

STOCKHOLM SCHOOL OF ECONOMICS

Internal Strategic Alignment and SMEs

-A case study in efficiency

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16th of May 2011
Master thesis

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Acknowledgements

First and foremost, we would like to thank our very supportive and understanding supervisor, Anders Richtnér. You have our utmost respect for your valuable comments and guidance. This thesis could not have been written without you.

We would like to send our greatest gratitude to our case company. Thank you for your friendliness, time, resources, and insightful knowledge. Without your welcoming this thesis and our graduation would be non-existent.

Our thanks also go to Johannes Hultberg and Pelle Jacobson, thank you for your feedback, coffee breaks, and laughs.

Abstract

Prominent international organizations such as the EU, OECD and World Bank frequently describe the importance of Small to Medium Sized companies (SME) for the domestic and international economies. To some degree, SMEs operate under different circumstances than large corporations and in the theoretical field of strategic alignment; much of the research made is focused specifically on the larger corporations. The strategic alignment concepts has its roots in the theoretical school of the Resource Based View and stresses the significance of that the entire firm, its resources, capabilities, and competence is aligned in a coherent direction to reach a common goal. The purpose of this thesis is therefore to highlight the importance of strategic alignment for SMEs and offer suggestions regarding how it can be evaluated. Through a qualitative single case study we identify issues and opportunities within a SME in relation to strategic alignment. We proposed a tool to assess the strategic alignment by applying the 7-S framework. The 7-S framework incorporates the whole firm by assessing seven interrelated elements, strategy, structure, systems, style, skills, staff, and shared values. To achieve strategic alignment these elements should complement and empower each other towards strategic goals, with the aim to achieve an efficient and coherent organization. Our conclusion is that internal evaluation in regards to strategic alignment is highly important for SMEs. As our case company SME had grown certain aspects of the organization was moving in different directions. Issues as well as opportunities were identified in relation to strategic alignment when applying the 7-S framework.

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1 Introduction

The search for organizational efficiency, productivity, and profitability has for a very long time been a central theme in business and management studies. Dating back to the concepts of scientific management with names such as Taylor and Fayol these topics have been widely studied and evaluated in academia. Even in recent days these issues are still of the highest importance for firms and researchers. The business climate has become more globalized and the markets increasingly competitive. In the business environment and academia concepts such as lean and six sigma, has been developed and analyzed to establish best practices regarding the efficiency and profitability of the firm. Theoretical models have been cultivated to seek answers to how a company best formulates their strategy to leverage their competitive advantages over their competitors and thereby ensuring the profitability of the firm. Another important topic regarding economies is that of Small to Medium sized Enterprises (SME). Influential international organizations frequently mention the importance of SMEs in terms of job creation, economical growth and productivity. This thesis will therefore target efficiency and strategy within SME. We will do this by applying a various set of theories.

One of the most famous and commonly used models for strategy formulation is the Research Based View (RBV) derived from Penrose's work in 1959. The RBV has gained a significant amount of attention and is considered to be a valid theory in regards to strategy, and management (Barney, 1991; Grant, 1991; Prahalad & Hamel, 1994; Wernerfelt, 1984). The RBV is a comprehensive model outlining how resources, capabilities and competences collaborate in order to create a sustainable competitive advantage. This means that the RBV defines and highlights the resources, capabilities and competences valuable to the company in the long run and that the strategy should be formulated around these assets. The RBV will be used because of its holistic view on the internal organization and strategy formulation.

Stemming from how resources, capabilities, and competences are distributed and motivated within the firm come the notion of strategic alignment. The resources, capabilities and competences are not fixed but rather interrelated and have an effect on each other. To achieve an efficient organization the resources, capabilities and competences needs to be

strategically aligned, that is work towards a common strategy to fulfill the goal of the organization.

Strategic alignment has been widely discussed in the academic world in the last decades and the importance how strategic alignment is stressed to achieve an efficient and profitable firm is expressed in several articles. (Joshi et al. 2003; Henderson & Venkatraman, 1991; Rondinelli et al. 2001; Bergeron et al. 2004). In 1980 Peters & Waterman, two McKinsey consultants gave birth to what is known as the 7-S framework which targets organization effectiveness through strategic alignment. Waterman et al. (1980) combined seven elements (strategy, structure, systems, skills, staff, style and shared values) to outline the main aspects that an organization incorporates. Their research highlighted that strategic alignment between the seven interrelated elements is of the essence to obtain organization efficiency, where every “S” must be consisted and support the others.

In the academic literature much of the research done with the 7-S framework as a theoretical base has targeted large firms. As well it has been used to identify alignment in very specific functions of a corporation and not the alignment of an organization as a whole (see Appendix 1). In this thesis we will, based upon the RBV, focus on a SME and assess the internal strategic alignment of resources using the 7-S framework. The main purpose will be to highlight the importance of internal strategic alignment in regards to SMEs and through the 7-S Framework offer insights in how to assess the alignment.

1.1 Problem Discussion and Research Gap

Dominant international organizations such as the Organization for Economic Co-operation and Development (OECD) and the World Bank continuously highlight the importance of SME's. The OECD states that SMEs are highly important for the competitive environment of economies and that within the OECD member countries' SME's account for 60-70 per cent of the jobs (OECD, 1997). Furthermore, SME's produces a disproportionately large amount of new jobs and is a substantial source of productivity growth (Meghana et al. 2011). Although the importance of SME's for the domestic and global economy has been highly stressed, very much of the research in strategic alignment using the 7-S framework have been focused on large multinational corporations (see Appendix 1). The high importance of SME's together

with a lack of academic research focusing on SME's, in terms of strategic alignment and the 7-S framework, clearly establish a research gap.

As a SME grows it will face challenges, one of those is management capabilities and the need to balance the enhancements of their resources and capabilities as they grow (OECD, 1997). Garengo & Bernardi (2007), states that SMEs often behave in a reactive manner, the strategic planning is generally lacking, and there are no formal decision making processes. There is also a short term focus because of the absence of explicit strategies and methods that supports control (Garengo & Bernardi, 2007). These generalizations regarding issues of SMEs imply that there is a need for greater strategic measures to ensure a healthy development of SMEs (Nicholas et al. 2011). The measure proposed in this thesis is strategic alignment evaluation, and the 7-S framework will be used as a model to assess the strategic alignment within a SME.

Because of the importance of SMEs and the lack of research in relation to strategic alignment our research question is stated as follows: *Why is strategic alignment important to a SME and how can strategic alignment be assessed?*

1.2 Limitations

In order to narrow down and establish a frame for our research some limitations needs to be taken into consideration. Firstly, we limit our study to strictly analyze the internal alignment of a firm's resources, competences and capabilities as incorporated by the 7-S framework. Sub consequentially we will exclude the firms interactions with its external environment and markets.

Secondly, in our empirical data collection we only collect empirical data that is internal to the firm. In our interviews the interviewees are company employees and can only reflect the views and opinions of the internal organization. The secondary data is company specific materials produced by, or in conjunction with the firm.

Thirdly, we have focused on a single case study which means that the results we get are limited to the single case; consequentially the generalization possibilities are limited.

However, even if we study a specific company we believe that some issues have significance for other companies experiencing similar managerial issues.

Fourthly, we focus on the organization's current situation. This means that we exclude the pre-stages that the organization have gone through and only focus on the current situation and its possible strategic alignment. This thesis will not analyze how the resources and capabilities came about neither how they have changed historically within the firm. Rather, we will use a current case study to analyze the alignment of the internal resources and capabilities within the firm and the mechanisms which have great influence on whether a firm is strategically aligned or not.

1.3 Thesis Outline

This thesis is divided into six chapters. We will start with a presentation of the theoretical framework and explain the Resource Based View, the concept of strategic alignment, the 7-S framework, and give some general views on SMEs. In the methodological chapter we will give an explanation to our methodological framework based on a qualitative single case study. The methodological chapter is followed by our empirical findings where we first have a short description of the company¹ followed by a description of the information collected in our interviews. In the analysis, which is the next chapter, we will analyze each single element in the 7-S framework and in the synthesis link all the elements together and highlight main strategic issues within the context of our case SME. In the last chapter, conclusions we will conclude our findings and discuss possible managerial implications, theoretical contributions, future research and criticism of the study.

¹ Due to secrecy agreement the case company will be called ABC Inc. and the company description will be as anonymous as possible.

2 Theory

Our theory section will outline the main theoretical concepts and frameworks which will serve as a foundation to our analysis. Three main theoretical concepts will be discussed, the Resource Based View (RBV), strategic alignment, and the 7-S framework. We will link our theoretical concepts and frameworks together showing how they interact with each other. We believe that the RBV and strategic alignment are highly relevant in our research. The RBV gives fundamental aspects of what an organization incorporates and how to use, develop, and integrate resources in order to become competitive. The concept of strategic alignment highlights the importance of the integration and complementing aspects of resources, how they can be managed to work together to reach an effective organization. In order to assess and analyze strategic alignment it is necessary to have an understanding of what there is to be aligned, i.e. concepts derived from the RBV. To make such an assessment the 7-S framework will serve as our theoretical model. Our theoretical section will end with a general discussion of SMEs regarding the differences with large organization and managerial issues.

2.1 The Resource Based View

When measuring the alignment of a firm's internal organization the RBV is a valuable theoretical foundation. The RBV has its origins from 1959 with Penrose's idea of viewing the firm as a wider collection of resources (Wernerfelt, 1984). The essence of the RBV is that sustainable competitive advantages should be derived from the resources and capabilities that the firm encompasses and should therefore be emphasized in the strategy formulation. Unlike the Market Based View, which takes an outside-in approach to strategy formulation, the RBV involves an inside-out approach emphasizing on what the firm already has and what it can develop based upon its resources and capabilities in order to satisfy market demand (Barney, 1991).

A number of models and theoretical frameworks have emerged to address the valuation of resources in terms of its strategic worth and importance. An example of one of the most

prominent models is the VRIN developed by Barney in 1991 (Priem & Butler, 2001). The VRIN model suggests that in order for value to be created, through competitive advantage, the resources need to be Valuable, Rare, Inimitable, and Non-substitutable. The basic idea is that the resources that are VRIN are the resources the company should build its strategy upon in order to sustain competitiveness in the long run (Barney, 1991). The RBV incorporates a number of variables that is needed to be further explained in order to understand our use of the RBV. The following section will highlight the key variables in relation to the RBV.

2.2 Definitions for the Research Based View

We will outline the different variables constituting some of the fundamentals regarding the RBV. Because of the complexity associated with the interrelatedness of the variables incorporated in the RBV we need to make clear distinctions between them. The main concepts we will use are, resources, capabilities, competences, and core capabilities and competences. We will go through each of these variables and based upon a comprehensive literature review, give an accurate meaning to the words and how we will use them throughout the analysis.

2.2.1 Resources

As previously mentioned, resources has had a prominent role in theoretical research regarding strategy formulation and competitive advantage. Wernerfelt (1984) defines resources as *“...anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm”*. Also Barney (1991) defines a firms resources as *“...all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness”*. As can be seen from these two definitions resources can, in a broad sense, be seen as all the components of which the firm exists of and there are a number of categories were individual resources can fall into. The main distinction made in literature is between tangible and intangible resources (Russo & Fouts, 1997). Examples of tangible resources include physical assets such as buildings, materials, and machinery. Intangible resources may be included in the practices and routines developed by the firm, examples are culture and knowledge (Henry, 2008). Milles et al.

(2003) presented a study resulting in a compilation of definitions of the term resources as shown in the table below.

Table 1: Definitions of Resources

Resource category	Penrose (1959)	Hofer & Schendel (1978)	Coyne (1986)	Marino (1996)
Tangible	*			
Human	*	*		*
Physical		*		*
Organizational		*		*
Financial		*		
Reputational		*		
Regulatory			*	
Positional			*	
Functional			*	
Cultural			*	

Source: Milles et al. (2003)

The table shows a number of categories in which individual resources can fall into. As can be seen there is a very broad concept encompassing all the aspects of the firm which also correlates to the definitions made by Wernerfelt (1984) and Barney (1991). It can be concluded that resources is a very broad term encompassing all the aspects of a firm regarding their tangible and intangible assets. However, an individual resource may not ensure value for a firm. It is of the essence that a firm knows what to do with its resources and how to structure them in order to create value (Barney, 1991). This leads us to the concept of capabilities and competences.

2.2.2 Capabilities

Capabilities are, simply put, compilations of resources. It can be seen as processes that transform and create value by integrating tangible and intangible resources (Fleisher & Bensoussan, 2003). Amit & Schoemaker (1993) define capabilities as: “...a firm's capacity to deploy resources, usually in combination, using organizational processes, to affect a desired end. They are information-based, tangible or intangible processes that are firm specific and are developed over time through complex interactions among the firm's resources”. In other

words, capabilities refer to the firm's ability to combine its resources, creating constellations of corresponding resources which can generate value (Grant, 1996; Teece et al. 1997). Furthermore, capabilities need to become developed and maintained in order for a firm to remain competitive. A firm needs to take strategic choices in what capabilities that are lacking in the organization and that needs to be improved and developed. This process often involves the acquirement and allocation of resources to complement the capabilities the firm already possesses. What capabilities that needs to be developed is often determined by the competitive market place in which the firm operates (Birkinshaw & Hagström, 2000). When the firm has developed capabilities which are responding to the VRIN attributes, they can be seen as core capabilities (Barney, 1991). These capabilities need to be organized and structured just as the individual resources, leading us to the concept of competences.

