Dominant Logic in Strategic Change:
How does the Dominant Logic affect the Middle Managers’ Strategic Role and Activities?

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<th><strong>Department of:</strong> Management and Organization</th>
<th><strong>Type of work:</strong> Master's thesis</th>
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**Title of thesis:** Dominant Logic in Strategic Change: How does the Dominant Logic affect the Middle Managers’ Strategic Role and Activities?

**Abstract:** Middle management’s (MM) involvement in strategic processes of a company can bring positive effects onto the company performance. There can be however conditions when the MM potential is not utilized or constrained. The purpose of this study is to investigate how the dominant logic (DL) of the company affects the role and activities of the MM during a strategic change. I add on the knowledge by reviewing the concept of (DL) in accordance to the MM strategic role typology. Additionally, I offer a new more practical explanation how the DL negatively contributes to the outcome of strategic change leading to failure.

This is a retrospective case study utilizing a critical incident technique to collect information about a significant strategic change at a large telecommunications corporation.

The analysis illustrated that the inability to change the (DL) by top management has caused various implications onto the company performance significantly affecting the role, activities and strategic influence of the middle management. The inability to change the DL and functioning with the unfit DL can lead to development of undesired dynamics and tendencies within an organization such as (and not limited to) internal competition between units, politicking, organizational complacency which can have destructing effects. Being a negative example of a strategic failure, the case helps to enlighten on what are the key questions to pay attention to during a strategic change involving a change in (DL) in order to avoid challenges in strategy implementation.

**Keywords:** Dominant logic, middle management, strategic failure, strategic change
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1 INTRODUCTION

1.1 Background

Middle managers’ contribution to strategy processes has been somewhat discussed by different scholars (Wooldridge, Torsten and Floyd, 2008; Mantere, 2008; Ren and Guo, 2011; Lavarda, Canet-Giner, Peris-Bonet, 2010; Huy, 2001). There are various value-adding strategic roles (Floyd and Wooldridge, 1994; 1997) and role expectations (Mantere, 2008) of what and how the middle managers can contribute in order for organizations to perform well.

The middle managers are in a unique position within a company – a link between the teams and the top management, possessing skills of emotional intelligence and ability to communicate up and down within an organization (Huy, 2001). Most importantly the middle management represents a diverse group, who having worked at the company usually longer than the top management knows the business well and can, thus, fulfil a role of innovator and strategic contributor, bringing about excellent expertise on the potential new projects and their feasibility (Huy, 2001). Based on this assumption, it can be concluded that the voice of the middle management ought to be included in the strategy formation of a company or at least in the evaluation of the feasibility of a proposed deliberate strategy. Consequently, the middle management’s approval of strategy and engagement in it will have a positive effect on the strategy implementation.

At the same time, “middle managers have also been subjected to much criticism. In particular they are considered to have a negative impact on change” (Balogun, 2003, p.69). They are obviously capable of having negative impact because they may “edit and make sense of strategic plans in ways not intended by senior management” (Harding, Lee and Ford, 2014, p. 3). They can act as a blockage to change intentionally as they may represent the target of change (Balogun, 2003, p.70), but also may simply not possess the required skills nor the understanding how to implement the strategic change successfully.

Now imagine a successful company, which is a dominant leader of a particular industry peaking at 40% market share – a strong global brand. It is a company, which has experienced and survived earlier numerous significant strategic changes and transformations over decades, as well as a smaller scale constant reorganization
activities. It is a company, in which the highly experienced and well-educated middle managers seem to be truly engaged in strategy creation and implementation. This type of a company has well-developed processes of strategy creation and established processes for strategy communication.

Then, imagine that this kind of a successful company, which was even called by media as “unstoppable” – in a turn of events, it then experiences a crucial strategic failure. How does this happen? Even more interesting is the fact that this can indeed happen despite the fact that the employees (and analysts worldwide for that matter) have considered the selected new strategy as a very good strategy. Unfortunately, having a good strategy on paper does not guarantee a successful implementation. In the light of such a combination of conditions as in this case, it would be extremely fascinating and useful to explore from the middle management perspective their (middle managers’) perceptions of the occurred events. “The premise is that middle managers are central to explaining key organizational outcomes”, i.e. the middle management perspective (Wooldridge, Torsten and Floyd, 2008, p. 1191, emphasis added). “Put differently, middle management is a necessary point of observation from which to study the organizational process associated with building and renewing capabilities” (Wooldridge, Torsten and Floyd, 2008, p.1191, emphasis added).

This study focuses on a large technology corporation in the telecommunications industry, let us assign a name “Icarus” to it, which at a point in history was a dominant market leader, but unfortunately in a period of roughly 10 years lost almost its entire market share. At a point in time in mid-2000’s, Icarus attempted a significant strategic change, which involved an introduction of services in addition to its core business (devices) as well as creation of an ecosystem for the above-mentioned two categories. Hence, it was a complex case of diversification, ambidexterity, introduction of a new business model and a requirement for a new dominant logic.

Dominant logic (DL) is a term, coined by the Bettis and Prahalad is defined as: “the way in which managers conceptualize the business and make critical resource allocation decisions – be it in technologies, product development, distribution, advertising or in human resource management” (Prahalad and Bettis, 1986, p. 490). In practice this means for example that producing and selling a service such as health tracking application is entirely different type of a business as manufacturing and selling a product such as a device that measures pulse (more on this in detail in chapter relating to DL). Dominant logic is hence often called the “DNA of the organization” (Prahalad,
2004, p. 172) and often it is the source of previous success – in other words, it is the company’s unique way of running its core business.

Any company however, will inevitably require a revision of its dominant logic if embarking upon a strategic change. More precisely, it is top management’s responsibility to assess, revise and change the dominant logic when required. This is so, because the existence of an old, out-dated, unfit dominant logic for a particular business which is no longer suitable can have multiple dangerous devastating effects on the performance of an organization: for example dominant logic can act as a blinder for the organization to threats, opportunities as well as distort view of own position in the market and the assessment of competitor environment (Prahalad and Bettis, 1986).

The case company, Icarus, being unable to transform, eventually pulled out of the services business altogether, focusing back again temporarily on its core business (devices). In other words, the change of dominant logic never realized. But if the “dominant logic puts constraints on the ability of the organization to learn” and change (Bettis and Prahalad, 1995, p.8) and considering that the middle management’s involvement in strategy formation and implementation is vital and can be highly value-adding - is it possible that the existing, old dominant logic can constrain the middle managers’ ability to fulfil successfully their important strategic role?

This research focuses on finding the missing link between the middle management’s strategic role and the dominant logic. The extant research on dominant logic concerns either the top management or the organizational dominant logic as a whole, whereas, it is important to capture the middle management perspective and the sense-making of the dominant logic, because it is precisely the middle management acting as a mediator of strategic change.

In today’s digital age: with the trends relating to the internet of things (IoT), platform economy and digital transformation of processes and products – more and more companies will face similar challenges as Icarus. They will require changing their business model and re-conceptualization of their business as well as connecting their products and services to internet and possibly embarking on service design. Dominant logic for producing, innovating and selling services is different from producing, innovating and selling the products (Ordanini and Parasuraman, 2011; Schembri 2006). This is why it is important to investigate what types of organizational dynamics develop due to inability to change DL within a company.
To summarize, this research is a retrospective study looking back over a decade of Icarus’s history in an attempt to explain the strategic failure in terms of an unfit dominant logic, and on a practical level by investigating what kind of effect the dominant logic has had on the middle management’s role and participation in strategic processes.

Therefore, I approach the issue by reviewing the events in Icarus’s history using the framework of operationalization of the dominant logic concept created by Obloj, Obloj and Pratt (2010), and then separately reviewing each of the four middle managements’ strategic roles based on the typology introduced by Floyd and Wooldridge (1994, 1997) in order to see how the old dominant logic present at Icarus affected the middle management roles and activities.

1.2. Statement of purpose

The aim of this thesis is to investigate how the dominant logic affects (or influences) the middle managers’ strategic role and activities.

According to research (as will be illustrated in detail in the literature review), the middle management (MM) can have a significant, valuable strategic role in an organization. The participation of middle management in all strategy-related processes (strategy formation, implementation as well as communication and follow-up) will likely have a positive effect on the organizational performance. Even if the middle management is not closely involved in creation of strategy as such, one of their key tasks is the actual implementation the strategy that the top management introduces.

The dominant logic (as will be illustrated in detail in the literature review) can knowingly constrain organizational learning and sustain the existing routines. Serving as an information filter, it distorts company's view of own position in the market or directs attention to entirely irrelevant issues, thus making the organization blind to threats and opportunities.

Now, if the middle managers are responsible for implementing the strategy, naturally, their task will be more challenging in a case of a strategic change, which involves a change of dominant logic (such as diversification strategy with new business model and a new product, i.e. movement away from the core business.) In such case, more organizational learning and innovation need to occur, the organization’s routines must
be revised, new opportunities and threats must be communicated upwards to the top management – and it is precisely the middle management who is participating in all of these activities. Therefore, I posit that the existence of an unfit dominant logic or inability to change the dominant logic within an organization affects middle managers' ability to fulfil their role. In other words, I imply that the failure to change the dominant logic during a strategic change will prevent (or at least impede) middle management’s successful fulfilment of their role, which can be used as one potential explanation for strategic failure. Thus the purpose of this thesis is to illustrate how that can happen in practice.

Consequently, in order to answer the actual question: “how does the dominant logic affect the middle managers’ strategic role and activities”, first logically, in the literature review I will seek for: a) the description of tasks and roles of the middle managers and b) the effects the dominant logic can have onto an organization. After that, I will collect data from the case company and analyse it specifically looking for occurrences of correlation between these two topic areas (a and b). It will be a synthesis of the 2 topics – dominant logic and middle management strategic roles.

However, because the dominant logic is hard to measure and in order to obtain a wider understanding of the effects of the dominant logic at the case company, I have formulated additional supporting sub-questions:

1) **How was the inability to change the dominant logic evident at the case company?** In the interview answers I will look for evidence that Icarus indeed failed to change the dominant logic, and therefore, I will look for reported challenges in the implementation of the new strategy which were caused by inability to change the dominant logic.

2) **How did the dominant logic constrain or enable the middle management role fulfilment and activities?** In the interview answers I will look for reported examples of how the middle managers experienced challenges to implement own tasks and whether they felt restrained to do so by the old dominant logic of the company. Possibly, there may also be positive effects of the possession of a particular strong dominant logic.

3) **What dynamics or side-effects did the inability to change the dominant logic cause within an organization?** There may be unexpected
findings of phenomena which were not anticipated in advance after literature review.

1.3. Contribution

My research contributes in a number of ways to the existing literature on dominant logic. Firstly, I would like to emphasize the ownership of the dominant logic. Whose dominant logic are we talking about? Dominant logic is mostly referred to as the dominant managerial logic, meaning the way in which the top managers of a firm think and act. The acclaimed scholars Prahalad and Bettis (1986) refer to the top management’s skills, ability to learn, actions and decision-making, etc. In fact they explicitly state: “Our focus will be on the corporate management team, and its relationship with business- and group-level managers, as it pertains to managing the totality of the firm” (Prahalad and Bettis, 1986, p.489). The actions the top management takes will have a direct effect on the performance of the firm. On the other hand, the concept of dominant logic is occasionally stretched to cover a company-wide or organization-wide phenomenon: for example “the dominant logic embedded in an organization may keep it on the road ahead, but also it acts as a blinder to peripheral vision” (Prahalad 2004, p. 171). Dominant logic is something that belongs to the organization eventually, too. This organization-wide meaning is used in the literature especially in the context referring to the organizational learning or organizational intelligence. For example: “The dominant logic can be viewed as a fundamental aspect of organizational intelligence, whereas organizational learning can be thought of as occurring at the level of the strategy, systems, values expectations and reinforced behaviours, which then shape the dominant logic through feedback” (Bettis and Prahalad, 1995, p.7). Or another example: “when new entrants to the industry challenge the dominant logic…the current market leaders [here meaning companies] have trouble recognizing this new logic…” (Prahalad, 2004, p.172, comment added). Thus one can re-phrase the above-used sentence by substituting words ‘top managers’ simply by ‘organization’: “DL is the way the organization thinks and acts”. It is an obvious consequential line of thought that the dominant logic of the top managers eventually becomes the dominant logic of the entire organization as the TMT decisions are implemented.

However because DL is “shaping not only how the members of the organization act but also how they think” (Prahalad, 2004, p. 172, emphasis added), note here Prahalad
talks about all of the members of the organization not only TMT– it is very surprising that when I was searching for literature on dominant logic I have found no articles linking it to the middle management. In fact, interestingly enough, there seems to be no inclusion of the middle management in the DL discussion whatsoever, which is quite illogical, because the middle managers are precisely those who are implementing the TMT decisions and vision across the organization. Moreover, if there is a requirement to adopt a new dominant logic, because MM have a pivotal role in the organizational change and are the change agents – it will be precisely them, the middle managers, implementing this DL change on a very practical level for instance through revision of routines and facilitating organizational learning. Therefore, this missing link between the dominant logic and the middle management is how the thesis you are now reading adds value. (This is to answer your question why I am looking into the middle management topic, even though there is plenty of research on it). My thesis is addressing the research gap by linking the two concepts: DL and MM.

Secondly, the outcome of this research can help to elucidate how the dominant logic can negatively affect the outcome of strategic change on a more practical level and through the new MM angle, i.e. the middle management’s contribution to the strategic processes, and, the company’s ability to utilize the middle management potential in a DL change case. Put it another way, the intended aim of this research is to scrutinize how the dominant logic affects the strategic role of the middle management, but as a parallel by-product I am getting more detailed insight into how the DL leads to strategic failure.

Finally, I am conducting my research with a real life case, which is hence not only a theoretical proposition, but I will be able to draw conclusions from a real life example. As mentioned, answering all research questions will help to provide more insight retrospectively onto how a very successful market leader failed to implement an excellent strategy and consequently lost its market dominance even in its core business. The investigation into such a case will illustrate the dynamics and challenges associated with digitalization and ecosystem creation. This may prove to be useful information as an example to other companies planning similar transformation.

Additionally, you can probably read between the lines my excitement about the research topic, there are many extremely interesting aspects involved. In general, I am extremely fascinated by various future technologies and how these will eventually disrupt the economies and business models of today, which yet again brings a very
practical angle to my research. However, above all, my enthusiasm to investigate this case stems from a personal reason, because this company was my previous employer and I had a splendid opportunity to obtain the interviews for my research.

1.4. Delimitations

For this research, I will only interview middle management, not top management (leadership group) of the company. Literature on dominant logic (all of the Bettis and Prahalad articles) originally included explicit statement about consideration of the top management decision-making. Naturally, it would have been very interesting to examine the top management’s top down perspective on the turn of events at Icarus and juxtapose the two views; nevertheless, I chose to focus solely on perceptions and sensemaking of the middle management.

Dominant logic is a cognitive concept and is stored in “cognitive maps” or set of “schemas” (Prahalad and Bettis, 1986). Causal mapping is perceived a suitable analytical method for researching DL (Schraven, Hartmann and Dewulf, 2015; Blettner, 2008; Weber and Manning, 2001). This method can help to explain the causal relationship between other variables for DL case such as inertia. However, not having an opportunity to interview the top management, I am not able to construct a better understanding of their actual ‘thinking’ nor trace the trajectory of how the dominant logic has evolved.

On the other hand, I am more interested in how the dominant logic affected the middle management role and the implications of the inability to change the dominant logic. (Icarus did fail to change the dominant logic; this will be illustrated in findings). In Icarus case hence, the failure to change the dominant logic is a given, because the change never realized. Therefore, this study is a retrospective investigation, with an emphasis to identify how the top managements DL – i.e. decisions about resource allocation “developed through experience in the core business and sometimes applied inappropriately in other businesses” (Prahalad and Bettis, 1986, p. 485) – have been observed to affect the fulfilment of the MM role. And to construct the big picture of the events at Icarus in a story-telling mode I will use critical incident technique.
1.5. Definitions

**Dominant logic (DL)** – There will be many definitions and explanations for this concept in later on because DL is hard to operationalize. For now it is sufficient to say that it is “the way in which managers conceptualize the business and make critical resource allocation decisions – be it in technologies, product development, distribution, advertising or in human resource management” (Prahalad and Bettis, 1986, p. 490). Worth noting is that it is top management team’s (TMT) responsibility to assess, revise or change the dominant logic in order for the DL to be fit for the new business or new strategy. If the dominant logic in not changed, i.e. old or unfit dominant logic – it can cause various negative effects on the company performance. **Important!** I would like to draw your attention to the use of the concept. The scholars Bettis and Prahalad use the concept in several ways: they at times do not distinguish between phrases ‘dominant logic’ or ‘inability to change the dominant logic’. Both of these instances will have a negative effect on the organizational performance, either the old unfit dominant logic when used or inability to change one.

**Middle management (MM)** – “Middle managers occupy positions between the strategic apex and the operating core of an organization” (Mintzberg, 1989 cited in Ren and Guo, 2011, p. 1588). “Middle managers occupy a central position in organizational hierarchies, where they are responsible for implementing senior management plans by ensuring junior staff fulfil their roles” (Harding, Lee and Ford, 2014, p.1).

**Strategy** – “Strategy in the narrow sense involves planning the use of resources and the deployment of capabilities to achieve objectives and prevail in competition” (Burgelaman, 2002, p. 4). Consequently, strategy processes are a) formation/creation, b) implementation/execution/deployment, c) follow-up.

**Business Model** – business model articulates the value proposition, identifies the market segment and specifies the revenue generation mechanism and details the revenue mechanism(s) by which the firm will be paid for the offering (Chesbrough, 2009, p.355).
1.6. Structure of the thesis

Figure 1  The structure of the thesis

The figure above illustrates the structure of the thesis, with colour-coded classification according to the research sub-questions (purple – DL; blue – MM, green – synthesis).
This thesis is structured in the following way. I have already introduced the background and aim of the thesis as well as the three supporting research questions.

Next in the literature review, I present the results of the literature review relating to the middle management role and importance of the middle management’s participation in strategic processes and I introduce the selected suitable typology for my research (Chapter 2.1). After that, I review the existing relevant literature on dominant logic specifically with an intention to find a framework for operationalization of the concept in order to conduct my research (Chapter 2.2). Consequently, I will synthesize the information obtained from the two areas introducing working propositions for further confirmation in the results of my research project (Chapter 2.3).

Next I present the chosen methodology for data collection and analysis (Chapter 3). I chose to present the case itself in detail throughout the findings and not as a separate case chapter (Chapter 4). There were so many nuances embedded in quotes, writing a separate case review chapter would have simply been a repetition. This also means that the results I present are quite lengthy; however, this as required for explanatory depiction of the events and illustration of the logic in my analysis. The findings and their simultaneous analysis will be presented in three parts: 1) via the framework of operationalization of the dominant logic, 2) with review of the strategic roles of the middle management and, finally, 3) the synthesis between the two (Chapter 5).

Lastly, this will give an opportunity to draw conclusions and discuss theoretical implications as well as provide suggestions for further research.
2 LITERATURE REVIEW

In this chapter, I will present the literature review required for my research.

Firstly, I will begin by looking at the literature related to the middle management. More specifically, I am attempting to define the role and tasks of the middle management in strategy-related processes. What does the middle manager do? Alternatively, what should he/she be doing? Naturally, I will look for justification why the middle management role and contribution is important to the company performance and consequently I will identify a suitable typology for MM strategic participation.

Secondly, I will review the available literature on dominant logic. Particularly I am interested in finding out what various negative effects the dominant logic can have onto the organizational performance. Dominant logic is a cognitive concept, for what it received quite a lot of criticism because it is hard to operationalize. Thus, I am interested in finding a suitable framework to operationalize this concept for my future analysis.

Next, I will synthesize the information about the two areas (MM and DL) in order to identify points of convergence.

2.1 Middle Management

This research focuses on the middle management perspective. In this chapter, I will present the relevant findings from the literature review concerning the middle management. More specifically, I am interested in the role of the middle management in the strategy related processes. At least two perspectives immediately spring to mind: descriptive – how the middle management does take part and influence, as well as prescriptive – what the middle management should be doing and how. The purpose of this chapter is to justify the importance of the middle management’s involvement in the strategy related processes of a company, particularly during the periods of organizational change.
2.1.1. Who is a middle manager?

Let us start with defining this organizational actor. Some definitions locate the middle manager in an organizational hierarchy. For instance, “Middle managers occupy positions between the strategic apex and the operating core of an organization” (Mintzberg, 1989 cited in Ren and Guo, 2011, p. 1588). Similarly, for his extensive studies on middle management, Huy for example defines them as “managers two levels below CEO and one level above line workers and professionals” (Huy, 2001, p. 73). This practical definition is applicable to my research as well, and it should be noted that in large organizations with tens of thousands of employees, the layer of the middle management two levels below the CEO and one above the professionals can be quite thick. Moreover, there are different types of the middle managers those associated with corporate functions or line managers, etc.

From this “central position in organizational hierarchies” the middle managers “are responsible for implementing senior management plans by ensuring junior staff fulfil their roles” (Harding, Lee and Ford, 2014, p. 1). Implementing the strategy coming from the higher management echelons means in practice: a) formulating tactics and budgets for implementation, b) follow up of the process and status, and c) adjusting and correcting the actions if required in order to achieve the goals (Floyd and Woodridge, 1994). These operational activities assume that the role of the middle management can be very diverse and the arsenal of competencies they possess can be very wide. For instance, Huy argues that in order to obtain successful implementation of organizational change the middle management’s role should not be dismissed and undervalued, because the middle manager is: 1) the entrepreneur, who possessing the right expertise, visibility and experience can instigate change from bottom-up; 2) the communicator, who can explain the change and strategy across the organization; 3) the therapist, who possessing emotional intelligence is capable to address employees emotional well-being and uncertainty; and finally, 4) the tightrope artist, balancing the change and continuity, meaning will keep the business running (Huy, 2001). This type of a role description of what the middle manager does is much more of use than the simplified location of the middle manager in an organization structure. The reason for their uniqueness is “their access to top management coupled with their knowledge of operations” (Wooldridge, Torsten and Floyd, 2008, p. 1192).

However, not everything is as straightforward with the praise of the middle managers of being the masters of strategy implementation. In fact, there exists a fair share of
criticism directed at the middle management: often they are portrayed as resistors to change, impediments in change implementation, unnecessary bureaucratic layer with reluctance to cooperate and driving self-interests having overall negative impact on the planned change (Huy, 2001; Balogun, 2003; Floyd and Wooldridge, 1994).

Historically, this coined negative reputation of the middle management has led to wide layoffs and delayering in organizational restructuring attempts as a first sought solution to improve company performance (Huy, 2001; Balogun, 2003; Floyd and Wooldridge, 1994). However, later studies have shown that valuable skills were lost in the delayering process (Floyd and Wooldridge, 1994; Ren and Guo, 2011; Shi, Markoczy and Dess, 2009); and in addition to such statistics as for example that projects proposed by the middle managers have much higher success rates compared to the projects proposed by the top management as much as 80% success rate vs. 80% failure rate (Huy, 2001) – these kind of findings suggest that the middle management should not being simply portrayed as the blockage of change, instead considered with attention and importance.

Knowingly, Floyd and Wooldridge in their numerous widely read studies (1992, 1994, 1997, 2004) view middle management as a valuable strategic asset and even as “potential reservoirs of core capabilities” (Floyd and Woodridge, 1994). In fact, there is evidence that middle management’s active involvement in strategy creation (as opposed to involvement only in strategy implementation) will lead to better financial performance and their contribution has a direct impact on the company performance. Therefore, the middle managers should be involved “in the ‘thinking’ as well as the ‘doing’” of strategy (Floyd and Woodridge, 1994). In the next chapter I will cover more in detail about the actual practicalities of the participation and the types of activities this would include, but at this moment the correlation between the participation of the middle management and the company performance needs to be emphasized as well as that the participation and more strategic role for MM is encouraged. Given the opportunity, the middle management can contribute significantly to strategy formation in addition to simple execution of operational, traditional tasks such as budgeting, tactics, follow-up and control. Their role, if legitimizied, can be much more cognitive and complex in nature, rather than being “misunderstood...secondary, almost always non-sanctioned and often discouraged” (Floyd and Woodridge, 1994, p. 53). Moreover, even their resistance can be viewed as a positive thing because in fact, “what seems like the middle management resistance, for example, may actually represent middle managers’ honest appraisals of what is feasible or in the best interest of the
organization” (Wooldridge, Torsten and Floyd, 2008, p.1216). Usually the middle management has more years of experience within the company or the market or with the actual end customer or supplier than if compared to the top management (Huy, 2001), which means that can have a better understanding of market and trends.

Thus, instead of being considered as blockage to change, they should be seen as “change masters” Floyd and Woodridge, 1994), “change intermediaries” (Balogun, 2003), “change agents” (Furnham, 2002). It is precisely due to that central location within the organizational hierarchy, which often puts them into pivotal role during the organizational change, that they are simultaneously both the instigators and the targets of change (Furnham, 2002, p.29). In fact, the middle management identity is multi-dimensional to the extent that they are “at once controller, controlled, resister and resisted” (Harding, Lee and Ford, 2014, p.19).

Despite the occasional, sceptical characterizations of the middle management such that they are those “who are neither heads to make strategic decisions, nor hands that perform clearly defined tasks” (Mintzberg, Ahlstrand and Lampel, 2009, p. 258), the importance of the middle management’s participation in strategic processes is undisputable. In the following sub-chapters, I will cover the literature review about the participation in strategy creation and implementation.

2.1.2. The role of strategic participation

The previous chapter served as the introduction about influential potential of the middle management onto the strategic processes. In this chapter, I will cover in more detail how the middle manager actually does or can contribute and participate. Before that, however, it is worth classifying the points mentioned in the previous chapter for the easy of understanding.

The literature presents various views on the degree of strategic participation and proactiveness of the middle management in the strategic processes.

Firstly, the middle management can be viewed solely as the implementing and executing force for the strategy in a very top-down style organization, which, hence, would focus any following discourse predominantly on the execution challenges (Hrebinia, 2008). This is where the traditional tasks of microplanning, budgeting, follow-up and correction suffice, in line with prescriptive schools of thought on strategy
formation, where the deliberate strategy is formulated by the top management and MM are amongst the ‘sheep’ that follow (Mintzberg, Ahlstrand and Lampel, 1998).

Secondly, as seen earlier, there exists the Floyd-Woodbridge view, which portrays the middle managers as influential, strategic assets and encourages more strategic behaviour from their side. Their well-known published research works concluded that the strategy deployment will be more effective with the higher degree of middle manager involvement: because the understanding the logic behind the strategy will lead to better results (as opposed to automatic execution of mechanical instructions), and also because the middle managers are capable of effectively communicating upwards the status updates enabling the adjustments of the strategic actions (Floyd and Wooldridge, 1994). More importantly however, their research suggests that strategy related decisions of better quality are made over time due to middle management involvement (Floyd and Wooldridge, 1997), precisely because of MM expertise. Hence, the authors argue for the benefits of the middle management involvement in both (!) the strategy formation and implementation, and explicitly point out that the distinction into two phases is purely conceptual and used only for academic research and theorizing (Wooldridge and Floyd, 1990). This view expands the MM role into a more complex one – “thinking and doing”. However, they did conclude in their research that the middle managers require clear direction from the top management and that the top management should expect to receive feedback, concerns, healthy questioning and criticism towards the strategic decisions (Wooldridge and Floyd, 1990).

