in Artto et al, 2007). The project was run by a single co-ordinator known as the “Project Manager” appointed by the business head office in Paris. The ‘project manager’ was not dedicated full time to the project but instead were existing staff in the regional offices with another full time role. The researchers observed two regional offices; one in Milan, Italy in the month of August 2007 and the other in Stockholm, Sweden in the month of December 2007: two different projects fulfilling the same business strategy for the same parent in different stages of project implementation. Each regional office had its own project managers installed to ensure that the IT platform is fully integrated locally. The project managers were selected based on the knowledge and experience usually from the operational or underwriting roles. As the project is technological in nature, an Information Systems

manager in the IT hub in Paris belonging to the program team is assigned to work with each project manager in each regional office.

The project members in the regional office is ad hoc in nature, comprising of staff in the regional office called upon by the project manager to assist in the project when required. For example, an underwriter could be called to assist in the testing of the workflow management by the project manager despite having a full time role in underwriting insurance. The work would then be an additional task on top of his/her normal routine. The project however is communicated throughout the company in formal documents, emails, meetings and staff trainings for its importance in delivering the company strategy to penetrate the middle and corporate markets therefore the issue of accountability to make it a success is felt by the employees of the regional office.

4.2.1 From the Project Team:

Based on the interviews with the project manager and also documentation in the reports, we try to view the perspective of the project team in terms of the project autonomy and the project stakeholders. We record and note characteristics which are latent in their perspective which would later be corroborated with the parent perspective on the project strategy.

4.2.1.1 Interview results:

4.2.1.1.1 Project Manager 1(Based in Milan, Italy) :

The project in Milan, Italy was in the 50% completion stage where the 2nd stream was being completed out of 4 streams (see appendix). The AIG Milan office was one of the regional branches which were given high priority in terms of implementation of the platform as it contributed a large margin towards the head office profitability in Paris. Italy is seen as a growing market in terms of middle market growth thus the urgency of implementation of the platform is given priority here.

From the social perspective, the feelings of the project manager were optimistic and enthusiastic. The project manager in question holds a high seniority in the firm being the Chief Underwriting Officer for the Financial Lines division. His role was to make sure that the platform was up and running for the AIG Milan office and fully functional on the business side. The Project Manager collaborates closely with the Programme Managers from the Head Office - activity in the project was high with daily and frequent telephone conversations and conferencing with the head office in Paris regarding the requirements of the platform. From the researcher's observations, technical aspect of the strategy is tightly controlled and the Paris programme office was diligent in

implementing the project as it should be written in the project plan. An initial interface and a detailed programme had already been drafted by the Head Office before.

However on more than a few occasions, the project manager's input was imperative in solving the business functionality of the system as the Programme Office was only adept at system issues and not business ones. He has more than once put forward recommendations on the strategy of the project however the Programme Office would be the end decision maker after collective agreement between the programme teams (which involved both Milan and Paris project members).

Resources for software development, technological infrastructure are controlled by the Programme Office in Paris. However a part of the manpower i.e. the Project Manager and team were derived from the resources of the regional offices. In terms of organizational structure, a matrix reporting is made where the Project Manager reports to the Programme Manager in Paris regarding the project. However he is also liable to report to his superior the progress of the project who is the Head of Department of Financial Lines.

From interviews and also from archival records, it is ascertained that the major stakeholder of the project is the parent company i.e. the overall company business objectives. Also it was obvious that the Programme Office in Paris is the guardian that the benefits of this platform who makes sure that it fulfills these objectives. The regional office of Milan was also identified as the main stakeholder as the end users of the platform were the underwriters and front desk administrators. During the course of some tele-conferencing, these stakeholders were called in to garner their opinion on solving issues during the course of the implementation. Secondary stakeholders were the brokers and the customers of AIG Milan. Although no role was played in the implementation of the project, in eventuality the satisfaction from these stakeholders would eventually increase the profits of the company thus fulfilling the main strategy of the parent.

4.2.1.1.2 Project Manager 2 (Based in Stockholm, Sweden):

The AIG Stockholm office is one of the smallest divisions compared to its European counterparts in Italy, Spain and Germany. The implementation of the IT Platform was given the least priority as compared to the other countries (see table) with only 1 Stream being implemented out of 4 Streams. At the point of time of research, the project had just been completed in the Stockholm office and the platform was running and fully functional

Similar to the role of the project manager in Italy, the designated project manager was responsible for the implementation of the system in Stockholm on the business aspects of the platform while being supported by an Information Systems office in Paris.

Nevertheless, the similarities ended in terms of social perspective, the feelings and cultural perception of a project manager. The description of the autonomy of the project was highly autocratic. It was noted that "The head office has always been implementing top-down

approaches” and also “It is not possible to make any changes to how the system has been designed” The description of the project was consistent with the head office in Paris’ presentation and input to changes of the platform were rarely performed.