2.2.3 Competences

Capabilities and competences as terms are often used interchangeable (Vincent, 2008). We do, however, believe that it is important to highlight some distinctions regarding the term competences in a context of the RBV. Competences can be viewed as a type of capability that is organizing other capabilities (Prahalad & Hamel, 1990; Foss, 1997). To create valuable and efficient capabilities, competences are needed to ensure that the capability configurations are organized and managed in efficient manners to maximize the outputs. Prahalad & Hamel (1990) defines competences as: *"...the company's collective knowledge about how to coordinate diverse production skills and technology"*. Fleisher & Bensoussan (2003) regard competences as a combination of resources and capabilities. They further suggest that competences have the same function as core capabilities do. They argue that it is the competence constellations that are subjected to the VRIN attributes when competitive advantages can be established. Thereby, the use of the term competence in this thesis will refer to capabilities that are organizing other capabilities (Prahalad & Hamel, 1990; Foss, 1997), which in turn enables the presence of core capabilities as well as core competences.

2.2.4 Core Capabilities and Competences

Since the competences are in fact a type of capability they can as well be regarded as a core competence if they answer to certain criteria. Core capabilities are capabilities that are particularly valuable to the competitive advantages of a firm. They should match the criteria

of the VRIN variables, and thereby becomes the foundation of the firm's strategic development (Prahalad & Hamel, 1994). Thus they become very important for the firm in terms of their strategic positioning towards other firms and the firm's profitability and efficiency overall. Core capabilities can be seen as a fairly abstract concept and may be hard to locate within the organization. Prahalad & Hamel (1990) identify three steps on how to find the core capabilities of the firm. Firstly, a core competency enables the firm to potentially access a multitude of markets. Secondly, a core competence should create significant value for the end-user or customer. Thirdly, it should be difficult for competing firm to imitate. These three tenants not only describe how a core capability can be located within the firm, it also shows what a core capability really is. It is capabilities rooted in the core of the firm which positions the firm from its competitors, offers value to the customer, and may allow the firm to gain competitive advantages in new markets. The core capabilities are the central capabilities within the firm which are the focal point of their strategy formulation (Barney, 1991). However, in order to create an effective organization of the core capabilities in the strategic development the capabilities need to work together or be aligned towards a common mission (Ciborra & Andreu, 2001).

2.2.5 The Resource Based View Framework

The definitions above have explained the various concepts as incorporated in the RBV individually. The following section will further highlight how they are integrated and work together. The following chart visualizes the hierarchy and integration of the concepts in the RBV. A multitude of individual resources are combined and form capabilities. Resources, both tangible and intangible, can contribute to several capabilities at the same time. The capabilities are then organized and managed through competences, which in itself is a capability. If the VRIN variables are applicable to a capability or a competence it should be considered as a core competence or a core capability. Thus, they should, according to the RBV, serve as a fundamental factor in the firm's strategy formulation and should determine how the firm is competing in its external marketplace.

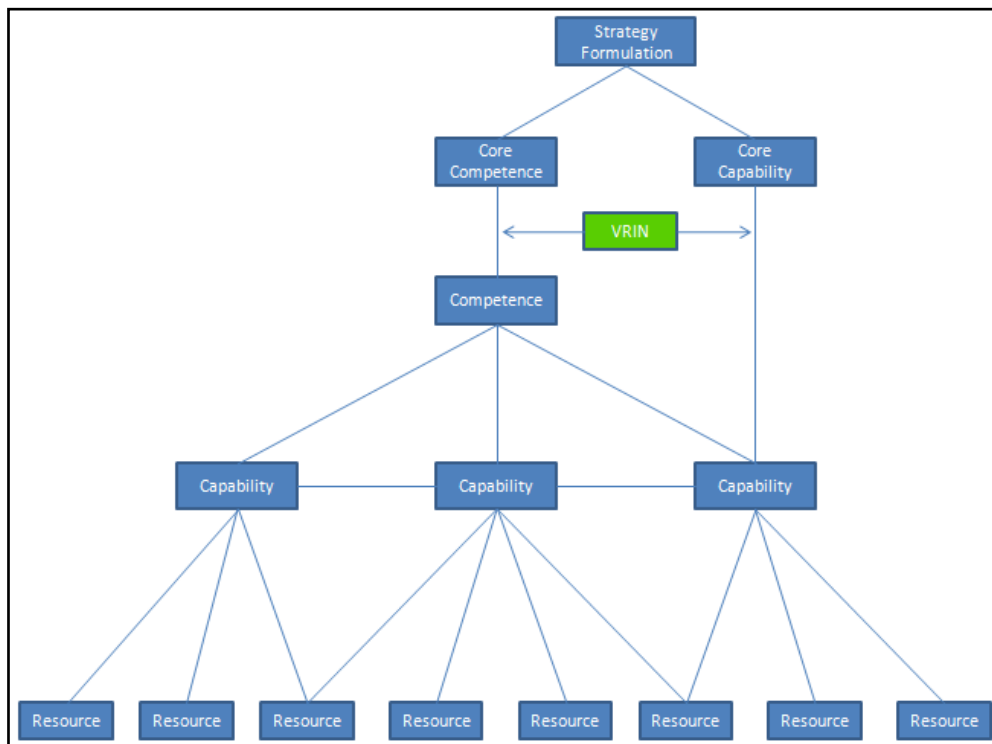
Figure 1: RBV Framework

Figure developed by authors

This illustration further shows the complexity of RBV. All the different variables are interrelated and if changes are made anywhere in the organization it will have a lesser or greater effect on the organization as a whole. Because of the high interrelatedness it is crucial that all the elements of the firm is working towards the same goal and are not moving in different directions. This leads us to the discussion regarding strategic alignment.

2.3 Strategic Alignment

As our explanation of the RBV has shown, a firm is a myriad of interrelated assets which enables the firm to operate. They can be difficult to control and it is of the essence that the key resources, competences, and capabilities are leveraged internally for the firm to be competitive externally. It is thereby significantly important that the assets of the company are working towards the same strategic goals (Venkatraman & Camillus, 1984).

In order to avoid confusion we must begin to clearly how the term strategic alignment will be used in this thesis. The concept of strategic alignment was from the beginning mainly concerned with the alignment between a firms internal resources and the external environment (Ciborra, 1997). As previously mentioned in our limitations, we will solely focus upon a firm's internal strategic alignment, excluding the external environment as an object of analysis. The alignment with the external alignment is naturally a very important aspect of a firm's operations. However, because of our scope and focus we will only cover the internal aspects of the firm leaving the external environment fixed. This will allow us to keep a constant frame of our research object as well as avoiding contingencies derived from market forces which is outside the scope of our research question. The concept of strategic alignment will in this thesis focus upon the strategic direction of the internal resources, capabilities, and competences within a SME. When all of these aspects are operating and integrating towards a common goal, and is strategically managed in concurrence with the firms overarching strategy, strategic alignment has been achieved.

Academia has frequently stressed the importance of strategic alignment. Bradford (2002) emphasizes that for a firm to move forward and to become the company that is envisioned, strategic alignment is the first step in making the changes needed. One important aspect is that the strategy should be an integral part throughout the organization. In essence strategic alignment is to have consistency in the firm's strategy regarding its internal settings, functions, and processes. This will enhance the firm's efficiency, productivity, and enable the firm to implement necessary changes as well as adapting itself to the external environment (Bradford, 2002). An important consequence of achieving alignment is presumed to be enhanced organizational performance, just as misalignment is expected to undermine performance (Ward et al. 1996). In the same subject, Hayes & Wheelwright (1984) stresses the importance of a strategy that is aligned with the business. A strategy should strive for consistency between its capabilities and policies and the firms competitive advantage.

Early research suggested that people, structure, and strategy were the main components that should be aligned to increase performance and efficiency. However, over time as the concept of strategic alignment was developed in academia and amongst professionals several additions has been made to what it is that should be aligned (Galbraith)². A number of models

² Cited in (Cummings, 2008)

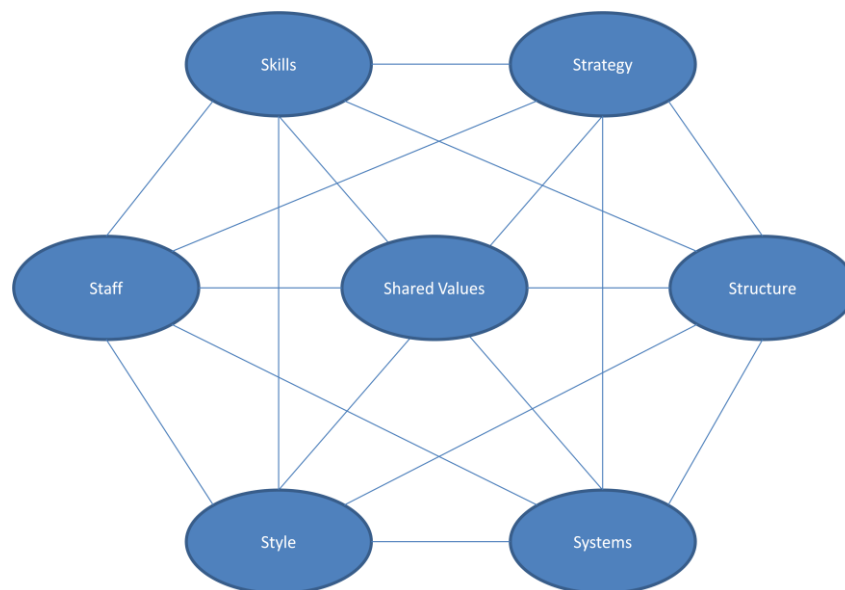
have been developed to measure and assess the strategic alignment of the firm. One of them is the 7-S framework which is the main theoretical framework used in this thesis because of its holistic view of a company.

2.4 The 7-S Framework

Waterman et al. (1980) showed with their 7-S framework that an organization can be broke down into seven components, together covering the elements that make up the organization; Structure, Strategy, Style, Systems, Skills, Staff and Shared values. The framework has been widely used since Peters & Waterman (1982) conducted a study focusing on successful large US companies and their organizational effectiveness based on the 7-S framework.

The 7-S framework was developed as a tool to get a structural approach to handle the problem of organization efficiency. In the framework an organization is seen from a holistic perspective. In this way an organization is regarded as a combination of the elements and since they all are related and connected changes in one element will affect all the others. Further, the structure of the framework is a figure with no starting or end point and it is not obvious which of the seven elements that will be the driving force (Waterman et al. 1980).

Figure 2: 7-S Framework



Source: Waterman et al. 1980

The foundation of the framework is that organization effectiveness is derived from the interaction of the interrelated elements in the framework. When all the seven elements in the framework are aligned, the company is effectively organized. In the figure below the 7-S framework is in a pedagogical way explained by arrows signaling the alignment in figure 3 and the misalignment in figure 4. This means that in figure 3 the strategy of each element is aligned with the others, giving rise to an overall strategic alignment and organizational effectiveness. In figure 4 the individual elements are pointing in different directions which result in a misalignment in the overall model. In this way the organization is striving in different directions and does not act in a consistent and coherent way, which leads to misalignment and an organizational ineffectiveness (Waterman, 1982; Waterman et al. 1980).

Figure 3: 7-S Framework aligned

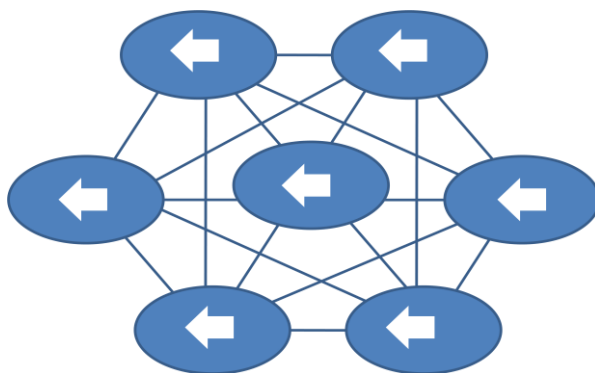
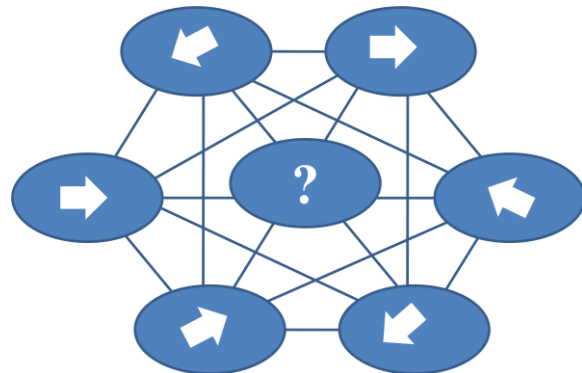


Figure 4: 7-S Framework not aligned



Source: Waterman, 1982

Waterman et al. (1980 p. 17) argues that the framework: *"...has repeatedly demonstrated its usefulness both in diagnosing the causes of organizational malaise and in formulating programs for improvement"*. In this way the framework is suited to analyze an organization's current situation, a proposed future scenario or to identify gaps between the elements (Waterman, 1982). This means that the 7-S framework is an ideal tool to investigate internal strategic alignment (Waterman et al. 1980; Pascale & Athos, 1981).