Consequently, the Floyd-Wooldridge functionalist view assigns the following four activity types to the middle manager: 1) championing strategic alternatives which involves screening, assessing and bringing to top management’s attention the innovative and entrepreneurial proposals; 2) they synthesize information and can report threats and opportunities; 3) they facilitate adaptability and change across the entire organization and 4) they implement the deliberate strategy (Floyd and Wooldridge, 1994). In this framework, the strategic roles are combined of behavioural and cognitive dimensions exhibiting upward and downward influence (please see in the following figure):
In practice, middle management’s influence or power is expressed through issue-selling (Dutton and Ashford, 1993). “Through issue selling, middle managers help shape the strategic agenda by influencing which issues come to the attention of top management” (Wooldridge, Torsten and Floyd, 2008, p. 1203). Now, there is a clear distinction between the direction of the influence: issue-selling, as in promotion of change downwards to facilitate implementation vs. the issue-selling of the championing ideas upwards to top management what is referred to as the corporate entrepreneurship. Building onto the Floyd-Wooldridge typology, Ren and Guo elaborate on the championing activity by dividing it further into 2 parts: the middle managers play an important role in the pre-screening phase by evaluating and assessing the entrepreneurial initiatives and opportunities suggested by the lower levels of the organization before these actually reach the top management, and then in the “seller” role they gain support for exploratory entrepreneurial opportunities, thus are being able to shape the strategic agenda of the company (Ren and Guo, 2011). This way, the strategic role of the middle management is not limited only to downward promotion of change, i.e. the action of implementation, but can provide more significant strategic contribution. In addition, the “boundary-spanning” middle managers, communicate effectively strategically important knowledge in the horizontal level between the units, which indeed makes them particularly good at championing innovative ideas and supporting the development of core capabilities (Floyd and Wooldridge, 1994).
Finally, with the third view, building onto the Floyd-Wooldridge research, one can view the middle managers as the key strategic actors so-called “change intermediaries” who “potentially...should be conceived of more as partners” (Balogun, 2003, p. 81). Balogun stresses in his research that interpretation is a key task for middle managers: the way the middle managers interpret the change (reasons, requirements, etc.) will have direct effect on their own activities and on how they promote the change further in the organization, which in turn will have the direct effect on the outcome of the change, in fact, he concludes (Balogun, 2003, p. 81):

*The very term ‘implementing deliberate strategy’ is misleading. It implies that the middle managers are merely conduits for senior manager mandates with minimal influence on what actually changes, when in fact what they are doing is more like ‘building realized strategy’.*

What happens in the process of strategic change instead, is that the middle managers, in addition to coordination and management activities (such as keeping the business going as well as implementing changes in the departments), they actually engage in sense-making by undertaking personal change, as well as, by helping others to cope through change (Balogun, 2003, p. 75). Yet again as one can see, implementing changes in the departments is only one part of their responsibility range, whereas, sense-making is a cognitive task (Raes et al., 2007, p. 364; Gioia and Chittipeddi, 1991). Equally, synthesizing information is cognitive task too, during which the middle managers distil and filter the information about the external environment and in fact can influence strategic direction on the company by selecting particular information before forwarding it to superiors (Floyd and Wooldridge, 1992). “A key but often overlooked aspect of the changes intermediary position for managers is interpretation of the change intent, which informs their actions and impacts on the implementation outcomes” (Balogun, 2003, p. 70). All in all, the middle managers engage in sense-making and sense-giving tasks during the creation and implementation of strategy (Balogun, 2003).

There is no competition between the presented views: one can find them complementary. In other words, issue-selling is not more important than sense-making, they are entirely different type of activities. In fact, during strategic change, the middle manager may fulfil different roles simultaneously. This was confirmed by the perceptions of the middle managers themselves in research by Buss and Kuyvenhofen (2011). For their research, they reviewed the available theory on variety of the middle
management roles and clustered those into three types: the implementer, the networker and sense-maker. The interviewed subjects confirmed with their perceptions that this typology covers the entire role set performed by the middle managers during the change process (Buss and Kuyvenhofen, 2011, p. 116). The networker is of course a vast generalization, because the middle manager interacts with numerous actors in a different role, for example with top management, with subordinates, with other peer middle managers, with suppliers, etc. However, we can agree that the networking activity is of crucial importance during the implementation, keeping the business running, sense-giving and boundary-spanning and so forth, as it represents information sharing.

The presented views can be considered as a shift in focus in development over time: “in sum, the view of middle managers’ place in strategy development has developed historically from one where they essentially take direction from, and provide input to, top management to one where they are at the centre of the two processes that have become the basis of strategy formation – knowledge creation and the development of core competence” (Wooldridge, Torsten and Floyd, 2008, p. 1195). Floyd et al. continue further and suggest for future research to look into better “understanding of contexts that require shared thinking at middle levels, how these shared mental models are maintained over time, and how middle management thinking complements and/or conflicts with managerial perceptions and cognitions at other levels” (Wooldridge, Torsten and Floyd, 2008, p. 1214), which is precisely the reason why it makes sense to look into middle management’s role during a strategic change involving a change of the dominant logic (because after all the dominant logic is a collection of mental maps and the way organization actors act and think, but more on this in the next chapter). For now though, it is important to point out the issue of control and power structures, meaning the relationship of top management decision-making and the middle managers’ potential mandate. Top managers have the final say what the level of legitimized contribution of the middle managers is at the organization. In other words, are the middle managers allowed to participate and contribute? And if so what factors can constrain/diminish the effect of their influence?

Before moving onto the next chapter to answer these questions, let us summarize. The strategic role of the middle manager is multi-faceted. Strategy implementation or implementation of strategic change is the key task of the middle management. Middle management holds a pivotal role in strategy processes due to its hierarchical position
within the organization, but also because it can be simultaneously the instigator and the target of change. Theoretically, the middle manager can add value to the organizational performance by participating in both: the strategy creating process and strategy implementation process. In either case, he or she will be communicating up with the top management, down with the subordinates and on horizontal level throughout the organization with other employees. The middle manager needs to make sense and then give sense relating to the content of strategy/change.

2.1.3. Fulfilling the role – enabling and constraining factors

In the previous chapter, it was illustrated how diverse and complex the middle management role can be. The existing research on middle management covers 3 categories as Harding et al. well summarized: prescriptive statements about what the middle managers should do; descriptive body of literature based on empirical studies of what the middle managers actually do; and finally, more information on the concerns about the “effect of the role on the people who occupy it”, such as emotional pain and other relating to work-life balance (Harding, Lee and Ford, 2014, p. 2). This classification inevitably implies that there is a distinction between the theory of how the managers can fulfill their role and what actually happens. The literature on the topic praises the middle management potential, but does it actually realize in reality? Are there any obstacles to fulfill the role or do the middle managers even know what is expected of them? In general, what other factors can constrain their activities or prevent them from doing their best?

Buss and Kuyvenhofen have investigated the perceptions of the middle managers about their own role in strategic change and evidently the middle managers are aware of complexity of own role as well as of the need to play different roles depending on task or interaction (for instance, acting as a motivator or coach for a subordinate) (Buss and Kuyvenhofen, 2011). However, development of own job roles may prove to be very challenging for them (Balogun, 2003). Several academics emphasize that in order to perform well their functions – the middle managers require and expect clear guidance about their roles and responsibilities through formal and planned communication with top management (Balogun, 2003) as well as very clear strategic direction from the top (Wooldridge and Floyd, 1990).

The perception of the role itself plays an important part. Balogun writes: “If organizations continue to conceive of middle-management in purely operational terms,
then they may fail to draw on strategic potential of the middle” (Balogun, 2003, p. 71). There exists this “dominant, operational stereotype of middle managers” which inevitably has led to deliberate minimization of strategic involvement (Floyd and Wooldridge 1994, p. 53). The fact that the role itself is not appreciated, misunderstood, undervalued, criticized does not help. “The lack of appreciation of the true nature of the middle-manager roles constrains the extent to which they are able to perform adequately within these roles” (Balogun, 2003, p.80). More serious however, it is not the lack of recognition, but rather the lack of legitimacy, which can act as a constraint for fulfilling the role (Balogun, 2003; Mantere, 2008; Floyd and Wooldridge, 1997). In other words, if the middle management does not have an official mandate to participate in strategizing – they will not. Interestingly, Floyd and Wooldridge encountered the comments about “earning the right” to participate in championing activity, meaning that not everyone is even allowed to submit innovative proposals (Floyd and Wooldridge, 1997). Considering how Floyd-Wooldridge (and others) advocate that the middle managers can provide innovative ideas into strategizing it is almost ironic that “for years, middle managers have gotten a bad reputation as inflexible, unimaginative bureaucrats” (Huy, 2001, p.73).

Look at it other way, there have to be reasons why the middle management potential is not utilized. Floyd and Wooldridge acknowledge that the organization must be designed in such a way, that the skills and knowledge of certain middle managers are recognized and leveraged (Floyd and Wooldridge, 1994). Naturally, of course, if an organization is very large, there is no space to accommodate contribution to strategy creation by the entire middle management layer. Therefore, adequate organization design and proper facilitation of contributing activities play an important role, where the selected individuals are to be involved. It should be noted, however, that the involvement does not necessarily create commitment (Wooldridge and Floyd, 1990). Moreover, not all managers are equally innovative or productive, just like some are better boundary-spanners, so there is no need to involve everyone for the sake of involvement. Besides, there can also be a company-internal, political reason to limit the involvement purposefully - if the middle management position is going to be affected because of the change, naturally implementation will face resistance (Wooldridge and Floyd, 1990, p. 238).

Fulfilling the role means implementing the predefined strategy created by the top management. As mentioned earlier, the resistance to implement may not be resistance
as such but a sign of healthy scepticism that the strategy is not implementable or not feasible. In fact, after the strategy has been communicated for deployment there can be 3 scenarios of behaviour from MM: 1) conforming to strategy and implementation methods, 2) agreeing with the strategy but disagreeing with how it will be implemented and 3) critical/resistant behaviour, meaning being critical of the entire strategy and opposing implementation (Harding, Lee and Ford, 2014). Balogun however stresses that according to research, organizational constrains such as lack of support, legitimacy and time are more often the cause of resistance rather than “deliberate obstruction” (Balogun, 2003, p. 80). Coming back to the general misunderstanding of the role, possibly what seems like MM resistance may also be a struggle to cope and understand the new strategy (Balogun, 2003). Which is precisely why the clear, open communication and dialogue play a key role is creating a good atmosphere and way of working.

Nevertheless, the existing criticism directed at the middle management can also be justified. Guth and MacMillan’s research (1986) provided strong evidence that managers whose self-interest was at stake or compromised can intentionally redirect strategy, delay execution or affect negatively its quality, or in the worst-case scenario sabotage it entirely. Hence, in the end this conclusion is also evidence supporting the existence of strategic influence of the middle management, even if of negative nature. One must also point out the paradox of the situation when middle manager’s interests are at stake or compromised – this means that the middle management is simultaneous the mediator of change and object at which the change is directed.

Mantere (2008) has conducted very insightful research on this topic by investigating in which conditions the middle manager strategic agency is enabled or constrained. He adopted the above-mentioned Floyd-Wooldridge framework of four strategic roles and derived 8 conditions enabling middle manager agency: narration, contextualization, resource allocation, respect, trust, responsiveness, inclusion and refereeing are the fertile factors supporting effective fulfillment of the role (Mantere, 2008). Worth noticing, is a very important conclusion from this particular research: Mantere points out that the extant research on middle management roles and involvement stems from a functionalist view, but instead because all of the conditions enabling/constraining the role fulfilment are actually two-way expectations, requiring participation from the top management’s side – there is a need for reciprocal view of the role expectations (Mantere, 2008). To elaborate on this: a) in implementing the strategy, the middle
managers value continuous narration from the top management about the strategy and goals; b) there needs to be contextual linking between the higher level strategy objectives to the daily activities which promotes consensus and deeper level of understanding; c) proper resource allocation adapted for strategy execution is required as it authorizes the activities; d) middle managers appreciate respect given to their daily work, role and activities; e) encouragement of new ideas and transparent communication about failure in experimenting is a sign of trust; f) responsiveness from the top management to feedback creates a healthy, steady process for implementation; g) inclusion provides the ability to create impact on the organization and middle managers value invitation to participate in planning; and finally h) top management must adopt the refereeing role between championed ideas and proposals (Mantere, 2008, pp. 302-304). As one can see, none of the conditions can take place without the involvement and commitment of the top management, their constant communication, understanding, dialogue and so on. Take trust for instance. In an atmosphere of trust (from the top management), employees are likely to experiment and will not fear failure in experimenting, whereas the fear of being punished will constrain their activity and hence result in avoidance of change (Mantere, 2008).

Thus, as one can see, the MM role may not be fulfilled and not all MM potential is used because of existence of these constraining and enabling factors. If we look closely these are quite different in nature: if the existence of trust is an external enabling condition, then courage on the other hand, is a quality which stems from the middle managers themselves. In fact, Furnham argues that courage is “a long-overlooked competence” which the middle managers require in order to confront change (Furnham, 2002, p. 29). MM requires different types of courage: to fail, to confront and to uphold a principle in order to fulfil their role well (Furnham, 2002, p. 22).

However, the poor role fulfilment and unrealized potential can of course occur due to deliberate absence of involvement, participation and commitment. The middle managers may not be fulfilling their role because the change is not in their interest for example fear to lose job or they deliberately choose not to share information with external consultants while driving own agenda (Balogun, 2003; Huy, 2001).

Alternatively, it may be the case that there is not real opportunity for contribution by the MM at all. For this Ren and Guo, adopt the theory of policy windows from political science (Ren and Guo, 2011) to emphasize the right conditions for MM contribution.
2.2. Dominant logic

In this section of literature review I will present the relevant information about the concept of dominant logic.

2.2.1. Definitions of dominant logic

The concept of dominant logic (DL) was firstly introduced in the mid 80’s by Bettis and Prahalad (Prahalad and Bettis, 1986). The authors offered a new perspective in strategic management research: instead of explaining the link between company’s diversity and performance with explanations based on purely economic forces, economic and accounting variables and measurements they chose to focus on managerial explanations, as they elaborate later on their motivation (Bettis and Prahalad, 1995). They noticed that managers are usually being viewed as ‘faceless abstraction’, which is particularly illogical as in reality previous “research suggested how difficult highly intelligent managers found thinking strategically about businesses with different characteristics of their own core business when the industry structure changed significantly” (Prahalad and Bettis, 1995, p. 6). Despite initially obtaining a fair share of criticism, accusations of not being sufficiently scientific and of being too vague and speculative, and after multiple version revisions - their article on DL went on to be the recipient of the Strategic Management Journal Best Paper Prize, clearly indicating the need for a new perspective in strategic management research (Prahalad and Bettis, 1995, p. 6).

What is dominant logic? The most often cited explanatory definitions of dominant logic come from the above-mentioned article: dominant logic is 1) “the way in which managers conceptualize the business and make critical resource allocation decisions – be it in technologies, product development, distribution, advertising or in human resource management” (Prahalad and Bettis, 1986, p. 490, emphasis added) and also 2) “dominant logic ... consists of mental maps developed through experience in the core business and sometimes applied inappropriately in other businesses” (Prahalad and Bettis, 1986, p. 485, emphasis added).

When analysing these definitions word by word and by breaking them down into smaller parts, there rises a number of self-evident point, which I am setting as the basic assumptions for my thesis:
• dominant logic affects how managers think (about managing the business)

• dominant logic is based on managers’ previous experiences

• managers’ further business-related decisions are based on this logic, hence, DL affects their consecutive behaviour and actions, which in turn will inevitably affect the overall performance of the firm

• Finally, notice the negative connotation above: there is a chance the dominant logic is applied inappropriately, suggesting that there can exist various dominant logics, one can be more suitable than the other on how to run a business, and that there can be a mistake in the choice of particular dominant logic for a particular business so the dominant logic can be unfit, and finally there can actually even exist a failure to see the need for change of the existing old dominant logic in an event of a strategic transformation as the old one is still applied inappropriately.

This line of thought is essential for my thesis as you will see later. I am building my further argumentation on the following assumptions of a) that there is definite existence of the dominant logic as such in every firm (“every single business firm will develop a DL over time” (Franke and zu Knyphausen-Aufsess, 2014, p. 33)) and also b) that DL has the potential effect on the performance of a company (f.e.g. “Dominant logic operates at a similar level to genetic factors in causing strategic failure” (Prahalad and Bettis, 1995, p. 9)). To expand the latter further, the most important assumption for my thesis is that the inappropriateness of dominant logic for a particular business will have a negative effect on the performance and, thus, is one of the factors leading to strategic failure. (In my text I will also use the word ‘unfit’ as a synonym to ‘inappropriate’ or ‘not suitable’ DL). I felt the need to explicitly state these assumptions because the dominant logic is indeed a “cognitive” concept (Grant, 1988), which has been found very difficult to operationalize and measure for research (Franke and zu Knyphausen-Aufsess, 2014).

In fact, Prahalad and Bettis were very aware of the criticism directed at their paper and their concept. They wrote: “our more critical colleagues felt that the research was too qualitative, not empirical, not statistical, and/or divorced from the evolving paradigm for explaining diversity and performance” and there were suggestions to start anew with more “scientific” study (Prahalad and Bettis, 1995, p. 6). For instance Grant criticized that the “cognitive nature of dominant logic limits its applicability both in academic research and management practice” (Grant, 1988, p. 642). Nevertheless, Grant also noted that dominant logic is reflected in administrative tools to accomplish
goals and make decisions (Bettis and Prahalad 1986, p. 491), hence he continued his thinking further with that “if we can specify these ‘administrative tools’, we can operationalize the concept of dominant logic and turn it into a potentially valuable instrument of strategic analysis” (Grant, 1988, p. 640).

Prior to more detailed discussion about the operationalization of the concept and its practical use in the research, let us still have a closer look at the available definitions of the concept as well as some of its characteristics.

Chiselled definition such as DL is “in essence the DNA of the organization” (Prahalad, 2004, p.172) unfortunately does not open up the concept a lot. Technically, DL is “a knowledge structure”, as it stores in schemas information such as for instance “process knowledge”, i.e. the types of processes or management tools used in particular situations or strategic decisions (Prahalad and Bettis, 1986, p. 490). This process knowledge is accumulated by managers over time and is based on previous experiences and, hence, creates a particular “mind set or world view or conceptualization” (Prahalad and Bettis, 1986, p. 491). Articles relating to DL constantly offer a wide set of synonyms trying to define what dominant logic is; as we have seen some above already: mental maps, knowledge structure, knowledge systems or schemas to name a few. The precise choice of noun is not as important as such, instead, what needs to be acknowledged that all of these “represent beliefs, theories and propositions that have developed over time based on manager’s personal experiences” which will serve as the basis for their future actions and decision-making (Prahalad and Bettis, 1986, p. 489). Hence, it is worth emphasizing that DL being an integral part of the standardized business-related processes affects two distinctive facets: 1) actions and 2) thought process of the members of the organization – how the managers think and how they act (Prahalad, 2004, p. 172). It is obvious then that there is a causal relationship effect and certain sort of self-sustainability of the dominant logic: it is based on past experiences and success and, in turn, becomes the driving force behind the actions and decisions and can lead to potential future success or failure (more about this is chapter on sources of DL).

The original Prahalad and Bettis’s use case of the concept dealt with strategic diversification of several businesses of one firm. They explicitly acknowledge that: managers cannot manage in the same way several strategically dissimilar businesses, and that the dominant logic suitable for one business may not work well for another, and that unrelated conglomerate strategy was found performing worse if compared to
managing types of strategically related businesses, that top managers need to expand their repertoire of tools/skills/experiences and need to learn in order to run new or different businesses better (Prahalad and Bettis, 1986). Moreover, they lead on to the reader’s logical understanding that in an event of change of the strategic variety of a diversified firm due to changes in the structures of industries (external factors) or acquisitions or new internal business development (internal factors), it is essential that the top management must be capable to assess the suitability of the existing dominant logic(s), and a crucial responsibility to revise the dominant logic if required or possibly create conditions for multiple dominant logics to co-exist (Prahalad and Bettis, 1986, p. 495). And as we all know, eternal ceteris paribus conditions are never realistic to expect in today's dynamic world economies, no firm is insured against changes in the external conditions, market disruptions, technologic developments, regulation and competitors' product innovation or substitutions or any other factors causing the need for strategic change – hence, not only diversified firms but most firms will be faced with an eventual need for a revision and change of the dominant logic at some point.

Probably the best practical example, illustrating the difference between two dominant logics or a shift in dominant logic a company can pursue, was used by Prahalad in one of his articles (Prahalad, 2004). He compares two different views on the business of selling pacemakers: on one hand there is a traditional view, where the company manufactures the product (pacemaker) and then sells it in a straightforward transaction to the consumer (patient). The value is created by the firm and is embedded into the product and service (the transaction). Consequently, the innovation for this company then will be about innovating service, product and process. On the other hand, the company may choose to sell not only the pacemaker (device) but an entire service package, where the patient is getting a pacemaker, which is remotely monitored and alerts the doctor of dangerous deviations, and can provide information to local hospitals if the patient is travelling. The value of the pacemaker to the consumer is significantly increased by the overall experience – the experience-based value. “This shift from selling pacemakers (products) to enhancing the patient experience is an example of shift in the ‘dominant logic’ of the company” (Prahalad, 2004, p. 172).

History holds many examples of companies pursuing business of different strategic variety and failing in the process. For instance, “the dominant logic which worked so well for TI [Texas Instruments] in the semiconductor business, when applied to the new business, led to failure” (Prahalad and Bettis 1986, p. 495). These new businesses
in TI’s case were digital watch or personal computer to name a few. On the contrary, IBM recognized that the PC business was strategically distinct to its mainframe business at the time and established altogether a separate business unit, which was not operating according to the dominant logic of the mainframe business (Prahalad and Bettis, 1986). In other words, the old, existing DL from the main business would have been unfit for the new business. Instead the two dominant logics co-existed separately at two IBM’s businesses. Authors also speculated that “as the PC business evolves, and as it takes on the characteristics of the mainframe business, at least in some applications and with some customer segments, IBM may reimpose the dominant logic of mainframes on that business” (Prahalad and Bettis 1986, p. 495).

Looking at these practical examples above it is easy to understand that any strategic change or renewal will require an evaluation of the existing, old dominant logic and if it is unfit for the new strategic orientation then it needs to be changed to fit the pursued business. If it is an additional business, then multiple dominant logics can coexist.

Like at Texas Instruments, remaining with the old, unfit dominant logic or even if attempted, the inability to change and adopt the new dominant logic will have a negative effect on the company performance. So the best way to emphasize the importance of the dominant logic and to illustrate how in the worst case scenario it can lead to strategic failure – is to explain what the dominant logic does, rather then what dominant logic is.

2.2.2. What does dominant logic do? The effects of the Dominant Logic

In this chapter, I will present the findings from the literature concerning the effects of the dominant logic in order to fully understand this concept.

Dominant logic being the “source of the company’s past success... becomes the lens through which managers see all emerging opportunities” and at its worst can act as a ‘blinder’ to organization’s peripheral vision (Prahalad, 2004, p. 172). In practice this means that managers are accustomed to a particular worldview to such an extent that they are not able to rethink the logic of the business, the organizations are simply blind to see new opportunities or threats, hence, the dominant logic limits and prevents innovation and any kind of outside-of-the-box thinking and development (Prahalad, 2004). As a result, the ‘blind’ organization develops repetitive behaviour being
convinced to continue its best practices based on previous success (Bettis and Prahalad, 1995, p. 11). What is worse, the organization’s long term vision is projected on the expectations of a similar business environment (Bettis and Prahalad, 1995).

Equally, DL acts as an ‘information filter’ (Bettis and Prahalad, 1995). Organization with an established world view filters only the information/data which seems relevant, which is then processed and further “incorporated into strategy, systems, values, expectations, and reinforced behaviour of the organization” (Bettis and Prahalad, 1995, p. 7). As was mentioned already before, this is a self-sustaining and self-strengthening process - the dominant logic re-enforces itself further. To support this: “organizational identity is related to collective action...routines may be an integral component to the formation of knowledge filters and as structural theory suggests, these knowledge filters will, in turn, influence subsequent behaviours” (Obloj, Obloj and Pratt, 2010, p. 154). And precisely because DL is involved in organization’s information collection-analysis-usage process, it is “a fundamental aspect of organizational intelligence” affecting negatively, i.e. constraining the organizational ability to learn (Bettis and Prahalad, 1995, p. 8). This is a significant factor to take into account because strategic change always requires organizational learning.

It must be pointed out that at the event of strategic change before new dominant logic can be learned, unlearning of the old logic (i.e. forgetting) needs to take place and naturally “the longer the dominant logic has been in place, the more difficult it is likely to be to unlearn” (Bettis and Prahalad, 1995, p. 11). One needs to take into account that the tasks of unlearning and learning will be complicated further if there is no sense of urgency for change and if in the past the organization has been very successful because it will take a tremendous effort to explain the reasoning behind the need for change.

On a positive note, dominant logic is what makes the company successful in a unique way. As one review/synthesis study on all of the literature about dominant logic summarizes well it is “an important (intangible) resource, which is valuable, rare and difficult to imitate” (Franke and zu Knyphausen-Aufsse, 2014, p. 29). In addition, one can say that DL standardizes procedures and processes within organizations what potentially leads to efficiency. It also strengthens company culture by establishing clear definition of “this is how we do things here” and by recognizing/celebrating the past achievements and success. An organization can easily and efficiently solve recurring challenges and problems in fact, DL “is expressed as a learned, problem solving
behaviour” (Bettis and Prahalad 1986, p. 491). However, repeating mistakes is equally easy as repeating the same patterns. All in all, as mentioned above dominant logic if not refreshed or if applied inappropriately can cause damage to an organization making it rigid, unable to learn, blind to opportunities and innovation, repetitive in actions, one-sided in approaches and unresponsive to changes in external business environment.

As a brief first comment, I would like to pay attention on the use of concept by the inventors. In their text, they do not discern between the phrases ‘dominant logic’ and the actual ‘inability to change the dominant logic’ when they talk about negative effects which the phenomenon may cause. Technically it is all of these: the dominant logic and inappropriate application of the unfit dominant logic in a particular business, and the inability to change the dominant logic, and the failure to recognize the need to change the dominant logic – that affects negatively the organizational performance and the outcome of strategic change.

Finally, one last negative impact of the dominant logic: it can be a potential source of conflict. Guidice and Mero in their research on joint ventures, explain how conflicts can arise as a result of clashes of various dominant logics, as different stakeholders base their decision-making on different unique experiences and “pre-existing knowledge structures” (Guidice and Mero, 2007). In practice this can occur when a new middle manager or top manager is recruited outside the firm and her/his logic or way of working differs significantly or they are driving conflicting agenda.

2.2.3. Operationalization Framework for Dominant Logic

Franke and zu Knyphausen-Aufsess in their extensive review of the available literature on DL discovered that there exists no common interpretation of the concept, nor there is an agreed method on how to measure and operationalize it, nor there is an agreement on the meaning of the concept for that matter (Franke and zu Knyphausen-Aufsess, 2014).

For practical purposes to operationalize the concept Grant suggested not to look at mind set or schemas, but instead to consider the three critical corporate functions of the top management: 1) resource allocation, 2) business unit strategy formulation and coordination and 3) performance targets to be set and defined (Grant, 1988, p. 640).
Obloj, Obloj and Pratt, in turn criticized this view as incomplete for it focuses only on the “routines” (2010, p. 153). As was seen in the previous chapter, DL impact ranges onto such elements as organizational learning or information filtering, which also need to be taken into the account simultaneously.

Therefore, integrating the resource-based perspective, meaning that DL is an important intangible resource, these scholars combine both views on DL as 1) an information filter and 2) as routines, and, consequently construct a four-element conceptualization framework for dominant logic showing how the dominant logic affects the performance (Obloj, Obloj and Pratt, 2010, p. 153):

![Figure 3](image.jpg)

*Figure 3  Dominant Logic and Performance. Framework for Operationalization of Dominant Logic  (adapted from Obloj, Obloj and Pratt, 2010, p. 153)*
To read this figure correctly, here is the summary of the elements (Obloj, Obloj and Pratt, 2010):

1) **External orientation / opportunity-seeking**: a company which makes sense of its external environment while scanning information, with realistic perceptions, and identifies opportunities and threats will have superior organizational performance (indicated by a + plus sign on the figure)

2) **Choices / actions**: proactiveness in managerial choices (related to strategy) and speed of their execution as opposed to reactivity will lead to superior organizational performance. Also this assumes that proactiveness will lead to experimentation, efficient exploitation of emerging opportunities and attempts to “actively enact and shape” the environment as opposed to passive dependence on it.

3) **Learning**: firms’ adequate and fast reactions to disruptions and setbacks will lead to superior organizational performance. Learning from failure and functional feedback mechanisms will allow for improvement.

4) **Codification of routines**: high levels of process standardisation and codification of routines may make the company rigid, inapt for experimentation, less flexible for learning and adaptation and repetitive in actions, hence a negative effect on the performance

What needs to be mentioned is that this presented framework and hypothesis by the scholars originally appear in research about entrepreneurial firms’ performance in a transition economy. While my research is neither about an entrepreneurial firm nor it is in a transition economy, I consider this framework quite practical for my research as well, because it combines the information filter and resource views; and since it represents the essential building blocks/elements of DL it should be applicable for review of cases with strategic changes, where a new dominant logic needs adopted in alignment to the new strategy. Next, it is important however, to review the potential sources of the dominant logic.

### 2.2.4. Sources of dominant logic

As we have seen, inappropriate DL can have substantial effects onto organizational performance therefore, inevitably at some point it needs to be revised. Hence it is utterly important to understand where the dominant originates from and how it develops. In essence it is “learned, problem-solving behaviour”, which stems from the following elements summarized in by (Prahalad and Bettis, 1986:491):
1) **Operant conditioning** – “behavior is a function of its consequences” which in practice means that actions which turned out to be the “right things to do” are rewarded and reinforced and, hence, repeated. Those actions which were ineffective or failed, which are not supported by economic success, perhaps even punished - these are eliminated over time.

2) **Paradigms** – in a particular point in time there can exist a shared set of beliefs or “conventional wisdom”, which affects the way something (a phenomena/event/matter etc.) is seen.