On the question of resources, the structure was similar where the software development and infrastructure were being financially supported by the Programme Office in Paris. The human resource for the implementation of the project in the regional office in Stockholm was provided for on its own. However as only 1 stream was being implemented which was the underwriting and fast-track processing of policies, the number of project team involvements in the regional office was lower. The project manager in question had a different seniority as compared to the Italian Project Manager being in the Front Desk Administration. The selection was made by the head of department of the Operations and Service manager based on the experience and knowledge of the staff in operational and underwriting issues. Thus the project manager was also matrix reporting to the Program Office in Paris and also to his superior in the Operations and Services department.

The Project Manager in Stockholm was also of the opinion that the major stakeholder for the project was the Parent office in Paris. The strategy of the project was to fulfill the business objective by lowering costs and increasing operational efficiency. This information was corroborated by a report of the project in the company website. It was also ascertained that the main user of the platform i.e. the business units within the regional office in Stockholm would also be a major stakeholder of the project. Any bugs and hitches in the system would affect the operations of the staff and also the business profits of the regional office in Stockholm.

One interesting point made by this project manager was that the parent’s stakeholders (which were independent of its own stakeholders) had also the ability to affect the Stockholm project. As the parent office in Paris implemented the IT platform in phases, it worked on the other regional offices in Europe before being able to implement it in Sweden. This could be due to limited resource of information systems personnel and also due to the priority structure of the strategy (higher volume markets such as Italy were given higher priority than Sweden) Should there be a delay in the other regional offices implementation of the IT platform, thus there would also be a delay in the Stockholm office project.

4.3 Perspectives of the Parent:

The researchers attempt to ascertain the perspective of the parents’ strategy towards the project in terms of autonomy and also stakeholder perspective. The following results were gathered from an interview with the overall Program Manager based in Paris and also through documentation and reports. The Program Office oversees the implementation of the IT Platform in each Project Office in the Spain, Portugal, France, Germany, the Netherlands, Italy, Belgium, Austria, Denmark, Norway, Switzerland and Sweden (in order of priority)

4.3.1 Interview results:

4.3.1.1. Program Manager (based in Paris):

The headquarters of AIG Europe is situated in Paris where most high-level decisions are made by key officers. The General Managers overseeing the regional offices in the different countries in Europe report to a Chief Operating Officer who in turn reports to the holding company in New York. In terms of the project strategy, Paris decides the business strategy which would then be communicated to the regional offices in Europe. Also as the technological hub for Europe, it also dictates the IT strategy for each regional office.

Thus according to the program manager, the nature of the organization practices the ‘top-down’ approach in its management approach and the same is also being practiced in this particular IT Platform programme. The business case for the project was conceived in the headquarters in Paris by key business officers in the European region (namely the General Managers). Once the programme had been formally approved by the New York office, a program team consisting of information system specialists were formed to work on the program. Each regional office in Europe would designate a project manager to implement the project. This information is consistent with the oral evidence from the project managers’ interview. The parent strategy outlined in the business case then would then be guarded by the Business Solutions Office (which we name as the Program office)

Frequency of reporting and also proximity of communication of the project manager towards the program office is tight. The program manager mentioned a weekly reporting schedule of the project however the researcher observes at least telephone contact as frequently as 4 times a week between regional to headquarters.

On being questioned on the autonomy of the project, the program manager mentioned that the local needs of the project in each region would have been pre determined during the formation of the strategy stage by the key decision makers of each region. Thus once the cascading of the parent strategy downwards to the regional offices happens, the project strategy WOULD have taken into consideration the project strategy. However it is also admitted that once the project is in place, very rarely major changes would be done based on account of the regional project teams input due to the time and cost factor of the program.

Hence from the discourse, it is ascertained that the major stakeholder in the opinion of the program manager is the parent organization which dictates the business strategy. These are the business managers based in New York who were also the approvers of the business case for the IT Platform and also the headquarters in Paris which collectively garnered the input of the general managers in each regional country. The program manager also viewed the regional offices as stakeholders as they were the end users and also important to the successful implementation of the IT Platform in each regional country.

4.4 Perspectives of the Stakeholders

Stakeholders can exist in the project's external environment (Artto et. al, 2007). In determining the perspectives of stakeholders, the researcher identify 2 stake holders who are not internal to the project but who's interests may be negatively or positively affected as a result of the project (Gardiner, 2005).

4.4.1 Interview results:

4.4.1.1 Stakeholder 1 (based in Milan, Italy):

The stakeholder interviewed is the General Manager of the regional office of AIG Europe Milan, Italy. Being the chief responsible of the regional office, he is liable to the Chief Operating Officer in the headquarters in Paris. The role of the General Manager is to oversee the operations of the regional office and also direct business strategy in line with the overall company strategy.

The interviewee mentions the direction that AIG Europe in general as moving towards small business and lower level markets which is consistent with the documentation of the overall company strategy. The key result areas which will contribute most is the profitability and growth of net production of the regional business.

The project was brought up and the interviewee agreed that the IT Platform would be one of the key strategies to support the parent strategy. He highlights that there are other initiatives such as the setting up of 2 new departments, headcount growth and also an accelerated growth plan by the parent organization. From his perspective, these initiatives are mostly deployed from the parent organization and cascaded downwards to all regional offices. Though aware of the project, the interviewee was somewhat detached from the actual workings of the project. However the acknowledgement of the importance of the project was strong.