2.4.1 Historical Development of the 7-S Framework

Since the 7-S framework was originally created in the 1980's, little attention has been put to make additions to the framework. Studies worth mentioning is Kaplan (2005) highlighting

how the Balance Scorecard can enhance the 7-S framework. Hitt (1995) further stressed the importance of synergistic teams in relation to a learning organization and the 7-S framework. The foundation is still the seven interrelated elements that create a strategic alignment and organization efficiency. The validity of the framework is often mentioned and described in academia, it has also been used to add value into other theoretical models (Hitt, 1995; Feurer & Chaharbaghi, 1997; Levinthal, 1997; Schwering, 2003; Kaplan, 2005). These studies are more theoretical and do not add value to the 7-S framework, merely using the 7-S framework to give legitimacy to other areas of research. From a practical perspective there have been a number of studies using the 7-S framework from various perspectives. However, the studies we have found mainly focuses on large corporations, as well there is a focus on specific issues within the organization and not an evaluation of a company as a whole (Dwyer & Mellor, 1991; Fleisher & Nickel, 1994; Mehta & Tambe, 1997; Gopalakrishnan & Santoro, 2004; Bollen et al. 2008) (For more information regarding the studies see Appendix 1). These studies validate and give legitimacy to the 7-S framework as a practical theoretical model. However, because of the nature of the studies they also give rise to a research gap in terms of SME's and a wider perspective of an organization. Because of the wide usage spread of the framework and the deep theoretical implications the model has had, we believe that the model is a valid framework and provides a structural way to regard an organization and measurement for strategic alignment.

2.4.2 Criticism of the 7-S Framework

The 7-S framework has received criticism since it was first developed and published. For example Chapman (2003) has questioned the sample and criticized the study for the indifference of companies that Peters & Waterman (1982) selected in their original study. He argued that with only a few exceptions the evaluated companies were large firms in a static market with a strong market position. Others have raised criticism regarding the 7-S framework as a framework. Authors like D'Aveni (1994) have criticized the model and argued that the competitive environment is often fast moving, and that the assumption of stability which is fundamental in the 7-S framework is therefore not suitable. Consequently, the organization need more speed, flexibility and capacity to cope with the uncertainties the organization is facing. Pascale et al. (2001) is following the same line and say that a major weakness of the 7-S framework is that it promotes alignment in a static balance between opposing forces.

We are aware of the criticism and the implications of the criticism could have for our study. Regarding the fast moving market we believe that even if the market and the competitive environment move fast, we have limited our research and exclude the possible outside factors that could have a possible implication on our research. Our purpose is to examine the *current* strategic alignment of an SME and therefore the assumption of stability is regarded as a minor error factor in our research. Furthermore we are applying the 7-S framework on a SME, diverging from Peters & Waterman (1982) study of large corporations. Because of the previous research done using the 7-S framework and the attention it has received in academia we do believe that it is a suitable framework to assess the internal strategic alignment within a SME.

2.5 The Seven Elements

The seven variables in the 7-S Framework are often classified as hard and soft variables. The hard elements are; strategy, structure, and systems. They are referred to as hard since they are normally easy to recognize in an organization since they are often well documented in corporate plans, organizational charts and strategy statements. The remaining elements; skills, style, staff and shared values are harder to identify since they are more intangible in their nature. They rarely appear in corporate publications and demand a more indebt analysis to be revealed (Pascale & Athos, 1981). Each “S” has individually been subjected to significant research and can be considered as large areas of scientific research in themselves. In this section we will not go into deep discussions regarding the seven S’s since it would remove the main focus for this thesis. Instead, we have selected a few areas under each “S” that we will further explore in our analysis and theories. The decision on which areas to focus upon has been made in conjunction with our interview guideline, our chosen definition of each element, and areas which have been discussed in academia in regards to strategic alignment. We have determined what theoretical areas we need to acknowledge under each “S” in order to assess the overall alignment of a growing SME. We will give a brief view of what the different elements in the 7-S framework represent as well as highlighting relevant theories in regards to that specific “S”. In this way we can provide a structure for the different elements and thereby give a clearer picture of the different parts of the framework.

2.5.1 Strategy

Strategy is referred to the how a firm get from where it is today to where it wants to go and thereby maintain and build competitive advantages over its competitors (Pascale & Athos, 1981; Peters & Waterman, 1982). Kaplan (2005 p. 41) defines it as: “*The positioning and actions taken by an enterprise, in response to or anticipation of changes in the external environment, intended to achieve competitive advantage*”. But, strategy cannot be seen as a static phenomenon but rather as movement to what the organization wants to develop. In that way strategy can be seen as a tool an organization uses to differentiate itself to reach a competitive market position. The strategy needs to be communicated and have strong ties throughout the organization. If an organization’s operational aspects are not in line with the strategy, the strategy by itself is bound to fail (Johnson et al. 2008). Porter, one of the most cited authors in relation to strategy, developed a concept regarding generic strategy. He identified three main generic strategies. The firstly there is cost leadership, focusing on cutting cost and offer a lower price than competitors. Secondly, is differentiation, doing something unique in regards to competitors, for example producing products of superior quality. Lastly is focus, to identify a specific target market segment (Porter, 1998). These three generic strategies offer basic assumptions for how a firm can compete and what they can formulate the basis of their strategy around.

The overall strategy is evidentially of the highest importance for the firm and its alignment. If the strategy is not followed or communicated within the firm, strategic alignment will be very difficult to achieve.

2.5.2 Structure

The way a firm is organized is normally referred to as structure. All organizations have different structures depending on the organizations’ goals and culture (Pascale et al. 1981; Waterman et al. 1980). Kaplan (2005 p. 41) define and describe structure as: “*The way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated*”. In relation to decision making power, it is of the essence that the firm makes strategic decisions leveraging the resources, capabilities, and competences of the organization in its competitive environment (Nemati et al. 2010). Mintzberg (1980)

argues that the type of structure, to some extent, dictates the distribution of decision power in terms of vertical or horizontal decentralization of decision power. The vertical decentralization refers to how much decision making power is delegated throughout the organization. The horizontal encompasses the amount of decision making which flows outside the central command (Mintzberg, 1980). This can also be referred to as a hierarchical or flat organization structure. The hierarchical structure include a very centralized, top-down distribution of decision making, whereas the flat organization is more decentralized. The structure also provides information and insights into how the organization's units relate to each other and how project work groups and assignment of tasks and responsibilities are coordinated (Waterman et al. 1980; Burke, 1982). As well, Hansen & Wernerfelt (1989) claims that for an organization to be efficient a clear structure needs to be established which coherently sets the boundaries of the firm and how internal units communicate and collaborate. This would further induce the level of the internal strategic alignment.

2.5.3 Systems

In order to support and implement the strategy and run the daily activities every organization has systems or internal processes that are designed to create maximum effectiveness (Pascale, 1980). In other words systems are the daily activities that staff members engage in to get their job done. Waterman (1982 p. 71) define systems as: *“The processes and flows that show how an organization get things done from day to day (information systems, capital budgeting systems, manufacturing processes, quality control systems, and performance measurement systems all would be good examples)”*. This means that systems are the routine processes and procedures that member of the organization follow. Systems reveal how the company works and get things done and in that way systems are seen as the manual of organizational procedures (Pascale & Athos, 1981).

System is a very broad term which encompasses many different aspects of the firm. In order to limit it down the main focus will be upon the main business system(s) used in the firm. The benefits of well functioning systems are manifold. From an organizational perspective business systems can be used to establish organizational focus, cohesion, learning, and execution of its chosen strategies (Shang & Seddon, 2002). From a managerial perspective business systems can be used as an instrument regarding decision making in terms of allocating resources and to monitor and assess the firms operations (Shang & Seddon,

2002). Because of the overall importance of systems they need to be evaluated, maintained, and developed in order to create efficiency and value for the firm. Well established systems that are evaluated, developed, and maintained to suit the firms overall strategic purpose is of the essence and can be a source of competitive advantage (Irani, 1999). An important aspect regarding the evaluation of the existing system is that they respond to the overall goals of the firm and not the individual need of one employee (Shang & Seddon, 2002).

2.5.4 Shared Values

Shared values refer to the overarching purposes of an organization and its members, or the core values of the organization that foster the work ethic and the corporate culture. The values knit together the members of the organization and the organization as a whole (Pascale & Athos, 1981). Kaplan (2005 p. 41) defines shared values as: *“The core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important; vision, mission, and values statements that provide a broad sense of purpose for all employees”*. By placing shared values in the middle of the organization it becomes clear that this variable is essential to develop all the other variables in the framework. The basic idea is that if the shared values changes, all the other variables are directly affected (Waterman, 1982).

Shared values are closely related to the corporate culture. Schein (2009) claims that culture is important because it determines the individual and collective behavior mean of perceiving, and values within the organization. He further states that the understanding of the culture is valuable when accomplishing an efficient and productive organization. He further stresses the complexity of culture and shared values stating that subcultures can arise within an organization based upon factors such as function, products, and occupation. Different sub units can have greater influence on the overall corporate culture. However, it is of great importance that the subcultures are aligned and, even though they differ, are in essence working towards a common purpose (Schein, 2009).

2.5.5 Style

Style is referred to patterns of behavior as seen in the top management and senior management team. Kaplan (2005 p. 41) defines style as: *“The leadership style of managers –*

how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture". In essence the leadership style exerts influence on the company as a whole in regards to management behavior and thereby the corporate culture (Byrne & Bradley, 2007; Pascale & Athos, 1981; Waterman et al. 1980).

Organizational values are the dominant values, beliefs and norms which over time develop and eventually become relatively permanent features in the organization. Management style is more about what the managers are focusing on and how they act (Waterman, 1982). The leaders naturally have a great responsibility for allocation and distribution of resources throughout the organization. One such area which is directly related to leadership is their interaction with other members of the organization and their focus upon further development for employees in order to match the organization's goal and set guidelines for conduct and behavior. This can include regular performance reviews, coaching and other employee development related resources (Kets de Vries, 2005).

What kind of decisions managers make and how they allocate, combine, and develop resources has a great amount of influence on the corporate culture. The leaders or managers create a certain environment based upon the decisions they make. The relationship between corporate culture and leadership style is thereby two folded. The leadership behavior shapes the culture of the organization. However, when new managers come into the organization the existing culture determines what type of leadership is expected and accepted (Schein, 2009). The leadership style is important in regards to strategic alignment because the decisions that they make and the actions that they take have a large influence on the organization as a whole. How they distribute resources and what they spend their time on in terms of organizational development may have a large impact on the coherence on the overall strategy (Waterman, 1982).

2.5.6 Staff

Staff is not referred to the staff itself, but rather the demographic characteristics of the humans that act in the organization (Pascale & Athos, 1981). Kaplan (2005 p. 41) defines staff as: *"The people, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, manages the careers, and promotes employees"*. In this way staff can be said to represent individual characteristics such as worker's capacities, education, but also

their behavior expressed in motivation and morale (Pascale & Athos, 1981). The staff element can, to some extent, be linked to the Human Resource (HR) function of an organization. This could be processes used to develop managers, recruitment, compensation, socialization processes, and ways of introducing new members to the organization (Ulrich et al. 2008). How the staff recruits and what motivational factors that are used are important factors relating to the staff element. The recruitment processes should find suitable employees that have the right commitment and proficiencies to match the organization (Ulrich et al. 2008). Tools of motivation as expressed by Gottschalg & Zollo (2007) can be related to tangible rewards such as financial means and intangible incentives such as personal development and the enhancement of knowledge. By undertaking different forms of education and other forms of employee care an organization can ensure that appreciated employees with great knowledge and desired personal characteristics stay within the organization (Purcell & Boxall, 2003). The importance of finding and developing staff to match the overall strategy is evidentially very important aspects to achieve strategic alignment. The staff should have the right mind-set towards the organization and feel motivated and committed to reach the strategic goals set out by the firm. Motivational tools and recruitment processes are important procedures to align the staff with the organization.

2.5.7 Skills

Skills are referred to the features that an organization and its key personnel do particularly well and what aspects of the firm that differentiate themselves from their competitors (Pascale & Athos, 1981). This can to some extent be related to the notion of core capabilities and competences. If the firm does anything particularly well, this creates substantial value for the organization. Therefore the skills element refers to the knowledge of the staff within the organization as a whole (Waterman, 1982). Kaplan (2005 p. 41) define it as: *“The distinctive competencies of the organization; what it does best along dimensions such as people, management practices, processes, systems, technology, and customer relationships”*. Prahalad & Hamel, (1990) argue that the key success factor in this element is the top management ability to define and unite internal knowledge and resources thereby creating capabilities and competences. To create these capabilities and competencies from knowledge's, education and training is fundamental (Senge, 1990). These key skills or capabilities should then serve as are very important ingredient and should, in theory, set the company apart from its competitors (Hitt, 1995). The element of skills is very important in terms of alignment. Within the

organization there needs to be collective skills complementing each other thereby creating core competences and capabilities.

2.6 Linkages

This section aims to merge our theoretical foundations, the RBV, strategic alignment, and the 7-S framework. Basically the linkage between the RBV, strategic alignment, and the 7-S framework is very simple. The variables as described in the RBV, the resources, capabilities, competences, and core capabilities and competences, are what need to be strategically aligned in order to reap the benefits of alignment. The 7-S framework incorporates all of these elements and is a tool to assess their alignment.

As previously described the core of the RBV is that sustainable competitive advantages can be derived from the resources and capabilities that the firm encompasses and should therefore be emphasized in strategy formulation (Henry, 2008). Through the VRIN framework, as developed by Barney (1991), resources and capabilities managed and used well in strategy formulations can increase a firm's competitive advantage in comparison to competing firms. The management of resources and capabilities can further determine the efficiency and the well being of a firm internally, this is where the 7-S framework becomes important. Based upon the compilation of definitions regarding resources as developed by Milles et al. (2003) one can determine that the elements of the 7-S framework can be assigned to one or several resource categories depending on the definition of the term resources. We can therefore conclude that the elements in the 7-S framework clearly correlate to the central themes of RBV.