3) **Pattern-recognition process** – making similar actions based on “past experience” or analogy examples, because the type of a challenge or situation looks familiar. This means that the solution applied may not be necessarily the best or optimal, but merely similar as before, whereas markets and environments change.

4) **Cognitive bias** – making severe systematic errors, relying on limited heuristic principles without a proper analysis. It is as if they information on core business is on top and easily available and there was no effort to search for other sources of information.

These sources explain quite well where the DL originates from and have been cited frequently by other scholars (Obloj, Obloj and Pratt, 2010; Thomas, 2011).

**2.2.5. Dominant Logic and top management**

The purpose of this chapter is to illustrate the role and responsibility of the top management in managing the dominant logic(s).

The question of ownership of the dominant logic briefly touched in very first definition. Bettis’ and Prahalad ‘s original formulation was ‘dominant general management logic”, and further in article 1986 they always refer to the logic of the top management, which then becomes the organizational and company dominant logic. “The evolution of the top management and its ability to acquire new skills and recognize that its approach to managing a diversified firm must be different from the way it had managed the single business firm” (Prahalad and Bettis, 1986, p. 488). Therefore with such ownership comes great responsibility. The scholars explicitly stated their focus on the top management and that it is the responsibility of top management to revise and update the dominant logic, to learn new skills required to managing a new or different dominant logic, to manage attitude towards learning and facilitate unlearning (Prahalad and Bettis, 1986). Top management must take care of the resource allocation to match the changed DL for example acquiring the necessary competences to provide for the new DL; and finally, TMT is responsible for communicating the new DL down to
their subordinates across the entire organization (Prahalad and Bettis, 1986; Douglas, 2011).

Overall top management’s attitude towards learning, be it learning about new business and its dominant logic or new business model, will be reflected how well the learning at the organizational level occurs, therefore education relating to the new dominant logic of the top management team is vitally important (Prahalad and Bettis, 1986). Finally, the composition of the top management team with experts’ solid understanding of the required new dominant logic will improve chances of successful strategic change implementation (Prahalad and Bettis, 1986). Similarly, the structure of the entire organization (which is of course the top management’s decision) is a factor, which can limit or enable the successful implementation of strategic diversity (Prahalad and Bettis, 1986).

As I mentioned earlier, finding instances linking dominant logic to the middle management, on the other hand, proved to be challenging, except for occasional referral to resource allocation. For example top management creating “an intermediate level of general management” as part of their responsibility to deal particularly with strategic variety (Prahalad and Bettis, 1986, p. 494) and general comments such as that the recruitment process for the middle managers is the top management’s decision hence (Prahalad and Bettis, 1986; Guidice and Mero, 2007).

And suddenly I realized I am on the right track when I’ve read that Schraven, Hartmann and Dewulf (2015) suggested additional viewpoint: in their article relating to application of causal maps for analysis of logics in an organization, they specifically emphasize that other organization actors can have influence on the dominant logic of the company which is worth investigating further:

Some studies have shown that members outside of top management also have a substantial influence on the logic of the entire organization... For instance, Watson and Wooldridge (2005) found that the middle managers have greater influence in decisions made by company board if they report directly to top management...Self-similarity reflects the idea that not only top managers can define a dominant logic and that these can appear on different levels within the organization (e.g. individuals, groups) (Schraven, Hartmann and Dewulf, 2015, p. 330, emphasis added).
2.2.6. Overcoming dominant logic – organizational (un-)learning

As was evident from the previous chapter, existence of an inappropriate dominant logic may prove to have crucially destructive effects on the performance of the company in the longer term. In this chapter I will cover found information about the dynamics involved about DL and strategic change.

During strategic change, let’s suppose a case with a change of the business model and entering new business, the old logic need to be revised and changed and replaced, which is not an easy task. In fact, before the actual deliberate process of changing even begins – the top management will encounter difficulties justifying to themselves, and, to the employees the need for change, especially if the company is a successful one. Prahalad writes: “changing the dominant logic is extremely difficult. To change it, managers need to accept that the accumulated intellectual capital they have is suddenly devalued” (Prahalad, 2004, p. 172). Put it another way, successful managers obtained their position within an organization based on particular previous successes, changing the dominant logic would thus mean admitting the worthlessness of these. It almost seems that it would be in the interest of management not to change the dominant logic, no manager would like to be in the position where he/she when confronted by own direct subordinates feels uncertain about strategy and operations. It is a question of competence and preservation of power being at stake, equally like in an example about the middle management driving own self-interest and a impeding change. Moreover, acquiring new logic would take extra effort for learning and there is no guarantee it will lead to success.

The more successful the company - especially using the same DL over time as a recipe for success – the harder it will be to change and unlearn the old DL (Prahalad and Bettis, 1986; Bettis and Prahalad, 1995). Furthermore, “current financial success may limit any significant challenges to the dominant logic, although strategic performance (on which future financial success is based) may have significantly deteriorated due to environmental changes” (Bettis and Prahalad, 1995, p. 12). Duration period, the level of success of the company, short term financial performance and current state of affairs will thus affect the likeliness of change of the dominant logic. But justifying the need for change comes only after the awareness of the need for change and as we saw before, the company may be blinded to see threats or changes in external environment.
As a solution to overcome the dominant logic in practice, a company must focus on experimentation and development of next practices or new “best practices”, because the old “best practices reflect the current dominant logic, not a new one” (Prahalad, 2004, p. 176). If a business changes strategic direction and business model, the old best practices and core capabilities may become obsolete. As you will see later in the case company, producing devices is very different from producing services or coding software, just like Prahalad predicted (Prahalad, 2004). For this reason, looking beyond industries is also encouraged to overcome the dominant logic, in order to find convergence of industry boundaries, where there might be “an opportunity to redefine the value chain” (Prahalad, 2004, p. 176).

Organizational learning is the key to changing dominant logic, but it is not easy and does not happen overnight. In fact, before any strategic learning can occur, first organizational unlearning (or forgetting) must occur to make space for new mental maps (Prahalad and Bettis, 1995, p. 10). “Unlearning is simply the process by which firms eliminate old logics and behaviors and make room for new ones” (Prahalad and Bettis, 1986, p. 490). At this point, it is useful to recall from the previous chapter that the DL itself constrains learning and unlearning processes. Particularly hard to justify the need to learn/unlearn is the past success (success stories) and an excellent current financial situation. In fact, changing dominant logic requires crisis, sense of urgency, chaos or even drama (Fiol and Lyles, 1985). “Changes in the ways organizations solve significant new problems (i.e. change dominant logics) are triggered by substantial problems or crises” (Prahalad and Bettis, 1986, p. 498).

Other factors affect the probability of learning/unlearning occurring; such as a) whether the corporate culture is benign or encouraging for learning, b) whether strategy allows space for learning and interpretation and flexibility, c) the company structure itself f.e.g. centralized, formal complex and mechanic structure can significantly constrain the facilitation of learning process and assimilation of the new patterns, behaviors and practices, and finally d) the environment both internal or external can be too complex and exert excessive pressures, which are too hard to handle which will eventually constrain learning (Fiol and Lyles, 1985, p. 805).

The type of learning happening at the organizational level is also important to keep in mind. Whereas ‘lower level learning’ occurs through repetition, routines, institutionalizes formal rules in a well-understood context – then the ‘higher-level’
learning which is associated with new definitions of direction, occurs through the use of heuristics and insights in ambiguous context to develop new structures and rules (Fiol and Lyles, 1985, p. 810). In fact, one must be cautious of that the constant repetitive change may not be learning at all but a mere illusion of learning (Fiol and Lyles, 1985).

Nevertheless, when talking about organizational learning, organizational forgetting, organizational intelligence or organizational memory - one must always keep in mind the individual – it is the people who make up organizations and learn. Organizational learning is a complex “process of dynamic interaction involving individual's cognitions, behaviours, actions and surrounding environments” (Akgun, Lynn and Byrne, 2003, p. 859). For this very reason, aspects such as political behaviour, coalitions, emotions, trust and conflicts (etc.) can affect how the learning occurs (Akgun, Lynn and Byrne, 2003). This is a similar discussion as with the ownership of DL – what is the line where logic of an individual or management is extended to become the collective organizational logic, and in parallel, when does the individual learning evolve into organizational learning?

In the end, it is the top management’s attitude towards learning and ability to learn that will set the pace for organizational learning in the situation of requirement to change DL. Various changes within the top management team, in addition to external crisis, can create the need to change the dominant logic for organization to learn, too. There is no defined set of preconditions for a successful creation of a new dominant logic to occur, but Prahalad and Bettis summarize that: 1) diversely experienced structure of the top management team will affect the new dominant logic, 2) encouraging education and obtaining of new skills/experiences and education for the top managers, 3) preparation for a wider range of potential future scenarios, 4) allowing space for failure (testing, experimenting), 5) legitimizing dissent will have a positive effect (Prahalad and Bettis, 1986, p. 498).

Before I proceed any further, one more point needs to be made relating to changing the dominant logic – routines. On one hand, organizational routines represent a source of stability and are used to “perform complex patterned activities” (Pentland and Rueter, 1993 cited in de Holan, 2011, p. 319). Routines can be classified into lower-order, meaning linked to operational routines, as well as to higher-order, linked to innovation and higher degree of organizational change (Espedal, 2006, p. 471). These codifications
of knowledge can be updated and changed for instance through learning from experience (Espedal, 2006). However, once again the change for routines can be hard to justify if the organization is successful, this is referred to as the ‘success trap’ or competency trap where competency acts as a blinder and it may lead to organizational ignorance (Espedal, 2006). In other words, the successful, pleasant experiences are given more attention and create confidence hence changing the attitudes of the organizational actors; whereas simultaneously no learning occurs from failure, because it is linked to negative emotions or possibly due to the absence of openness in organizational culture to learning (or failure for that matter) (Espedal, 2006).

There exists also a politics trap, i.e. the problem of conflict, which can prevent the change of routines (Espedal, 2006, p. 474):

According to the political perspective, a dominant logic of action or a higher-order routine is not only a way of perceiving and constructing the world, it also has political implications for organizational actors. The established power structures tend to be strengthened especially during periods of success, and executives in particular may benefit from associating themselves with successful policies (Miller, 1994). A success-based routine might become rigid and difficult to change not only for cognitive and emotional reasons but also because of its political implications.

In other words, intra-organizational games and conflicting interests can cause conflicts, which can affect the ability of an organization to change routines. As was mentioned earlier, similar dynamic was evident in the attempt to accommodate multiple dominant logics – clash of dominant logics can be considered as a source of conflict.

To summarize briefly what has been covered in this chapter is to say that justifying a change in dominant logic may be a very hard task requiring at times sense of urgency and crisis, not to mention the complexity of the actual task to change the dominant logic itself, which will call for organization wide unlearning, learning, innovation and open-mindedness, change of routines and establishment of new best practices.
2.3. Synthesis

The purpose of this chapter is to synthesize the findings from the literature review linking the dominant logic concept to the middle management role and, consequently, propose working guidelines which will help later to look for answers in the obtained materials as well as structure the findings.

As was illustrated earlier, the middle managers, being involved in a wide spectrum of tasks starting from the contribution to strategy formation to the actual implementation, can play an important role during an organizational change or strategic renewal of a company. Hence, if the change process involves an introduction of a new or an additional dominant logic, it is necessary for the middle management to embrace the new dominant logic in order for the company to perform well.

Bettis and Prahalad chose not to see the top management as faceless abstraction and, therefore, turned to the concept of dominant logic in order to find managerial explanation for poor performance. Considering that the dominant logic also “can be defined as the shared mental template an organization as a whole employs and acts upon” (Franke and zu Knyphausen-Aufsess, 2014, p. 33, italics removed) I argue that dominant logic discussion must not be limited only to the top management, particularly as it will be the middle management implementing the strategy.

In fact, during the review of the framework for operationalization of the dominant logic, i.e. through which processes the DL affects the performance of a company, I realized that all middle management activities are inevitably included in each dimension. For example, according to the “information filter” view of DL, DL can act as a blinder to new opportunities of a company. One of the strategic roles of the middle management is the championing activity, which involves searching and assessing new opportunities as well as proposing these to the top management (Floyd and Wooldridge, 1997, p. 467). Therefore, the fulfilment of this MM role will be constrained by the dominant logic, or more specifically the presence of an unfit dominant logic will likely prevent from seeing the new opportunities.
Therefore, in this research, I posit that:

a) Dominant logic affects the fulfilment of the role and tasks of the middle management

b) The existence of the unfit out-dated dominant logic constrains the strategic roles of the middle management, thus having a negative effect on the performance of the company.

My tasks in this research is to find out how – how is the MM strategic role constrained?

In the light of the covered literature review, based on framework of the four strategic roles of the middle management by Floyd and Wooldridge (1994), I propose the following working guidelines:

1) **Implementing deliberate strategy**: Considering that, the dominant logic constrains organizational learning and that it tends to lead to codification of old routines making the company rigid - the middle management’s ability to implement the new deliberate strategy will be constrained in case of a strategic change requiring a new or an additional dominant logic. Alternatively, put another way, failure to change an unfit DL will constrain MM ability to implement the strategy.

2) **Synthesizing information** in practice means gathering information on feasibility of new projects and on changes in the external environment as well as communicating the competitors’ activities. Considering that, the dominant logic acts as a blinder to threats and opportunities, the middle management’s ability to fulfil the role of synthesizing information, in the case of an unfit dominant logic, will be constrained.

3) **Championing of strategic alternatives** involves screening, assessing and bringing to top management’s attention the innovative and entrepreneurial proposals. Considering, that the dominant logic acts as a blinder to opportunities, the MM role of championing alternatives will be constrained.

4) The role of **facilitating adaptability** and change across the entire organization will also likely to be constrained, if there exists an unfit dominant logic and the time for unlearning is not taken. Fulfilling this role requires time for experimentation and trials as well as extensive sense-making of the new dominant logic and sense-giving to the employees about it will be required to facilitate the strategic change.

I would like to, however, point out that these guidelines are to be viewed as suggestions, not an exhaustive list. I purposefully did not write them with more specific details, because it would have been speculation whereas, I would like to stay open-minded to the wider research results and conclusions in this qualitative research.
3 METHODOLOGY

In the following section I will present and justify the methodology selected for this research, data collection and data analysis. I use qualitative methodology for this research.

3.1. Research design

The research design for this study is a case study. This research design is particularly suitable for gaining a “rich understanding of the context of the research and the process being enacted” (Saunders, Lewis and Thornhill, 1997, p. 76). Since case studies “help the researcher to focus on the interrelationships between all factors, such as people, groups, policies and technology”, I felt that, that it will be the suitable research design to study the effects of dominant logic onto strategy through examination of the middle management’s role in strategic processes during a strategic change (Fisher, 2007, p. 59).

Case studies sometimes may have ‘unscientific’ feel, but are able to provide detailed answers to “Why?”, “What?” and “How?” questions (Saunders, Lewis and Thornhill, 1997), which is precisely suitable to answer my research questions (see chapter 1). From the beginning, I was very interested in qualitative research, which a case study can well accommodate.

The challenge with the case studies is that they “inevitable lack representativeness” (Fisher, 2007, p. 60). This means that one cannot for certainty say, that the case lessons learned or conclusion must apply in all other situations too. Nevertheless, some do argue that “case studies do enable generalizations to be made about organizational processes” (Fisher, 2007, p. 60), which is another reason for me to choose a case study to gain insight on the organizational processes relation to dominant logic. Finally, a well-performed case study has potential not to only challenge existing theory, but also build new theory, which is useful for my case because the link between dominant logic and strategy implementation through examining middle management activities has not been researched before (Saunders, Lewis and Thornhill, 1997, p.77).

My study can be considered both exploratory and descriptive. The purpose of an exploratory study is to seek new insights, assess phenomena in new light and generally find out what is happening (Saunders, Lewis and Thornhill, 1997, p. 139). Clear
advantage of exploratory study is flexibility, meaning it allows possibility to change new directions with new insights (Saunders, Lewis and Thornhill, 1997 p. 140). On the other hand, there are descriptive elements here as well, as my study tries to portray accurately an event or phenomenon, which can be viewed as a forerunner/extension to the exploratory purpose, hence making it descripto-explanatory (Saunders, Lewis and Thornhill, 1997). There is a threat that descriptive studies become too lengthy (Saunders, Lewis and Thornhill, 1997), I have to hope that the reader’s interest in the case is on the same level as mine and that my ability to present the research and the results is fascinating.

My study has elements of both deductive and inductive approaches, which is possible and sometimes beneficial to do (Saunders, Lewis and Thornhill, 1997, p. 127). In deduction one firstly reviews literature and identifies the relevant theories, develops hypotheses for testing with the data (Saunders, Lewis and Thornhill, 1997, p. 61). I do not test empirically hypothesis as such, but I have prepared working guidelines to direct the search of findings. This is suitable for topics with a lot of available literature and for which it is relatively easy to construct a theoretical framework (Saunders, Lewis and Thornhill, 1997). On the other hand, I wished to engage also in simultaneously “generating data and analysing and reflecting upon what theoretical themes the data are suggesting” (Saunders, Lewis and Thornhill, 1997, p. 127). This allows for more flexible data collection, less concern with need to generalize, collection of qualitative data and gaining an understanding of the meanings human attach to events” (Saunders, Lewis and Thornhill, 1997, p. 127).

3.1.1. Comment on the case company

I promised anonymity to the organization as a condition for reporting, therefore the company is assigned name ‘Icarus’. From the discussion of results I have erased any names of products, organizations or similar, which could reveal the company, as well as I will not reveal the type of products Icarus produces. The names of employees were also left out.

This might feel as a disadvantage to the reader, however, the promise for anonymity has allowed to freely and honestly discuss topics related to challenges and implications in strategy implementation. Also, I know personally and have worked with most of the interviewees closely in the same organization or unit, which I consider as advantage because they were very keen on supporting my work and giving a wider version of event
with a lot of input. I believe if the interviewer had been an external/complete stranger, considering the sensitivity of the topic, the story-telling might have not been as eloquent. On the other hand, the reader might also consider me biased, which is why I have tried to illustrate with quotes as much as possible the context of the discussion.

Name “Icarus” is chosen after a character in Greek mythology, who due to his complacency flies too close to the sun and burns his wings. Icarus is a Finnish multinational company with history of organizational changes and transformations, having produced very different products over the course of its existence of the past 150 years evolving into a global corporation. In mid-2000’s Icarus has chosen a new strategic direction by introducing services compatible with the products (device) it has been producing. The ambitious strategy failed to realize how it was supposed to and in the end Icarus abandoned the new business altogether (services). By 2011, Icarus divested the unit for the core products (devices) altogether – the news that shook the world. This research focuses in the events in the decade between 2000 and 2010, with a retrospective view in attempt to realize what happened.

Icarus represents a very suitable case for reviewing dominant logic change because the dominant logic resulting from strategic change was quite different from the core business. In fact, service-dominant logic (SDL) has been proven to be very different from product-dominant logic, as it “acknowledges service as an important part of the entire solution provided” (Freiling and Dressel, 2014, p. 4) and is characterized by possibly long-term and much closer customer-supplier relationship, where in fact the customer can act even as a “co-producer and/or co-developer” (Freiling and Dressel, 2014, p. 5). The value creation process is different for SDL as opposed to product dominant logic, this is a very similar the example as with the pacemaker case I mentioned earlier (see Chapter 2.2.1).

In the mid-2000 Icarus performed gradually a series of competence-enhancing acquisitions in order to support its new “services” strategy as well as to realize the grand vision of creating an ecosystem for its products and services. The strategy was good. In fact, up until today, some employees are still convinced that the strategy was the right course for the company to take and now at this very moment (2018) the competitors are successfully implementing a similar vision of an ecosystem. What is important to highlight, however, is that not only Icarus was a large and complex organization attempting ambidexterity, i.e. simultaneous exploration and exploitation activities in own organizational learning; and combining the core business with a new
one – but that the overall dominant logic was supposed to change to combine the 2 businesses and 2 business models. Finally, when I started reading articles by Bettis and Prahalad, their examples about companies attempting a change in dominant logic seemed very similar to Icarus case, f.eg. IBM or Texas Instruments (see Chapter 2.2.1).

3.2. Research Method: Critical Incident Technique

A number of research strategies can be employed by the researchers depending on the type of the research and objectives. Given the characteristics of this research project, I have chosen semi-structured interviews with a set of guiding, supporting questions designed in advance in attempt to obtain data to answer the research question. To be precise, I have used a form of semi-structured interview - critical incident approach. Critical incident techniques is characterised by method when “the respondent is asked to think of occasions in their working life when they had to deal with a particular kind of issue...[and] then is encouraged by the interviewer to explain the incident in full detail” (Fisher, 2007, p. 159). Flanagan writes (1954, p. 327):

The critical incident technique consists of a set of procedures for collecting direct observations of human behavior in such a way as to facilitate their potential usefulness in solving practical problems and developing broad psychological principles. The critical incident technique outlines procedures for collecting observed incidents having special significance and meeting systematically defined criteria.

As such issues and events in my research I have asked the respondents to explain various announcements of strategic changes and then consequent actions to start implementing these.

The reason for choosing the critical incident technique is that “more commonly... [it] is used to identify the critical job requirements that are the difference between doing the job correctly and doing it incorrectly” (Fisher, 2007, p. 78). This is particularly useful, because with this research I would like to investigate the causes of good or poor performance - what were the good actions in implementing the strategy and not so good leading to failures – in a way finding out what has actually happened at Icarus and immediately get a suggestion of how it should have been done. Consequently, there was an opportunity to ask why some particular actions were not done - this way it was possible to look into the factors constraining the role and influence of the middle management in strategy processes, just like I intend to find out with my research.
I found particularly useful the questions outlined by Fisher (2007, p. 177) which to ask when investigating organization’s culture. These concerned the situation, the thoughts and feelings about the situations, respondents’ actions and motives for those actions, actions of others according to respondents’ memories, as well as consequences and outcomes. These questions proved to be an excellent starting point for designing my interview questions so that the respondents were able to elaborately and eloquently construct the past events, mentioning plenty of examples. Finally, I would like to add that my approach is interpretive (as opposed to realist).

As supporting tools for the interviews I have used: a) aide memoire (a power point print out with some prepared questions to stimulate the conversation) and b) a timeline to plot the dates of various strategy events and orientations in order to construct the chronological picture of the past events. Please see these in Appendix 3.

3.3. Research process: data collection through interviews

As mentioned earlier critical incident technique, a form of semi-structured interview was used in this research. A series of interviews were carried out at the researched company Icarus. The total of 17 interviews comprised of 11 being conducted with the employees of the same organization (Standardization) and the remaining were from various organizations for instance Sustainability, Global Sales, IT to name a few. A particularly important criterion in the selection of the interviewees was that all of them have worked for at least 15 years at the company, which represents an example of purposive sampling (Bryman and Bell, 2015). This provided a unique opportunity for the retrospective research.

In addition, all the interviewees represented the middle management layer of the organization with wide experience of managing teams and having direct subordinates. Their positions varied from manager and director to VP (Please see Appendix 1 for interviewees’ positions and duration of employment at Icarus). The interviews were conducted in June 2013 at the company headquarters. The duration of each interview was at least an hour; initially they were scheduled for 2 hours. The interviews were recorded on a recording device and a back-up recording was made on a mobile phone. The interviews were transcribed in order to simplify the process of data analysis.

The supporting questions were not compulsory for all and the conversations have taken different directions, after all these were perceptions of individual employees. In the
timeline the respondents were asked to plot the 1) memorable events in history of the company and encouraged to talk about these, 2) key strategies for the same time period and then the feedback is asked relating to the announcements of these strategies as well as brief reflection on the content. Finally, in the third part deeper discussion occurred and the interviewees were encouraged to comment with examples in detail what has happened in terms of own participation, strategy implementation, communication and feedback etc. The focus has been rather on the strategy implementation challenges than on the strategy content. However, the important topics in this part are the assessment of the past strategies, i.e. retrospectively good or poor performance as well as (enabling or constraining) conditions to participate in strategy processes.

3.4. Data analysis

After the data has been collected, documented and transcribed, I started coding “in order to draw out the usable material from all the stuff … collected” (Fisher, 2007, p. 181). Fisher continues further that one can code for different things or code domains, which I decided to do utilizing the frameworks from literature review, because I am interested very much in several aspects of the dominant logic: how it enables/constrains the middle management’s activities and strategic role (for e.g. can MM fulfil the role of synthesizing information) as well as the enabling conditions it created (f.e.g. pressure to succeed which constrains reporting of failure).

Indeed then, for me it was easy to categorise data into categories provided by the theoretical framework on the operationalization of the DL. Simultaneously, in parallel other themes started to emerge which were closely linked to change of dominant logic but were not included in the framework (f.e.g. attitude towards learning and complacency, TMT responsibility and team composition, organizational structure etc.) This is in line with the guidelines for analysis of hybrid approach (inductive-deductive) to help make sense of the findings (Saunders, Lewis and Thornhill, 1997, p. 159).

As I was initially interested in: How the dominant logic affects the middle management role and the role fulfilment results, it is of high importance for my research to identify the dynamics evolving around the phenomenon and what implications (or “side-effects”) inability to change the dominant logic can pose.

This directly affects the way I will present my findings in the following chapter. I will use a fair amount of quotes to illustrate my points and provide evidence. At times I will
chose to provide several quotes to support the same statement, in order to emphasize that the quote is not of a single occurrence or is not cut out of the context. This is one way to secure reliability and answer the question whether there is “transparency in how sense was made from the raw data” and whether the same results will be yielded by other observers (Saunders, Lewis and Thornhill, 1997, p. 156).

I believe there are no threats to the validity as I see no reason why the employees interviewed would be biased or motivated to provide answers which would not reflect reality. However, the biggest threat is relating to causality – f.e.g. was it DL or actually the failure to change DL that really caused exacerbation of internal politics (recall that I mentioned that the scholars who coined the term do not discern the difference between the 2 phases in their articles (see Chapter 2.2.2), or was it DL at all or maybe this type of behaviour was typical (which it should not have been) for this organization and organizational culture. In other words, I wish to avoid speculation as much as possible and therefore, I will be careful in my statements of conclusion.
4 FINDINGS AND ANALYSIS

When I started to analyse the interviews, first, I looked for evidence of problems relating to dominant logic. To be more specific, I deemed necessary for my research the confirmation for the existence of an unfit dominant logic, i.e. the failure to establish and implement a new dominant logic, so that later I can argue for a case of middle management role and activities to be scrutinized under the conditions, where a dominant logic is one of the reasons causing firm’s poor performance.

The literature review provided good understanding of the DL’s symptoms and effects, therefore, I knew exactly what signs I was looking for. Since Icarus never realized intended strategy for the services and ecosystem thinking (also called the “internet company” strategy), which required new business model, and then finally Icarus abandoned that strategy altogether, I had reasons to suspect that Icarus had problems with the dominant logic. As you shall see in the following chapters, Icarus case turned out to be a textbook example for problems caused by the dominant logic. The input from interviewees’ quotes provided strong support and evidence for that with expressions such as “we were blinded and did not see the external world” which were similar, if not same, to the expressions exemplified earlier from articles on DL, e.g. “Dominant logic... acts as a blinder to peripheral vision” (Prahalad, 2004, p. 171). Once the inability to change the DL was confirmed, I could start to review the results reported by the middle management regarding their strategic role and activities, identifying if there were constraining factors associated with DL. And finally, several themes emerged which have not been anticipated by the proposed working guidelines, thus answering the research sub-question about the emergent organizational dynamics caused by DL.

In order to avoid repetition, I chose to present the Icarus case and my analysis simultaneously. The conducted interviews (17) generated a lot of relevant, content rich input from the interviews. Since the research design did not include structured interviews, instead the interviews were in a story-telling mode, not all the interviews discussed exactly the same topics, nor did they provide 17 times the confirmation for a particular claim or 17 answers to the same question. Due to qualitative nature of this research, in order to make both (the case facts and my analysis) sound convincing there is a need to provide a substantial amount of direct quotes from the interviews to
support my statements. In the following section I will explain how the presentation of the results is structured to answer all 3 research sub-questions.

4.1. How to read the findings?

**Figure 4  Structure of the Findings and Research Results**

The figure above illustrates the order how the results will be presented in the following chapters. In order to answer the main purpose of this thesis, I have posed 3 research sub-questions in the beginning of my research (Chapter 1.2). Hence, the results are presented in 3 parts (marked as I, II and III correspondingly on Figure 4). As you remember in the structure of the thesis figure (Fig 1.) each question was also colour coded throughout the entire content in order to ease the readability of the image.

Part I, will present the required information about Icarus case (Chapter 4.2) and the following sub-chapters (Ch. 4.2.1- 4.2.4) answer the research sub-question 1 (purple):

How was the inability to change the dominant logic evident at the case company? I
utilise the framework for dominant logic by Obloj, Obloj and Pratt (2010) and present the signs of DL at Icarus using this framework like a lens, covering all four dimensions: external orientation, pro-activeness, routines and learning (see Chapter 2.2.3).