4.4.1.2 Stakeholder 2 (based in Milan, Italy):

The 2nd stakeholder interviewed is the head of the Financial Lines division who is also subsequently the superior of Project Manager 1. The role of this interviewee is to oversee the smooth operations of the financial lines insurance division and develop business strategy of this business unit in line with overall company strategy,

The interviewee being one of the key Profit Centre Managers, is one of the main end-users of the IT Platform. He is chiefly responsible for the efficient delivery and expansion of the product which is the direct benefit of the project.

On being asked about the project strategy, this manager was very aware of the progress of the project though not directly involved in it. This being his staff is being deployed as the project manager for this regional office and also due to the fact that the IT Platform would benefit his business unit the most.

Accordingly, he also corroborated the fact that the project was very much dependent on the parent strategy. Reporting of the project is frequent on a weekly basis within the regional office and monthly to the General Manager.

4.5. Results of Triangulation of Data on Project Autonomy Perspectives:

Factor	Characteristic	Parent Perspective on Project Strategy	Project Perspective on Parent Strategy	Compatibility of parent perspective and project perspective
Autonomy	Degree of allowance to evolve without constant report	The parent required frequent reporting in terms of meetings, telephone conferencing and deadlines from the project	The project worked dependently on the instruction of the parent and required the frequent communication with the head office	Low Allowance
Autonomy	Sets its own social identity and boundaries	In terms of social identity, the parent sees the project as belonging to the regional office as the regional office was the end user of the platform. In terms of the technological make up of the project, very little allowance was given to the project to decide on the specifications of the platform. Thus in terms of technology, the strategy belonged to the parent	The project team saw themselves as belonging distinctly to the regional office and not to the programme office. However the project manager sometimes saw himself as part of the programme office due to his special assignment.	Conflicting
Autonomy	Sets its own goals	The parent set the goals and the objectives of the overall company business strategy. The overall business strategy is a long term benefit reaped in 5-10 years	The goals and objectives of the project were somewhat autonomous but not fully autonomous from the parent goal. The regional office being closer to the market saw shorter term strategy to be reaped within a year or two instead of the long term	Conflicting
Autonomy	Sets its own resources	The parents allocated the financial resource to support the infrastructure for the project. However manpower was derived from the regional office	The regional office derived the financial resource chiefly from the parent.	Dependent
Autonomy	Technological governance	The parent controlled completely the technological governance however it	In terms of technology, the project was fully dependent	Dependent

		depended on the project input . Some degree of autonomy was given in this aspect	on the parent and did not interfere with the scope given	
Autonomy	Project complexity	The project is simple with defined milestones under the Type 1 quadrant.	Simple project	Dependent
Autonomy	Defines its own identity	The parent company was the source of the creation of the project thus it defined what the picture of the project looked like. It also defined the reason for being i.e. to fulfill the overall company strategy	In compliant with the parent view of the source of being of the project. However it viewed the parent strategy according to its local market and there were some conflicts on the picture of how the project looked like as given from the parent	Conflicting

Table 6: Results of Triangulation from Project and Parent Perspectives focusing on the Factor of Autonomy (Source derived from documentation, interview and archival records)

4.6.Results of Triangulation of Data on Project Stakeholder Perspectives:

Factor	Characteristic	Parent Perspective on Project Strategy	Project Perspective on Parent Strategy	Compatibility of parent perspective and project perspective
Stakeholder	Stakeholder identification	The project viewed the parent organization as the main stakeholder. Similar to the views of the parent strategy, it considered the users in the business units of the regional office as important stakeholder too. However the regional office was more concerned with the market and thus its own stakeholders were different from the parents i.e. brokers and customers. Thus it would try to fulfill these stakeholders expectations as part of the project strategy	The project viewed the parent organization as the main stakeholder. Similar to the views of the parent strategy, it viewed the users in the business units of the regional office as important stakeholders too. However the regional office was more concerned with its immediate stakeholders which were the brokers and customers	Somewhat conforming
Stakeholder	Interdependence of main stakeholders	The parent organization and the regional office users were not interdependent meaning that the interests of one would affect the other. The parent organization relied on the regional office to perform in order to achieve its business objectives	Similar to the parents perspective, the regional office were not interdependent. The regional organization depended on the parent on resource and business direction	Dependent on each other

Stakeholder	Passive and active stakeholders	<p>The parent viewed itself and the project team as active stakeholders. However the criticality of each office was different.</p> <p>The passive stakeholders were its broader spectrum of investors, clients, debtors, employees etc.</p>	<p>The parent and project team were the active stakeholders. However the active stakeholder in the regional office was the project manager. The team employed in the regional office was on an ad hoc basis therefore the interest of these stakeholders were somewhat passive.</p> <p>Other passive stakeholders the brokers and clients of the company which were not directly involved in the project but who's interest were also served by the strategy of the project.</p>	Both existent in
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Table 7: Results of Triangulation from Project and Parent Perspective focusing on Stakeholder factors (Source derived from documentation, interview and archival records)

Chapter 5 –Discussion

Following chapter 4, this chapter points the results of processing data collection. By processing collected data, we came up with 3 main points in selecting projects strategy following Artto's model. It can be also considered as the modification factors in mentioned model found by conducted research

5.1 Implication 1: That if the project was rendered obedient totally, the success of the parent strategy risked being affected due to lack of autonomy of the project and also lack of consideration of the 'implicit' stakeholder.