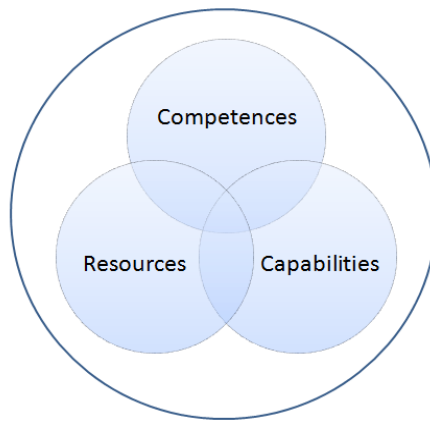
The following table is a combination of the definitions of resources as outlined by Milles et al. (2003) and our individual definitions of the seven S's (see Table 4). It can be shown that the definitions of the elements clearly respond to at least one of the criteria for being a resource.

Table 2: 7-S elements correlation with definitions of resources

	Strategy	Structure	Systems	Shared values	Style	Staff	Skills
Tangible			*			*	
Human					*	*	*
Physical			*			*	
Organizational		*					
Financial							
Reputational	*			*			*
Regulatory		*					
Positional	*						
Functional	*		*		*		
Cultural		*		*			

Source: Table developed by authors based upon Milles et al. 2003

This table shows from a pure definitional perspective examples on how the elements can be linked to resources. There are several resources under each of the elements showing the possibility of creating capabilities. How these resources and capabilities are managed under each element gives rise to competences. By dissecting the elements to examine what they are in fact constituted of we argue that each of the seven S's are constellations of resources, capabilities, and competences. The definition of competences refer to capabilities that organize other capabilities (Prahalad & Hamel, 1990). At the heart of each of the elements are thereby competences organizing the capabilities and resources in relation to the specific function of each of the element. Figure 5 below shows our evaluation of the internal components of each element. It does not matter which of the element that is dissected, these three components exists.

Figure 5: 7-S Element Disected

Source: Figure developed by authors

However, the specific resources, capabilities and competences are not exclusive to only one element. In some instances they may exist in several elements at the same time. As well, components in one element may be highly dependant on the components of another element. They are all interrelated and it is therefore of the highest important that all of the elements are aligned and operates toward a common strategy. To achieve efficiency each element should be coherent with, and strengthen the other elements.

Within each of the seven S's there are features of resources, capabilities and competences combined and interrelated. It is the strategy within each of the elements, how these competences, resources, and capabilities are managed, which is to be aligned with the overall strategy of the firm to achieve strategic alignment. Most firms possess all the elements as outlined in the 7-S framework, to a greater or lesser extent. Since previous research has mainly focused on larger organizations this thesis will highlight the SMEs in the context of strategic alignment. In order to get a basic understanding of SMEs, how they are differing from larger corporation, and specific management issues relating to them we will in the following section briefly describe som general aspects of a SME.

2.7 Small and Medium size Enterprise (SME)

As has been mentioned we will apply the explained theories and frameworks in the context of a SME. To conclude our theoretical section we will now present some general issues regarding SMEs. We will start out by highlighting some general differences regarding SMEs

and large corporations, showing that previous studies concerning strategic alignment and the 7-S framework is not entirely transferrable to SMEs. This is due to the nature of the differences between SMEs and large organizations. Nicholas et al. (2011) presents a table which outlines some general differences between a SMEs and large organizations. These differences can naturally not be applied to all SMEs or large firms but it offers a general overview.

Table 3: Differences Large organizations and SMEs

Large organizations	SMEs
• Hierarchical with several layers of management	• Flat with few layers of management
• Rigid structure and information flows	• Flexible structure and information flow
• Top management visibility limited	• Top management close to point of delivery
• Low incidence of innovativeness	• High incidence of innovativeness
• Slow response of environmental change	• Rapid response to environmental change
• High degree of formalization	• Low degree of formalization
• Personnel authority low	• Personnel authority high
• Good access to human and financial resources	• Limited access to human and financial resources
• High degree of resistance to change	• Negligible resistance to change
• Individual creativity stifled	• Individual creativity encouraged

Source: Nicholas et al. 2011

We will not discuss every single difference as proposed by this table. What can be seen from the table is that there are fundamental differences between SMEs and large organizations, suggesting that a SME is not only a smaller version of a large firm (Welsh & White, 1981). Instead they are operating under different circumstances. Welsh and White (1981) argue that main differences between a large enterprise and SMEs are concerned with policy making, structure, and the use of resources. Furthermore, studies have shown that certain general aspects regarding strategic issues can have different natures for SMEs and large organizations (Ghobadian & Galleary, 1997; Brouthers et al. 1998; McAdam & Reid, 2001; Garengo & Bernardi, 2007).

Based upon empirical data from 100 SMEs Garengo & Bernardi (2007) identified some general strategic issues regarding the operations of the business and organizational aspects of a SME. Some of these issues as revealed by Garengo & Bernardi (2007) are:

- Strategic changes are carried out without taking their organizational impact into account.
- Many SMEs allocate resources into organizational aspects only to solve organizational crises and not to prevent them in the long run.
- In a great number of SMEs the amount of delegation, control and managerial systems, as well as the actions of formal organs are heavily influenced by centralized ownership.
- Only a small amount of attention concerns Human Resources (HR). Often employees occupy different positions at the same time. It is common that there is no specific HR function in SMEs.

Evidently there are differences between large organizations and SMEs which also induce the possibility that SMEs may face strategic challenges different to those of large organizations. Some of these issues are clearly linked to the concept of strategic alignment. Since there is a limited amount of research made in regards to SMEs and strategic alignment the differences creates opportunities for additional studies. Especially concerning the benefits of strategic alignment for SMEs.

3 Methodology

Our methodological chapter will start by discussing our primary method; the qualitative single case study. This will be followed by a description of the case selection, how the interviews were designed and how the data were collected and coded. The chapter will be finished by a discussion regarding validity and reliability.

3.1 Case Study

We have decided to use a case study as a primary method to our research. The case study approach offers several advantages which will facilitate our research procedures. Yin (1994) outlines in particular three reasons targeting when to use a case study. Firstly, the case study method is relevant when the research typically tries to answer questions like “why” and “how”. Secondly, according to Yin (1994) case studies are appropriate when the researcher(s) has little or no control over the behavioral events which are to be studied. Thirdly, the circumstances of the phenomenon which is to be studied should be contemporary and in a real life context (Yin, 1994). The focus of our research is to analyze an existing SME and its current internal strategic alignment and thereby the case study is an appropriate method. In our research we have a more observational approach to the topic which we are studying. There is no aim to influence, but rather to seek and pinpoint behavioral patterns and interrelated mechanisms in the organization regarding the internal strategic alignment and therefore a case study is the more appropriate approach.

In regards to our theoretical framework, the 7-S framework, we believe than when using the framework a comprehensive case study is required to draw accurate conclusions concerning the organization. The main reasons being that the model incorporates all aspects of the firm, its business and broader parts of its organization. Because of this a substantial amount of data needs to be collected to get an accurate view of the firm including interviews designed to match a case study approach.

3.1.1 Case Design

There are two types of case study design, single or multiple (Tellis, 1997). The foundation of this thesis will be a single case study. The single case study method matches the area of our research and provides accuracy for our analysis and final conclusions. One of the more significant reasons why we are using a single case study is that it allows great depth and solid description of a certain phenomenon (Darke et al. 1998). For us to truly understand and visualize the level of strategic alignment we need to see beyond the more apparent aspects of the firm and extend the penetrating aspect of our empirical data collection. Our empirical data needs to reveal and pinpoint information about the implicit interconnectedness of the firm. This demands a great amount of time and focus.

3.1.2 Qualitative Case Study

We have decided to use a qualitative methodological approach. A qualitative case study can be defined as an intensive, complete description of a specific phenomenon where the purpose is to discover rather than to prove (Merriam, 1998). We believe that this definition match the purpose of our thesis very well. We will have a deep, comprehensive analysis of the strategic alignment within a company and thereby the qualitative approach is the most appropriate.

Denzin & Lincoln (2000) state that qualitative research highlight processes and meanings that are not rigorously examined and measured in terms of quantity, amount, intensity, or frequency. To some extent we will measure the internal strategic alignment of a firm. However, our aim is not to quantify the level of strategic alignment, instead we will observe the internal processes of a firm and analyze if they are working together effectively. In order to do that we need to pose our questions in a manner in which we can find underlying and sometimes hidden patterns based upon the employee perspectives concerning the different elements of the company. Qualitative in-depth interviews are needed to identify these patterns (Merriam, 1998).

One of the advantages of a qualitative approach is its flexibility. By using a qualitative approach we will have the advantage of being able to ask sub-questions which can be derived from the answers of our original questions. We can adjust our questions when doing the interview. This is important when we need to find the underlying patterns of the organization

which can be hard to identify when using a fixed quantitative approach (Denzin & Lincoln, 2000). Our qualitative approach further induces the use of a case study. According to Yin (1989) we will thereby satisfy the three tenets of qualitative rigor of a case study: describing, understanding, and explaining. Based upon our qualitative single case approach we will be able to describe the current level of strategic alignment, understand what elements are conflicting or consistent, and explain why they are inconsistent or consistent.

3.1.3 Case Selection

In our case selection process, which was initially based upon a comparative case study, we experienced great difficulties in finding firms willing to participate. To be as accurate as possible in our research we needed to examine the strategic alignment between direct competitors, mainly because this would remove many external elements not related to strategic alignment from the equation. But, when analyzing the strategic alignment sensitive information may be discovered. In order for us to measure the strategic alignment we needed to find out information regarding the company's strategies, strengths/weaknesses, and internal processes etc. which are sensitive matters for companies to reveal, especially when they are being compared to a direct competitor. The difficulties of finding two matching companies willing to participate further induced our choice of a single case study. This means that we had to leave our initial thought about a comparative study with two objects and instead focus on one object.

An important variable when selecting a case is the cross-case characteristics, i.e. how well the case fits into the already established theoretically specified population (Seawright Gerring, 2008). Yin (1994) claims that the case should reflect attributes and issues identified in the primary theoretical propositions. Because of the underlying purpose of this thesis we needed to find a SME case company.

There were a number of criteria which were important in order for us to find a single case appropriate for our theoretical scope. One important aspect was the size of the company both in terms of turnover and number of employees. Since we need to get a sound understanding of the company the number of employees could not be too large. To conduct a reliable and in-depth analysis, matching the purpose of our thesis, within the given time frame we estimated that the optimal amount of employees should be around one hundred.

Since access and timeframe for fieldwork often is limited, it is valuable to select a case which is within a close proximity and is welcoming the research which is to be conducted (Stake, 1995). In order to gain access to the company the location was an important factor. We needed the company to be situated in the greater Stockholm area. We wanted to conduct our qualitative interviews on site in order to get more personal interviews which could not be obtained through the telephone.

3.1.4 Case Sample

The European Commission's definition of a SME is that it should have less than 250 employees, and a turnover of less than €50 million (European Commission, 2005). Since we have stressed the importance of closeness to the interview object we added Stockholm as a parameter. A search for the number of companies based on these criteria resulted in 60344 matching companies. This is the total sample and shows that there are a great amount of companies matching our criteria, thus making our study of SME's more relevant. In order to exclude the smallest firms we excluded micro enterprises which are firms with less than ten employees and less than €2 million in annual turnover (European Commission, 2005). This resulted in an adjusted sample of 5171.

Table 4: Sample Selection³

Total sample		
	Criteria	Result
Employees	1-250	60344
Turnover	1 - 500.000.000 SEK	
Location	Stockholm	
Adjusted sample		
	Criteria	Result
Employees	11-250	5171
Turnover	20.000.000 - 500.000.000 SEK	
Location	Stockholm	

³ Search made in affärsdata, and based on the assumption of 1 EURO = 10 SEK

In our case selection processes we contacted several companies where these factors were evident. Our approach when contacting the companies was to send e-mails to the CEO with an introduction of ourselves, the nature of the research we wanted to conduct, and the timeframe of our thesis. Our assumption was that the company that needed an evaluation of their strategic alignment would also be more likely to respond positively. After receiving propositions from several firms we decided to go for the one that matched our criteria the most, mainly in terms of employees.

3.2 Data Collection

To get a comprehensive understanding of our case company and our research phenomenon data collection was a critical issue. We needed to obtain data of high quality and range to embrace the complexity of the interrelated elements concerning strategic alignment. To carry out our research we therefore needed to take part of both primary and secondary data. Andersen, (1998), defines secondary data as data collected by other persons, researchers and institutions while primary data is constructed by the author(s). To a large extent our main data is primary data which we constructed through qualitative interviews and observations. The secondary data was primarily information given to use by the case company; financial statements, organizational charts, company guidelines, and education materials are examples of secondary data we used (Yin, 1984).

Interviews are a very important source of information in qualitative research (Merriam, 1998; Yin, 2009). By using interviews we will get firsthand information from the employees and their views, opinions and role in the company. All interviews were conducted face to face at the firm's Head Office in Stockholm and each interview lasted between 40 and 90 minutes. After the first days of the actual interviews we evaluated the questions, but only very small changes were necessary. In the actual interview process three persons were present; the interviewee, one researcher asking the questions, and one researcher taking notes. The notes taken during the interviews were used in the transcription process. The interviews were also recorded and listened to in their entirety when transcribed. By conducting our interviews at the company's office we managed to create a relaxed feeling for the interviewees, which results in easier discussions. Secondly, it also allowed us to observe the interviewees' in their natural environment. According to Yin (2009) these two advantages is of great importance

when conducting qualitative interviews. We tried to keep the interviews as similar as possible in order to minimize factors that could influence the interviewees. For example, the interview questions were asked in the same way and order (Bryman & Bell, 2007).