Part II will answer the research sub-question 2 (blue): How did the dominant logic constrain or enable the middle management role fulfilment and activities? First I briefly present a table with summarized findings, but to illustrate how I arrived at those summaries I explain in detail in 4 sections (Chapters 4.3.1-4.3.4), which correspond to the 4 strategic roles of the middle managers: championing ideas, facilitating adaptability, implementing, synthesizing information. In each of these chapters, I return to the proposed working guidelines (see Chapter 2.3) and juxtapose them against the findings to see in more detail whether the different strategic roles of the middle management were affected (read: constrained) by the dominant logic.

Part III, will finally synthesize all findings, which arose from the discussion, but also answer the 3rd research question (green): What dynamics or side-effects did the inability to change the dominant logic cause within an organization? This will also be an opportunity to present the drawn conclusions.

4.2. The Icarus story – Dominant logic at Icarus

The purpose of chapters 4.2-4.6 is to answer the first research sub-question by illustrating the signs and showing evidence to support the claims that Icarus had problems with the dominant logic. To be more specific, for the credibility of my research I need to illustrate that Icarus required to change the dominant logic in accordance with the new strategic change and failed to do so.

Fortunately for my research, (unfortunately for the company) Icarus turned out to be a textbook example of problems with the dominant logic as you shall see soon. Interview material provided a lot of evidence of inability to change the dominant logic as well as examples of how it affected the decisions, actions and finally weakened the performance of Icarus. Icarus indeed failed to implement the Services strategy and transform itself into what was supposed to become the internet company.
Let’s start with the case then. Icarus has a long history (almost 150 years) of transformations from producing a variety of consumer goods to electronic devices. Therefore, any drastic change in the nature of its core business was not new to the company, considering its past successes. The Services strategy introduced in the mid 2000’s (also known as the Internet strategy, the Ecosystem strategy depending on the context) was a different case in that sense because it did not shift entirely the business orientation, but instead was an addition to the existing business. Icarus would continue producing its core products, the area in which it has been so highly successful, and additionally it would start to develop new services on top of that, which would complement the offering. Therefore, there was a requirement for an additional dominant logic for the development of Services (meaning the SER organization itself and the final products, i.e. services), and consequently the company would function with multiple logics for different type of products (manufactured products and services). At this point, it is necessary to emphasize that the logics for goods (goods-dominant logic, GDL) are very different from service dominant logic (SDL), as the latter “acknowledges service as an important part of the entire solution provided” (Freiling and Dressel, 2014, p. 4) and is characterized by possibly long-term and much closer customer-supplier relationship, where in fact the customer can act even as a “co-producer and/or co-developer” (Freiling and Dressel, 2014, p. 5).

Icarus at the time used to be a large corporation, which meant that functioning in multiple large independent units/organizations was also familiar to the company and previously has been successfully managed. Importantly however, to note is that from now on the products – both services and devices - are complementary products, because one needs a device in order to access the services, therefore there cannot be a distinct division between the businesses and there is a degree of strategic relatedness. Hence, the company needed overall unity, it was supposed to transform from a device manufactures into an internet company, which will provide both the devices and services with applications, which meant that becoming an “internet company” also requires the revision of the DL for core business and finding the balance between the two dominant logics. It is worth noting that in the core business the company was the dominant market leader within the industry with 40% market share, whereas in the services business, depending on an application, it would assume a role of either a challenger or an inventor/first mover if it were quick at the implementation.
The company announced the new strategy, which was followed with relevant organizational changes and hence, the Services unit (SER) was established:

Restructuring. I was trying to remember the year and time when [Icarus] basically decided to have the new structure based on the new strategy – this ... Services, if you remember, and at the same time if you remember this [Icarus] [Media organization] was ramped down and some other units as well...so in my mind this was very historical year. (JK)

The interviewed objects all agreed that the Services strategy was very good and absolutely the right direction for the company to go. It sounded very logical considering the technological and industry trends and it was extremely exciting at the time, because it was based on planning for the future ahead. The strategy really made sense. For example:

I think [the strategy] was great! In a sense: “hey, let’s conquer the internet! At that point in time people were kind of really thinking that it’s something that was great! (TJ)

I of course had high hopes for the internet and service businesses. (TK)

On the very high level I think and I thought that it was the right way to go and we would not be successfully as purely device manufacturer, device vendor. Services are going to the internet and we should offer those services. (PM)

We realized that the digital world is the future so jumping into the services world from traditional hardware company, we realized that we didn’t have those kind of competences in-house so we needed to find competences and to establish new teams, establish new processes and so on. (AM)

At the same time, however, one of the first problems was that the strategy, no matter how grandiose and exciting it sounded, was quite ambiguous. In fact, confusion, ambiguity and lack of clarity were reported on numerous strategic topics:

On strategy content:

I recall we were seeing slogans in our strategy the we will become “internet” company and those senior executives of our company and the senior executive in the strategy organization, so they were really seeing that we must be there, but not a single guy was having any understanding what is happening. (JV)

On implementation:

I just remember that suddenly everything was full of that discussion and there was this phrase going around a lot [being an internet company], so I think that: “ok, now we think like this!”, but the detailed impact on daily work was not really clear for anybody at the time...I saw people complaining that the details are probably missing, they don’t exactly know how we are going to do it... (JU)
On business model and relationship between the core businesses:

...Money is actually somehow in these new services, although nobody I think understood how the money in the services was made, because the services typically in the internet were free and still are. So, ok, they knew that they can make money with advertising and such, but I guess this was at least in my view not very clear – how is the relationship with the Services and devices; and what is the logic how money flows? (MI)

...I remember that it was communicated quite much and it took quite a while when everybody started to understand what it service and what are applications. So that time the terms were totally new, what is an application, what is the service? What is the difference between the 2? What was the business model in the services? So it's not just like selling something, but you put applications in a digital store and somebody buys them obviously there but how to market? How to sell? How to sell the applications? How can you actually gain the revenue from those? Yes, I think that was communicated but maybe the understanding and the linkage to the business at least maybe that was not visible for me. How that works or how that has been built... I remember the comments, maybe more like confusion. Especially that time when we had the old team, the old people who were working pretty much with the hardware. It was such a new world for everybody so I think that maybe the 'confusion' was a better word than 'not agreeing'. And then in this services area when we got new persons, new competence there, who came from the different area, different business, so these 2 businesses and the communication together, and maybe the cooperation together was something that caused the confusion. So maybe not so much 'not agreeing' but maybe big confusion what is it about. The new persons didn't understand the old business and vice versa. (AM)

On new position with the existing partners and stakeholders:

Somehow we were competitors with the operators as well. We were not only the purely hardware company anymore which supplied just the devices, but we were already on the application area that we start building own application in-house what was most the same what our customers, the operators were doing as well. So there was this some kind of conflict: “is this really your core business now? This is our business, don’t come on our area!” (MV)

Dominant logic is the actual “conceptualization of the business” by the top management, which is then to be clearly communicated throughout the organization (Prahalad and Bettis, 1986, p. 491), therefore, we can already see that inability to clearly conceptualize and communicate the change failed at Icarus. (I will come back to the top management responsibilities separately later).

The excitement about the new strategy prevailed across the organization, but was unfortunately not sufficient alone for the strategy realization. The change required a detailed implementation plan and execution. Unfortunately, Icarus failed to implement the Services strategy and failed to transform itself. Each and every of the interviewed persons explicitly stated that the execution failed, I am quoting one:
The bolded text in this quote clearly illustrates that Icarus had difficulty transforming itself from hardware company into software ecosystem company. It is impossible to state one single reason for the execution failure, as one interviewee put it there were many ingredients for a “disaster scenario” (JK), but the dominant logic contributed negatively to it in a number of ways.

To begin with, as seen already before there existed lack of clarity of how the services will affect the existing business, also looking back retrospectively, several interviewees concluded that the Services strategy was more of a high-level vision rather than deliberate implementable strategy. At the time, there were worries over profitability of the new business as well as concerns about the seriousness of the implementation efforts. Interviewees reported that they noticed a clear disparity between the strategy ambition level and the actual actions taken for implementation, turning out to be non-sufficient:

Yeah, so we were surprised how on earth can you do this, are you sure? So, because our ultimate goal was so big... (MV)

Personally, I was thinking: "yes – the Services – all the applications that were seen by the consumers were important – that we really understand what they will mean, but did not in that respect agree that they will generate so quickly money as the senior leadership was thinking. In my mind it was too ambitious." (PM)

I guess that whether it wasn’t really taken seriously in all the levels in organization or people then just didn’t study enough how to establish that large scale capabilities. Because for me it looked that the quality of the services and the investment of the operational capabilities didn’t really go in that level of ambition what the strategy was. So there was the kind of mismatch, that OK, you read the strategy: “Wau! We are going to do this!!”- and then you looked at the execution and we are doing it that way – “Hmmm...that’s interesting”. (JU)

I felt that that was the right direction but the execution didn’t look so credible to me at that point... I think that [the strategy] was also an industry trend at that time...majority of the people here most likely, including me, were thinking this was the good direction, but then I think the execution of that work was not good enough...I think we didn’t put enough effort to make it happen. It was sort of that we tried to do it on the left hand only, sort of, (laughing), we didn’t put enough money on it to make the investments that would have required the real Services packet, all the servers, etc. etc. It was important! (TJ2)
So if the dominant logic is “the way in which managers conceptualize the business and make critical resource allocation decisions – be it in technologies, product development, distribution, advertising or in human resource management” (Prahalad and Bettis, 1986:490), with the support of the quotes presented in this chapter so far we can see the clear first signs that there was a problem with top management’s dominant logic. The ambiguousness of the new strategy and inability to clearly communicate what it means suggests the inability to conceptualize, whereas the ‘disparity’ or ‘mismatch’ between the intended strategy and execution suggest the flaws in critical resource allocation.

This proved to be crucial for Icarus, even though according to the interviews, it seems that the execution of the services strategy started in very logical steps: Icarus created an internal organization called Services (SER), it reviewed and re-allocated its internal capabilities required for realization of the new strategy. Also Icarus acquired several external companies as ready solutions, which would then become part of Icarus’ services offering portfolio.

Retrospectively, it was easy for interviewees to point out various the issues of what went wrong. To begin with, there was no clear understanding of what being an internet company meant, what kind of resources and competences it really required to become a software company in order to be able to provide the services in the intended way of ecosystem thinking. Consequently, the inability to assess the resources, own strengths, requirements has led to a variety of problems ranging from technical implementation issues to bad investments in both terms: financial and technical. There was a high degree of incompatibility between all of the services as well as poor quality and lack of seamless digital customer experience. In that sense, the learning at the SER organization side did not occur properly.

At the same time the development of the core product seemed to stagnate as well, the innovations were not successfully commercialized or responses to competitors were not adequate. Market was disrupted by an innovative user-interface introduces by a competitor, and later this competitor managed to very successfully implement the same strategy Icarus has earlier envisioned – the ecosystem – operating system, devices and content such as services and applications. Struggles with the operating system led to
simultaneous development on multiple platforms and TMT’s inability to make a timely decision to focus on one OS or at least a few has led to excessive spending.

I argue in my research that these events occurred because Icarus was still using old dominant logic. To convince you, I will illustrate several examples and signs of dominant logic at Icarus classifying them into four dimensions of the dominant logic: 1) external orientation/opportunity seeking, 2) proactiveness/choices and actions, 3) organizational learning and 4) codification of routines (Obloj, Obloj and Pratt, 2010).

### 4.2.1. External orientation: opportunity seeking

A company which makes sense of its external environment while scanning information, with realistic perceptions, and identifies opportunities and threats will have superior organizational performance (Obloj, Obloj and Pratt, 2010). Unfortunately, dominant logic tends to work as a “blinder to peripheral vision” (Prahalad, 2004, p. 172).

What happened at Icarus was an example dominant logic in practice: Icarus failed to see the threats to its business and position. For instance, when a competitor, who was initially in a different IT business altogether, brought to the market the first device with a ground-breaking user interface, which would disrupt entirely the industry, the top management of Icarus failed to see it as a threat in time and to respond adequately. Icarus underestimated the competitor’s potential and overestimated own superiority:

> But maybe it was that our top management was a little bit arrogant, just said that it’s a small garage company doing something. “We don’t need to care of those. The market will kill those companies.” Maybe that was really bad message at the time. I can just remember even media said something like we didn’t take so serious such kind of a competitor which came suddenly. And that was a really big mistake” (MV)

> ... the introduction of the [competitor A product] and we actually sort of dissed it saying that they could never make [devices]. [Competitor A] can never make [devices]. (US)

Actually, this was not the first time or occasion this kind of attitude (arrogance, complacency) prevailed. There was a similar incident already when another competitor brought to the market a device that was technically build in a different way, which looked quite interesting and desirable for consumer:

> In the case of the [Competitor B product], what we were doing in the mechanics area – because that was a change in mechanical design – what we were doing in terms of a response. And the response was basically to diss the changes that were taking place and to continue along the course
that we were taking, which isn’t a proactive response in my mind, it’s a no response, it’s not even a reactive response, it’s a zero response. (US)

We have noticed a couple of trends that were on the market, by other manufactures, for example these, what are these [devices]? - [X devices], yes! So that was something that Icarus... even when they started to sell well from other suppliers, Icarus was saying that “No, that is rubbish! That’s not it. That technical superiority Icarus has – that is important!” (SH)

Note the use of the word arrogant in one of the quotes above. In fact, ‘arrogant’ is something almost all of the interviewees used many times talking about organization’s attitude. It was used as synonym to excessive confidence and was based on past success and occupied market position, which made in result the organization blind and passive in the innovation game:

  I think we were perhaps all over a bit slow to react to the changing situations worldwide, and you know like stemming from the slight arrogance “We are the biggest and we are the best”. And suddenly we note “Ooups! We are not” and you know, we are going quickly down and trying to salvage quickly what was salvageable. (SV)

  I think [Icarus] many times had this challenge that we look at things with our [Icarus] blue glasses on and we don’t really kind of connect always to the reality, maybe that’s because we were too arrogant and we weren’t not listening to the outer world enough. (TJ)

As is mentioned in this last comment, indeed, this is what has happened at Icarus – detachment from reality and not listening to the external world or customers or media. Bettis and Prahalad specified that the dominant logic is likely to develop “inaccurate representations of the world” (Prahalad and Bettis, 1986, p. 490). Viewing the external conditions through an Icarus lens or as in the comment above – Icarus glasses – resulted in the failure to assess the competitors in time and their potential. As we can see, Icarus did not have a realistic perception of own environment, did not identify opportunities and threats and was blinded by own success and importance, which are clear signs of dominant logic according to the theory.

4.2.2. Proactiveness / Choices and Actions

The second dimension from the operationalization of the dominant logic refers to proactiveness in managerial choices (related to strategy) and speed of their execution – as opposed to reactivity – will lead to superior organizational performance (Obloj, Obloj and Pratt, 2010). Also this assumes that proactiveness will lead to
experimentation, efficient exploitation of emerging opportunities and attempts to “actively enact and shape” the environment as opposed to passive dependence on it (Miles and Snow, 1978 cited in Obloj, Obloj and Pratt, 2010, p. 156). As a reminder too, dominant logic scholars argued that higher degree of experimentation is required to avoid the dominant logic and learn/unlearn better (Prahalad and Bettis, 1986).

Unfortunately, the proactiveness in the Services business was minimal, in a sense that the service solutions in general were not innovative, but rather copies of the existing services on the market. For example:

There was an issue that a lot of services that [SER] launched were not original, so they launched things like [X] or [Y] synchronization or [Z] sharing....and such solutions were available by competing companies already. And the [SER] services were typically not as good or at least not better that what was already available, so I guess the only way to make them better would have been that they work easily and well in [Icarus] devices. (MI)

so I think it was sort of the implementations that I saw were quite clumsy as well , and there were too few services available. So that didn’t attract people to use it because there were not that many services available, not enough... Maybe it was part of the issue that [Icarus] saw itself as such a strong brand that we don’t have to make anything better than what others are doing, if we just copy what they are doing - then we will also win in the services because of our strong market position and brand, people will still like and use our services” (TJ2)

The brand was strong indeed, Icarus at its best times was included in the top 5 brands of the world, thus the level of pride amongst the employees and the feeling of superiority was very high. Actually, in the conversations up to the moment when the interviews were taken it still stayed that way. Bettis and Prahalad acknowledged in their theory that the “historical basis for the firm’s growth” influences the dominant logic a lot (Prahalad and Bettis, 1986, p.491). But here, Icarus was, so to say, extending its success of the core business onto the new one services business, assuming automatically that the past success is sufficient. As a reminder, important to emphasize again – in the services business Icarus was a newcomer, a challenger, not a dominant player. In the interviews there were numerous comments about that the development of services was supposed to be about the user interface and customer experience, which takes us back to the point that there was a different business model and the value creation process did not follow the same logic as with the core business (Prahalad, 2004). Once again, this is precisely something the top management needed to make decisions about – how the business model is conceptualized is a part of dominant logic.
The modest results of the development of the services and acquired feedback from employees (and customers for that matter) suggested that the level of innovation was not sufficient. Turns out, the services were of “worse quality but higher price compared to the competing services” (MP, Interviewee). The situation was worsened by the technical challenges with the services. Icarus developed services through various acquisitions, which resulted in the incompatibility of the services with each other. This posed some challenges for the end-user, in practice it meant that for each service there was a need to open a separate account, which significantly diminishes the overall quality of seamless digital customer experience:

In the services side, we were having some 4-5 different kind of products, and they were not working with each other at all. You needed to login in for instance in the webpages separately, with separate accounts, you were not able to leverage one thing that is happening in another one, so basically somehow the implementation of the services was really, really, lousy and it never materialized. And as you know, it has been closed down a couple years ago. (JV)

This was precisely the opposite what the ecosystem and seamless digital customer experience is supposed to be about. In other words, there was no even strong vision of how to drive the customer-oriented digital experience, and based on these quotes we can clearly see that the innovation for services was not clearly pursued. This was not an example of trying to “actively enact and shape” the environment.

At the same time, the top management made wrong assumptions about the future of the core business, assuming the devices as a product has already matured by now. For the core products, the overall Icarus focus has shifted from innovation to what interviewees called the “cost-game”, i.e. attempting to lower the manufacturing costs. The R&D organization has been weakened in a series of re-structuring initiatives, so as a result the innovation of the core products stopped too. (More on this in detail will be presented in the chapter on the championing activity of the middle management).

Being excessively confident, relying on past success of the core business, not being able to think in terms of new business model for services and inability to assess the required level of innovation for services – are the signs of dominant logic blinding and constraining the organization, stagnating Icarus and preventing to progress in the strategy execution.
4.2.3. Learning

DL is said to constrain organization’s ability to learn (Bettis and Prahalad, 1995; Prahalad and Bettis, 1986; Prahalad, 2004). Organizational learning is one of the dimensions of the framework on operationalization of DL and proposes that adequate and fast reactions to disruptions and setbacks would lead to superior organizational performance (Obloj, Obloj and Pratt, 2010).

According to the perceptions of the interviewed middle managers, there were challenges in organizational learning concerning services and the new business concept at Icarus. First of all, as was explained earlier, Icarus was expanding the services business through acquisitions of service provider solutions. (For the record, one of the interviewed employees mentioned specifically the challenges relating to M&A integration). The end product services were supposed to be differentiator in the services market, instead were criticized for poor quality and performance as well as for lack of end-user/customer orientation. As one interviewee summarized acquisitions in itself is not a learning process:

To fulfil strategic objective, you don’t learn by just start buying things. (JA)

Services were not innovative - so the real learning for development of the superior, different services as a product hence did not realize. One way to justify the reason why this happened is by the fact that there was such a strong reliance on the existing brand, so that Icarus assumed automatically that the services would be good enough by simply putting Icarus name onto them:

Maybe it was part of the issue that [Icarus] saw itself as such a strong brand that we don’t have to make anything better than what others are doing, if we just copy what they are doing - then we will also win in the services because of our strong market position and brand, people will still like and use our services” (TJ2)

The service brand on the other hand needs to be established onto the service dominant logic separately– there is a need for strong internal marketing communication to all of the employees to embrace not to mention that the customer experience lies at the heart of the value (Brodie, Glynn and Little, 2006). Moreover, it is an overall attitude question towards learning: thinking that one does not have to try harder or put effort
because it is already so successful. As we saw in literature review, this is what dominant logic is about: making wrong assumptions and being blinded by own success:

...Even perceptions outside were that we are invincible...Absolutely, yes! We felt [invincible]!... So, we were perhaps drunk with our own success. We thought we knew everything. (SH)

“Organizational success stories can create the inability or unwillingness to change” (Fiol and Lyles, 1985, p. 808, citing March and Olsen, 1975 and Pfeffer, 1981). Additionally, organization blinded by the dominant logic tends to filter data and consequently may focus on irrelevant issues, i.e. on the information they deem relevant because the firm is not capable of thinking in terms of the new business or new business model requirements (Bettis and Prahalad, 1995). There was a clear example of this at Icarus, for instance, the company was monitoring the amount of user accounts opening for the services – whereas, it should have been monitoring the amount of active/returning users and the quality. There was a counter on a big screen in the HQ hallway showing real time opening of the accounts:

And then, as you remember, we were ...was it so that one detail, example, we had this meter in [Icarus] cafeteria where we were counting the users or something like that – and then we were discussing, was it really counting the users or was it counting something else? (JK)

Ok, we are telling our strategy and yeah, even following the things like we have 20 billion [Service] accounts and then at the same time everybody who used those things personally who talked to people outside the company, they either have not even heard about it or tried to use, but also typically we heard that it is not so good so we are using something else... (MI)

So as we have seen, the services were not innovative, but worse, there was no real perception of how user-unfriendly they were or the user experience was not measured with correct KPIs.

At the same time, the end-user experience is only one surface facet of service development. Icarus also required tackling another very challenging task – learning to build software, which would support the grandiose vision of an ecosystem with devices, services and applications. And this is something Icarus never mastered.

I think we all had thought that the company was still a hardware company. And that a lot of investment in radio technology, radio IPR, [device] IPR, and not enough transformation how you use that to access the internet. There wasn’t enough experience in how you write the software. (US)
Our internal applications were just not up to speed, we just couldn’t deliver the capabilities and the experiences that the guys in the outer world could, because we tried to do everything internally (TJ)

The numerous challenges ranged across the entire spectrum of software development. It started with inabilities to estimate correctly capabilities and requirements: for instance on practical level incorrect estimation for required server capacities for the services and applications or the service distribution system. In fact, the entire learning curve for the new vision was incorrectly estimated. And is relating to dominant logic too, because as Bettis and Prahalad imply that top managements responsibilities include estimation of the requirements and assessment of capabilities for the new DL (Prahalad and Bettis, 1986; Bettis and Prahalad, 1995). But before the actual learning can change, organizational forgetting or unlearning must occur too (Prahalad and Bettis, 1986;; Bettis and Prahalad, 1995). Instead, Icarus had no intention of slowing down for learning: it seems that in total there was no time and space taken for learning. As one interviewer says:

> Like I keep saying, that you are pushing this bicycle too fast, that you don’t have the time to stop and learn to ride the bicycle. And of course the guy who is also pushing the bike, disappears in the horizon, while you are practicing to ride the bicycle – but you will learn it in a couple of days, maximum a week and after 2 months you are quite far ahead of the guy who is still pushing the bicycle. (JV)

Relying on its success and excellent in the core business, being enthusiastic about the new vision, Icarus so-to-say, set a pace for the new business as well as fast expectations, too. For this research I have not looked into more details of how the organizational learning was facilitated or the mechanisms of product development because it is a separate large subject on its own. However, several interviewed employees reported interesting insight on the learning and innovation dynamics as will be presented on chapters about championing and implementing activities (4.3.2 and 4.3.3). But if essence of learning is about that adequate and fast reactions to disruptions and setbacks lead to superior organizational performance – then it seems that Icarus did not even want to learn or challenge itself and because it failed to respond in time to such events, as was seen earlier:

> In the case of the [Competitor B product], what we were doing in the mechanics area – because that was a change in mechanical design – what we were doing in terms of a response. And the response was basically to diss the changes that were taking place and to continue along the course
that we were taking, which isn’t a proactive response in my mind, it’s a no response, it’s not even a reactive response, it’s a zero response. (US)

Bettis and Prahalad emphasize constantly the learning and skills of the top management team (remember: it is the dominant general management logic). All interviewees pointed out that there was not a single person with services or software background in Icarus top management – and the composition of the team was not properly adjusted for the new strategy. In practice, that meant that the crucial important decisions were taken by the same top management team, who made devices/manufacturing business successful. Not learning how to do software properly did prove to be a crucial factor for Icarus (Chapter 4.3.3.2). What happened next is that in the software development there were different several simultaneous platforms for devices and services. Each had own R&D and spending, so the money was inefficiently scattered in numerous directions simultaneously. But the worst part was that for each platform operating system the applications were supposed to be developed separately. For 3rd party developers it was a “nightmare”. The same service or application could not be developed once with compatibility for all the devices. In the end, the initial clumsy services with technical installation problems were not even available for all the devices equally. The complexity was multiplied. Competitors of Icarus, on the other hand, worked only with one operating system at a time, which allowed focus and space for improved customer experience and relevant content.

Based on the examples presented in these chapters it was clear that organizational learning did not occur at Icarus in the way it should have for a new dominant logic.

4.2.4. Codification of routines

The last dimension for the operationalization of dominant logic is the codification of routines. High levels of process standardisation and codification of routines may make the company rigid, inapt for experimentation, less flexible for learning and adaptation and repetitive in actions, hence giving a negative effect on the performance.

Icarus in the past time has been very successful, it had “Icarus Way of Working” and it possessed very efficient, developed and standardised processes, which were light years away from many competitor or small companies. For example, this was evident in very
successful manufacturing of the devices. However, Icarus was constantly growing (58,000 employees in 2005; 112,000 in 2007. The source of this is hidden because it may reveal the company name). On one hand, standardized processes are required to govern such a large organization. However, there is a threat that a company this size becomes too large, which is described well in “Icarus paradox” by Danny Miller (1992). He writes that “success can lead to failure”, that the company can become over-confident, over-ambitious, careless and ironically the very causes of success such as “efficient routines, programes and orchestrated configurations” ...may become the exact causes of failure (Miller, 1992, p.31). This sounds very much like the Icarus of this case (I purposefully named the case company ‘Icarus’, too).

Employees reported:

We have evolved into some kind of well not a monster, but something that became outdated at the time, that couldn’t transform or turn, whatever, think of a boat, think of whatever, or some animal that needs to transform very quickly into some other reality (PM)

This has led naturally to a very high level of bureaucracy:

I don’t remember where that happened that we created probably some massive layer of bureaucracy at some point from 2004-2007... (SH)

To illustrate this further, how the bureaucracy really permitted the organization, there was an interesting anecdote circulating - when a new CEO came after 2010, he immediately wanted to implement some changes and he could not, because the level of bureaucracy was too high at Icarus. He joked about this in an info-sharing session and one employee in the interviews reminded of that:

When this current CEO came, he said that earlier in this organization, everybody was protecting their own interests and areas and their own organizations and these 27 SVPs or VPs were having a full veto right for everything. Until these 27 VP’s all were having shown a thumb up, then something may proceed. So the people were protecting their own field, ‘babies’, persons or whatever. So in that regime, when you do major changes or shifts in strategy which is impacting all the guys, so let’s say that this kind of full buy-in, full support is elementary, then that is a challenge, if then some existing structures are broken, then people tend to be opposing some changes, they tend to oppose going out of their comfort zone. (JV)

So this is the last, but not least of the dimensions of the DL. If an organization is codified in its routines it cannot learn new nor experiment properly, meaning that the dominant logic does not even change. As presented in the literature review, experimentation and unlearning are vital for the shift in dominant logic.
Another important point to pick up from the quote above is the comment about “protecting own field”, i.e. the politicking and driving own agenda. Miller advised in his article to draw attention to the sources of momentum such as power and politics struggles, which represent the subtexts or so called “hidden causes at work” which can have effect on the performance of an organization (Miller, 1992:30). In an environment, where units compete with each other, operate in silos, drive own agendas and focus on own survival – organizations do not change. They repeat routine and stagnate in whatever they are doing. This is something Miller refers to as “structural memories”, when organizations have memories, too, they remember and repeat successful routines, actions, processes, programs (Miller, 1992, p. 30), i.e. another source of momentum.