From the outward sense, the IT Platform project seems to be a pronounced “Obedient Servant” project. The project's assumed approach and strategy is limited by the assumption that the project must obey its parent organization's direction i.e. in this case study example, the interface, features and also functions of the platform were fixed therefore the project co-ordinator in the regional offices had no option but to accept the platform as it is. Thus inferentially meaning the project strategy had to ‘obey’ the parents’ strategy (The ‘parent’ meaning the business unit in Paris which championed the initiative and decided on the features which were deemed ‘needed’ for the regional offices to utilize)

This is consistent with Artto et al's (2007) project typology in the obedient servant quadrant. i.e. that the business unit seemed like the ultimate stakeholder organization and the project had almost no autonomy in deciding the functionality of the platform. One of the project managers in the Stockholm regional office mentioned ‘Once we were given the system in the User Acceptance Test level, we had to ‘accept’ it. I don't think we could have changed anything in it’. However an interesting phenomenon arose out of this situation: because this project manifested an extreme ‘obedient servant’ role, the inability to change any of the functions or features in the platform risked it being ‘redundant’ and un-user friendly to the end user which were the regional office underwriters and front desk officers. Turn-around times would then be affected and operational efficiency compromised. Upon questioning if there had been any hitches in the platform since the implementation of the programme, the respondent replied that ‘Of course the system had bugs but then we normally report this to Home office for it to be fixed’.

According to Burgelman (1996), a similar consequence was faced by pharmaceutical company when studying the evolution of strategy formation and implementation. A new business opportunity may evolve into a concrete process, new product or system. Subsequently the successful technical and development efforts to carry out this activity are critical by linking the processes and also product-champion these activities (See chart) A business-oriented manager would come up with a brilliant idea for the company strategy but once the idea became concrete and technicalities come into the picture – the ‘technology’ would dominate the definition process.

He points out that the autonomy of the project strategy from the current corporate strategy should be given during the implementation stage for the business idea to be developed further. Similar to the AIG Europe case, the autonomy of the project would have been beneficial to the Stockholm regional office while implementing the technological phase of the project. However as the office closed communications of feedback from middle management regarding business concerns, it risked back firing the project strategy and thus also defeating the parent strategy.

The lack of consideration of feedback would also mean that the parent disregarded its 'implicit' stakeholder i.e. the customers and brokers of AIG Stockholm. Implicit stakeholders are stakeholders of the regional office and which were not visible in the implantation of the project strategy. The brokers and customers provided the revenue of the regional office and business transactions with these parties increase profitability of the regional office. Thus their expectations were considered important by the regional office as the satisfaction of these stakeholders contributed to the project strategy of the regional office. The middle management of the regional office in Stockholm would have been able to provide the input of the expectations of these stakeholders into the IT Platform being in close proximity with them in the market and understanding their concerns compared to the parent organization.

Burgelman(1996) also found that at the parent level, the resource allocation rules were a strong determinant of what the program office did despite what was stated in the corporate strategy. He quoted the example of Intel where the top management did not change the resource allocation rules even though the outcomes regarding its DRAM products were not in line with the parent strategy. This led to a decline in the DRAM products position in the market. The paper describes strategic change business change as a complex process which involved the internal stakeholders i.e. the middle managers involved in the project where their activities when combined (although not aligned) with corporate strategy, altered the strategy itself. Thus once again reinforcing the importance of perceived autonomy of the project and also the role of the internal stakeholder of the project is emphasized.

5.2 Implication 2: Parent perspective changes as the project progresses. This forces project strategy to adopt different characteristics from Independent Innovator in the early stages of the project to Obedient Servant at the end stages of the project.

In this case study, 2 similar projects with the same parent strategy underwent two interestingly different perspectives. The first project in the regional office in Milan acted more in the role of independent innovator where it received more autonomy in terms of letting the project dictate the strategy. This was partly due to the reason that the parent lacked the knowledge of the local needs of the regional office thus it was more reliant on the project to 'feedback' . The parent was more

willing to allow recommendations from the middle managements who were also stakeholders and end users of the system to make certain modifications on the system.

However 6 months down the road in exactly the same implementation setting in Stockholm, the regional office acted into the role of the Obedient Servant in the end stages of the project. The project manager in that office viewed the IT Platform as a 'cookie cut' applied to the local operations of the office to the point of being 'autocratic' where local input on the features of the system was minimal and rare. The behavior of the parent organization and its perspective on strategy seemed to have changed though the organization structure (see appendix), resources and social make up remained the same.

Part of the reason of this phenomenon could be explained by the 'learning curve of the parent organization' which upon being more confident of its strategy changed its perspective from being an empowering parent to a dictatorial one. Thus the organization has adapted to the changing situation by initiating changes which it has 'learned before' through its experience in the project in Milan. It prescribed group decision making and joint goal setting in the early stages of the program.