The question regarding whom to interview is important when conducting case research (Holme & Solvang, 1997). Since strategic alignment cover a widespread view of the firm the distribution of the interviewees was carefully decided in order to represent the hierarchical and professional spread of the organization. Profession, department, responsibility, age and period of employment at the firm were examples of parameters for us to create a diverse sample. Based on the just mentioned criteria the employees within each department such as sales and IT were chosen, and the number of employees to be interviewed in each division was based upon the relative size of that division in relation to the company as whole.

We chose to interview 25 employees at the ABC Inc. (approximately 25% of the company). After each day of interviewing we made brief evaluations of the interviews to assess whether we received the type of information that matched our purpose and research question, and if we should make adjustment to our interview questions. This was also a way for us to determine when we had received all the relevant data. When we had conducted 25 interviews we concluded that all the necessary interview data was gathered for us to complete a thorough analysis of the internal strategic alignment of the company. The rationale was in that way not based on the number of interviews but rather on when we considered ourselves to have received the sufficient amount of data to conduct our analysis.

3.3 Interview Design

As previously mentioned we decided to use a qualitative interview approach. We also decided to conduct semi-structured interviews where we could ask the interviewees a series of predetermined but open-ended questions. The reason behind this was that this approach allowed the interviewees to more openly talk about their opinion in a particular subject (Bryman & Bell, 2007; Kvale, 1996). According to McNamara (1999) interviews are particularly useful for getting the story behind a participant's experiences and the interviewer can pursue in-depth information around the topic. It was necessary for us to receive in-depth answers from the interviewees in order to get enough relevant data to conduct our analysis.

Since we needed descriptive answers of the firm's processes and behaviors, a quantitative interview approach would not be sufficient.

By using a semi-structured interview approach we permitted the interviewee to become more detailed and give further in-depth explanation about their opinion in our area of interest and the possibility for us to ask follow-up questions. In this way we could ensure that the same general areas of information were collected from each interviewee (Gall et al. 2003).

We used several approaches to formulate our questions in a structured and exhaustive design. Our starting point was the definitions regarding the elements of the 7-S framework to incorporate the values of each specific element into the questions. Sub-sequentially, we found templates regarding what type of questions that should be asked when practically applying the 7-S framework (mindtools.com, 2011)⁴. We used these questions as a benchmark but slightly modified them to fit our definitions and purpose. Based upon our research regarding the 7-S framework we determined what kind of information we needed to attain under each element. Based upon this information together with the predetermined template, and our definitions of the 7-S's we created our interview guide.

We developed an interview guide which is categorized into two parts. Firstly, there are the questions relating to the hard elements and secondly the soft elements (for more information see Appendix 2). The respective category then groups together the assigned individual 7-S element. This structure gave a certain flow to the interview where we were able to guide the interviewee through the different elements of the 7-S framework. To validate our questions we also conducted a mini pilot study asking randomly selected professionals the questions to measure the proposed length of the interview, the types of answers we could expect from the respondents and if the questions highlighted the information we were seeking. Kvale (2007) expresses that a pilot test will help the researcher(s) to reveal weaknesses within the interview design at an early stage. In this way the researcher(s) can do the necessary modifications prior to the implementation of the study.

⁴ Mindtools, launched in 1996, is supplying professional training and education regarding leadership and strategy.

3.4 Data Coding

After have conducting 25 interviews we had obtained a significant amount of data in need of coding. A weakness of the open ended interview approach is the difficulty of coding the data. Since the foundation of open-ended interviews gives the interviewees the opportunity to fully express their answers in as much detail as they like, it can be quite difficult for researchers to find themes from the interview transcripts (Creswell, 2007). With that in mind we had to have a comprehensive data coding process. The purpose of data coding is through the creation of categories and concepts get smaller analyzable units by compressing extensive data sets in a systematic way. However, whenever researchers use themselves as part of the measurement procedure, they have to take into consideration whether the results they get are reliable and consistent (Trochim & Donnelly, 2007). Therefore, we have used an inter-rated reliability formula which provides us with a reliable method to determine the degree of agreement between us considering the same phenomenon. This allowed us to measure just how reliable our data coding and rating of the interview material between us is (Trochim & Donnelly, 2007).

We have used a measurement consisting of categories (7-S) which we are checking of which category each observation falls in and thereby we can calculate the percent of agreement between us. Creswell (2007) claims that interviewees will not necessarily answer the question being asked by the researcher(s) and, in fact, may answer a question that is asked in another question later in the interview. In this way the inter-rated reliability formula gives us a more reliable interpretation of the data. The coding process facilitates the progress of interpretation of the data and leads to that we can draw conclusions on the basis of our interpretations (Lockyer, 2004). During the first seven interviews coded we had a percentage of agreement of 75%. After the initial phase we discussed the differences of our coding and in interview 8-15 the percentage of agreement had raised to 85%. By the high level of agreement, we concluded that interview 16-25 only random sample tests were needed which showed a correspondence in coding of 85%. In this way we considered the reliability of the collected interview material and at same time decrease the subjectivity of our interpretations and conclusions.

3.5 Validity

Whether or not the researchers actually do see what they think they see is in the research area identified as validity (Flick, 2009). In the validity area it is common to talk about three types of validity; construct validity, internal validity and external validity. Construct validity means having accurate measures for the area research. This could be improved by adding multiple types of sources (Yin, 2009). Internal validity is considering that the researcher actually measures what he/she aims to measure (Bryman & Bell, 2007). The nature of the sources we use (interviews, analysis of documents, etc.) enhances the construct and internal validity. External validity on the other hand, captures the possibilities of generalization of the research (Flick, 2009). The findings from our case are specific for our firm and should not be generalized in detail. Since we are using a qualitative single case study approach, it leads to that the external validity is low and the possibilities for generalizations are minimized, but the theoretical framework used in the research process could however be used by other researchers.

3.6 Reliability

Whether a new researcher can recreate the study, and obtain the same results as the initial researcher has, is expressed as the research reliability (Yin, 2009). Bryman & Bell (2007) express the reliability as the repeatability of the results. This means that in order to create a high reliability in the research process it is important to document, explain and in a structured way handle the research subject.

Yin (2009) argues that the result of a study, to some extent, depends on the personal skills of the researcher. Conducting a high-class case study requires certain skills from the researcher; high knowledge of the phenomenon, being a good listener, asking suitable questions and being flexible are example of such characteristics. Therefore, it is difficult, if not unavoidable, that the result to some extent is affected by some amount of subjectivity, which has a negative impact of the reliability (Yin, 2009). All our interviews are based on precise questions derived in relation to the 7-S framework. In connection to each interview, the interviewees were asked to approve recording of the interview and all interviewees

received a transcript after their interview that they could comment and approve before we used it in order to avoid misunderstandings or misinterpretations from our side. All interviews were conducted in Swedish, and therefore there is a slight risk of translation issues concerning the data collected from the interviews. However, the reliability is taken into consideration by the fact that all the interviews were recorded, summarized in direct connection with the interviews, double-checked by the interviewee and coded in a structured way.

4 Empirics

In this section we will explain what we have found in our empirics. We will start out by describing our case company and how it operates, and how it has grown in the last decade. We will thereafter describe the information we have collected in our interviews. We will go through each of the 7 S's, what the different department within the organization has said and the general information revealed.

4.1 Case Company Presentation

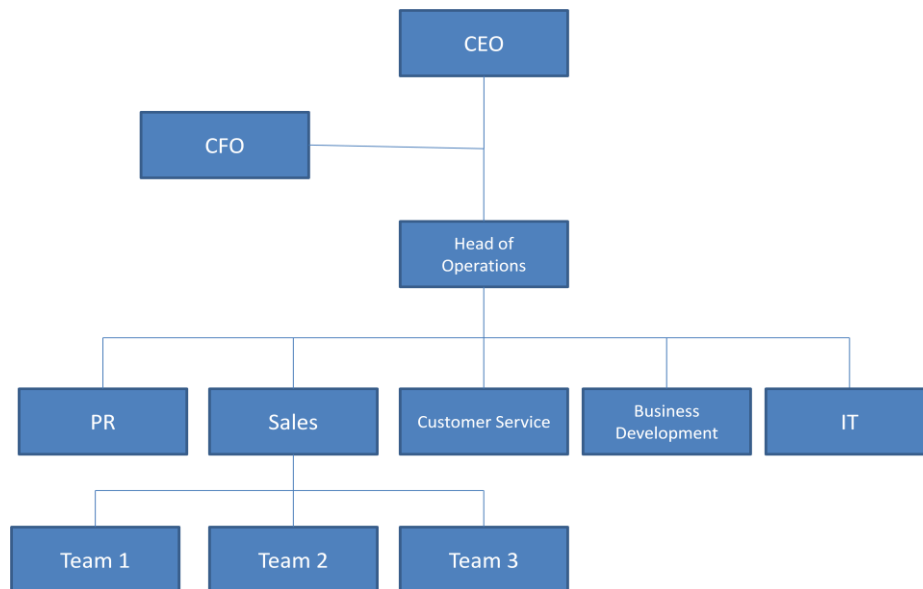
For confidential reasons we will not reveal the name or the actual products of the company we have analyzed, we will from here on simply refer to it as “ABC Inc”, the products of the company will be referred to as product x, y, and z. The company which we have based our case study upon was founded in 1999. ABC Inc started out by providing sales and services regarding product x. The company is operating through a web-based platform, but they have a large sales staff which offers services through telephone. ABC Inc is currently solely operating in the Swedish market. For the purpose of this thesis it is of relevance to illustrate that our case company has in fact experienced a strong growth since it was founded. To signify the company's growth we have looked at three factors, diversification of business services and products, annual turnover, and increase in employees.

Over time the company has developed other business areas and has added product y and z to its product portfolio. The product y business areas started in February 2010. Even though it has grown, the dominant product in terms of sales and resources such as employees is product x. The organizational chart below shows the company's current structure. Product y and z are included under the *business development* heading. However, product z is still in the start-up phase and therefore not included in our analysis and empirical findings.

Worth to mention, in regards to the structure of the company, is that currently ABC Inc has two offices situated in the Stockholm area. One office location holds senior staff and

some of the administrative staff, where as the other office holds the operational staff including, head of operations, sales, IT, customer service, PR, and business development. This office is separated between two different floors in the same building.

Figure 6: Organizational Chart ABC Inc.



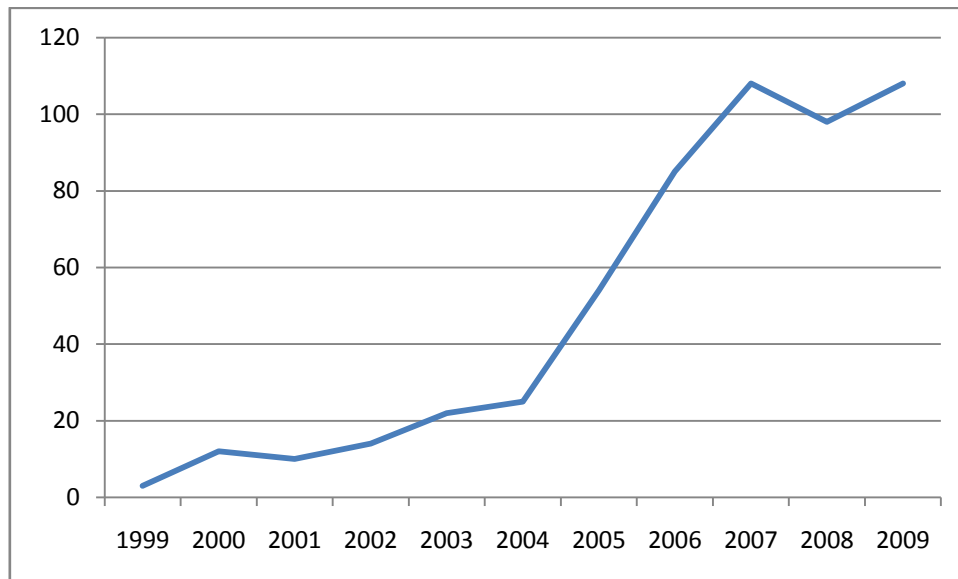
The annual turnover has increased steadily since the start of the company in 1999. The following table shows the company's annual growth as a percentage from the prior year since 2001 until 2009.

Table 5: Increase in Turnover (%)

Year	Increase in Turnover
2002	66%
2003	67%
2004	42%
2005	68%
2006	124%
2007	3%
2008	12%
2009	32%

Furthermore, the number of employees has also increased significantly since the founding of the company. Today the company has over one hundred employees spread across the departments. The largest department in terms of employees is in sales and counseling regarding product x. The following graph shows the increase of employees in the whole organization since the start in 1999.

Graph 1: Increase of Employees



The number of employees shows that the company has moved from a micro company existing of three employees to a larger organization consisting of above one hundred.