Well one thing is that, what I have seen is that people’s plans are not changed for some reason. They continue doing the old thing. So, if it’s just information not like incentives and projects are not totally revised so, people don’t change. But obviously this may be just our area, obviously in the services when there were new business people moved to that business and lines obviously their whole work, goals etc. were changed so part of the [Icarus], was doing this but I think in some other parts of [Icarus], it didn’t have so much effect on the actual doings and no clear communication what should be kind of changed (MP)

Problem was that nothing really changed! (PM)

What this means is that the routines, high level of bureaucracy and rigidness in the different units sustained the old dominant logic, especially as different units’ attention was directed at pursuing own interests. Now that the problems associated with dominant logic at Icarus have been illustrated, it is the time to review how these affected the middle managers’ roles.
4.3. Four strategic roles of the middle managers

According to Floyd and Wooldridge, the middle management has four important roles with strategic influence: synthesizing information, championing activity, facilitating adaptability and implementing deliberate change (Floyd and Wooldridge, 1994). Next, I present the findings from the interviews about the events of Icarus which are related to these MM activities. Before I do that, I would like to remind of that not all of the interviewed middle managers were directly working with creation of the services or in the SER unit. However, the grand transformation of Icarus as a whole from ‘hardware company’ into the ‘internet company’ was not limited only to SER business unit. Therefore, the dominant logic as a whole for the entire Icarus must have been revised and, hence, it concerned all of the middle managers.

The important points from the interviews are summarized below. However, to really understand their meanings and the dynamics the inability to change or adapt dominant logic has caused – I will present these findings in a very detailed form in the following chapter in the form of story-telling and using a lot of quotes. Once I presented fully the findings of the situation at Icarus, I will continue further the discussion in the following chapter in order to draw conclusions of this research.

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Even if the middle management performed well own role within own organization, lack of cross-unit communication resulted in **an uneven distribution of change of the dominant logic across entire Icarus, which can have a long-term negative effect.**

| Table 1 | Summary of findings from interviews |
4.3.1. **Synthesizing information**

Synthesizing information in practice means gathering information on feasibility of new projects and on changes in the external environment as well as communicating the activities of competitors or suppliers (Floyd and Wooldridge, 1994).

I proposed earlier that: Considering that, the dominant logic acts as a blinder to threats and opportunities, the middle management’s ability to fulfil the role of synthesizing information, in the case of an unfit dominant logic, will be constrained.

Middle managers’ knowledge of markets, competitors, product positioning is often better than that of the top management team, due to their longer work experience in the industry or at the company (Huy, 2001).

Being technology professionals, the interviewed middle managers at Icarus, naturally, have shown very good understanding and knowledge of the competitors and competitive operating systems. They have assured that this is not post failure knowledge in hindsight, but that the industry was followed thoroughly at all times. What comes to the core product (devices), as I mentioned earlier the device innovations of the competitors were very well known and discussed internally immediately after their release. There was a great sense of expectation how Icarus is going to react both internally and externally. The middle managers remembered very vividly the explanation of the top management why particular industry innovations were not pursued. For instance, the groundbreaking user interface of the competitor, which disrupted the entire industry and was better suited to support an internet device, was deemed ergonomically not suitable for user and it was assumed on behalf of the end-users (!) that end-users will most certainly not like it. The interviewed middle managers said at the time they were disappointed with such a decision, however, there was nothing they could have personally done to change this. Ironically, the user-interface was ignored twice – first when it was originally invented at Icarus (i.e. an opportunity) and later when it was realized by competitor (i.e. a threat). Hence, it was not a question of that the middle management could not synthesize information and bring it to the TMT attention, but of that TMT was unable to respond adequately to industry trends. In other words, the decision was taken in accordance of the dominant general
management logic, which has a **limiting effect** on the synthesizing role of the middle management. The role is hence constrained.

There were similar examples, but relating to the technology which enables the devices. Interviewee with extended experience in R&D and technological standards said:

> So we had our own in-house expertise in building essential components for producing a [device]. An example of that is the wireless modem, so that particular component which is essential to connect to the network. We had thousands of people working on them, **we had people who knew very well the design of the chipset** and worked very close with the collaborator and supplier, and this is similar how [competitor A] is doing things today. But then, **there was some thinking in the top** that these chipsets, units will become a commodity, so there is no point to invest...this was a major shift in thinking...when you look at our competitors today [my comment: those who managed to succeed with the ecosystem strategy providing both devices and operating systems], they are actually doing the opposite. (SH)

In this example, the TMT DL also limited the ideas brought to attention by the MM. When I asked whether this was seen as a failure at that time already not only now, when it is possible to analyse in hindsight, the interviewee confirmed:

> Many experts felt then that it was not the right thing to do. But as you know, [Icarus] managers have always been very disciplined...if there was a decision on the real top that this is how we are going to do, although there were few who disagreed - they left, but majority of them said “Ok, we are going to implement that strategy” (SH)

This is an illustration of how the dominant logic of top management – a world view, a mindset, the way in which they make decisions and apply them inappropriately – constrains the middle management strategic role. The final decision being done at the top, which is guided by the incorrect dominant logic based on earlier experience of key executives will affect whether the results of synthesizing information will be fully realized. If the activity of MM is to assess and report changes in environment – they have done it – but the overall management or organizational DL has diminished the effect of such activity.

Having said that, this is something closely related to the lack of legitimacy of the middle management role, which can act as a constraint for fulfilling the role (Balogun 2003; Mantere 2008; Floyd and Wooldridge, 1997). In other words, even if the middle management is synthesizing the information properly (i.e. assessing the external environment, competitors, etc.) – if they are not legitimized to participate or taken into account their influence will not be heard. This is hence relating to the two dimensions in the operationalization of DL (discussed in the previous chapter): a) learning whether
the organization reacts adequately to setbacks and is able to learn, and, b) to the external orientation, whether the organization assesses adequately and scans the external environment. Trusting the results of the interviews, that all of the managers have reported good knowledge of innovations in device market and of quality issues with services as well as of the mismatch between the services strategy vision and execution; therefore, even if the middle management layer has a realistic understanding of the external environment – that is not sufficient, instead the dominant managerial logic of TMT plays more important role.

However, coming back to the synthesizing information task. One has to point out that the task of synthesizing information for middle managers after a change of DL is naturally will be harder or more complex, because a substantial amount of learning about the new business/business model/technology and other factors has to occur. This means, that there can be another line of thought for how the dominant logic can affect the middle managers: given that the DL is how the managers think and act, and given that the middle management role of synthesizing involves thinking, sense-making, issue-selling (i.e. it is a cognitive task), there could have been a threat the MM has become biased when scanning the external environment, if they perceive to think of the opportunities and threats in terms of the old business model or mindset. This would be logical because DL tends to work as a “blinder” and as an “information filter” and the MM environment scanning and sense-making may be directed entirely at the wrong environment or they will fail to discern relevant information.

I have to be honest – I was expecting to find such kind of first hand evidence or examples, but unfortunately, there were none. A different research design would have been more suitable for this, where there would be a revision and analysis of numerous proposals by the middle management and were the questions would have been more specific instead of story-telling mode. I, on the other hand, was interested more in the larger picture of the dynamics within the organizations; hence, the scope is different. It might have happened so at the Services business unit and probably did, however, this is a pure speculation and I have no primary source to confirmation for such a statement. The only conclusion thus far is that:

**Finding 1:** the dominant general management logic can constrain the role of synthesizing information by limiting its effects. Even if the role is successfully executed – the inability of the TMT to recognize the opportunities and threats will lead to inadequate corporate response.
4.3.2. **Championing strategic alternatives**

Championing strategic alternatives in practice means searching and proposing new opportunities and innovative and entrepreneurial proposals, justifying and defining new programs, evaluating merits of the new proposals (Floyd and Wooldridge, 1994). Huy’s research has numerously shown that MM proposals have a much higher rate of success that the ideas of top management (2001).

In the process, I realized that the MM roles overlap, it is hard to make a clear distinction between them: one needs to synthesize information about opportunities prior to championing alternatives. Wooldridge, Torsten and Floyd (2008) discovered that too, as issue-selling and synthesizing are closely related as well as to championing.

I proposed earlier that: Considering, that the dominant logic acts as a blinder to opportunities, the MM role of championing alternatives will be constrained. This role’s fulfilment was constrained, yet again not in the way one might have suspected. Interestingly enough, from the interviews the same dynamics as with the synthesizing activity emerged – the proposal of the ideas by the middle management was very much constrained by the dominant logic of the top management. For instance:

[Our] products were selling extremely well. We were by far #1 in the world. I recall being in ’05 in one training course, where I was discussing with one of the EVP’s of this company and we were given the task in creating (in the training course of director level or senior level course) that invent a business which will become a billion or two or more billion dollar business in 2 years from scratch and recall having in the final, completion of the day of this seminar when we were having these stands, that I was discussing with a colleague – this is impossible – there isn’t in the world history any of these kind of examples...but because the money was coming in billions, now any other figure than billion was acceptable or understandable for those senior executives. They were like blind-folded or they became blind for this kinds of tens of millions or hundreds of millions annual business, so somehow we were used to it – so that it must be big, big, big, big – otherwise we are not interested! (Director in Industry Collaboration).

According to the top management logic, only business project proposals surpassing certain threshold in financial value were “good enough” to pursue. Another interviewee, who was involved in Corporate Development at the time confirmed this:

I think it was because of this history that in the last decade that everything has to be big. So if you didn’t propose a one million business or bigger one – it was not meaningful, so you never got to try out... I was involved in those years mainly in search for the next big thing and we found many “the next big things” those times. I was able to propose various business opportunities that
have had high degree of product core business bridges and our competitors have commercialized those in a big way during the past five years. (TK)

One can see similar dynamics as earlier:

**Finding 2:** DL limits the effect of synthesizing and championing and sets frames or expectations for innovation, which are based on the previous success.

Also, note from this comment above, the innovation was halted as they “never got to try out”, meaning that it affected overall innovation at Icarus.

In total out of all the interviews, there were only two examples of this type, but I consider them reliable because those 2 directors were invited to these kind of strategy workshops. The company of the size like Icarus cannot accommodate realistically participation of all the middle managers in strategy workshops and on a regular basis, therefore, I consider this lucky to have gotten comments straight from those who participated. In addition, these directors were subordinates under VP, who was the direct subordinate of the Icarus leadership team; therefore, this is upper level middle management layer located high up in the organization. Blinded by previous success and located mentally still in the same worldview, the top management team was not able to discern potential ideas.

Other examples of championing ideas were different depending on the type of strategizing work the middle managers practiced. There was a case reported when an interviewee in position of director, who has been employed by the company for 27 years and hence had wide internal network of connections was able to engage in issue-selling and boundary spanning activities for championing of strategic proposals (please forgive the long extract, but this is necessary for demonstration):

TJ2: There were different topics that we were discussing, for example, we brought this [vehicle] environment. I was able to start the [vehicle] strategy work... Of course I discussed with our strategy leaders... I discussed with X, [Vice President] and presented to him a couple of slides and took it up and he asked me to scope it. And I scoped it and then they started working on it. I have really direct contacts to strategy leadership.

**Interviewer:** Is this how it is usually done at this company? Is this a common practice?

TJ2: Hmmm....of course the strategy unit will get the instructions from the management of the company for sure, but then, they will take signals outside of what else should be done, of course then they make own decisions and then they take them up or not. But for example this [vehicle] thing was picked up. There were other things also what we discussed then quite many of them
The strategy **creation process at that time in my opinion was too long**, so it should have happened faster, so that the conclusions should have been available faster. It was useful but I think the strategy creation takes year or a year and a half - it's too long time. It should happen in a couple of months to make the decisions whether to start working or not. We worked despite the strategy creation process, we worked on those issues already, because we thought it was the right thing to do and then the strategy sort of supported that idea later on. We started already working on those issues.

“Middle managers usually have the best social networks in the company” (Huy, 2001, p. 76). As is evident from the text, there was an opportunity here for the middle management to fulfil the roles of issue-selling and evaluating, which are necessary for corporate entrepreneurial process (Ren and Guo, 2011). This particular director is also criticizing the length of the corporate strategy creation process, which is why he turned to personal connections, which can be considered as fulfilling the networking role (Buss and Kuyvenhofen, 2011) and boundary spanning activity. Nevertheless, this is an example how corporate strategic agenda can be influenced through issue-selling (Dutton and Ashford, 1993; Wooldridge, Torsten and Floyd, 2008) with a positive outcome. Not all middle managers engage in same activities or are equally good boundary spanners, therefore, I do not think these were too marginal cases (Huy, 2001; Floyd and Wooldridge, 1994). However, this particular interviewee has expressed critique further regarding the corporate strategy creation process, emphasizing own unit’s expertise and own issue-selling initiative:

I don’t know how this process should go, in my case it was good, because I had this attention from the strategy unit and the heads of strategy, but I am not sure how widely it is possible to make it happen. I don’t know what is the ideal process then. Maybe they should have some dedicated people to work on certain areas and so on that would be more involved with the people who are also working more on the projects. There is some gap in the work. I still work with the strategy people a lot and there seems to be a gap in their knowledge and the knowledge of the people who are doing the actual work. Many times we know more about what is happening and they get the information from us and I think it should be more constant discussion. I am trying to make it constant, but then again it’s kind of sales work to do it to make it happen.... From this kind of a technology business unit that it serving all the business units, it think it is more up to /based on personal relations. From this level. Of course the CTO who is heading the technology unit, of course he can discuss and probably has discussions with the strategy people. But from this level it is based more on personal relations so you have to be able to convince them that you are able to provide value. (TJ2)

Similarly, another director explained that due to his personal initiative he was able to communicate strategy of own unit, promote ideas with this kind of process and find out relevant strategies from other units:
Until [Key executive] has left the building it [=strategy communication] was very sufficient and really worked. When he left the building the opportunities [to communicate own business unit strategy] were less, but they were still existing and I think it was sufficient again. Remember this thing that I was still generally unhappy that we were missing this kind of vehicle for sub-strategies, but what I was personally able to execute because I located myself in relevant meetings and boards, maybe by force a little bit, but yeah, I was able to do it in a sufficient level, because there wasn’t this kind of corporate wide vehicle for that kind of things, I think that the effect was much more limited that it would have been of there would have been the time and place which was sufficient for it me pushing myself in different meetings and boards...In a way like I said I was pushing myself through every channel and meeting and I didn’t see anybody else doing that even with the corporate strategy. (JU)

Thus far, here are 2 examples of middle managers who were selling ideas within the firm, in their own proactive management style, which was parallel to the criticized formal strategy creation stream and they were able to find the so-called “policy windows” to push their agenda. A policy window opening is an opportunity with the right timing to push forward projects of own interest (Ren and Guo, 2011; Kingdon, 1984). Since there were no more direct examples of championing, having noted criticism about strategy process, I then decided to look into material for more findings relating to strategizing, strategy creation / participation and facilitation processes. There were several interesting points. As you can see from one of the comments above, the interviewee complained about missing “vehicle for sub-strategies”, which was linked to the departure of one former executive. I also noted in several other interviews this same event marked as an important event on the company time line. The interviewees reported a departure of several executives and re-organization, major restructurings. During that time new units were created and they got more independence to create own strategies and during that time also the unit which was responsible for R&D and technology was also re-organized, which affected Icarus Ventures organization responsible for how the innovations were distributed to business units relating to the core device business. On a side note, there were justifiable reasons for dissolving Icarus Ventures organization, for instance, it was unable to provide new big ideas and inventions while spending a lot of money for innovation. I found information about that online and from the interviews. Once again, coming back to the expectations about very large business opportunities – the same pressure was on Ventures organization. The problem was, however, that no new centralized organization of this type to replace Ventures was created, which have had an effect on overall innovation level in the devices business. I will illustrate these changes with quotes:
“The turning point was also in 2004, January that we changed from the kind of central strategies to divisional strategies. So [Media organization] creating their own strategy, [Device organization] creating their own, [Solution organization] their own – and then we had these functions CMO, Technology unit doing assets for both: CMO managing delivery, Sales and Marketing, Technology doing the platform assets etc. So those got freedom to do their own strategies. And the role of corporate strategy weakened” (MM role in Corporate Development, strategy organization)

As you can see that the units got more independence and freedom to create own strategy, meaning that they develop their own agenda.

[Icarus Ventures organization] was closed in somewhere 2005? ... [Icarus Ventures organization] ’s mandate was to seek for new businesses and new concepts etc., at that time [Icarus] somehow thought we do not need anymore this kind of let’s say action in the company to drive new innovations... Objective of [Icarus Ventures organization] was to generate new business for [Icarus] based on what [Icarus] has innovated. And it has quite large freedom to do those things, I mean it has own budget, reporting to CEO, etc. A good set up...Basically, it has you can say that it has quite large freedom to innovate new ideas... But on the other hand what happened, this is my personal comment, is that it had freedom – ok – to generate whatever, promising things – but when we had investigated new projects, new ideas, at the end we had to present them to business units. Business units quite easily said, this is not part of our scope or our strategy, which is whatever strategy THEY had at that time, and that meant actually that “what we can do?” actually, because the idea was that we can transform or make transition to business unit, so in a way I am saying that: we had an idea, or we picked up from the promising ideas the best ones, and said to our colleagues in business units – “Please see, here is a good idea. What can we do?” In most of the cases they were saying, it is too small business case, we cannot ramp it up as you are thinking. Maybe we can take some good features here and implement here. So basically, we had some aggressive plans but somehow it... (laughing) (JK)

As you can see, the business units already had own strategies, thus, suggestions from Ventures organization might have not been welcome or they were simply too small. Too small just like in the earlier example where DL of top management set the frames and expectations to idea proposals. (By the way, Bettis and Prahalad did mention that DL pervades an organization throughout). An important conclusion from this to draw is that the championing ideas for innovation need a proper facilitation or proper official process, which obviously should be reflected then in the organization design. Now it is time to remind, that Bettis and Prahalad mentioned specifically that it is top management’s responsibility to review and update the organizational structure to support the new or multiple dominant logics (Prahalad and Bettis, 1986).

Another employee reported about the change in R&D unit structure:

But in this particular case, when you shift the whole research arm to be independent from the business unit, what happened is that people started doing things on their own, and the innovation was left in the labs, basically, it never ended up in the products, because there was this disconnect in the communication. (SH)
**Finding 3:** TMT must re-structure the organization in a suitable way for a new strategy and business model to support the new dominant logic in order to facilitate the innovation and championing activity of the middle management. Inability to build an organization suitable for new DL will have a negative impact on performance in the long term.

The years after 2005 several interviewees remembered as those when Icarus failed to bring out innovations for devices business onto the market. It was also the time when Icarus did not adequately on time respond to competitors’ actions. Coming back to the example about the groundbreaking user-interface, the one that competitor A introduced as an industry disruptor. Ironically, that technology was invented by Icarus in the first place. They failed to commercialize it, apparently, the technology was not that ready yet and the top management questioned the ergonomics of it and, hence, they chose not to develop in further and simply put on a shelf to “collect dust”. It was also labelled as “too small”, niche product in their view. Dominant logic really does act as a blinder. As time has shown the groundbreaking user-interface utilized by competitor, turned out to be an indispensable feature for the devices enabling content. The previous user interface was more suitable to the previous type of a product without the services. In that sense, this is also supports the idea that TMT failed to be open-minded and think in terms of new business model conceptualization. “Open-minded is an organizational value that measures receptivity to new and possibly different ideas”, which is closely associated with a learning organization and has potential to re-orientate dominant logic (Cegarra-Navarro and Cepeda-Carrion, 2015, p. 196).

In hindsight, there were several comments relating to how other products were not commercialized:

> I think we have failed strategy-wise in bringing our inventions to the market. Because there has been lots and lots of good inventions at [Icarus] and they are just sitting there and no one is productizing them. Of course some of them are productized for sure, but there are lots of other things that could have been productized...(TJ2)

Indeed, there were many inventions laying on the shelves of the R&D organization because they were not pursued if for example are not large enough or deemed irrelevant, which in the end affected overall innovation of the company. In other words, championing ideas at Icarus had not been easy. If certain expectation frame – like that
of immediate, huge financial revenue was set or sustained by the dominant logic as was illustrated earlier – then the projects were either not started altogether or they were stopped after some time of the development. More support for this:

... we were too early. A little bit too early and we were not patient enough to continue long enough that to sort of pursue that strategy long enough. When it didn’t bring money immediately – at that time all those things were killed. Too early. There were lots of new initiatives that were killed after 1 or 2 years. So it was on certain extent very frustrating time as well. (TJ2)

So [Icarus] has this kind of history of seeing things happening very early, starting some activities but not shooting the bullet, which means try out something empirically and improve, which some American companies are better at. They try out, the make it better, they make it work. (TK)

...in this kind of strategies you know when you go into one direction those that win are those who make small steps, to see let’s say you fire a few bullets first and you see if you are reaching the target and then you fire the big canons, you know, this seem to be the companies that succeed ... I remember at that time, you know, when you propose something, if it wouldn’t bring 100 million dollar sales – aaah! We were thinking scale matters, which is true. And we would not get into anything new, you know. (SH)

As you can see from these quotes, the actual role of championing ideas was challenged: there was a lack of patience to wait to see the immediate financial results or development (because previous success was the frame of reference, i.e. DL) and there were expectations about both: fast speed and revenues.

**Finding 4:** Inability to think in terms of new DL will project the (unrealistic) expectations about the speed of project results delivery onto the new DL business.

Next issue to direct attention to is a new dangerous tendency that has started – unfinished projects were “killed off”. This is something almost all interviewees reported in one way or another and have called “hassling” or “hassle,” (note the choice of words. I will come back to this later, but there was almost a set of company internal jargon: hassling, arrogance, shooting the bullet, killing the project).

“Hassling” was used to explain the situation where there were many, very many ongoing simultaneous projects, many with overlapping content, with lack of focus or with lack of alignment to strategy, or with technical challenges and, hence, many of
them were “killed”. As the projects were killed, there have also been constant reorganizations and restructurings. That was the rise of “organization fuzziness” meaning that this has led to constant re-organization activities. Combined with that units also had own agendas, priorities and strategies – this has set into motion even more dangerous dynamics within organization, where the organizations were now forced to “prove own existence” – the rise of politics. In this kind of atmosphere, the championing of entrepreneurial ideas was even harder.

In sum, there was an interesting paradox reported: on one hand there were plenty of new projects (initiated, overlapping and conflicting, continued or killed), but then there was an inability to “shoot bullets” on a larger scale to pursue and develop with greater effort initiatives to handle innovation is serious manner. How is this related to the dominant logic and the championing activity of the middle management?

As a reminder - dominant logic is the worldview, the way how TMT thinks about the business and how TMT makes decisions about resource allocation. It is the responsibilities of the top management amongst other things are to assess the competencies and capabilities for DL and create and organizational structure to support the new DL or multiple DL, etc. What happened at Icarus was a result of how the top management failed to think in terms on the new strategy (internet company).

As demonstrated earlier, the overall innovation and championing of ideas was limited by the very high financial expectations as was illustrated earlier. This led to many ideas not being pursued and hence not commercialized. There was also high expectation about the timing, top management wanted quick results. The championing activity of the middle management was thus constrained.

Secondly, the structure of the organization was very complex, which affected how the middle management could practice strategizing and their championing activity. Now different units were creating own strategies, which were conflicting and might have resulted in overlapping projects. There was no good visibility to what is being done elsewhere in the organization. The units were competing against each other. This overall inability if the top management to create an organizational structure to support the facilitation and dispersion of innovation within the organization has constrained the strategic role of the middle management. (More on this in the next Implementation chapter).
One must keep in mind that the organization was supposed to accommodate the innovation for both: the devices (core business) and services (new DL). Hence, the entrepreneurial opportunities/initiatives can be also distinguished into exploratory (“those that are unrelated or marginally related to a firm’s core business and competence”) and exploitative (those related to the core business) (Ren and Guo, 2011, p. 1592). Icarus was hence engaged in organizational ambidexterity, operating with the left and right hands so-to-say, exploration and exploitation, for both businesses (Laukkanen, 2012).

As mentioned earlier, the innovation for services business was very weak. The produced services were not innovative and of poor quality. The user experience was lacking the industry standards, whereas the smooth user experience is the key to designing a good service. “In seeking to understand the customer’s service experience, the customer as the subject is considered inseparable from services as the object, where services are holistically considered rather than as process and outcome components” (Schembri, 2006, p. 388). Is was shown earlier, Icarus was not the best at listening to customers feedback in general, let alone place the customer as extension to the delivery chain. Unfortunately, I did not have an opportunity to interview anyone doing the concepting and development of the services, but the end result is known and the interviewed middle managers provided a lot of critique regarding this. So the innovation of the services never really properly started (remember the services were copies of the ones on the market).

Whereas for the core business, the innovation had slowed down too, especially compared to the previous years:

Again speculation for me, but I am almost convinced that that’s the major reason why we failed to deliver innovations in 2008-2009, that we split the Research Center (SH)

Initially, I made a point about inability to structure the organization in a suitable manner for a new DL. Here however was a larger problem – overall innovation approach depended on the incorrect assumptions of the top management about the future market and incorrect dominant logic. The top management failed to conceptualize required innovation level for the ‘internet company’ strategy and the required innovation level for the two co-existing logics. They relied on their previous
knowledge of how the devices business was operated before having assumed that the device as a product has matured by now, and the growing margins have led to cost cutting strategies. Hence, there was a shift towards cost driven approach as opposed to the development of technology further:

I feel somehow that the company was very much focusing on that this is a cost game and not innovation game. Then came the [competitor A product] which actually was something very innovative. And we thought, ‘yeah, this is a niche product’. But then its started getting more and more ground, but we were looking somehow through these [Icarus glasses] that were way too blue and then just didn’t realize how big of a change it would be for the market. So I think, there the kind of a cost vs. innovation game is a critical thing. (Director, Corporate Development)

I think we didn’t pay enough attention to the core business, so we thought of the top management thought that some of the fundamentals were ok. I think there was a cost focus at that time. (TK)

I don’t know if that was the reason but at least somehow I think we lost that unit that was somehow doing the high end, specifically the high end devices, and we went into this somehow mass market and price competition and price cutting type of game. And also this kind of, it was clearly visible in 2005 and onwards that there was a lot of thinking that “Ok, in this [device] business technology does not matter anymore, so it’s mature business that we don’t need to lead in that technology or in the new features but it’s this logistics and price and brand and that’s what matters... but maybe it was thought that “this is how the business will be with some devices, like laptops or so, we don’t care so much about who is making it or in a way it’s commoditized. So it’s services and the price matters and everybody sells at 200 euro but we can manufacture them more cheaply than others, but that’s why we make money and we have the brand ”. Yeah, maybe that was somehow affecting. (MI)

In other words, TMT failed to conceptualize the business better so that for the new strategy innovation in both devices and services is required. It was a time for revision of a dominant logic. The interviewed objects provided a substantial amount of critique directed at the top management:

All those strategies... so the expert teams that we had that have done strategy – it was right, but when you have this kind of upper level of the executives who don’t understand, who might understand only some parts of it or don’t understand at all, that’s how the things go wrong! (TK)

And I think about the strategy, I think that maybe there hasn’t been anything wrong with the kind of vision of strategy, but it’s just that we couldn’t...higher level management couldn’t manage the activities to execute it properly. Maybe there wasn’t enough competencies enough, technology knowledge insights to really guide the company through this type of changes.

The critique towards the top management ranged in the variety of topics. The composition of the TMT included not strong technical leaders, the CEO was a lawyer with financial background and there were no members with services or internet
background, who could have made better quality decisions. Worse, they were employed at the company for decades, meaning their dominant logic was outdated.

But you know, [CEO] was CFO (chief financial officer) for 4 years, he has been in [Icarus] for 20 something or 30 years, I don't know, building the company as it is. I didn't really believe at that time that he was able to really understand and build something opposite what he has been building whole his life. (PM)

And maybe that was also a question of persons in the top management that we should have had different type of persons. Because if you consider at one time [Icarus] Group Executive Board there was a kind of a at least 2 or 3 financial guys, a lawyer and so on, but not really technology people. So it was more like a... Too much of this type of legal/financial type of persons leading... background yes and expertise was wrong. Wrong split because you should have a strong technology and product guys and innovators as well... (MP)

Once again, judging from the comments and perceptions of the middle management, this confirms that TMT failed to create strong technology vision required to support the overall ‘internet company’ strategy realization for both the core and services businesses. TMT (relying on previous success and strong brand) failed to realize that the importance of innovation for both businesses. Coming from the TMT decisions on innovation level and activities: the role of the championing of the middle management was constrained on indirectly.

Let us recap. Middle management can influence strategic agenda via innovation and championing activities. At Icarus DL, i.e. decisions of the top management killed many innovation ideas: the new alternatives were dismissed because they did not answer the expectations frames in terms of revenue or timing. This led to that many opportunities were left unutilized. This is how the DL constrained the championing activity on a very direct level, corresponding findings:

**Finding 2:** DL limits the effect of synthesizing and championing and sets frames or expectations for innovation, which are based on the previous success.

**Finding 4:** Inability to think in terms of new DL will project the (unrealistic) expectations about the speed of project results delivery onto the new DL business.