This is the initiation and definition phase where creativity and problem solving are important (Gardiner, 2005). The predictability of the outcome gets progressively higher as the project continues thus the opportunity of the stakeholder to influence the final characteristics of the project become progressively lower (Gardiner, 2005) Once achieving 'strategic renewal' where the original strategy plan had been revised thus not necessarily aligned to the parent strategy plan, the parent proceeded to limit open-feedback behavior from the project and reverted to the pre-set organizational strategy.

Gemunden et. al (2005) described this as a change in 'goal-defining' autonomy. The definition of the project strategy (goals) was the right of the parent being the most powerful stakeholder. In other cases it could be the project customer. Project organizations therefore had no full autonomy to define their goals. However in the formal start when goals are not fully given, it could be learned and defined during the process especially for highly innovative ventures. Thus early on in the project, project leaders and members can influence strategy changes.

5.3. Implication 3: That the project autonomy and stakeholder interest are dependent on one another. How the parent strategy places importance on the project influences the autonomy of the project thus affecting the project strategy.

The difference of perspective of the parent of the Milan office and Stockholm office are also cause by the perceived value of the 2 different projects. Once again, the structure, organization and social autonomy are the same between the two projects, however the Milan office was given more autonomy due to its potential in fulfilling the corporate strategy. Because the Milan regional office was perceived to have a higher potential than the Stockholm office, the parent increased the autonomy of the project by allowing local input and feedback to the strategy.

According to Gemunden et al (2005), increasing a project leader's authority often has a positive impact on project success due to the fact that compared to the task requirements and power bases of permanent line managers, the authority of the project managers is often not sufficient. Thus the actions of the parent organization in Paris is consistent as it was willing to accept more feedback from the Milan project office as illustrated in the attitude observed by the researcher of the project manager in Milan. It had also appointed a higher ranking officer as a project manager as compared to the Stockholm project office in order to increase the chances of project success.

Therefore it can be inferred that the higher the stake of the parent on the stakeholder, the increase of the stakeholder complexity and the increase of the autonomy of the project strategy.

Chapter 6- Conclusions and Recommendations

This chapter aims to present the answer to the research based on data collection and data analysis.

6.0 The research question and the objectives

In order to get a better understanding of the conclusion of current report, the research question presented in chapter one is reminded here. The research question was:

“What is the relation between company’s business strategy and project’s strategy in innovation projects following the position driven alignment approach?”

The objective of this research was to experiment the link between project’s strategy and parent company’s strategy based on project’s position in the company.

Based on the literature review, the researchers found 2 main theoretical frameworks in order to select project’s strategy in the company .Between these 2 theoretical frameworks which are the *process driven* alignment approach and the *position driven* alignment approach, the position driven seems to be more appropriate for innovation projects due to the dynamic and emergent nature of innovation projects.

Hence this report is the result of a case study to examine the relation between project’s strategy and parent company’s strategy based on position driven alignment approach.

Artto’s et al’s (2007) model is used as the theoretical framework of this research to investigate how in practice strategy of a project is linked to parent company’s strategy in term of autonomy and stakeholders in the context of innovation. In this model the type of strategy for target projects are suggested based on the level of autonomy of projects as well as the complexity of stakeholders. Hence in the case study we were examining how strategy for the project was developed and what was the effect of the parent strategy in the strategy of the project. In other words, to what degree the project was autonomous in term of choosing its own strategy based on its position and how this level of autonomy affects the result.

6.1 Gap Between Empirical Evidence and Theory

The result of data analysis presents 3 main implications caused by using non-autonomous strategy in target project. The result of research analysis is outlined in the table illustration.

As it has mentioned in table one , Artto et al's (2007) model suggests alignment of strategy between parent company and project's strategy in quadrant one .The indicated success factors of this quadrant is reaching technical goals and customers' satisfaction as well as incremental benefits for parent company. Level of autonomy suggested by the model in this quadrant is low .The same method was observed in the case . All functions and features in the platform were defined and the regional offices had to accept the platform as it was. Although the subordinate project characteristic was described in the paper, and the project derives direction from the parent with some level of autonomy however *the extreme subordinate project strategy* has yet to be explored. With this case study, empirical evidence might illuminate projects in this disposition. The result of analysis presents that in some points this approach was a disadvantage for the project since there was no authority of fixing the IT Platform should there be any problems which became a constraint to remove weaknesses of the project. This reduces the level of technological improvement and also the degree of benefit that Parents Company could take from project in case of removing those weaknesses.