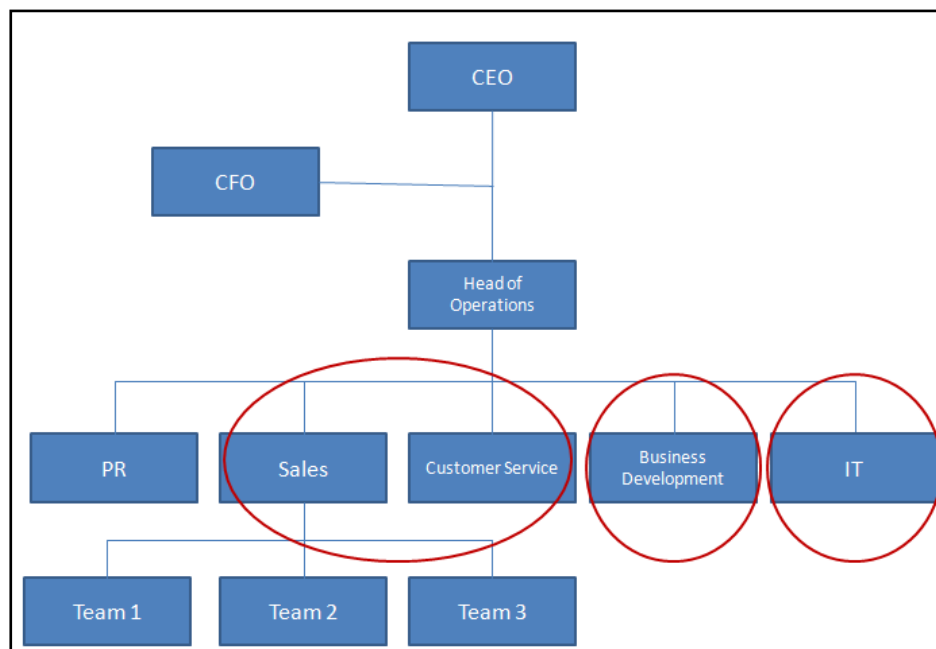
4.1.1 Interview Categorization

Based upon our time spent at ABC Inc. some general observations were made together with, and in addition, to our empirical findings. The most important one was groupings within the company. In order to make it clear and in a structural way highlight our empirical findings we have separated the departments. By separating the organizations department wise it becomes clear what the different units have said and we can highlight the differences and/or similarities, and at the same time provide a general picture. Both the organizational chart and our general observations at the company speak in favour for separating the organization into four parts:

- Sales of product x (Sales and Customer Service). This is the company's main product.
- Sales of product y (Business Development). This is the company's second largest product. However, it is much smaller in sales volumes compared to product x and is newly implemented (February 2010).
- IT department. This is the company's IT department mainly responsible for the system of product x.
- Top management. Top management includes the upper hierarchical levels and consists of CEO, vice CEO and head of operations and PR responsible.

Because of the similarity given in the responses the sales department of product x and customer service has been grouped together. The PR department, only consisting of one person cannot be seen as an individual group because of its small size. The PR responsible is also member of the top management group and is therefore placed into the top management team in or organizational separation. In figure 7 we have outlined the separation of the different departments based upon our observations and the similarities of responses received when conducting our interviews.

Figure 7: Categorization chart



After having identified the different groups within ABC Inc. we will now start to present our empirical findings.

4.2 Empirical Findings

We will in the following section outline the empirical facts gathered from our interviews. We will go through each of the seven elements and describe the different departments. Under each element there will be three main areas. Firstly, we will briefly describe the nature of our questions and what kind of information we were looking for. Secondly, the general points based on our interviews will be presented. Thirdly, a more detailed description of the answers grouped into the different department is provided.

4.2.1 Strategy

For the strategy element it was of the essence to find out the consistency within the firm regarding the company strategy. We tried to determine the strategic focus by asking for definitions for the company strategy and whether the company was focusing on price or quality as well as what the employees pinpointed as their main competitive advantages in relation to their competitors.

- A majority of the interviewees expressed that the company strategy was formulated around decreasing people's private economy costs by offering different products. However, the overall strategy and which product areas that should be included in that strategy differed between the company's departments.
- A majority of the interviewees explained that the strategic focus is concentrated on price rather than on quality in the sales process.
- A knowledgeable sales organization, competitive prices and a fast and efficient sales process are mentioned as examples of key resources and capabilities in order to remain competitive in the long run by almost all interviewees.

Sales of product x: A majority of the interviewees in the sales organization selling the company's major product (product x) does not, or to a small extent include the other new business areas in the strategy formulation. They define the company strategy as selling product x. One respondent defines the strategy as: *"help a customer to get the best price possible on her/his product x, it is as simple as that"*. This definition was similar to several employees in the sales department of product x.

Many respondents in the sales organization of product x highlighted that the sales process is primarily driven by a cost focus. Interviewees state that, the focus on either price or quality is very dependent on which individual you ask. Some are just focusing on price, some are something in between, but there are not anyone just focusing on quality. One interviewee expressed it as: *“price comes, first, second and third place, and quality comes fourth”*.

Many interviewees in the sales organization of product x describe the large supply from different actors, the knowledgeable sales organization, competitive prices, fast and qualitative service and that the company have a long experience in the business as major resources for competitiveness in the long run.

Sales of product y: All the interviewees in the sales organization of product y included their own product as well as the major product in their explanation of the company’s strategy. As one interviewee explained it: *“our strategy is to decrease our customers’ private economy costs by providing product x and y.”*

All interviewees in the sales organization of product y emphasized that the main focus in their work is to lower customers’ private economy costs. One employee describe it as: *“We focus on price since that is the reason someone contacts us, we help people decrease their private economy cost, in that sense the main focus is price”*. The interviewees highlighted that the focus on quality is limited.

A majority of the interviewees in the sales organization of product y explains that offering a wide range of suppliers, having a knowledgeable sales organisation and having competitive prices are the main competitive advantages for the company.

IT: A majority of the interviewees in the IT department formulated the strategy around product x. Some included product y. They explained that the long term strategy was hard to outline. One interviewee expresses it as: *“it seems like the long term strategy is unclear and that we are acting at an ad hoc basis”*.

Cornering the price or quality focus the interviewees were insecure. One explanation that highlights most of the interviewees’ thoughts was: *“Since we do not provide the actual products ourselves, I do not think that we can answer whether the sales organizations focus on price or quality”*, as one argued.

A majority of the interviewees in the IT department explained that the main competitive advantages are the sales systems, having competitive prices and being in the business for a long time.

Top management: The interviewees of the top management group had an aligned view of the strategy. Their strategy formulation was all concentrated around offering private economy decreasing products to competitive prices with a knowledgeable sales force.

Concerning the price and quality focus the interviewees of the top management group provided a clear view also in this area. One explained it: *“We focus on price as the starting point, but at the same time we provide a qualitative counselling service”*.

A majority of the interviewees in the top management group emphasized that the main factors that make the company successful and that make up the competitive advantages over its competitors are a first-class sales organization, competitive offers, being flexible and responsive for customer demands.

4.2.2 Structure

For the structure element it was important to find out the consistency within the firm regarding the structure of the organization. We tried to determine the organizational structure by asking for the interviewee’s view of the structure, whether they regarded the organization as hierarchical or flat, but also by asking for the distribution of decision making. To get an overall view of the structure we also asked for the level of coordination and collaboration between departments.

- There is no agreement among interviewees regarding the organizational structure. Based on the interviewees the question whether the organization is hierarchical or flat remains unclear.
- A majority of the interviewees explained that the coordination between business units not seems to work well. Bad overall understanding of the business, different physical locations or a strong individual culture is mentioned as factors for the coordination issues.

- A majority of the interviewees explained that there is not a clear agreement regarding the centralization or decentralization of decision making. Some argue that almost all decisions are implemented top-down while other says that decisions are taken within each individual team as far as it is possible.

Product x: Some of the interviewees in the product x sales department explain that the organization has a clear hierarchical structure. But the picture is not clear and some explain that everybody can influence if they want to. Some explain that it is a flat or relatively flat organization with short ways of decision, especially in the individual teams within each business unit. One explained the ambiguous structure as: *“in my team we have a flat organization, but I think that in my daily work I can feel the hierarchical structure almost every day in the company as a whole”*.

As with the organizational structure, the interviewees of sales department of product x does not have a clear picture of the decision making and regard it as neither centralized nor decentralized. Some say that almost everybody are part of the decision making progress, while others say that almost all decision are taken by the top management team and then implemented top-down. To highlight the differences we can highlight two quotes given to us by two employees working in the same organization. Worth mention is also that these views were not only centralized to these two people but rather show the two main different views. One person explained the decision making as: *“the decision making is heavily decentralized and we can take decisions at all levels of the organization”*. Another explained it as: *“almost all decisions are taken at top management level and implemented top-down”*.

A majority of the interviewees in the sales department of product x thought that the collaboration and coordination between departments did not work well, and it could be very much improved.

Product y: A majority of interviewees in the sales organization of product y gave a clear picture of the organizational structure and explained it as hierarchical or quite hierarchical. Everybody could agree that the organizational structure was not flat. One explained it as: *“the organizational structure? It is hierarchical, definitely not flat!”*

A majority of the interviewees explained that the decisions could be decided at a decentralized level. One explained it as: *“the decision making is very decentralized and we have the authority to make our own decisions”*.

Almost all interviewees in the sales organization of product y emphasized that the coordination and collaboration of work could be much better and is currently not working well. The interviewees especially emphasized that the different sales organizations coordination is lacking. Some interviewees demanded more formal and structural ways of coordination which could ease the transmitting of customers between the different sales organizations. Other interviewees argued that the bad coordination is the result of competitiveness between individuals and groups. One interviewee expressed it as: *“it seems like different departments work as individual teams and not together as one company towards a common goal”*.

IT: A majority of the interviewees in the IT department explained the organizational structure as hierarchical or rather hierarchical. One explained the structure as: *“a pyramid with many layers but that it is rather easy to move between layers”*.

The interviewees in the IT department, to a large extent, argue that the decision making is decentralized and all decisions that can be derived to their operations are taken within the group. One explains it as: *“we are encouraged and allowed to take our own decisions”*.

Almost all interviewees in the IT department explain that the collaboration and coordination between departments is to some extent haltering. One respondent explain that the lack of coordination and collaboration is derived from a low understanding within the sales department regarding how the IT department works and what is demanded from them to get things done.

Top management: The interviewees of the top management group seemed to have a homogenous view of organizational structure and explain that a clear hierarchy is necessary because of the high employee turnover. In that way a clear hierarchical organisation creates clear references for everybody acting in the organization. They explain that the organizational structure right now is rather hierarchical.

The company's operations are coordinated by weekly meetings where managers from the different business areas participate and represent their subordinates. A majority of the interviewees in top management group explained that most of the strategic decisions are taken in these meetings, but the top management also want to create an executive organization where decision making, to some extent, is decentralized. Many interviewees in the top management group also explain that the collaboration and coordination is in some areas lacking. One interviewee explains it as: *"the company would benefit if we had better collaboration and coordination between departments"*.

4.2.3 Systems

For the system element the aim was to find out the consistency within the firm regarding the systems the employees used in order to get things done. To get an overall view of the systems we first asked for which systems that was in use in the company. We tried to determine the opinions regarding the systems by asking for the interviewee's view of pros and cons, how they regarded the evaluation and updating process, but also by asking for the improvements that can be made in the systems.

- All interviewees described that the company have one large business system regarding product x, controlled by the IT department, in which everything is done. Product y used an outsourced business system. For each business unit the functionality of the system is fundamental for the business unit to work.
- A majority of the interviewees explained that there is no scheduled or structural approach to handle, control and update the systems, rather it is done on an ad hoc basis.
- A majority of the interviewees explain that the pros of the systems are the user friendliness, and that it is fast and sales oriented. The major cons of the systems that the sales organization of product x expressed was that the dependability of the system could be better. The product y department was very content with their system.

Product x: Each individual sales department has their own sales system. A majority of the respondents in the product x sales department explains that the business system of product x is controlled and updated at an ad-hoc basis and there are no scheduled procedures to

control and update the systems. They explain that rather, the sales organization transmits the issues to their team leader which transmit it to the IT department, finding solutions to the problems as fast as they can. One expresses it as: *“If I find anything that is not working in the systems it is fixed by the IT after the sales organization of product x has informed them about it. But there are no larger updates where the software is improved or modified”*.

A majority of the interviewees in the sales organization of product x explain that the business system is flexible, fast, efficient, sales oriented, and user friendly. Furthermore, the system was developed in-house and tailor made for their operations, therefore it is the only system they needed. However, many interviewees also highlight that the reliability of the system could be better and it happens every week that the system is down during some time. One interviewee express it as: *“the system is good, but it can always get better, the major thing that needs to be improved is the dependability. If the system is down, which happens quite regularly, I cannot sell, and if I cannot sell I do not make any money”*.

Product y: The sales system of product y used an outsourced system. According to a majority of the interviewees in the sales department of product y the system worked well and fits the purpose. The controlling and updating process is outsourced to another company. One interviewee express it as: *“If I find anything that needs to be fixed in the system, which is very uncommon, I just send an e-mail to the person responsible for the system at the other company. We are all satisfied with the system and the dependability is great, especially in comparison to the other sales system that the sales organization of product x have”*.

IT: A majority of the interviewees of the IT department express that they are often working above their capacity because of a large stream of issues being transmitted mainly from the sales organization of product x. They explain that due to time restrictions larger evaluations or updates are not common in that system, rather it is done at a more ad hoc basis. One expresses it as: *“We do not have time with a structural long term strategy for the system for sale organization of product x since we are fully occupied extinguishing small fires”*. They explain that smaller updates are implemented almost every second day which means that it is the sales organization of product x that secures the quality of the updates. Some interviewees in the IT departments believe that some updates have been implemented too fast. One expresses it as: *“Sometimes there is an unclear picture of the complexity of the system issues, for example how long time something takes to fix in order to run smoothly again”*.

A majority of the interviewees in the IT department expressed that the main advantage of the system of the product x is that it is build in house. *“It is fully developed to fit the business we are in and it is probably the best system in the market”*, as some expressed it. The major drawback that many of the interviewees explained in regards to the system is that it is built on relatively outdated technology.