There was also a problem that inside the company that the actual inventions were not commercialized because of the missing links between the business and R&D units. At the same time, there was a strong division between the units: they operated in 'silos'. This is an example how the organization design affects the innovation activities, instead a strong structure supporting championing activities was required. Many projects were initiated but then killed, due to challenges in coordination of activities overall at Icarus.
Organizations were creating own strategies, had own agendas resulting in overlapping projects and competing internally between organizations. Stemming from the old previous experiences and incorrect assumptions about the internet business, top management’s inability to design a suitable organizational structure and coordinate activities in a wiser manner also challenged the fulfilment of the middle management strategic role in an underlying manner. Hence:

**Finding 3:** TMT must re-structure the organization in a suitable way for a new strategy and business model to support the new dominant logic in order to facilitate the innovation and championing activity of the middle management. Inability to build an organization suitable for new DL will have a negative impact on performance in the long term.

Yet, as you can see, flaw in organization design helped to set into motion dangerous dynamics at Icarus. The ‘hassling’ with projects, discontinued and overlaying projects as well as conflicting agendas –can be considered a very good ground for the rise of politics and power struggles. All this was exacerbated with the fact that the entire ‘internet strategy’ was still vague and ambiguous and there was no visibility across the company to the 2nd level strategies of who is doing what.

**Finding 5:** Inability to structure the organization well for the new DL will likely lead to tensions between units leading to conflicts, which can have destructing effects overall on the middle management role performance.

There is an elusive link between DL and conflict (elusive because needs further analysis), but this is consistent with a statement that the dominant logic can be a source of conflict (Guidice and Mero 2007). In their research relating to tensions among principals’ dominant logic on human motivation and behavior in joint ventures (JV), Guidice and Mero “we introduce the construct of power into the discussion”, given the feasibility of dissimilar dominant logic between JV parents. (Guidice and Mero 2007:269). They explain that clashes in dominant logics of different stakeholders can lead to conflict, because “decision makers from each parent will enter the relationship having had unique experiences and subsequent interpretations of those experiences, it is possible for their pre-existing knowledge structures and processes regarding governance to differ”.
Developing such dynamics as power asymmetry is likely to lead to constraining, or rather destructing effect in general over the strategic role of the middle management, not only to that of championing. As one interviewee summarized about politicking and issue-selling:

“you need somehow to always prove why you’re existing. And that was really frustrating. It takes maybe one year to do this kind of discussion.” (MV)

Finally, another theme, which emerged from the interviews, was complacency. As you saw, the interviewees always referred to being #1, delivering big projects, being highly successful in the past – this has developed attitude that the organization does not have to learn or innovate and can simply rely on old success. As was covered in the literature review success is a factor very closely related to dominant logic - “source of the company’s past success... becomes the lens through which managers see all emerging opportunities” and at its worst can act as a ‘blinder’ to organization’s peripheral vision (Prahalad, 2004, p. 172). The more successful the company was the harder it is to change the DL.

**Finding 6:** Dominant logic can lead to development of an attitude of complacency, which will constrain the organization’s learning.

### 4.3.3. Implementing Deliberate strategy

The key task of middle management is strategy implementation. Earlier I preliminary proposed that considering that, the dominant logic constrains organizational learning and that it tends to lead to codification of old routines making the company rigid - the middle management’s ability to implement the new deliberate strategy will be constrained in case of a strategic change requiring a new or an additional dominant logic. **Or failure to change an unfit DL will constrain MM ability to implement the strategy.**

So how was the implementation role of MM affected after the announcement of the new strategy and how has the DL complicated the fulfilment of that role? As a reminder, Floyd and Wooldridge under “implementation” mean: “translation of goals into action plans, translating goals into individual objectives, selling top management initiatives to subordinates, and, monitoring activities to support top management objectives” (Floyd and Wooldridge, 1997, p. 467)
The execution of services strategy ran into difficulties and in the end, Icarus abandoned doing services altogether. One interviewee summarized well the variety of relating issues – wrong starting point assumptions, overestimating own capabilities and assets and underestimating the requirement for these, and attempt to do many things internally which were not key areas of expertise:

...in a sense the assumptions were wrong. I don’t think kind of that we understood where the internet was going, where was the world going, what are the strong assets that we could build something on, what were the capabilities that we had, the strategy was not clear – people didn’t understand what it was, execution was not working as much as could have because of these things, kind of the previous steps had been wrong, that’s why the execution was not working then as much as it could. Also because of the capabilities and assets we had...So I feel that kind of every stage, and then when all of these kind of started compounding together the direction went completely wrong, so that’s where we should have had this triggering point, so that we see that we are not producing the X number of revenues or X number of active users, I think that we should have had kind of a real look at it that is this really the direction we are heading to and are we doing everything that is needed? So I think there we lacked the management rigor... so our internal applications were just not up to speed, we just could not deliver the capabilities and the experiences that the guys in the outer world could, because we tried to do everything internally. (TJ)

The role of implementing of the strategy was affected, or made more complicated, in a number of ways.

4.3.3.1. Organizational structure aspects

First of all, as illustrated earlier, the strategy was communicated in a memorable way and it made sense to the employees: all agreed that it was the right direction for Icarus to take and were excited about the future. Nevertheless, there was a great amount of ambiguity about the new strategy: there was no real understanding what being an internet company really meant and how that is going to affect in practice different units and their strategies. Some middle managers expressed that they were expecting more detailed execution plans and more guidance, whereas others were able to continue with their unit strategies quite smoothly. Floyd and Wooldridge emphasize that by “implementing strategy” -role they do not mean a process where top managers formulate exactly the strategy and MM would merely carry it out, which is unrealistic, instead “effective implementation requires that middle managers understand the strategic rationale behind the plan...[which] appears as a result from broad participation in the strategic process, and middle management’s effectiveness in
implementing strategy is thus directly related to their involvement in other roles” (Floyd and Wooldridge, 1994, p. 51). In other words, to implement strategy well, the synthesizing information and championing of activities are extremely important as it will set the basic, initial foundations, or assumptions as the interviewee in the previous comment said. The “internet strategy” was a given deliberate strategy and not many, or almost not at all middle management were involved in creating it, so for many it was an absolutely new direction and they would have to understand the rationale behind it, sell it to own teams and set the goals and objectives aligning to the corporate strategy. This ease of this process turned out to be very different depending on the level of involvement with the Services strategy differed a lot between the units. There was no uniformity in these answers as such, which can be seen in the comparison of the answers:

…it doesn’t get into details if you don’t do it yourself. And for me it appeared very quickly what should I do, because like I said I was just looking after governance I didn’t really have to establish this kind of business development or anything. So it was very effectively communicated to me at least and to my responsibility area, but of course I saw people complaining that the details are probably missing, and they don’t exactly know how we are going to do it... (JU)

Yeah, I think we discussed that with our team, but my team, we were not directly involved with [Services], so for us it was mostly that we were mostly following what’s happening and we were not directly involved... Yeah, I think [the communication of strategy] could have been stronger so that everybody would have really understood what it meant and what it would mean. And I think also sort of the execution of that strategy was not communicated well enough: how to execute? What it important to execute it? So it was probably too small circle, and I think that even people who were working with that they didn’t have enough resources either, they underestimated the difficulty of making of that kind of service machinery. (TJ2)

I needed to understand the business model of the new strategy. And I think that either I could not find the correct persons or the way of working was so different in the Services area than in the other part of the organization that it was difficult to get that impacts understanding. So yes, that is something I remember. So the business model is totally different in the old strategy that in this new strategy. I needed to learn more things.... I needed to understand more about the software not just hardware just materials, components and so on, so the software and the operating system and then the whole new world of the Services which I had to understand in order to combine everything together. So to understand where the sustainability strategy should be focused on. It has required me quite much mental change as well and learning new competences in order to create the strategy which is aligned with the [Icarus] strategy (AM).

**Finding 7:** The ease of process of translating goals into action plans varied significantly depending on the level of involvement with the strategy area involving a new/revised dominant logic.
Each unit was responsible individually to interpret the corporate vision and create own sub-strategy in a way so that it is aligned to the corporate strategy. In a company size like Icarus, this has led to a myriad of strategies and very different interpretations between the units:

So we are not really integrated because divisions have freedom and there is internal overlap. It was...[VP] calls it internal competition...Because you know, you feel the feel of communication when there is a lot of messages just don’t get through. How different units translated their strategies locally – also differed. A LOT. So, in certain regions there were very vertical strategies in some other regions we acted still like one company. So we started to have these weird top layers, overlays, overlay strategies, not actually fixing the root cause. So I think we lost this kind of root understanding, or we are talking now the overall company. Many of the people, experts, really knew the thing but it was very difficult to communicate because the strategic set-up was split to multiple entities. We kind of shift to multiple strategies, lost control for the central assets, moving out from the core competitive advantage - kind of core competence thinking to this kind of I would call more messy strategies. You tried too much. Then going to multi-level strategies when you actually have the core business running on this kind of complex multiple strategies and then you had this service layer on top of that - try to go to the services, do a lot of these multiple million euro acquisitions, all that OPEX for integration, lost a lot of energy and got confused during those clear years. (TK)

This is something, I already started to emphasize in the previous chapter: the importance of organizational design to support the new company strategy and enable the change of the dominant logic. The organizational design, i.e. division between the units might have as well been logical in sense that only certain units were involved more with the services; however, there was a problem that there was no clear communication of the sub-level strategies between the units across entire Icarus.

I remember this thing that I was still generally unhappy that we were missing this kind of vehicle for sub-strategies, but what I was personally able to execute because I located myself in relevant meetings and boards...We had a lot of these kind of dedicated strategies at that time, which had a similar treatment for the reason that this corporate level strategy which was well communicated through the company, but then we had these special area strategies and things which were lacking global visibility due to that I don’t know what’s the reason for that. It was clearly missing some vehicle inside the company of getting these kind of strategies through. (JU)

The lack of fluent communication between the units combined with coordination problems resulted in something the interviewees called “messy strategies” and “organizational “fuzziness”, unnecessary cloud in the organization”. This in turn has led to various implementation problems: since units were creating sub-strategies
separately there were overlapping and competing projects, which may not even have known about a similar initiative’s existence in another unit. Eventually some projects were “killed” off and there were ongoing constant organization changes. Numerous interviewees described this with word - “hassling.

(JK): Too many of those projects at that time were not resulting to lets say were not resulting to right products, feature or anything. Many projects were cancelled at the very end of the project schedule, so basically saying projects were not successful, they were delayed, they were cancelled, the content were changed during the project...so too much hassling.

**Interviewer:** Why was that happening?

(JK) That’s a good question, I would say that so that maybe there were many many reasons: execution, there were too many projects in the company, I mean now I am talking about [Media organization] or whatever business unit names we had at that time , I am saying that they were competing projects, there were too many projects...not clear enough focus... or because of this hassling of the organization ... even project management was not working properly. I would say it was a mixture of all of these things.

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I think that you know, when we were in peak, we were competing inside instead of outside. Like creating internal brands or having own retail for the ... devices separate from the rest of [Icarus] devices and those kind of things. I think these all have contributed you know to the decline, how the company was then moving forward. (PM)

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...it started getting a little bit fuzzy in terms of teams were not working together, teams were competing for the same market, and it showed a little bit of cracks in the way how our customers were perceiving us. When you had one team talking to them and the other team talking to the same customer which showed a little bit you know, first cracks there. (SH)

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(TK): So looking back, this kind of critical point of sending out [solution] unit – we didn’t have [this one ] solution which is kind of the core of [solution unit] and when it was set up, somebody told me that we had 25 different [solution] I projects ongoing! Which is kind of was actually too many...

**Interviewer:** How is that possible?

(TK): It was the management operation of course. Who are in charge? Too many cooks, too many shops...

As a pure device manufacturer, Icarus was very successful and efficient. Even despite being in a fast-paced environment and constant changes – the recent situation was quite chaotic, because the organization structure and processes did not serve well the implementation of the strategy. Note the use of word ‘machinery’ meaning smooth organization activity:

Before I would say why we were good here is that we had this machinery which was used to run these things...(JK)
With the same word choice another employee comments of the lack of execution in the Services unit:

...then what happened internally to us, so that we started doing things ... we were then surprised that NOT after one or one and a half year we are not having matching even close to matching products in our sale. So we were wondering, I was wondering, hey, what is going on? Why is this machinery not working? We should be the good one, number one; we should be capable of doing this... (JV)

What is the link between this information and the dominant logic? As the organizations were responsible for translating the high-level strategy onto own level strategy and the level of involvement with the services side differed a lot, the interpretations and consequently implementation activities embodied a different degree of change of the actual dominant logic within units. In other words, level of organizational learning and pace of change of routines was very different across Icarus. In fact, some organization did not change at all:

There were people who continued doing the very same job the used to do for what? 10 years and this organization changed and they kept talking, using the same organization than they used to be. (TK)

As a reminder, for transformation Icarus required both: additional dominant logic for creation of services and revision of the logic for continuation with the devices. Therefore, it should have been unacceptable that the some of the levels of organization continue as “business as usual”. The top management, however, failed to create a sense of urgency for change, instead communicated the strategy like an announcement:

That was more like an announcement. It didn’t include as much motivation, change in the mindset of people. There were some but it wasn’t as efficient as it was in 2010 or 2011 [=this was new strategic change after Services strategy failed]... I think it was just because of different management style, they didn’t maybe understand ...they underestimated the effort needed, so they didn’t engage the whole company in the same way as in 2010/2011[=this was new strategic change after Services strategy failed]... I think it was just because of different management style, they didn’t maybe understand ...they underestimated the effort needed, so they didn’t engage the whole company in the same way as in 2010/2011changes. So it was more like an announcement: “this is what we do, and this is why we do it and these guys are doing it”. And the rest of the company...there wasn’t an impact on the rest of the company basically. It was just as add-on, like. (TJz)

The inability to communicate the sense of urgency and the fact that each unit was independently setting objectives and implementing with a lack of cross-unit communication – in the long run affected negatively the overall performance of a company, because the diffusion of DL change either varied between the units or DL change did not occur at all. This is a separate topic for further research, but it would be very useful to investigate how the MM can more actively reshape the dominant logic, but as seen at Icarus, the middle management was responsible for the diffusion
dynamics of the DL across the company. And this is something Floyd and Wooldridge point out in their suggestion for further research too: “focus on questions like: What are the organizational conditions that facilitate/inhibit strategic involvement by middle managers? What specific environmental conditions intensify the need for involvement?” (Wooldridge and Floyd, 1990, p. 239). The change and revision of dominant logic required the need for strategic involvement of MM, but the organizational conditions also prevented a proper involvement and hence did now allow for the dominant logic to change. By these conditions as illustrated earlier were the coordination problems for sharing of strategic objectives and structural issues in organizational design.

**Finding 8:** The change and revision of dominant logic required/intensified the need for strategic involvement of the middle management, but the organizational conditions caused or sustained by the dominant logic also prevented a proper involvement and, hence, did now allow for the dominant logic to change.

Worse, the conditions set into motions dynamics in which the change of dominant logic was made even less possible. Due to the fact, that units’ priorities were different and conflicting as well as the overlapping and discontinued projects – the so-called hassle – now the general atmosphere created conditions in which each organization had to prove own existence:

So I guess that has been always the main driver of this unit strategy, that “OK, now the company overall strategy has changed somehow, so how do we explain our existence and benefit to the rest of the company with this new thing?” And I guess that has been relatively successful that the unit strategy has been aligned with the company strategy at least on some kind of reasonable level. But it has been in this unit quite top down process so... (MI)

...they basically every 2nd month they needed kind of to prove their case again but this should be in and lots of time was spent kind of for this type of defensive actions that why you should continue doing what you have been doing –type of work (MP)

So it was always...You started from scratch and then you convince somebody this is something and how you should be doing and ok maybe after a couple of months we need to do for new people – what you are doing? why you are doing this kind of module? you need somehow to always prove why you're existing. And that was really frustrating. It takes maybe one year to do this kind of discussion. And what I am trying to say that in this kind of cases you should be only one team – this [Icarus] - and nothing else...because I don’t want to/ like to speak like business, IT or something...just [Icarus] - ... [Icarus] - has something, some mission to do. Let’s do it together. (MV)
As I illustrated earlier, this has led to internal competition between units, and in the worst case can lead to internal politics and internal focus of each organization. One employee emphasized the internal focus in an example:

Good example is the kind of the end of 90’s we would have the [Icarus] Leadership Team at the airport greeting the customer, when the customer came. When I started in myself’s role, where the part is to organize all these customer executive meetings, so it was impossible to get anybody in 2010 or 2011 to come to a customer meeting, kind of the top executives, because they had their internal things that they wanted to do and they just didn’t want to meet the customer. They thought that the internal stuff is just much more important. I think that’s kind of a reflection in general of the kind of the behaviors that we just didn’t listen. (TJ)

He referred to this situation as “company’s arrogant attitude”, that it is actually less important to meet the customers and listen to the external world. The arrogant attitude was based on the superiority of Icarus in the past in the device business, the success trap causing ignorance as covered in literature review. This is in turn, affected the company’s ability to synthesize information from the external environment in order to learn and change the dominant logic, as seen in the previous chapter. In other words, the internal chaotic situation made the organization even more focused on internal issues, worsening further the effect of operating in silos and lack of willingness to cooperate. Because of problem of limited attention (Ren and Guo, 2011), (which means that the MM have a limited attention capacity to dedicate to vast pool of ideas and not all initiative can get attention and because of high degree of units’ internal focus – the required organizational learning did not occur, the routines did not change uniformly across the entire organization and the middle management’s ability to implement the strategy was constrained and the dominant logic has not really changed.

As I earlier proposed that considering that, the dominant logic constrains organizational learning and that it tends to lead to codification of old routines making the company rigid - the middle management’s ability to implement the new deliberate strategy will be constrained in case of a strategic change requiring a new or an additional dominant logic.

**Finding 9**: Inability of top management to structure the organization in a suitable way for the new dominant logic, created various tensions between organizations and too strong focus on internal issues, which in turn created an illusion of change, while the dominant logic change did not actually realize.
Here is the evidence that there was not change ‘business as usual’:

You know, we were re-organizing and re-organizing again and focusing on delivering [devices] and developing those... By 2010 I have been already at [Icarus] more than 10 years, so it’s “business as usual”. I think during the first 6 years in [Icarus] I already had 9 managers. So it has been like that from the beginning. (SV)

...because the changes happened so often, many-many times per year, big changes, so that something that was really causing troubles inside the [Icarus] because people were frustrated because half year a new set up, half a year new set up, just getting in the speed and get familiar with the new model and starting again from the scratch. New colleagues, new bosses... that has happened almost until today... (MV)

This is a very interesting paradox: at the same time, there were many new restructuring initiatives and project initiations, whereas, in reality, for some units nothing much changed and it was business as usual because the organization was driving own agenda and did not care for/nor had the visibility of other units. It was indeed the kind of an illusion of change:

There were people who continued doing the very same job the used to do for what? 10 years and this organization changed and they kept talking, using the same organization than they used to be. (TK)

To summarize to this point: the implementation role for the middle managers was challenged because there was no clear conceptualization, they needed to create sub-level strategies based on something they have been doing before, there was overall coordination problem with activities and structuring of the entire company organization to accommodate the change. According to the theory on DL, it was top management responsibility to tackle those issues.

4.3.3.2. Technical implementation aspects

In addition to organization structure issues, there were problems relating to the technical aspects of the implementation. Firstly, as mentioned earlier, there were clearly execution problems because the activities were not reflecting the grandiose strategy. Disparity between the intentions and performance/results, i.e. the implementation gap (Floyd and Wooldridge, 1994) suggest a number of issues (as was presented with interview quotes earlier): great expectations, inability to estimate the effort and capabilities required, and inability to adequately allocate competencies. All these things are top management’s responsibility for the change of dominant logic and implementation of the new strategy. How did that appear in practice?
Icarus needed to become a software company to implement its new strategy, which was very different from being a manufacturing company. The intention was to create an ecosystem: with an operating system/platform for the devices, which would enable the use of services and applications. In total Icarus had 5 operating systems simultaneously under development. This meant that there were 5 streams of work, different organizations, investments and R&D etc. at the same time. When a competitor was investing in a focused manner into one operating system – the Icarus was scattered between these 5. Five times the investment and the platforms are not even competitive. This is an example of how the resources were not effectively and efficiently used. Three interviewees emphasized explicitly that the top management was either not able to make the decision or lacked the courage to make such a significant decision. For example:

I think it takes a lot of courage from the management of the company to change the course when we are still successful... And I think management didn't have courage enough to do that. I also think that there were different opinions in the company management but those people who have had different opinions there were not as many of those as there should have been. So they lost the discussion in a way. (TJ2)

This means that the top management’s dominant logic affected the implementation of the strategy so, that the required decisions were not made and resources used inefficiently. Note the words “still successful”, Icarus was still having good financial performance. This was one of the reasons to justify the reasons for the existence of several platforms. For instance, one was a legacy operating system, let’s call it S1, from the previous devices. These devices made Icarus #1 in the world, were still selling very well and provided a good cash flow into the company. Unfortunately, S1 was very complicated to develop further for applications and services – technical issues – as a result for instance, 3rd party developers were struggling. For this reasons Icarus was open to investigating other options f.e.g. open source or collaboration with software company. Consequently, this led to the situation that the content available for various Icarus devices differed enormously. Developers at time chose not to develop all versions for all types of devices, because of the different operating systems. This was actually one of the critiques about the quality of the services and applications available – this is not seamless digital customer experience and far from being a unified ecosystem. Nevertheless, an important point to make here is that the internal division
within the company or fragmentation was reflected in the end products, i.e. once again structuring issue.

I think the scale of the implementation was not understood, so how big effort it is to build all those server farms etc., etc., how to support it? **How to create the applications that can be used sort of seamlessly?** And also I think our [St1] platform was not good either to support our Services, so I think it was sort of the implementations that I saw were quite clumsy as well, and there were too few services available. So that didn’t attract people to use it because there were not that many services available, not enough. (TJ2)

This is out of scope of the timeline, but worth mentioning that the next CEO who joined later and was coming from the software world, considered as one of the very first things to do is to close down operating systems limiting to 2. In a way this can be considered as a sign of that the previous top management could not make an adequate, timely, distinct decision for the software side of the firm. It can be interpreted that the top management was not able to think in terms of requirements for the internet company.

**Finding 10:** there is clear evidence that the top management made their decisions about the resource allocation and conceptualization of the business with the old dominant logic, because they failed to deploy resources effectively and efficiently. This in turn has affected the technical implementability of strategy, and hence the implementation role of the middle management.

It is nevertheless, important to emphasize that S1 was a money-maker for Icarus, and the decision to let it go was extremely difficult for the top management. This is also in line with the view of the difficulty to change a dominant logic, because of the short-term great financial performance the requirement for DL change is very hard to justify (Prahalad and Bettis, 1986; Bettis and Prahalad, 1995) and also because this relying on the past success. There were parts of organizations that did not realize that the future of S1 is not sustainable, especially because it was selling well. Here is an extract of interview with a director in Corporate Development, who was actively involved in strategy making and had great visibility inside Icarus:

> Because we were still doing semi-well. The sales were going semi-well still in many parts. [St1] was selling, ok, we knew that there were some challenges going forward, it’s not competitive but still...kind of...sales were OK. Kind of lots of people now I realized were very far away from the decision-making on that front, so people come and they have no clue what’s really happening in the company and I guess then when you have more information then you start seeing that you have more worries, but that’s why I think that a majority of population, well maybe that’s a wrong
kind of thing to say but anyways, huge amount of people didn’t know that the situation was so bad. Especially in the kind...because we were so regionally focused that some regions were doing really well and some of course not that well but still of course the kind of financial trend was not upwards but it was kind of steady. We were hanging in there. (TJ)

S1 in its earlier versions without the connection to internet was functional. The devices with S1 were “hot stuff”, Icarus did not have to do the actual proactive selling at all – instead customers came and bought everything, as mentioned earlier Icarus was a “king of the world” enjoying 40% market share. This is what some interviewees mentioned that Icarus did not know how to sell, it never had to. Naturally, there was a strong emotional connection to S1. One employee explains after the decision to stop development of 2 operating systems M1 and S1:

Yeah, I was a little bit sad. Because that was our own, own boy, own creation and as I said all people were so eager towards that one. We have something which nobody else has. Maybe the same thing in the past with [S1]. [S1] – this is own! (MV)

The internal level of commitment to S1 within Icarus in terms of investment, organization and employees was enormous, i.e. inefficient resource allocation. Icarus problems with software were the relating to the competences: there was not enough experience and capabilities as well as an entire faulty estimation for the required capabilities. Some acquisitions of capabilities proved to be bad investments and that was not really learning, which once again points at the inability of the top management to make decisions for a DL which are outside of the scope of their expertise:

So I think that it wasn’t really executed well and part of the problem is that I think that we didn’t recognize the that we don’t really have the competences in-house to actually build it... To fulfil strategic objective, you don’t learn by just start buying things. (JA)

There wasn’t enough experience in how you write the software... We have spent a lot of money on bad investment. Some investments were pretty good, but I think the only successful investment that we made up to the latest period that we are talking about post 2010, 2011 But we have a lot of them that ended up dead on arrival or dead soon after arrival. They were bad investments, either people had...either they were not technically qualified and they were investors, so they were finance people with no understanding of the technology or maybe they were technology people and had no marketing understanding so they couldn’t evaluate the maturity of the investment in terms of being able to actually market, create a new market for products that consumers didn’t even know they needed. Maybe they were good in marketing, bad in technology, bad in finance – I don’t know. But there was just a lot of very poor investments. (US)
Finding 10 (continued): there is clear evidence that the top management could not assess own resources adequately for the implementation of strategy, there were simultaneously over-estimation of own capabilities as well as underestimation of requirements for the implementation.

Without proper expertise and learning for software coding, technical issues with S1 combined with high pressures and expectations to deliver - naturally, contributed as the snowball effect to what was referred to as ‘hassling’ in project implementation mentioned earlier. Here is a practical example of how the various versions of the S1 operating system were delayed:

...they were tasked to do 2 yearly releases, major releases out, and their track record was what I heard, I haven’t checked it, but I heard that their track record was that they were able to deliver final major release every 2 years and now they were tasked to do 2 major releases per year, and when they could not do the 2009, 2009.2 release, it was postponed to 2010 and then all the way to kind of 2011 and for 2011 there was scheduled 9.2, 10.1, 10.2, 11.1 and 11.2, so 5 releases, so how the management cannot see that this is unrealistic if they approve this type of plan? And the track record is that they haven’t delivered so much from the past but then they are actually kind of ramping up the releases that fast. (MP)

As you can see, there was an inability to estimate correctly the delivery time for a software milestone. There were high sense of pressure and expectations.

This is not a marginal example, this type of activity prevailed in the organization. Here is similar case about technical challenges relating to content delivery network (CDN). (Read this extract from interview in Appendix 2). CDN is a module enabling the distribution for content – something Icarus needed to distribute services and applications with for its devices. Icarus IT department initially looked into the utilization of the internal product, which they could have developed for the external use, which was a very ambitious task as the end-user estimation was 300 million users. Icarus IT tried to convince the business side to reconsider the risk of internal development. For IT was very hard to talk to business side because the organizations worked in silos, each was driving own agenda and on business side there was no deep understanding what the technical implementation for the module will even require. They did not understand the technology behind it nor could formulate better their requirements because the services was new to them. The time-consuming (or rather time-wasting) negotiation process turned into “hassle” and politicking, where no one is listening to each other, everyone is speaking own language and there is a great learning
curve for all ahead. The temporary compromise and decisions were made and IT was able to proceed with the first version. As was expected, the development of components proved to be extremely challenging, there were no required technical capabilities and then a team within IT proposed to purchase a ready solution because building from scratch this type of technology was too complicated for Icarus. The manager who led that team reported:

Nobody even knew what were those modules! So we had to first convince our own people on the IT side. "What those guys are talking? Why we are not using this old-fashioned way?... the really old stuff...what this is actually based on." And we just introduced something totally new – this thing can actually be very easily done using this kind of components. We did one demo for example, we took one Mac and created some demo environment and we run on it Mac...[which was] more than 10 other servers in [Icarus location], our performance was much much better! And finally we got the approval, ok – let's start from the scratch! using those new modules....Yes, we lost the time actually [over a year]. And doing this political decisions and how to do these things and we already see that this doesn't work – we need something else. Ok, but after that we got fund for this new version, created it quite quickly: the first production was it in 3 month? – and if you compare it to ... 1 year! based on the existing module. So we started from scratch and it was 3 months and our performance was 3.4 times better than this. And that was really cool! ...There wasn't skill enough on that time in Hubs... They didn't know those technologies...maybe another thing that they just didn't want to say that they don't know these new technologies...But it started, and all those software component how we develop this virtual environment – totally new, nothing to do with our existing one, everything was new... But! if we are now looking what we are using today – we are using exactly those components! (MV)

This is precisely what “hassle” at Icarus meant. This example includes the full spectrum of the issues preliminary discusses in other chapters too: extremely ambitious goal, over-reliance on own past and trying to do the Icarus way, overestimating own skills and capabilities, underestimating the effort and technical requirements, unrealistic and expectation of quick results, pressure to deliver, no time taken for proper learning, cross-organizational communication issues, wasting time on politicking and internal issue-selling, driving own agendas, frustration, reorganization, working in silos, inability to admit lack of understanding, learning about the external better way to execute something. (See the entire extract from this interview in Appendix 2).