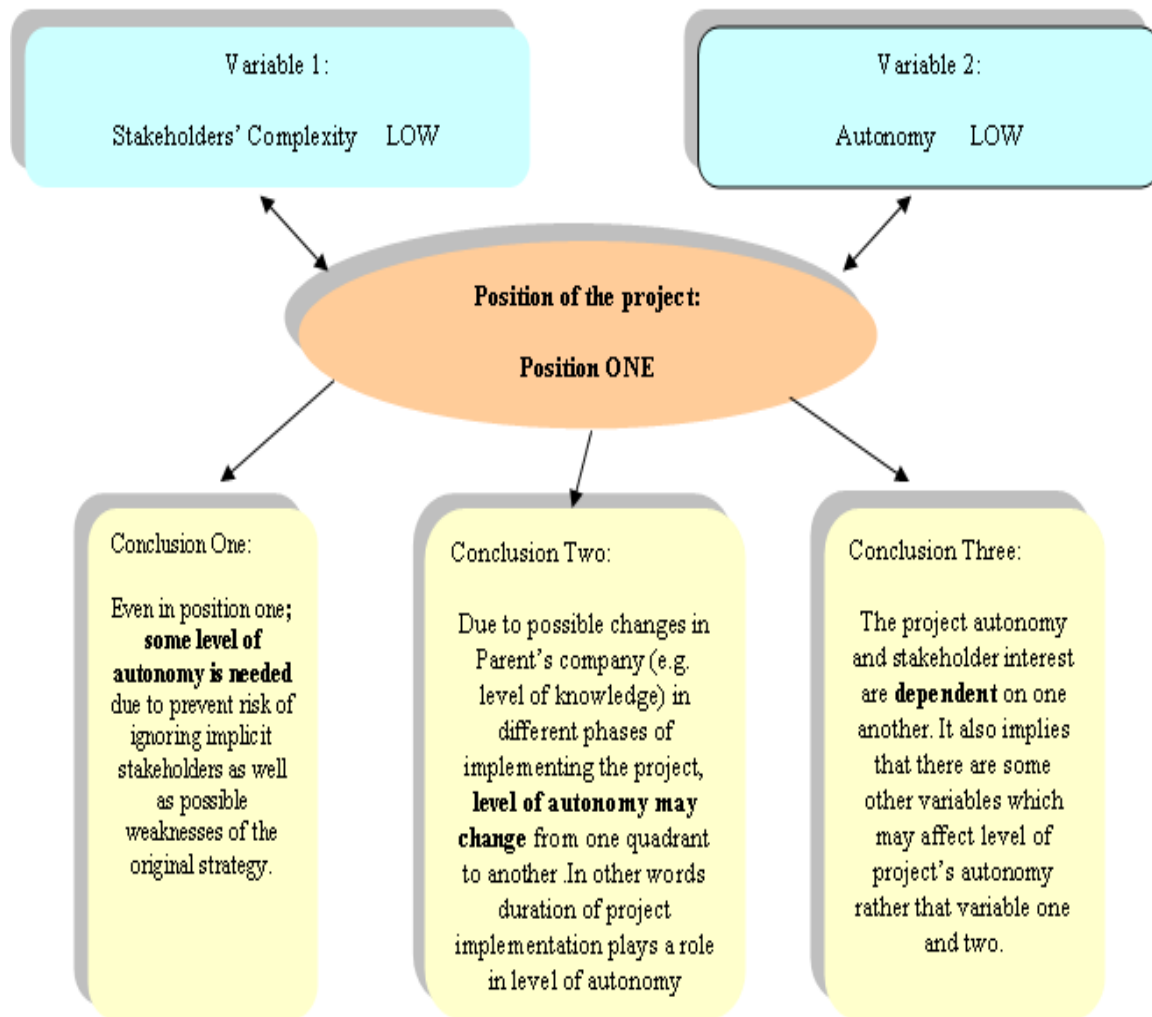


Figure 9 : Outline of empirical findings

A fixed strategy also implies lack of attention by the parent to the feedbacks from the project which helps the improvement of project. This has caused the ignorance of implicit stakeholders. In most cases, end users are the best individuals to reveal projects weaknesses. On the other hand, they are not considered as strong stakeholders mainly because they don't have a piled strength. As it was mentioned in salience model (Mitchell et al, 1997) they are not in core attention of management due to lack of having any of top priorities attributes (Power, Urgency and Legitimacy), so they may be neglected by management. Especially in big projects illustrated in this case study, there is a big distance between headquarter and end users, the probability of considering those feedbacks will be much less when there is no short cut. This shortcut could have been provided by some degree of autonomy.

Furthermore, those stakeholders who are classified as passively involved (Achterkamp & Vos, 2006) stakeholders in overall view, could be actively involved (e.g. Clients) as the project is implemented in smaller regions. Hence, each region should have had some authority in order to consider their own stakeholders concerns and interests.

Conclusion two points to influence of factors which may change level of project's autonomy and shift it from one quadrant to another, consequently it alters the direction in project strategy in different implementation phases. In the case study example, parent company's knowledge increased while implementing the project, hence direction in project strategy altered from emergent and intended approach (second quadrant) to intended strategy (First quadrant). In this case, strategy in first phases (implementation in Italy) was inside-out, while it altered to outside-in during implementation of farther phases (Implementation in Sweden). This fact implies the importance of more researches in the field of project management on the subject of project's strategy and its alignment to parent company. It shows how other factors can influence moving the direction of strategy of project while there is no change in the environment as well as stakeholders.