Top management: Top management explained that the major system the company had was the system of the sales organization of product x. The interviewees in the top management group were all consistent saying that the system of product x worked quite well but that the system also is a myriad of quick fixes and one area where the system could be improved is for example the dependability. But, they all agreed that the sales system of product x is fitting the purpose since it is very sales oriented, efficient and user friendly.

Another system that many interviewees of the top management highlighted was the salary system which is based upon a strict performance based approach. *“The more you sell the more you earn is the clear philosophy, which encourage the employees to focus on the selling process which is a win-win situation, both for the company and for the individual”*, as one interviewee explained it. However, the salary system differed and within the different sales departments it was performance based while in the administrative and IT department there did not exist any provision payment.

4.2.4 Shared Values

For the shared values element it was important to discover the consistency within the firm regarding the shared values and company culture. We tried to determine the interviewees' view by asking them to explain the shared values and company culture. We also wanted to determine if the interviewee's believed that the shared values were consistent throughout the organization, if the values were communicated within the organization and if the interviewees believed that the corporate culture was appropriate for the type of business the company was operating.

- A majority of the interviewees explained that the shared values communicated from top management seemed unclear.

- Many interviewees mentioned sales focus and a sense of community in regards to shared values and description of company culture. However, the sense of community was more based on respective department rather than the company as a whole.
- Most interviewees stated that the company culture was appropriate for the type of business the company is conducting.

Product x: Almost all interviewees responded that if there were any shared values communicated from top management, they were in that case unclear. Some mentioned that there are some codes of conduct communicated, through the company policy, regarding the behavior of sales staff and their interactions with customers but only a fraction of the interviewees could remember what they stood for. One expressed it as: *“we have something we call “being an ABC’er”, but I do not know what it stands for and I do not really know the implication of it”*.

A large number of the interviewees in the product x sales organization claimed that different values and cultures existed between different departments. They explained that there does not exist one single corporate culture at the company. Rather, they explained that the sales departments had their own culture which could not be found in the other non-sales departments. One explained it: *“at the sales department, we have our own culture which is very sales focused. In the non-sales departments it is not that competitive”*.

A majority of the interviewees in the sales organization of product x explained the corporate culture as driven, sales focused, and with a large sense of community. The interviewees explained that there is a large sense of community within the sales organization for product x but that sense did not include the other departments of the company. One explained it as: *“Within the sales organization of product x I feel we have a good community. Unfortunately, I cannot say the same thing about the whole company”*.

Since the interviewees expressed that the company is a highly sales oriented firm a majority of the interviewees also believed that the culture was appropriate for the company and its operations. One expressed it as: *“I think the company culture is very good. We are a sales company and the culture, at least in this department is very sales focused”*.

Product y: The most part of the interviewees in the sales organization of product y explained that there are some vague shared values communicated from top management. Many of the interviewees did explain that at least their department does not need any values communicated from top management. One explained it as: *“we have our values and it works perfectly fine. We do not need any new values implemented”*.

Almost all interviewees of the sales organization of product x explained that there existed different corporate cultures in the different departments of the organization. A majority said that the culture within the sales department of product y is very collaborative. One explained it as: *“in this department we work together: We are not as competitive towards each other as they are in the sales department of product x for example”*:

A majority of the interviewees explained the culture as driven, sales focused and helping. One explained it as: *“in order to make money one need drive and sales focus but if we do not help each other the result will be that everybody is competing with each other. We have to work as a team and help each other to improve”*. A majority of the interviewees in the sales organization of product y also explained that they believe that the culture suited the business well, but that it was difficult to say since there are several different cultures within the company.

IT: A majority of the interviewees in the IT department explained that there were different shared values communicated from top management. They described that they had their own values in their department and since the work tasks at the IT department are so different from the work tasks at for example the sales organization of product x. Many interviewees thought that if the top management would communicate any value they would not fit with the IT department’s nature of work anyway. One expressed it as: *“we at IT have our own values, much created from our IT manager and from ourselves. We do not think that the same values would fit both us and the sales organization”*.

A majority of the interviewees of the IT department expressed that there existed a culture in their department but that culture could not be generalized for describing the whole company culture. Many interviewees expressed that the main influencer of the corporate culture was the sales organization of product x. one explained it as: *“they stand for a large*

part of the company's income and they are many, so of course their culture is very influential".

The interviewees at the IT department mainly expressed the corporate culture as team-oriented, have fun, and freedom when working. However, they believed that these values and culture very well described the IT department but did not explain the values and culture at for example the sales departments. A majority of the interviewees also explained that even if there existed different cultures within the company it seemed that the culture was appropriate for the company's business. One explained it as: *"We have different cultures, sales and us, but I think that the combined culture we have in some sense is appropriate for the business that we are in"*.

Top management: The interviewees in the top management group had a uniformed picture of the shared values. They explained that historically there has not been a focus on shared values or communication of shared values but that it is something that they work with right now. One interviewee in the top management group explains it as: *"we have previously not seen the need of having common values in the organization. But, as we get bigger it gets more important"*. They also explained that right now there are not any real shared values expressed by the company, but there existed some light form of it in the sales organization; ABC'er. However, they explain that there is no structured way to communicate the shared values.

The interviewees of the top management group all agreed on that the corporate culture is friendly, team-oriented, is focused on reaching result and to earn money. They are aware of that there is no structure of the corporate culture and the culture is differing between departments. One expresses it as: *"the overall corporate culture is acceptable, even if it sometimes points in different directions"*. The interviewees explained that the cultural issue is something they will focus on in the future.

A majority of the interviewees in the top management group believed the culture was appropriate for the business but added that the culture especially in the sales organizations can be too laidback. One explained it as: *"we deal with serious products, the sales organization has to feel the seriousness of the products and act as professionals. Sometimes this is not the case"*.

4.2.5 Style

For the style element it is necessary to find out the consistency within the firm regarding the style in relation to leadership methods and approaches. We tried to determine the interviewees' view by asking them to explain the dominant leadership style and if they believed whether it is a competitive or collaborative work environment and especially what leaders do to promote such a climate. To get an overall view of style we also wanted to discover the type of support employees get from people in management positions in terms of professional development.

- A majority of the interviewees explained that it is a competitive work environment empowered by team leaders and managers, but that this culture is only located in the sales organizations.
- Most interviewees explained that the most common leadership style is the participating leadership style.
- A majority of the interviewees believed that they received sufficient support from managers through coaching and individual meetings regarding professional development.

Product x: A majority of the interviewees in the sales organization of product x expressed that most leaders are participating leaders. One mentioned that: *“the managers are hands on leaders that actually do the business rather than just delegating orders”*.

Almost all interviewees in the sales organization of product x explain that it is a competitive environment within the sales organization and the managers' evaluation of the sales employees are mainly based on statistical measurements and earnings. One expresses it as: *“competitiveness is the nature of sales and it have to be a competitive culture in the sales organization otherwise no one would deliver, and I think that the managers and team leaders are good at promoting such a climate”*. Many interviewees explained that the team leaders are the founders and supporters of such a climate since they are under hard sales requirements from their managers.

Most of the interviewees explained that it is mainly statistics that is the foundation of a sales person's development. Managers and team leaders had individual meetings where they developed a plan for the sales employee to get even higher sales figures. One expressed it as:

“what leaders and managers mean by professional development is to sell more, and become a better salesperson”.

Product y: A majority of the interviewees in the sales organization of product y also mentioned that the dominant leadership style is the participating leader. Many explained that the leaders are part of the daily sales operations and work very close to the sales employees. One expressed it as: *“if I need help I just ask my team leader or closest manager and she/he will not just tell me how to do it but rather practically show me and work with me”.*

Many of the interviewees in the sales department of product y explained that it is a competitive environment. However, they also expressed that the managers do promote collaboration between individuals, but that there is a heavier focus on sales than on collaboration. As one expressed it: *“it is a competitive work environment encouraged by managers, even if there are small signs of collaboration”.*

Many interviewees explained that professional development is supported by managers but that it is up to each individual to take responsibility for her/his own development. Many interviewees explained that weekly meetings and/or daily support from their manager enabled them to develop in their profession. One explained it as: *“I get support from my managers in order to have a professional development, but I have to structure it myself”.*

IT: A majority of the interviewees in the IT department expressed that the dominant leadership style in their department is the participating leader. Many interviewees explained that nothing except for the participating leadership style would work in the IT department since it is a relatively small department. One explained it as: *“at our department the manager is part of the actual work we are doing. We work as one team, together”.*

A majority of the interviewees in the IT department expressed that it is a very collaborative culture and that culture is empowered by the management. However, they believed that their culture is very different from the rest of the company's culture. One explained it as: *“In the IT department we have to work together. Our manager has created a collaborative culture and he promotes such a culture”.*

A majority of the interviewees in the IT department expressed that they lack a structural professional development process. One explained it as: *“performance reviews, coaching and educations from management have been lagging since there is no structure how to deal with it”*.

Top management: Most of the interviewees in the top management group expressed that the most common leadership style is the participating leadership style. They explained that the aim is to get a more executive leadership style where the decision making is decentralised to each individual leader. One said: *“we have leaders with a participating leadership style. Now, we have to form those leaders to be executive and participating leaders”*.

A majority of the interviewees in the top management group explained that the culture is very competitive, at least in the sales organizations. They are on the other hand aware that both leadership style and culture is very different between the departments. One expressed it as: *“I think the leadership style is totally different in IT than in the sales organizations because the culture is so different between these departments”*.

All interviewees in the top management group explained that professional development is something that is encouraged by the company. They expressed that employees in all areas of the organization have regularly performance reviews and are empowered to increase their knowledge in a specific area related to the work. However, the interviewees in the top management group are all aware of that professional development is very hard to structure, at least in the sales organization of product x because of the high employee turnover.

4.2.6 Staff

For the staff element the aim was to find out the consistency within the firm regarding the staff in relation to motivation and personal characteristics. We tried to determine the interviewees' view by asking them to explain if they are motivated and how they get motivated. As well, we needed to discover whether the interviewees believed that there were any positions that needed to be filled, are there any staff related functions missing. To get an overall view of staff we also wanted to discover the interviewees' view of the most appreciated types of characteristics that an employee should have. Since we received very

similar responses from the sales departments of product x and y regarding the staff and the following skills element we have grouped them together.

- A majority of the interviewees explained that they in general feel motivated. However, there were different preferences in terms of motivation between the departments. The sales departments consistently highlighted financial measures of motivation whereas IT emphasized the possibility to learn and make a difference as the primary motivating factor.
- Approximately half of the interviewees did not believe that there were any positions that needed to be filled. The other half did express a need for new positions, especially in Human Resources (HR) and marketing.
- A majority of the interviewees explained that a positive attitude, confidence, social, and driven were the most desired characteristics a person should inhibit to become an appreciated employee at the company. These personal characteristics were stressed throughout all the departments in the organization.

Product x/Product y: A majority of the interviewees in the sales organization of product x and y emphasized financial and economical incitements as the main method of motivation. This takes expression in both the salary model which to a large extent is based on provision, and various sales competitions. A majority of them also explained that they felt motivated. Many interviewees also explained that it was hard to reach high sales volumes and high payment in the first months and that the learning curve was very steep in the beginning but it was flatter later on. One interviewee explained it as: *“I think I speak for almost everybody in the sales organizations when I say that we are mainly focused on our payment!”* Some interviewees in the sales department of product x did also mention career within the company as a factor for motivation, but it was not as wide spread as motivation from financial factors.

Approximately half of the interviewees described that there is a need for new hires. Two areas that were often mentioned were HR and marketing. Many interviewees explained that a HR function would be very valuable since the recruitment process is unstructured. One explained it as: *“we do not have a HR function which is strange since we have a high level of employee turnover and have to recruit people all the time”*. The other part of interviewees explained that the organization worked well and that new functions were not needed.

A majority of the interviewees in the sales organization of product x and y had a consistent view of which characteristics an employee should inhibit. Most of the interviewees explained that drive, social competence, willingness to cooperate, and willingness to learn were the most desirable characteristics. One explained it as: *“a positive attitude is the most important factor to be successful in the sales organization of product x. If you have the drive, think it is easy to talk to people and want to learn you will be successful in this profession”*.

IT: A majority of the interviewees in the IT department expressed the importance of personal development, learning and make a difference as an incentive or factor of motivation. They explained that financial motivation was just a basic motivational factor whereas increasing knowledge and more flexibility were more important factors for motivation. Career within the department was not considered as motivational factor since the department is rather small. One explained it as: *“In the IT department we are motivated by soft values, for example develop in our profession, learning new things, not hard financial motivational factors”*. A majority of the interviewees also explained that they felt motivated.

Many of the respondents in the IT department explained the need for a marketing manager. They explained that the company is not seen in commercials and that a marketing manager would probably change that. One explained it as: *“our competitors are seen on TV. We need to have a marketing strategy in order to stay competitive”*.

A majority of the interviews agreed that the most desirable characteristics an employee should have were: social, good team player, driven, and desire to learn. They explained that even if it is an IT department, technological skills are not the most important. It is more important what attitude the person has. One explained it as: *“we are not doing that difficult things and if you have a basic technological understanding, a drive to learn and are social you would fit in well in the IT department”*.

Top management: A majority of the interviewees in the top management group explained that the company mainly works with financial motivational factors in terms of provision and competitions. This is however just located in the sales organizations. The other departments are offered education, as a mean for motivation. One of the interviewees

explained it as: *“our strongest motivator is definitely our salary model but we have other motivational factors as well, for example education”*.

The interviewees in the top management group had different options regarding the need for new positions. Some explained a need for several new positions that would strengthen the organization, for example a marketing function and/or HR function, while others explained that the organization works well as it is today and there is a limited need for new hires.