The implementation was just too challenging. The transformation was too ambitious, requiring Icarus to become something Icarus was not nor could not quickly become. Being an internet company required another way of working, different mindset, different routines and processes. And this is exactly what dominant logic stands for. Retrospectively, this is something interviewees agreed on: that internally, Icarus way of working was not the most optimal:
There are a lot of things we were just thinking just of some certain way to do it. But there are always many other ways to do exactly the same thing and even better. (MV)

We couldn’t execute it. And I think that’s because we are not an internet company. We didn’t think as an internet company inside. So it doesn’t happen if you put a slogan that we become an internet company and that we go to this services business if you are not an internet company and don’t know by heart how you execute that. (MP)

We just could not deliver the capabilities and the experiences that the guys in the outer world could, because we tried to do everything internally. (TJ)

As in the comment above and several other comments from the interviews, interviewees emphasized that Icarus tried to do internally the projects it had no capabilities for. However, doing internally was somehow a matter of pride or excessive confidence. At that time, there was a lot of internal enthusiasm and optimism that Icarus was going to make it and realize its strategy. (Of course, how else? After all, Icarus was #1!). In fact, confidence was a collective phenomenon; everybody within Icarus was of that opinion. The company was extremely successful and employees were proud to be working for it. To emphasize that, here is an extract of an interview of an employee who recently joined Icarus and had former work experience from big players of software business:

I would say that maybe I was a part of the problem because I was actually trying to think open-mindedly rather to carry the legacy of working at [SW firm 1] and [SW firm 2]. And maybe that [Icarus] actually had a better way, because at that time their market share was so good in what they did. And I coming from the outside and not necessarily having a [device] background or a [device] infrastructure background, well I thought, maybe that is something to learn. So, my critical thinking also involved the thought that maybe if I just had more experience I would understand why they are doing in what they are doing...because they must know what they are doing. So I became self-doubting, in my criticism. (US)

(In this segment, I also underlined “had a better way” on purpose. There was a popular expression “Icarus Way of Working” used informally at the company, which was used like a catch-phrase or an idiom. It was used to emphasize the special way of working, which made Icarus different, it was about strong culture and fast-paced environment and extended also to employees – for e.g “Icarus people” used to signify sense of belonging. This discussion requires a separate research altogether, but I am implying that these kind of phrase strengthened the culture of the company as well as the dominant logic. It was desirable to belong to the Icarus people and be proud because it was such a significant and successful company.)
Finding 11 (same as finding #6): As the dominant logic is a lens to view the world, being very successful and technically superior before caused high sense of enthusiasm for the new strategy, yet also over-estimation of own resources and consequently, complacency. In addition, it was easy to justify the decisions of the top management, which were at times incorrect, by the existing financial situation and past success.

To synthesize: there was a complex situation, where there were high expectations, high confidence turning into complacency, combined with lack of capabilities and understanding and inability to execute – then from my interviews, I noticed two alarming incidents emerging. Cover up:

Everybody must trust each other, what is reported - is it really true? On this operating system side, without going into details because I don’t even want to go into details, but I just know that there has been some cases where the reporting further on the reporting chain has been totally false. They have been late, they have not been able to execute... so complete lying. And that is the start of all the failures of course. If you cannot trust own organization or if you need to start lying towards your superiors and managements. That are pretty good prerequisites for successful strategy implementation. (JV)

They [top management] were having their own bubble, they were working there and assuming something about underlying workings and they wanted to hear good things. I heard lots of stories that people were actually making reports too positive to them, so maybe they were even too kind of unaware what’s actually happening and what are the problems, risks, because people were kind of trying to show good things for the top management. And I heard a story from one of the colleagues that there was even that type of case that somebody kind of came with a report and showed it to some kind of a Vice President and the Vice President said: “no you cannot say this and this and all the problems, and put this in a nice form and send it up”. So there was this type of... the company was more somehow not anymore inspired to do things and get energy from achieving real things but it was more artificial success – financial results and kind of people wanted to look good and company grew, so there were kind of too much bureaucracy, too many people and... (MP)

We have to rely on these two comments, because I did not have too many interviews and there were only two incidents like these mentioned, but the sources are reliable. This is also similar to finding #5 that the dominant logic can be a source of conflict (Guidice and Mero, 2007). Here, the inability to deliver and failure (or fear) to admit failure led to cover up of the reality.

Finding 12: High unrealistic expectations, previous success combined with inability to deliver and unrealized/unfit dominant logic can lead to organizational problems such as unrealistic representation of reality.
This is also in line with the findings in the next chapter relating to internal communications. Unrealistic representation was evident in a number of interviews in different ways for example (also view in the next chapter):

a) Unrealistic representation of external reality:

Interviewer: Why do you think there is such a tendency: to see or trying to see the positive things that perhaps may not even be realistic?

TJ: I would say...I am sure there are many reasons, but one reason I guess would be that we lost contact with the outer world. So in a sense we didn’t really understand what was happening outside and we were living kind of in our own little bubble about how things are and what's happening and...

b) Unrealistic representation of the internal situation

TJ: ...at least I would say that my peer group, I think that people understood that this is not... that we are not being honest. But then if I look kind of now with my “Sales” glasses on and now more of the kind of individual sales people and sales organizations, I don’t think that they knew, I don’t think that they were just so close to what’s happening here on the group level that I would probably be wrong to say that everybody knew, I think that there were lots of people who kind of who had more a holistic understanding knew, but I think that in the countries and regions things were still going pretty well.

c) And finally requirement of truthful view of the situation in order to be able to learn from failure during the process:

So this kind of critical reviewing and admitting own mistakes, and now when I say own mistakes, I don’t mean my mistakes or my teams’ mistakes - but I mean inside the company - really being honest to him- or herself. So what went wrong, why are we here? And really doing so not to fight who are the guilty ones by all means, but learning from mistakes. Without analyzing the mistakes, without analyzing the failure, you cannot do the guidance for the future. That is an extremely important part. And so far in this company, I have not seen that. (JV)

I would like to be careful and not to draw such conclusion that solely the dominant logic has caused this, but it definitely contributed to development of such dynamics. And this brings us to the final point. The implementation role of the MM includes task such as monitoring activities to support top management objectives. It seems that monitoring and reporting on a high level somehow was not functioning well, because there were such problems as described above.

To summarize the DL affected the ability to implement the new strategy, even if strategy was initially considered quite a good direction. The existence of multiple dominant logics and their relationship to one another proved to be confusing and hence for a part of employees it meant that nothing has changed. TMT’s inability to grasp the
size of the project correctly meant that the organization was not prepared to implement. TMT, based on unfit dominant logic, applied inappropriately choices and decisions about resource allocations – they over-estimated own capabilities and underestimated the requirements. All of these factors significantly impeded the implementation of the strategy and made the middle managers’ role much harder. Middle managers were creating own unit strategy and in organizations where more learning and routines’ change was required, there were problems with implementing the strategy. Inability to implement and deliver in accordance with the new dominant logic has led to a number of negative side-effects: such as unrealistic representation of the internal and external situation, tendency to cover up the failure and results, complacency in attitude, and exacerbation of internal politicking.

**4.3.4. Facilitating Adaptability**

Facilitating adaptability is essential for implementation of change because without MM efforts there would be more resistance to change - they are so-called *change managers* (Floyd and Wooldridge, 1994) or *change mediators* (Balogun, 2003). In practice, the role includes activities as relaxing regulations to start new projects, ‘buying time’ for experimental programmes, providing resources for trial projects, encouraging informal discussion and information sharing” (Floyd and Wooldridge, 1997, p.467).

I proposed earlier that this role is likely to be constrained, in case of an unfit dominant logic and if the time for (un-)learning is not taken.

Fulfilling this role requires time extensive sense-making of the new dominant logic (learning) and consequently the sense-giving to the employees (communication) in order to instigate and facilitate the strategic change (Balogun and Johnson, 2004; Gioia and Chittipeddi, 1991). It comes down to “if the middle managers are to execute strategic change, the roles they perform will depend on how well they share top management’s vision and they understand the ‘why’ and ‘what’ of the change program” (Buss and Kuyvenhofen, 2011:116). Sense-making is a process of understanding: to scan, interpret and define the changes, whereas, sense-giving means providing meaning for implementation of the change (Sharma and Good, 2013). Sense-making is a social process occurring though the interaction with others (Weick, 1979).
From the interviews, I did not receive much input on topics related to resources for trials, regulations and time management, but the most important theme that emerged was communications preceded by individual learning.

At Icarus, after announcement the level of enthusiasm and excitement about the new strategy was very high. However, further communication of the change down within the teams turned out to be more challenging, because as mentioned before the strategy was vague and the expected level of detail for execution was not met. In that sense, lack of clarity concerning DL has already constrained the task of the middle management of sense-making and sense-giving (Gioia and Chittipeddi, 1991) by making it more complex.

Perceiving something as ambiguous, new, unexpected or confusion triggers the process of interpreting (Maitlis, 2005). Confusion within the teams was precisely the right word to explain the situation:

(AM): I remember the comments [in my team] maybe more like ‘confusion’. Especially that time when we had the old team, the old people who were working pretty much with the hardware. It was such a new world for everybody so I think that maybe the ‘confusion’ was a better word than ‘not agreeing’.

**Interviewer:** Do you remember asking the corporate strategy unit or management for more clarification or an occurrence when you asked to elaborate more on what they are trying to achieve?

(AM): Yes, I did actually, because had I to understand the business model of the new strategy. **And I think that either I could not find the correct persons or the way of working was so different in the Services area than in the other part of the organization that it was difficult to get that impacts understanding.** So yes, that is something I remember. So the business model is totally different in the old strategy that in this new strategy.

Being a technology firm, in fast-paced environment and employing very well-educated staff who were excited about the new strategy – the learning about new topics was not an issue of resistance or avoidance. Several interviewed persons, as in example below, emphasized that there was a good learning culture at Icarus, others confirmed that the culture was open and favored discussion and interpretation - employees wanted to make sense and understand:

I needed to learn more things. I needed to understand more about the software not just hardware just materials, components and so on, so the software and the operating system and then the whole new world of the Services which I had to understand in order to combine everything
together. So to understand where the sustainability strategy should be focused on. It has **required me quite much mental change as well** and learning new competences in order to create the strategy which is aligned with the [Icarus] strategy...Probably there is this kind of learning culture because there were many info sharings or maybe even the learning course. But maybe I took this kind of **independent action** there because I wanted to understand and wanted to learn and I needed to understand in order to create the correct strategy. So, without the understanding I would not be able to create any strategical actions of strategic guidelines. (AM)

Interpretations were on the individual level, later followed by the collective interpretations in teams. As seen in example above, units required an understanding of the new strategy in order to formulate own. And since units had own priorities and were engaged in own separate interpretations and communications the consequence was that the interpretations differed within Icarus dramatically:

(TK) I think they [units] had all their own strategy communications, but I think you had different strategies at the same time so it was of course the communication challenge. Because you know, you feel the feel of communication when there is a lot of messages just don’t get through. **How different units translated their strategies locally – also different. A lot!** So, in certain regions there were very vertical strategies in some other regions we acted still like one company. So there was a lot of different freedom levels...

Considering that “sense-making is intimately connected to action: Action both precedes interpretation and meaning giving and follows it” the interpretation affected the actions (in terms of the unit objective settings) the units undertook (Raes et al., 2007, p.364).

“... we always went through the slides. But I have to say that the [Icarus] slides were quite long...So I think people feel a bit frustrated, and here in IT we hear quite a lot that even our top management is not able to communicate the strategy properly and kind of when IT creates its own strategy...” (SH2)

**Finding 13:** at Icarus the inability for the top management to clearly communicate about the conceptualization of new business and strategy has severely complicated the process of unit strategy creation.

Interestingly enough lack of communication has never been an issue in Icarus – there were large-scale corporate communication events, unit level discussions and monthly info sessions, company-wide regular annual survey, an internal chat-like tool for collecting feedback, many informal discussions, etc. The interviewees emphasized the discussion culture at Icarus and that employees always engaged in the interpretation process. Nevertheless, there were several issues concerning communication.
Being too abstract is not the only issue with the corporate strategy, what happened later on is that the high-level corporate communication did not reflect the reality. After a grandiose announcement of how the Services were to be conquered, the employees noticed the implementation problems which were discussed in informal discussions and unit meetings, but the line of corporate strategy did not reflect this:

(MI): So yeah, it was maybe this type of thing that yeah, maybe a lot of people I talked with had the same thing that "ok, we are telling out strategy and yeah, even following the things like we have 20 million [Services Platform] accounts' and then at the same time everybody who used those things personally who talked to people outside the company, they either have not even heard about it or tried to use, but also typically we heard that it is not so good so we are using something else. So you got this type of thing....

Interviewer: Discrepancy.

(MI): Yeah, the official story is like propaganda. It's not what's happening.

Similarly, another employee (Corporate Development) comments that there was a rising culture of being too positive:

So, I think there was also this culture of kind of trying to portray things a little bit better than they actually are. So, I don’t think... I think that the middle management properly was raising many of these concerns, but when they got to the top level, I am not sure they kind of...did they really have an understanding of what’s going on? I just don’t know. (TJ)

It was widely understood that the feedback mechanism within the kind of large info sessions was not effective:

And actually in the QandA sessions with the top executives we were asking that kind of a question, of course you never get any good answers there. Gilbert Answers (US)
And I think that there was not real effort maybe back then that how to collect internal feedback about this Services, it has maybe came later on. (MI)

Of course it is understandable that for instance the top management might have wanted to keep up the spirits high and not undermine the employee morale, communicating about the negative set-backs and inability to implement the strategy for Icarus would have been shocking. Shocking because Icarus was so successful and number one – accepting defeat or setback was out of the question. One employee emphasized that this kind of secrecy prevailed in Icarus:

Interviewer: Was there some kind on un-openness earlier regarding the obstacles...?
(MV): Definitely. For example ... services, or all the devices, inside the Icarus we didn’t even know what is coming, and what are the key things. Secrecy was so heavy. The common joke, that if you want to know what happens in the company please read the media because the media knows really better than we and that was really the truth...

This finding is parallel to what has been discussed in the previous chapter about how the execution problems in the units, when sometimes reporting was portrayed to look more positive or covered up. On the corporate level the picture also stayed very positive. It was easy to justify that, because Icarus was still having a very good cash flow from the sales of devices.

The phenomenon of “no real communication” has thus happened on the numerous layers and directions of communication. Corporate communication did not reflect reality and the reporting about the implementation in some cases was not realistic. In addition, there were problems with cross-unit communication on the horizontal level. As mentioned earlier, some middle managers complained that there was no visibility to what is going on in other units (which can lead to overlapping projects):

...This corporate level strategy which was well communicated through the company, but then we had these special area strategies and things which were lacking global visibility due to that I don’t know what’s the reason for that. It was clearly missing some vehicle inside the company of getting these kind of [second level] strategies through. I am just thinking of a metaphor how to make it more clear. Well, maybe you got it anyway. So, high level messages – everybody knows the words and slogans but when put in dedicated area, then those are not really getting through in any channel because there is no channel for it. (JU)

The situation was of course worsened by the “high walls” between the organizations (silos):

But in this particular case, when you shift the whole research arm to be independent from the business unit, what happened is that people started doing things on their own, and the innovation was left in the labs, basically, it never ended up in the products, because there was this disconnect in the communication. They felt like there was a communication on the top level, but on the middle lower layer, I have a feeling there was no real communication. (SH)

Let us construct the bigger picture. Sense-making is a social process, which implies that there are minimum two dimensions – the content and process of sense-making (Raes et al., 2007, p.364). I am looking at both the content and the process of the communication required for the diffusion of the new dominant logic across Icarus. Here we have a situation, where the corporate strategy is vague and its regular/typical communication is lacking more detailed guidance for execution. Hence, the information about the impact of the dominant logic is not clearly presented. The units
are creating separately own strategies based on own priorities/agenda and how they are relating to the company strategy. The number of those strategies - what was called ‘messy’ strategies – is high, and at the same time, the cross-unit communication is not functioning well. There are two negative consequences of such a set up:

1) Since the high level discussion is abstract the change is not properly understood, there is a development of an attitude that “the change does not concern us and we continue doing ‘business as usual’”. The change is not fully distributed across the organization:

And then the individual can think “Yeah, yeah, yeah (makes a bored/boring sound) the same thing, you know, I don’t even care, I am just going to do my job”. And there is the real challenge: to get the person really interested and show the connection as to what you do in your work. (SV)

Well one thing is that, what I have seen, is that people’s plans are not changed for some reason. They continue doing the old thing. (MP)

There were people who continued doing the very same job the used to do for what? 10 years and this organization changed and they kept talking, using the same organization than they used to be. So, it takes 3 years for the top level strategist. And when you change this top level strategies so many times, you change organizations every half a year – it never gets through! (FK)

2) Since everyone is focused internally only on own strategies, the distances or silos between the units are actually sustained. And the level of change of the dominant logic in different departments is different, in other words the DL change is not evenly distributed.

Finding 14: Because of top management’s inability to conceptualize the business better and structure an organization design, which would support the change of dominant logic – the role of facilitating adaptability was heavily challenged. Even if the middle management performed well own role within own organization, lack of cross-unit communication resulted in an uneven distribution of change of the dominant logic across entire Icarus, which can have a long-term negative effect.

Final comment about this role, is that facilitating adaptability means encouraging informal discussion and information sharing, which very successfully happened at Icarus. But the informal discussion never surpassed the threshold where it would actually affect anything. There were several comments in the interviews that concerns even if were presented to peers or direct line managers, did not affect the big picture. In a way it is unrealistic to expect that in a company of the size of Icarus it would be
possible to take into accounts all of the comments, there were very serious attempts and initiatives though, such as surveys and internal tools and feedback channels. The feedback is only as effective as it is acted upon. In the culture, where no one wanted admit failure and tendency for portray things more positively, it looked like the feedback was lost in the discussion. This means that the detailed communication is crucial for the distribution of new DL in a uniform manner and that organizational structure should allow/facilitate such exchange. For Icarus it looked like no “real” communication resulted in no “real change” of the dominant logic:

We are still trying to get by the end of this year all the rest of our products out…ok, doing it more efficiently. Less bureaucracy. **Full communication.** Natural communication. No internal obstacles inside the company. **Real roles, real teams.** Some basics in place, so it works. And another thing that is now coming actually in the loop is this openness how the leaders are communication already in before and it has never happened previously. But now it is in place. So [new CEO] would like to tell us something that is not the public thing. That is what I like. **That we are causing the trust. Cool.** (MV)

***

As you can see, after reading the quotes from the interviews and presenting them in context – it is much easier to understand the summary of findings presented in table 1 at the beginning of this chapter.

Reviewing the middle management perceptions on their roles and assessment of the strategy implementation success, as predicted provided insight into the dynamics happening at the Icarus organization, as the company was struggling to execute and was unable to change its dominant logic. As we have seen, inability to change the dominant logic has brought about multiple side effects at Icarus: internal competition and politicking between the units, overlapping projects and delays, technical implementation problems, confusion concerning the change, etc. (This is the answer to the third research sub-question, as was anticipated various themes can emerge from the interviews, which were not particularly predicted based from the literature review).

In the next chapter, I will structure these emergent themes in better format to illustrate how the dominant logic and Icarus’s inability to change it, created the conditions in which it was very challenging for the middle management to fulfil their strategic role to full potential.
5 DISCUSSION AND CONCLUSION

5.1. How did the dominant logic affect the middle managers’ strategic role and activities?

In the previous chapter, I presented the findings from the interviews utilizing the frameworks for the dominant logic and the strategic middle management roles. I supported my statements with the interview quotes and table 1 contains the summary of the findings. Some of the questions received more input than the other, but because this research is not quantitative and there was no specific set of structured obligatory questions, therefore not all items were covered in similar manner. Flexibility of the research on the other hand allowed obtaining data on the organizational dynamics evolving around dominant logic from a wider perspective.

In this chapter I will analyse the findings further in order to answer the important question of the research: “How did the dominant logic affect the middle managers’ strategic role and activities?”

Before I do so, I would like to recap on the three research sub-questions posed in the beginning of the study:

1) How was the inability to change the dominant logic evident at the case company? (Meaning how were the challenges to implement strategic change relating to the change of dominant logic evident.)

2) How did the dominant logic constrain or enable the middle management role fulfilment and activities? (Meaning what challenges associated with dominant logic did the MM meet during the implementation of own tasks? In addition, were there any positive effects of the possession of a particular dominant logic?)

3) What dynamics or side-effects did the inability to change the dominant logic cause?

To the first question, the answers were provided in the first chapter of findings grouped according to the dimensions of the operationalization framework for dominant logic. As illustrated, the interviews confirmed that Icarus was indeed ‘blind’ to the external
threats and opportunities, because the top management did not react on time to disruptions in the industry and did not decide to take advantage of different innovations on time like the new user interface or technology. The bureaucracy levels were reported to be high even despite the constant re-organizations; whereas, some parts/levels of organizations did not change at all. The learning and proactiveness in practice did not occur on the required level for both services and devices, innovations were poor in user-experience, late or failed to be commercialized. Conceptualization of a new strategy in detail was not successful; the organizational actors often did not understand what the transformation really meant in practice and how it was supposed to affect their work. It was reported that the top management decisions were not the most optimal (to put mildly) for the new dominant logic or at times applied inappropriately in an unsuitable manner to the new dominant logic (f.e.g. resources allocation for software development: financial resources were wasted in sustaining numerous operating system platforms, internal resourcing and capabilities was estimated incorrectly, etc.). The examples in quotes were quite straight forward.

In general, I must point out that the **critique towards the top management was one of the key themes emerging from the data.** All interviewed middle managers brought up on several occasions the critique relating to TMT's bad-quality decisions and unfulfilled responsibilities, weak composition of the top management team (f.e.g. that there was no ‘internet’ or service business knowledge), that the technical vision was lacking strong direction, TMT's attitude towards learning was lacking because there was arrogance and complacency based on past success, there was also inability to make bold decisions in the software side to abandon several platforms and focus on one, inability to trigger the sense of urgency for the change and scale the execution and so on. This confirms the theory of what Bettis and Prahalad specifically explicitly stated (1986), that TMT should be the key factor to pay attention to when discussing the dominant logic and that it is the responsibility of TMT to assess, revise or change the DL. Also, this means that the middle management had very good judgement on internal issues and that indeed should be listened to as many scholars have suggested (Wooldridge, Torsten and Floyd, 2008; Balogun, 2003; Huy, 2001). The causality of relationship here is easy to establish: TMT's incompetence and out-dated/unfit dominant logic leads to lack of quality decisions, incorrect assumptions as building blocks, which in turn affects their actions and consequently causes problems for the organization in the future. Truly, a managerial explanation for poor performance and strategic failure, just as Bettis and Prahalad originally intended.
However, in my research I am interested in the relationship of the dominant logic and the middle management. So to answer the 2nd sub-question: "How did the dominant logic constrain or enable the middle management role fulfilment and activities?" I reviewed the comments from the interviews in regard to the four strategic MM roles based on the Floyd and Wooldridge typology (1994, 1997). Now I will synthesize all of the findings, they will be presented in the following table and explained in detail afterwards.

The dominant logic contributed to the conditions in which it was hard for the middle management to fulfil their role.

<table>
<thead>
<tr>
<th>Effect of the dominant logic</th>
<th>Detailed Explanation of effect onto the MM role</th>
<th>Side-effect or Consequence</th>
<th>Examples of Possible Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Direct diminishing impact onto the strategic influence of the middle management</td>
<td>Dominant logic of the top management (i.e., decisions and actions) diminished the strategic influence, because even though the MM role of synthesizing information was performed well, the top management did not act upon the provided information.</td>
<td>Middle management cannot do anything about this, top management has final decisions and all the power. No actions were taken based on information synthesis.</td>
<td>Legitimization of MM influence and participation in strategic processes. Recognition of the MM input and participation. Securing inclusion, trust and respect.</td>
</tr>
<tr>
<td>2. High unrealistic expectations from MM based on the previous company success and pressures to perform very fast</td>
<td>Championing strategic alternatives was hard because the TMT expected very high returns, large business suggestions etc. There were also unrealistic expectations about speed of realization for projects.</td>
<td>Opportunities were missed out. Products and innovations were not commercialized. Projects were dropped unfinished.</td>
<td>More experimenting is required, and allowing space for testing and failure. Understanding that with a new model they are a challenger.</td>
</tr>
<tr>
<td>3. Overestimations of own capabilities, underestimations of requirements and detachment from reality</td>
<td>Implementation of strategy was challenging because the core top management incorrectly assessed capabilities and requirements.</td>
<td>Technical problems, as there was no internal capabilities to realize the strategy. Problems with organizational structure.</td>
<td>Need to take time to learn about the new business. Composition of TMT should be expanded by members with expertise in the new area.</td>
</tr>
</tbody>
</table>

Table 2: The effects of the Dominant Logic onto Middle Management’s Role Fulfilment
### Table continues:

<table>
<thead>
<tr>
<th>Effect of the dominant logic</th>
<th>Detailed Explanation of effect onto the MM role</th>
<th>Side-effect or Consequence</th>
<th>Examples of Possible Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Confusion and uncertainty: inability to understand the change created confusion</td>
<td>Facilitating adaptability was challenged by the feeling of confusion about the new business model and vision, as well as uncertainty how it will affect the units in practice. ‘Confusion’ affected the sense-making and sense-giving tasks.</td>
<td>Different interpretations (sense-making and sense-giving) in the different units</td>
<td>Emphasized need for clear communication from top management about new business model, relation of old to new DL, practical impact on units’ strategic objectives, etc. Requirement for cross-unit communication.</td>
</tr>
</tbody>
</table>
| 5. Organizational structure coordination problems | Inability of the top management to design and structure the organization in order to suit the new dominant logic, affected the conditions in which the MM were supposed to fulfill their roles | Various side-effects:  
- Silos  
- Politicking  
- Driving own agenda  
- Internal competition  
- Same projects overlapping  
- Innovation not fostered  
- Focus on internal issues | Open communication between units  
Avoiding overlapping of projects and internal competition |
| 6. Negative attitude (•) complacency and arrogance | Dominant logic affected the attitude throughout the organization, making it arrogant and complacent. | Unwillingness to learn, relying on past success, projection of past success onto the new market position | Open-mindedness, and organizational unlearning |
| 7. Positive attitude (+) | The success of the previous dominant logic can create a lot of enthusiasm, excitement, commitment and pride, which can have a positive effect on performance | Higher degree of involvement and commitment |

**Continued: The effects of the Dominant Logic onto Middle Management’s Role Fulfilment**

1. **Direct impact.** Dominant logic of the top management had direct, diminishing, effect onto the strategic influence of the middle management. For example, the middle management reported that the role of synthesizing information was performed well throughout the company, i.e. there was a good understanding of the industry, competitors, trends, innovations and disruptions. All of these were reported upwards to the top management. As the DL theory predicted, DL makes and organization blind to threats and opportunities, however, based on the answers it seems that the “blindness” originated entirely from the top management team. Middle managers were aware of the
external events, synthesized information which they brought to the TMT attention – it was the TMT's final decision not to act appropriately to market disruption. So the role was performed well, but performing that role well did not have a positive strategic influence because there was no top management decision to act upon that information. As the theory predicted if there is no recognition of the MM role (Balogun, 2003), trust, inclusion and respect (Mantere, 2008, pp. 302-304) towards the participation of the middle management in strategy processes – the middle managers will not be able to add value.

2. Unrealistic Expectations and Pressure. Dominant logic of the top management based on previous success in the core business set unrealistic expectations for the middle management when they were trying to suggest new potential businesses or innovations. There was for instance expectance of million revenue or unrealistic expectations for delivery of results in terms of speed. Championing of new strategic alternatives was very constrained because the ideas suggested by the middle management were considered too small. Similarly, suggestions about innovations like the new user-interface or design (which were proven with time to be game-changers) were not recognized as opportunities by the top management. (This also supported the Huy’s finding that the middle managers can have a better understanding or project proposals that TMT (Huy, 2001)). The bottom line is that if no one in the top management team is able to recognize the potential of the ideas which MM has brought to their attention – these ideas will not be utilized. This hence brings to the question of the legitimization touched in literature review: that the lack of legitimacy can act as a constraint for fulfilling the MM roles (Balogun, 2003; Mantere, 2008; Floyd and Wooldridge, 1997). The inability of the top management to think in terms of the new DL has projected those unrealistic expectations about the speed of project results delivery onto the new DL business, as a result opportunities were missed out, some product ideas and innovations were not commercialized and projects were dropped and not completed. Instead, the company should have engaged in more rapid experimenting, allowing space for failure because that is how organizational learning and unlearning occur.