The above conclusion discussed about the change during time line. It is worthwhile mentioning that not only are there changes along the time line, it is also possible that parent company has different perceptions about different segments of project, even if they follow the same structure. Looking at the "AIG Europe IT platform" as one large project, we realized that the headquarters in Paris delegated different level of autonomy to their Milan and Stockholm branches. This difference was not only because of increasing level of parent's knowledge, but as the researchers observed it was due to the perception of headquarter about the higher potential in fulfilling the corporate strategy in Milan branch. Because the Milan regional office was perceived to have a higher potential than the Stockholm office, the parent increased the autonomy of the project by allowing local input and feedback to the strategy. This matter reveals how soft skills and human skills affect decision making procedure of strategy direction.

This empirical evidence suggests that the perspectives of the parent and the project provide the key to the understanding of the project strategy and its alignment to the parent's strategy. It also

clarifies certain theoretical aspects which were not explained before and also provides new light to project behaviour.

6.2 Management Recommendations and guidelines:

Based on the findings and data analysis of this report, the management recommendations are suggested as follows:

- 1- A clear identification of stakeholders should be conducted prior to implementation phase. As it was mentioned before, especially in large and multinational projects it's likely to neglect about the regional stakeholders of the project. Hence it is imperative to clarify who are the stakeholders of each section in order to prevent the risk of neglecting them.
- 2- In order to fulfill prior suggestion, some level of autonomy is suggested regardless of project's position .In other words, the minimum degree of project's autonomy should be above zero level and each project must have some level of autonomy regarding many unpredicted issues .It is more highlighted in innovation projects due to higher level of uncertainty exists in the nature of innovation projects.
- 3- As level of complexity may change from time to time during implementation of projects, it is suggested that parent company always considers some level of flexibility in the direction of project strategy in order to be able to adjust with the situation.

6.3 Future opportunities for Research

To sum up, this report was an empirical study on Artto et. al's (2007) model with the aim of filling the gap in literature on examining theoretical framework in practice .Generally speaking the result acknowledged the relation of strategy of project and its parent company in quadrant one. However, it reveals some missing points in the mentioned model (e.g. role of other variables rather than the main two variables).It implies the requisition of further research in order to have a complete picture from more effective factors in selection of the strategy of projects.

It is suggested that some research will be done in other quadrants of the model as well as the first quadrant. In order to examine the transferability of the assumption in current report, conducting same research in different countries could be interesting.

Moreover, a multiple case study in the same quadrant could present a better overview in order to compare different strategy directions while the main 2 variables are similar.

It is also suggested that some research carry out in stakeholders' identification in innovation projects in order to improve the current perception of stakeholders' complexity.

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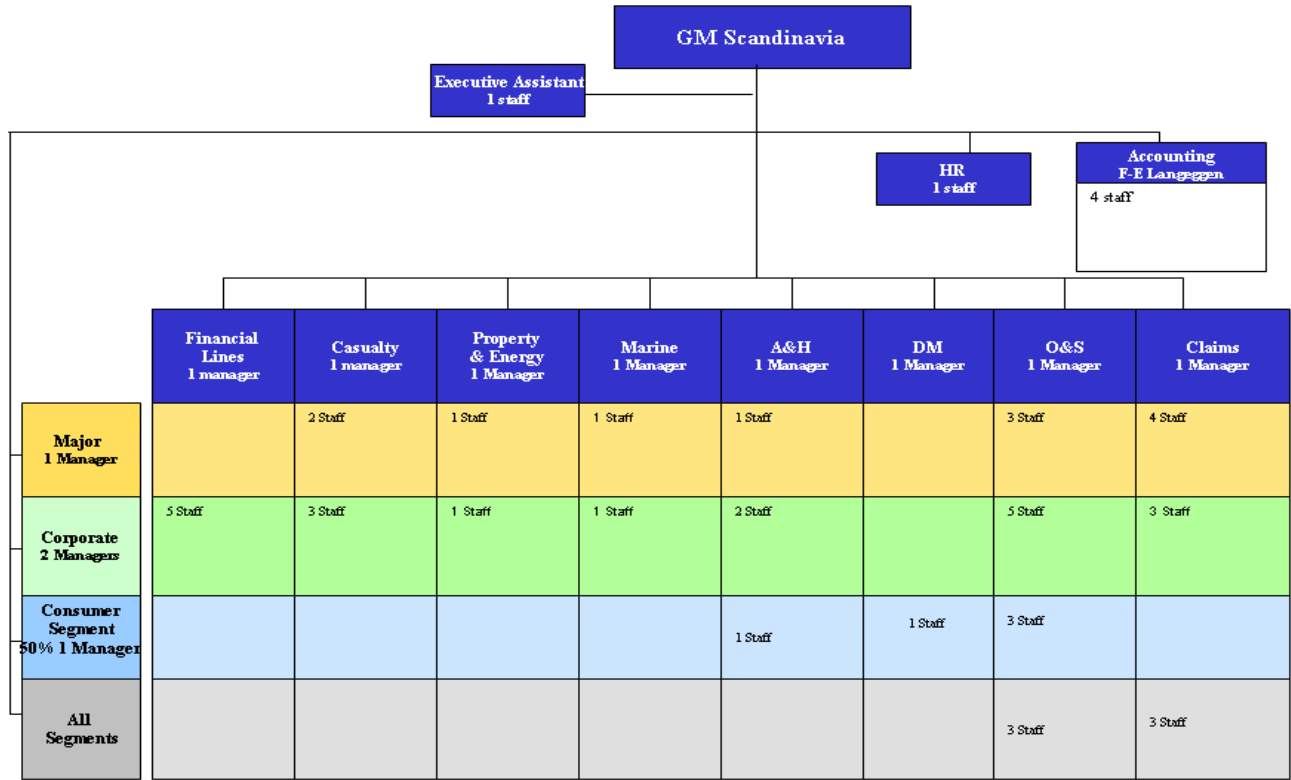
Appendixes