3. Overestimations of own capabilities, underestimations of requirements and detachment from reality. As illustrated earlier, the interviews reported that the top management of Icarus made incorrect estimations about own capabilities (such as ability to create software required for realization of the ecosystem strategy) as well as
made underestimations of the requirements and efforts it would take to execute the strategy. This was evident in the low quality decisions about the resources allocations. Icarus tried to do many things internally, incorrectly thinking that its capabilities were sufficient. Dominant logic is the decisions and actions of the top management about the resource allocation – and at Icarus it was obvious that there were problems in conceptualizing the business and assessing the effort it would take to implement the new strategy. Hence, it was much harder for the middle managers to fulfil the role of strategy implementation, it can be said that the units were not equipped to fulfil it. The inability of the top management to see realistically what it will take to deploy this strategy - resulted in technical problems in the implementation (f.e.g. incompatibility of the technical solutions) and also in problems relating to the organization design and internal conflicts. As negative side-effects, there were cases when the units tried to cover up own poor results or there were tensions between different units developing in communication and collaboration. Bettis and Prahalad emphasized that the TMT’s effort to learn about the new business in order to assess, revise and establish the new dominant logic, and also expansion in the composition of TMT by new members with the experience of the new strategically different business – are vitally important (Prahalad and Bettis, 1986). These could be the solutions of how to tackle the problem of inability to make better non-conflicting resource allocation decisions.

4. Confusion and Uncertainty. Confusion was a key theme strongly emerging from data. As illustrated earlier, inability to conceptualize the new business and communicate in more clear way the required change of the new dominant logic created a strong feeling of confusion amongst employees. The confusion related to many things: business model, the level of relatedness between the two businesses, practical implications of the change in organization level as well own work, own organizational identity (‘are we an internet company, now?’) and even confusion on mismatch between the grandiose vision and the lacking execution. There was a high level of uncertainty associated with how the new strategy affects the objectives of each unit. So in that sense, role of facilitating adaptability was heavily challenged: all employees still thought in terms of the old dominant logic of the core business, therefore, the sense-making and the sense-giving relating to new business model (surrounded by this high level of confusion) required a lot of effort.

It is the responsibility of top management to communicate about the new dominant logic (Prahalad and Bettis, 1986), and since that was not very successful, all units
separately made sense of the new strategic change. This lead to that the interpretations
differed a lot between the different units, and as a result, the level of adaptability or so-
to-say, the level of diffusion of the new dominant logic across the entire organization –
also varied significantly. For example, the Services organization was had better
understanding of the new business model whereas some parts of organization had not
changed at all.

Confusion and uncertainty are feelings. I have not reviewed behavioural literature for
my research, but it seems that the inability to understand the change and learn more
about new DL has triggered a sense of confusion on an individual level for employees.
Quickly looking into an article about organizational learning I was able to find support
for this statement – “organizational learning is not a single construct or measure;
rather a process of dynamic interaction involving individual’s cognitions, behaviors,
actions and surrounding environments...however, the learning process involves not
only data, information, and knowledge, but also feelings, beliefs, actions and
emotions...learning is itself a deeply emotional process – driven, inhibited and guided
by different emotions, including fear, hope, excitement, despair, anxiety and
so on” (Akgun, Lynn and Byrne, 2003, pp. 859-860, emphasis added.); which gives a
good case for possible future research linking dominant logic and emotions.

5. Organizational structure coordination problems. There was a very large
number of issues reported relating to organizational structure, which caused various
negative implications. Bettis and Prahalad emphasized that the top management is
responsible to structure the organization to suit the dominant logic (1986). At Icarus
there were reports of overlapping projects and even overlapping organizations, which
lead to that units were competing between each other and trying to prove own
existence. Reportedly, units operated “silos”, this in turn has led to ‘high-fences’
between organizations, cross-unit communication problems, loss of visibility on
horizontal level of organizations and so on. At worst, the structural and organizational
issues caused internal competition, driving own agendas finally leading to office
politicking. A practical example would be for instance that there were different units
working on different platforms for the operating systems – and each had to justify own
existence. (As a result we know that some units were dissolved as the operating systems
were abandoned.)
So the inability of the top management to design and structure the organization in order to suit the new dominant logic, affected the **conditions** in which the MM were supposed to fulfill all their roles. It can be argued that cross-unit communication problems and politicking are more related to corporate culture (which probably may be true to certain extent; however I dismiss this idea because this was the new state of events at Icarus). Also it can be assumed that since organizational structure in separate business units has functioned like a machinery before there was nothing wrong with it – but I would argue that the organizational design might have been suitable for producing the core products in separate business units, but that it was not an optimal/suitable design for the newly transformed company, because now the unity was required on a corporate level for an implementation of the ecosystem vision. Once again, this is or should have been responsibility of the top management to adapt the organization in accordance to the new DL facilitate exchange, communication, facilitation of innovation between organizations for flow of interaction.

This finding is in line with typology about which factors can affect the probability of learning/unlearning occurring in organization: such as a) corporate culture, b) strategy c) the **company structure** (f.e.g. centralized, rigid, formal ‘can significantly constrain the facilitation of learning process and assimilation of the new patterns, behaviors and practices’, and finally d) internal and external environments (Fiol and Lyles, 1985, p. 805). So the company structure was not well designed to facilitate organizational learning across it. I recall that one employee said that “Services” was more like an “add-on”; whereas it should have been a significant part of the new Ecosystem vision. Two other interviewees remembered that there was lack of clarity about the services’ relation to devices (will the services be available for competitive devices?) and hence, what is the relation between the two organizational units themselves? Are they sharing a unified vision or should they be treated like separate companies?

It should have been top management’s priority to prevent the development of ‘us vs. them’ attitudes across Icarus and competing organizations. So on one hand, this was caused by TMT having an incorrect conceptualization of the new business (how to position services in respect to devices core business?), which is why this whole problem was caused by the dominant logic. On the other hand, because clashing unfit or multiple logics can be a source of conflict, as Guidice and Mero found out in their research on joint ventures (Guidice and Mero, 2007), hence can be argued that the logics between the independent units themselves such as technology vs. business or
services vs. devices caused the conflict because they function very differently and with such a different in agenda and priorities. In either way, dominant logic can be source of conflict directly (clashing DLs) or indirectly (via unfit organizational design and poor conceptualization of business), which brings me to an important finding on my research: that the dominant logic can if not solely create, at least contribute to, the conditions in which fulfilment of the middle management role is significantly complicated and constrained.

In other words, the faulty organizational design can lead to problems of facilitation of learning or innovation or cross-unit communication or worse, politicking, i.e. constructing unfavourable conditions or environment to perform and fulfil the role.

And this is precisely the answer to the 3rd research question – about what kind of dynamics the inability to change the DL can cause. The Icarus case has shown that DL can create or contribute to conditions (confusion, organizational coordination problems, etc.) in which fulfilment of the MM role becomes complicated and this can lead to destructing dynamics and side-effects such as conflict, politics, internal competition, cover-up as well as unrealistic representation of external and internal realities.

6. **Attitude, (negative).** The final key theme I would like to bring to attention is attitude.

Arrogance is something almost all of the interviewees in one way or another emphasized, with this precise word or synonyms such as ‘complacency’. Bettis and Prahalad emphasized the importance of how the positive attitude towards learning in TMT is likely to lead towards better organizational results and initiate unlearning/learning processes across the organization (Prahalad and Bettis, 1986). Espedal (2006) talks in his research about the success trap or competency trap, where competency acts as a blinder resulting in organizational ignorance and obstructing learning. The success trap is very logical to understand: successful experiences are pleasant; they are given more attention creating further confidence, hence, changing the attitudes of the organizational actors. As a reminder, one of the sources of the dominant logic is operant conditioning, which means that the “behaviour is a function of its consequences”, thus actions which turned out to be the “right things to do” are rewarded and reinforced and, hence, repeated (Prahalad and Bettis, 1986). This way
there is an incentive to repeat old behaviour and the routines are sustained. Attitude is an indispensable part of the dominant logic and is heavily associated with past success. The problem however is that the more successful organization is the harder it is to justify the need for change and the more chances the positive organizational emotions and pride will develop into complacency and arrogance, f.e.g. this type of complacency is meant by Miller in his concept of Icarus paradox (Miller, 1992). And this is also what happened at the case company (I purposefully named it Icarus).

Dominant logic acts as a blinder, as a lens and it filters the information that is deemed relevant. At Icarus, dominant logic based in success of the core business created the attitude of complacency, which consequently, shaped further the worldview, viewpoints and assumptions to base the next actions upon for all of the organization actors: TMT, organization as a whole and the individual stakeholders. The complacency and arrogance at Icarus were evident in many aspects as was illustrated in quotes in the previous chapter: for instance in the attitude towards learning (or lack of it for that matter, since Icarus thought and I quote that it “knows everything and is invincible”).

Also, organizational arrogance and complacency played a role for setting high expectations for big financial rewards, unrealistic ambitions to effortlessly master the services/internet business, for overestimating own capabilities, underestimating the competitors or external environmental conditions. There was an automatic projection of the previous past success from the core business onto the new services business without taking the effort for the organization to unlearn and learn properly the new.

So if the dominant logic is the way top managers think, and their world view and mindset – the dominant logic at Icarus was permeated by a particular attitude that had tendencies towards organizational arrogance and complacency, eventually having negative devastating effects reflected in inability to learn and innovate; which brings to a very important point – can dominant logic be a source of inertia? This may very well be the case, for example, Jarzabkowski speculated that dominant logic is a predisposition to inertia, as it “tends to limit the strategic search and reorientation that is a characteristic of second order learning and long-term firm performance. Thus, DL is a subtle and possibly overlooked aspect of firm performance, which with further research has theoretical and managerial implications for improving performance” Jarzabkowski (2001, p. 29). Investigating inertia and relation to dominant logic would thus be a good recommendation of future research.
7. **Attitude, (positive).** Having said all that about the prevailing attitude, there was, however, also a positive aspect to it. To answer the question if there were there any positive effects of the possession of a particular dominant logic, one should direct attention to the attitude and emotions. At Icarus, there were undeniably very positive emotions amongst employees about Icarus’ history, heritage success and achievements in general. It is a thin line to find where the dominant logic creates healthy positive attitudes and where these can lead to complacency. The positive aspects were seen as an emotional bond for engagement in and expectations for the new strategy. It is quite a paradox, when usually talking about change there is a connotation to resistance and fear, but at Icarus on the contrary, everyone was extremely excited about the upcoming strategy once it was announced. There was a sense of pride, excitement, anticipation, willingness to understand and learn – which are very useful attributes for an organization to create engagement, commitment and participation as well as affect culture in a positive way. In addition, there was a strong sense of trust in top management’s dominant logic (at least in the beginning), which can also be utilized for better organizational participation and culture. The success of the previous dominant logic can create a lot of enthusiasm, excitement, commitment and pride, which can have a positive effect on performance.

5.2. **Conclusion**

This research has illustrated that the dominant managerial logic can affect significantly the middle management’s strategic role and activities in various ways. Dominant managerial logic can diminish the strategic influence of the middle management directly by ignoring the outcomes of synthesizing information and championing strategic activities performed by the middle management. This means that even if the middle managers successfully have synthesized external information for organization’s response or proposed new ideas for business development, if these concepts were not in line with the top management’s dominant logic – they will not be implemented. This supports the strong emphasis of the scholars (Prahalad and Bettis, 1986) on that the top management is responsible for revising and update the organizational dominant logic.
One the other hand, the dominant logic may also create conditions in which it is hard for the middle management to fulfil their strategic role. For example, the dominant logic can create high unrealistic expectations for championing of ideas based on the previous success. The organization’s inability to assess own capabilities and estimate requirements for the new business due to the dominant logic acting as a lens to view the world, will affect the role of implementation of the intended strategy; and if the middle management is not successfully implementing the new strategy this may cause negative effects such as cover-up or friction between the units.

All in all, the dominant managerial logic can quite directly affect the role of the middle managers for instance by diminishing their strategic influence, by setting specific level of expectations or simply making the role much more challenging because the time is required for organizational learning.

At the same time the research has illustrated that the dominant logic and inability to change the dominant logic can have negative contribution to the conditions in which it is hard for the middle management to fulfil their roles and perform well, as a result this in turn can lead to development of dangerous dynamics and tendencies. At Icarus, these dynamics were exacerbation of politicking, cross-unit communication problems, distortion of self-view and detachment external reality, intensified focus on internal affairs as well as dishonesty in reporting and communication. The inability to conceptualize the new business, i.e. new dominant logic creating a lot of confusion and ambiguity, which in turn will challenge the role of facilitating adaptability for the middle management. In case of change of the dominant logic, the middle management require more detailed communication on the strategic objectives for their units. Otherwise, as a negative side-effect the diffusion of change and the dominant logic itself across the organization can vary between organizations significantly, sustaining parts of organization unchanged.

Also, the inability of top management to structure the organization in a way aligned for strategy execution may potentially cause less benign conditions, in which it is hard for the middle management to fulfil their tasks. For example unclear structure may cause internal competition between the units, overlapping projects and conflicting agendas. Finally, dominant logic contributes to the attitudes within organization making it potentially unwilling to learn or blind with complacency.
6 FUTURE RESEARCH

Dominant logic is a fascinating, abstract, cognitive concept. For future research I would suggest based on discoveries of this research as well as article by Jarzabkowski (2001) to investigate further the contribution or predisposition of dominant logic to inertia.

The dominant logic can be a source of conflict (Guidice and Mero, 2007). At Icarus the conflicting interests between different units also affected the level of diffusion of the dominant logic across the entire organization. One possible perspective to research the dominant logic further with is hence the power struggle and politics. Interestingly enough, the symptoms at Icarus closely resembled the problems associated with power and politics in M&A in the post-acquisition integration Vaara (2003) identified, such as “inherent ambiguity surrounding the integration issues, cultural confusion in social interaction and communication, organizational hypocrisy in integration decision-making, as well as the politicization of integration issues”. Icarus was not in a large M&A process as such, but the units were competing as if they really were different companies (several interview quotes stated that).

Additionally, the strategic role of middle management in the strategic change involving DL change can be looked from a new angle – how can the middle management become better, more active mediators or dominant logic change as opposed to how in my research I focused on how the dominant logic constrained the MM activity. Since the participation of the middle managers is vital in the strategy related processes for better organizational performance and change outcome, the MM should be considered the ambassadors or change intermediaries for the change of the dominant logic. It would be very useful to investigate in what ways the middle managers could improve the diffusion of the new dominant logic across the organization – for example encouragement and learning about the new products, improvement of the cross-unit communications and boundary spanning activities across all the strategically different businesses, etc.

Finally, a theme which clearly rose from the research was the DL’s relation to emotions, which is something worth investigating further. If DL can be a source of negative feelings such as complacency and confusion as well as of positive such as excitement and pride – and because DL affects how the managers act and think, it would make sense to investigate how the dominant logic can affect engagement and commitment.
7 LIMITATIONS

There are various factors one can consider as limitations in this study relating to the methodology and sample and research execution in general.

The criteria for the sample selection for this research consisted of 2 points: the interviewed employee needed to be a middle manager and has worked at the company for at least 10 years prior to the interview taking place. Unfortunately, out of all interviewees only 1 person was actually from the Services unit that was created as a result of the strategic change. Few were working in functional units which provided support for the whole of the company (such as Corporate Development or Corporate Responsibility). Although the strategic change naturally concerned the entire company, the overwhelming majority of the selected interviewees have been working mostly with the old products produced by company, so-to-say traditional products as opposed to the new ones which required a new business model. On the other hand, this is may prove to be useful point as well, in order to investigate possible sub-division within the organization and how the change of dominant logic was unevenly distributed across Icarus.

Secondly, this is a retrospective study looking into a previous decade; therefore, the interviewees may not necessarily remember many important events. There are no other sources of data, thus, the collected data represents limited perceptions of the employees based on their memories. It is impossible to discern any bias in the given interview answers if such may have existed. The selection of the interviewees happened on a personal basis – the selected employees were my former colleagues although from different units. Finding other new potential interviewees was a challenge because I no longer worked at the company and there were heavy lay-offs, therefore, many employees have who would have fulfilled criteria either have left the company already or were under negotiations and interviews were hard to agree on/arrange. What was striking is the use of similar vocabulary by the interviewed employees. It may have been a sign of strong culture and internal jargon, or also a sign that they widely followed the discourse for instance in media about the reasons for strategic failure of Icarus, and hence repeated the circulating explanations.

Thirdly, this is a case of only one company, which may pose difficulties to generalize findings and apply them into other contexts.
REFERENCES


### INTERVIEWEES AT ICARUS

<table>
<thead>
<tr>
<th>Assigned code in text</th>
<th>Position(-s) at Icarus</th>
<th>Duration of employment at Icarus at the time of interview in 2013</th>
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<tr>
<td>1 JK</td>
<td>Manager, Standardization Organization</td>
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<tr>
<td>2 TK</td>
<td>Director, Standardization Organization (Former Corporate Development, Strategy Organization)</td>
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<td>3 AM</td>
<td>Director, Sustainability</td>
<td>28</td>
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<tr>
<td>4 MV</td>
<td>Program Manager in Marketing (Former Capability Management in Services)</td>
<td>8 (and previously at the other company divested from Icarus)</td>
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<td>5 JU</td>
<td>Head of Area, Standardization Organization</td>
<td>15</td>
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<tr>
<td>6 PM</td>
<td>Senior Program Manager, IT (Former Line Manager, IT)</td>
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<td>7 US</td>
<td>Director, Standardization Organization</td>
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<td>8 TJ2</td>
<td>Director, Standardization Organization</td>
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<td>9 SV</td>
<td>Solution Delivery Manager, IT (Former Line Manager, IT)</td>
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<td>10 MI</td>
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<td>Manager, Standardization Organization, Standards &amp; Technologies</td>
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<td>14 TJ</td>
<td>Head of Operator Channel Sales (Former Manager in Corporate Development &amp; Strategy)</td>
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<td>15 SH2</td>
<td>Senior Process Developer (Communications, Change Management, Competence Development)</td>
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<tr>
<td>16 JV</td>
<td>Director, Industry Collaboration</td>
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<td>Director, HR</td>
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Appendix 2: EXTRACT FROM AN INTERVIEW (MV)

O: What does CDN stand for?

Interviewee: Content Delivery Network, because this is a commercial product. And there are many players in that area [Competitor Z], and that kind of big players and virtual means that we are doing somehow our own content delivery network. And this is still existing and its working, doing a lot of stuff.

O: So let’s talk more about this initiative...how would you evaluate the success of this initiative, now that you mentioned that it started in half 2007 and it reached its peak in 2010. Was the implementation of this strategy...how would you evaluate it? Over the time. Was it going according to the initial plan? Were there changes? Were there problems? These kind of things.

Interviewee: Yeah, very good question. Ok. Somehow it was ...ok some typical stories. In strategy first we are thinking how we are able to create this kind of a module for these Service purposes, business purposes. First we think in a [Icarus] way: “ok do we have already something in the company which we can re-use” And that was the starting. And that was actually the first version of the media hub 1.0, was based on the existing service that was just meant for internal use. When you are downloading something, the documents in intranet while using that module and it wasn’t not meant for the outside, so the external individual consumer could not use that module. So we take this baseline, ok, that is typical and even that we knew that we have to extend that module at that time we were talking about 300 million users or something... that was our ultimate goal – 300 million users...

O: that’s ambitious...

Interviewee: Yeah! So we were surprised how on earth can you do this, are you sure? So, because, our ultimate goal was so big and how this was somehow...ok, let’s do something small, try to do something and don’t think about the future...because we were... in the development we already see that this will not work in near future trying to push this information - are you really sure that you take that kind of a risk that these services will fly out and our...because this is quite central component in this picture. So if this doesn’t work – [The entire offering platform] doesn’t work! And we tried to convince maybe we still need something that...

O: Now that you are saying that “we” tried to convince – can you please specify who tried to convince who?

Interviewee: Ok. Maybe in the big scale – [Icarus] IT tried to convince the business side. Yeah, from the technology perspective to the real business case. Yeah, and at that time there were huge fences between the IT and Business, and it was as total different companies... and now it is getting much, much better. We are almost on the same team, but at that time, it was not so easy.

Ok, that was maybe one part. But ok, maybe another one that a lot of changes happen at that time, the organization changes, that [Media organization] was ramped down, new service unit was ramped up, totally new people came in. So it was always...You started from scratch and then you convince somebody this is something and how you should be doing and ok maybe after a couple of months we need to do for new people – “What you are doing? Why you are doing this kind of module?” You need somehow to always prove why you’re existing. And that
was really frustrating. It takes maybe one year to do this kind of discussion. And what I am trying to say that in this kind of cases you should be only one team – this [Icarus]- and nothing else...because I don’t want to/ like to speak like business, IT or something...just [Icarus]- ... [Icarus]- has something, some mission to do. Let’s do it together. If we succeed or ... you cannot blame it on some other part...because at that time it was always the “IT didn’t do that one - but we did! – IT was a screw up”. So, that was ... that is my targeting.

Ok, what else. This service business was really new one on that time... the first time in our strategy, but maybe that was some kind of initiator over operator strategies as well because we were still on other businesses and [Services Offering Platform] was our first ecosystem. And then many new things that we learned in that time, how to establish that kind of a concept and that’s why maybe we just realized that it’s really difficult to start new ecosystem from the scratch, maybe it’s just better to take some package...

O: But coming back to the question of overall evaluation of performance of this media and then you mentioned that the plans were really big in the beginning. So what happened next? How did it reach its ..?

Interviewee: Yeah, yeah... the next step was that we presented really new way to do this kind of a module. Evaluated what was this latest technologies, what were the biggest players using at that time, take for example [Competitor Z] or [Competitor G], and took in exactly the same components to us, and there was nothing to do in our, let’s say stack, we used in the IT side. Nobody even knew what were those modules!! So we had to first convince our own people on the IT side. “What those guys are talking? Why we are not using this old-fashioned way?... the really old stuff...what this is actually based on?!?” And we just introduced something totally new – this thing can actually be very easily done using this kind of components. We did one demo for example, we took one Mac and created some demo environment and we run on Mac more than 10 other servers in [Icarus factory location], our performance was much much better!

O: Of course!

Interviewee: ... impressed, how on Earth?! - because of new technologies! And finally we got the approval, ok – let’s start from the scratch! using those new modules....

O: Ok, and when that happened?

Interviewee: That was .... Actually Media Hub 2....it was maybe late 2008...

O: So it was approximately 1 year...

Interviewee: Yes, we lost the time actually. And doing this political decisions and how to do these things and we already see that this doesn’t work – we need something else. Ok, but after that we got fund for this new version, created it quite quickly: the first production was it in 3 month? – and if you compare it to ... 1 year! based on the existing module. So we started from scratch and it was 3 months and our performance was 3.4 times better than this. And that was really cool!

O: Why do you think it took so long to make the decision and movement from Media Hub 1.0 to Media Hub 2.0 ?

Interviewee: There wasn’t skill enough on that time in Hubs. They didn’t know those technologies. Ok, I understand, they are thinking “how we are able to support that kind of technology nobody knows except out own team, the development team?” And we had
always really small team, maximum 10 people working on that one! And most of them were external on top of that! In house maybe half and external half. And I understand that, how will we support that in future when we are putting in production, maybe ... maybe another thing that they just didn't want to say that they don't know these new technologies.

But it started, and all those software component how we develop this virtual environment – totally new, nothing to do with our existing one, everything was new... But! if we are now looking what we are using today – we are using exactly those components!

O: So you talked about externals. After Media Hub 2.0 was taken, was there new people hired with this skill?

Interviewee: In [Icarus], yes! Because there was a decision how will we...because when we started actually 2.0 we hired some certain skills in-house. For example [peson X] from [city T], I was hiring him, because he was on that one really guru in Finland. So he came in as scrum master on that time, and [person O.] and all those guys, they already knew those technologies – lets come in and establish this core team. And after that thinking, what else we needed? And we had a good relation to some external vendors which have already done those maybe past 2-3 years...

O: And how has that progressed then until 2010 until this CDN?

Interviewee: Ok 2010, we had this internal team that was growing a bit, we had support people and maintenance people that kind of thing. We created in release based, in agile model, we created small releases maybe one in a month put into products, doing the features that the business really needs, we just listen what are the strategies, what are the things that are need execution, really agile... and then we implement it, demoed it, is this really what you want – yes! - approved it – what next? And that’s why it grow up, it grow it but 2010 again some other changes happen and actually I can’t remember what was the root that cause that, but some re-organization on Service side and it was decided that whole virtual CDN would like to take out of Finland and move to [US city ]and the guys who were still on that time involved with that one to get rid of and then the guys from the USA will take the responsibilities. And currently it is somewhere in [US city ] I don’t know. I wasn’t there anymore. But totally new change. And after that I guess it’s not the same mode anymore, some maintenance mode...doing something. And that was a really big job. And all of those guys who were involved at that time, really good guys, really good skills are now somewhere else. Sad story. But...

O: So far it looks like it was implemented how it was supposed to be, what the initial plan was. You mentioned that it was one of the biggest parts of the [Services platform]. Do you remember what were the other part of [Services platform]? Were they also successfully implemented?

Interviewee: Yeah, we had at that time ICID something like that. Well, nowadays it’s called [Icarus]account. Yeah, that one. They had a team in [city office]. They did a lot of things also what we need from them and they need from us, so that was a really close cooperation.

O: Did that cooperation go well?

Interviewee: Yeah, yeah... maybe...let’s say...
O: Because at some point you said about challenges between you and the business side... but you worked well with ICID?

Interviewee: Yeah, because they also started this agile way of working. We went to the sprint model so we developed something in 2 weeks, so we synchronized that they will do the same thing on their end at the same time... but it took a lot of time before we were on that mode. And maybe the whole spirit, the attitude was very different in the beginning. They wondered "what the hell are they talking, what the hell they are doing in virtual CD" but after that they really got the point, they got in the loop: “ok, really cool. We are taking something...”. Because ICID were really big part of the [Media Organization] at that time, another was music at that time as well from the business side, doing a lot of cooperation because the overall [M service] content was delivered at the end through virtual CDN and what were the other account partners at that time...? But there was plenty of that kind of similar type of things and the whole of that was [Services platform].

O: Do you think that the overall strategy [for Services platform] was good, that it focused on the right things?

Interviewee: Yeah. I believe that in principle, because we had those components – [M service] – really crucial part still today. Totally implemented different way but that was very good. We need the [M]. Ok, the [G service] was still in that time in the loop, in US. And we did a lot of things with them before they ramped it down, but still today the [G service] are big part of the market place and that kind... Somehow that [service platform] concept as a whole is still valid, but ... maybe it was just a learning curve about how to do this kind of a big thing from scratch. Because the money, it takes time, with good resources, with right skills, new technologies, all of that stuff. We were not ready on that time.

O: So do you think that the lacks in implementation was that the company was not ready?

Interviewee: Yes. The company was not ready. We had the old-fashioned way to do things. Old technologies. It came so suddenly. Just puff! I still remember when [Top Management Team member] was announcing this [services platform] for the first time – Big Bang!!!
Appendix 3: AIDE MEMOIRE FOR THE INTERVIEWS AND TIMELINE TEMPLATE

BACKGROUND INFORMATION:

- What is your current role?
- What is your current organization and how long have you been working in it?
- How long have you been working for this company?
- Do you have subordinates, if so how many?
- How do you participate in your organization’s strategy process? (Q: org. vs. company?)

PART 1
Please mark down according to your memory:

- The key events which you consider important in the history of the company. Events memorable due to specific changes/announcements/performance?
- Why were these important?
- In which organization did you work then?
- Do you recall particular course of action you expected from the top management after a certain event that occurred/did not occur?

PART 2

- What were the key strategies at these time period? (What were the different strategic orientations?) Please mark strategic orientations onto the time line.
- Explain how have they changed? How were they different?
- What did you think of them at the time? How did they make you feel? What was your reaction and how did you expect your own behavior or team actions to change?
- How were these key strategies communicated to you – to your organization? Do you recall when and how you heard about this? How did you react to this at the moment (feel)? Did you consider the proposed changes at the time appropriate?
- What were the implications to your organization, i.e. changes in relation to this event?
- What was the level of your involvement in formation of these strategies?
- What kind of mechanism was there in place to provide feedback on the strategy?
- Looking back, do you think something could have been done differently?

PART 3

- The strategies which you have marked down in part 2, how have they realized?
- How has your role changed in strategy implementation?
- What were the obstacles to implementation?

- Do you recall providing (constructive/destructive) criticism? Do you remember voicing critical feedback...? What was the reaction to your feedback? Did you have problems providing feedback up?

- How do you recall the task of communicating the strategy forward to your own team? Did you have problems communicating the strategy down?

- What kind of changes in how the strategy was communication have occurred? To your recollection, how has the strategy communication changed over time? (Do you remember specific improvements or better practices used earlier? Please exemplify.)

- What is your overall satisfaction with the strategy pursued by the company at these various time periods?

- What do you think were the reasons for certain success strategies – or less successful strategies? (point on scale)

This is an example of the time line used in the interviews. Interviewees marked their answers about the key strategic orientations at Icarus and events onto the time line.