Appendix 1: Interview Questions:

Aspects	Questions
Autonomy	<ol style="list-style-type: none"> 1. Do you have a superior/subordinate office which reporting is required? 2. What is the frequency of reporting? 3. What are the methods of reporting would you use? 4. Is feedback allowed when it comes to the IT Platform? 5. How is the feedback registered? 6. How are changes in the system implemented during the implementation stage? 7. Do you as a project member suggest changes to the project ? (for project subordinates) 8. Do you as a programme manager dictate changes to the project or allow feedback from the project members ? (for parent member) 9. How do you communicate information throughout the project? 10. Is collaboration and group meetings held? 11. How was the main strategy derived? 12. How does the project gets its financial, infrastructure and human resources? 13. Does the resources come from a main source and who controls these resources? 14. How were the project members and project manager recruited? 15. On what basis is the criteria for recruitment?
Stakeholder Complexity	<ol style="list-style-type: none"> 1. Who are the main stakeholders in this project? 2. Who are the main users of the IT Platform? 3. Are stakeholders feedback considered in the implementation stage? 4. Do the users interact with each other? And also with the project team members? 5. How often is feedback registered between the user and the programme managers in paris? 6. Are customers feedback considered in the platform interface? 7. How important is customer expectations in the implementation of this platform? 8. Are project members feedback considered in the platform interface? 9. How does project success relate to project members/users expectations? 10. How important is the parent office expectations in the implementation of this platform? 11. Would customer/project members/users/parent office feedback be able to influence the specifications of the project ? 12. To what degree would it be able to influence (see question 11)

Appendix 2: AIG Europe Organization Chart

AIG Europe Organization - Sweden



Nov 2007

Figure 1: Sample Organization Chart of a Regional Office in AIG (similar organization for Milan, Office)

Appendix 3: Program Phases for IT Platform Implementation in Regional Office

Stream 2 - Products													
	Spain/Portugal		France		Germany		Netherlands/Italy/Belgium		Luxembourg		Austria/Denmark/Norway/Sweden/ Switzerland		
Priority	1st		2nd		3rd		4th		5th		6th		
	Start	End	Start	End	Start	End	Start	End	Start	End	Start	End	
UAT	Month 5	Month 7	Month 6	Month 7	Month 3	Month 7	Month 7	Month 8	Month 8	Month 9	Month 10	Month 11	25 oct
iUAT	Month 7	Month 7	Month 8	Month 8	Month 7	Month 7	Month 8	Month 9	n/a	n/a	n/a	n/a	
GO LIVE	Month 7		Month 8		Month 8		Month 9		Month 10		Month 11		
Stream 1 - Release IV (Work Management)													
	Germany		Italy		France								
Priority	1st		2nd		3rd								
	Start	End	Start	End	Start	End							
BRDs Sign Off	Month 8	Month 8	Month 9	Month 9	Month 9	Month 10							
Finalise Development	Month 7	Month 9	Month 9	Month 9	Month 10	Month 10							
QA	Month 8	Month 9	Month 9	Month 9	Month 10	Month 10							
Pre-UAT	Month 8	Month 8	Month 9	Month 10	Month 10	Month 10							
UAT	Month 9		Month 10		Month 11								
Stream 3 - Renewals Phase 1													
	Italy		France		Germany								
Priority	1st		2nd		3rd								
	Start	End	Start	End	Start	End							
BNDs sign off	Month 8												
Finalise Development	Month 6	Month 8	Month 9	Month 10	Month 11	Month 12							
QA	Month 7	Month 9	Month 10	Month 11	Month 11	Month 12							
UAT prep	Month 8		Month 14		Month 15								
Pre UAT	Month 9	Month 9	Month 14	Month 14	Month 15	Month 15							
UAT	Month 9		Month 14		Month 15								
Stream 4 - Product 2													
	France		Italy		Germany								
Priority	1st		2nd		3rd								
	Start	End	Start	End	Start	End							
Request & Delivery Workshop	Month 6		Month 8	Month 9	Month 10	Month 11							
Pre UAT	Month 8	Month 8	Month 9	Month 10	Month 11	Month 15							
UAT	Month 9	Month 9	Month 10	Month 10	Month 15	Month 15							
GO LIVE	MONTH 9		MONTH 10		MONTH 15								

Figure 2: AIG IT Platform Program Plan and Key Milestones