The interviewees in the top management group had a coherent view of what the most desirable personal characteristics are. They explained that drive and attitude are the most important characteristics. One explained it as: *“the only thing you need is drive and a positive attitude, everything else can be fixed”*.

4.2.7 Skills

For the skills element it is of the essence to find out the consistency within the firm regarding the skills in relation to the knowledge of the organization. As well, the development of skills in regards to the organization as a whole. We needed to find out what the employees thought was the most important skills in the organization, that is what they do best. We tried to identify the further development of skills and knowledge by asking them to explain how they get feedback and education both individually and collective.

- A majority of the interviewees explained that the feedback is in some senses informal and unstructured but at the same time there exists formal and structural feedback sessions, both individual and collective within the respective department.
- Most interviewees explained that speed, customer focus, simplicity, effective as most important and appreciated skills and what the company do the best.
- Knowledge creation and personal development in terms of education and courses seemed to be focused more on the individual and not the company as a collective.

Product x/y: A majority of the interviewees in the sales organization of product x/y explained that the feedback given to them is focused on statistical sales data. The feedback is given both formally and informally. They explained that they often get informal feedback from their closest supervisor when they have done something good, or when they have done

something less good. The formal feedback is given through individual meetings with their supervisor or through collective meetings with the team. Also, this feedback is mainly based on statistical sales data. Feedback on other things than the sales data is uncommon. One explains it as: *“our job is evaluated on a strict financial basis”*. However, some interviewees explained that there are competitions with monthly deadlines where the company in a more structural way not only honours the ones that have sold the best, but also the ones that have done something else, like being a good buddy.

Most of the interviewees in the sales organization of product x/y explained that education, internal or external is supported by managers and team leaders. However, it is up to each individual to take responsibility for it. One expressed it as: *“how much education you get is dependent on how high you yell”*. However, a majority of the interviewees expressed that they were satisfied with the support they got from management regarding education and personal development. One expressed it as: *“If I want to develop, both personally and work wise, I just speak to my team leader or closest manager”*.

A majority of the interviewees in the sales organizations explained that speed, customer focus and effectiveness as the most important and what the company do the best. The interviewees explained these collective skills are crucial for the company to succeed. One respondent explained it as: *“I think we are very good at delivering a fast, very competitive product to a good price in an effective and very customer oriented way. We listen to the customer and try to get the best product for them”*.

IT: A majority of the interviewees in the IT-department gets informal feedback when performed well at an ad hoc basis. However, there also exist more structured individual meetings with the supervisor but these meetings are rare. One explained it as: *“I get informal feedback from the whole team when I have done something good. It can be that they say well done or something similar”*.

Most of the interviewees explained that it is appreciated by the company if a person wants to take a course which could be beneficial for her/him in their profession. It could for example be a leadership course or a programming course. However, most of the interviewees in the IT department explain that it is up to each individual to find these courses. One explained

it as: *“it is hard to take courses, both since it is hard to find time and because we have to find most of the courses by ourselves”*.

Many interviewees in the IT department explained that effectiveness and speed are very important skills in their department. However, in a larger perspective regarding the whole company the interviewees express that the most important skills are customer focus, being fast and effective. One expresses it as: *“we have showed that we are good at deliver our products in an effective way which is appreciated by the customers since they do not want to spend time on such a boring product as ours”*.

Top management: Most of the interviewees in the top management group explained that there is a structure regarding how leaders and management should give feedback. They also explain that much feedback is given informally. Example of this could be that the team leaders tell her/his team that they have performed well after a day’s work. One expresses it as: *“I think we are good at giving feedback when it is motivated. We work much with feedback given to employees when they performed well that everybody can see or hear, for example scoreboards or price ceremonies”*.

All interviewees in the top management group said that personal development and education is very important and strongly encouraged by the company. In these cases the company pay for the literature. They also explained that there is a focus on education for new employees but as more senior they get it becomes rarer. Especially external education is very rare or does not exist at all. One explains it as: *“personal development is definitely encouraged and we help employees to advance within the company. However, we lag behind with education for employees”*.

A majority of the interviewees of the top management group explained that the most valuable skills and what the company is famous for doing well is that it is a service minded, effective organization and that it is easy to do business with the company. However, even if these skills seem to be focused on the sales organization the interviewees explained that these skills are found in the whole organization. One interviewee explains it as: *“we are one of the best in the market in delivering a product with a high customer focus in an easy and smooth way. I think this is the company’s main competitive advantage and a factor that make the company so profitable”*.

5 Analysis

Our empirical analysis will start out by analyzing the elements in the 7-S framework individually. Based on our theories we will highlight aspects and discuss features of the individual elements. We will end each section with a summary of the main points, which later will be combined in the 7-S framework. By doing this we will separate them from each other in order to get a clear and more structural approach. In our following synthesis we will combine the Ss to emphasize certain observations in regards to strategic alignment in a SME.

5.1 Strategy

The company strategy is expected to have large impact on the company's success (Johnson et al. 2008). It is clear that the strategy formulation expressed by interviewees do, to some degree, differ. One reason could be that since the company has been undertaking expansions into new product, the employees include different sets of products in their strategy definitions. Different business units have different opinions. Since there is a discrepancy of what the company actually is delivering, there is also a discrepancy of the strategy of these products and the company as a whole. According to Garengo & Bernardi (2007) one issue that can be detected in SMEs in general is that strategic choices may not take the impact on the whole organization into consideration. The movement into different business units is naturally a strategic choice, but it does not seem as if the entire organization is aware of the strategic effects it will have for the company as a whole.

According to Schein (2009) different sub-units may occur within a firm because of different functions, markets, and products. The introduction of a new business unit may be a dominant factor that created insecurity amongst the whole organization. However, it was clear that the top management had a wider understanding of the new strategy than the employees further down in the organization. This could indicate that the updated strategic focus has not received complete attention throughout the organization. One reason could be that product x is, by far, the largest product both in terms of revenue and number of employees, and the

newly introduced product are very small in comparison. This means that people working with the main product do not see the other business unit as core operations, thereby leaving it out when explaining the strategy. Johnson et al. (2008) states the strategy needs to be clearly communicated and established throughout the organization. This does not seem to have occurred within the company leaving ambiguity regarding the strategy between the different business units. One assumption that can be made is that as the smaller business unit grows both in terms of employees and in revenues, it will lead to a better understanding of the whole company. This could contribute to a more coherent view on the company strategy among the employees.

Overall, the company seems to have a quite coherent view in how they should serve their customers. There is a very high focus on the sales driven organization and the focus on price rather than on quality seems obvious in relation to the company's nature of business. Relating to Porter's (1998) generic strategies, the company seems to encompass a cost leadership direction. The company competed by cutting prices for their customers, thereby there is a large focus upon price. However, the high focus on sales in regards to the company's cost leadership strategy formulation seems well implemented throughout the organization.

According to the interviewees, some of the company's major competitive advantages in order to stay competitive are a knowledgeable sales organization, competitive prices and a fast and efficient sales process. According to the RBV, the strategy should be formulated around core capabilities and these variables should thereby be included in the strategy formulation of the company (Barney, 1991). Based upon our interviews, the top management to a larger extent includes these factors as part of their strategy, it also seemed to correlate with the rest of the organization.

Strategy: *In general the company seemed coherent in how they should reach their customers and increase company revenues by incorporating a cost leadership approach with a strong sales focus. The core capabilities as defined by the interviewees, knowledgeable sales force, competitive prices, fast, and efficient, and established in the market place, seem to correlate to the overall strategy in the element and are widely spread across the organization. However, there are differences in the overall recognition of what the company actually is selling and there is no coherent consensus regarding the company's strategic direction.*

5.2 Structure

The structure arranges the organization in terms of e.g. hierarchy, decision making processes, and collaboration and coordination between departments. Based upon our interviews, whether or not the company incorporates a hierarchal organization or a more flat structure seems unclear. Examining other sources of information such as organizational charts, the company resembles what Harris & Raviv (2002) explain as a flat organizational structure, with the various departments answering to the head of operations/CEO. According to Nicholas et al. (2011) a flat organization is common for SMEs. However, some responses from the interviews highlighted a strict hierarchical structure, more common in a larger organization. Possibly the ambiguity shows tendencies that as ABC Inc has grown some traces of common traits for a larger organization has become more visible.

Based on the data collected the lack of coordination and collaboration between business units seems to be evident. In relation to the company's recent product differentiation and the lack of collaboration between the sales departments, the establishment of organizational structures that allows the firm to share and transfer its resources, capabilities and competences is important to remain competitive (Markides & Williamson, 1997). What such a structure could be is out of the scope of this thesis. However, a clear structure which facilitates cross-department collaboration and sharing in order to create organization efficiency seems to be absent, or at least inefficient. For ABC Inc this could mean that valuable resources, capabilities and competences are not used and shared in the most efficient manner. One example is a potential customer flow between the sales departments of product x and product y.

Mintzberg (1980) clearly established the link between organizational structure and decision making power. The amount of decentralization in regards to decision making power of the company seems to be slightly unclear. Naturally, it is very dependent on what type of decision that is to be made. Some interviewees highlighted that it was a very centralized decision making power, whereas others said that it was more decentralized. In regards to structure, the level of authority within the organization seemed unclear. This also seemed to have created ambiguity regarding what decisions can be taken within the different layers of the organization. Decision making is an important aspect in terms of allocating, distributing

and managing of resources, capabilities, and competences. In order to achieve a competitive advantage, strategic decision making is fundamental. It is therefore crucial that managers take well informed and strategically viable decisions in order to create leverage for the resources and capabilities that exist within the organization, and then allows the rest of the organization to execute the decisions (Nemati et al. 2010). Top management has expressed a need to create a more executive organization; emphasizing people to take responsible decisions throughout the organization. Since top management are trying to create a more executive organization they also try to create structural competences which are more flexible and efficient. The organizational structure has a large impact on the nature of decision making (Fredrickson, 1986) and the boundaries of the structure in terms of a flat or hierarchical organization could not be seen to be communicated in the organization, which could create less clarity in regards to the decision making distribution. Even if the top management wants a more executive organization it is hard to implement if the employees are uncertain concerning what decisions they are actually allowed to carry out.

***Structure:** The structure of the company is, based upon our empirical findings and additional documents, slightly unclear. Ingredients of both a very hierarchical and a flat organization can be found. The lack of collaboration and coordination hinders the different departments to share resources, competences and capabilities which could be made more effectively with a clearer structure. The distribution of decision making power is empowered by management to be decentralized but an unclear structure regarding what decisions that are allowed to be carried out hinders such a procedure to be effective.*

5.3 Systems

Systems are the routine processes and procedures that member of the organization follow (Waterman, 1982). The main systems highlighted of the interviewees were the sales systems. The interviewees in the IT department and in the sales organization of product x claims that their main business system is functioning well, although there were some concerns regarding its dependability. It was mentioned that the system is user friendly and that it supports the sales staff sufficiently in order to do their tasks and support the overall business purpose. The system is naturally a very important resource for the company in order to operate. This also

makes the company very dependent on the system and if it breaks down the sales organization of product x halts.

The sales system of product x is evaluated on an ad-hoc basis and the IT staff is busy making quick fixes instead of making long-term solutions. The evaluation and development of the systems should respond to the firms overall strategic goals, if quick fixes are made instead of long term solutions the strategic aim of the system might not be coherent to its strategic intent (Shang & Seddon, 2002). As Garengo & Bernardi (2007) state, SMEs often allocate resources to prevent critical matters and not sustainable solutions for the long run. This seems to be evident in ABC Inc as well in regards to their systems. IT highlighted that they often feel that updates are often implemented too fast. A system that is evaluated, developed, and maintained to suit the firm's overall strategic purpose is crucial and can thereby be a source of competitive advantage for the firm (Irani, 1999).

The business system used by the product x department has been developed in-house. It is thereby custom made to the firm making it a valuable strategic resource to the company, mainly because of its inimitability (Barney 1991). The sales staff in the product y department used a completely different system than the product x department. Even though the product y department was very content with the functionality of their system a loss of resource sharing may have occurred. The sharing of strategically important resources related to product diversification is an important aspect of the firms overall competitive advantage (Merkides & Williamson, 1997). The sales department of product y used an outsourced system, making it easier for competitors to copy it. As Shang & Seddon (2002) claims, one organizational benefit of well implemented systems is the coherence which can be established throughout the organization. Thus, the difference in system further separates the product, x and y departments and can be seen as a tangible evidence that the departments are not operating under the same circumstances. A more compatible system could in that way create a better foundation for collaboration between the sales departments.

The top management group emphasized the salary system as an important system, and it seemed to empower the strong sales mentality within the sales departments. A provisional salary model based upon performance induced employees to increase sales. This salary model was not applicable to other departments but it did support the overall sales driven strategy.

***Systems:** The overall assessment of the systems is that they are functioning quite well. They help the sales staff to perform their job in an efficient way, and the salary system keeps them motivated. The sales system of product x is due to its tailor made inimitability a source of advantage in relation to competitors. However, there is a short term thinking regarding problems that can occur in the sales system of product x, the ad-hoc evaluation processes of that system distracts the IT staff to make long-term solutions. Because of the differences in system regarding product x and y the resource sharing between sales departments has been impeded, creating further gaps between the sales departments.*

5.4 Shared Values

It did exist shared values within the company but they were uncontrolled and not communicated throughout the organization. The core values which had informally evolved within the organization did seem to match the company's strategy. The strong focus on sales is evidentially a necessary aspect which was incorporated throughout the organization, within the sales departments and their supporting functions such as IT and customer service. A strong sales focus seems to be a core value for the sales organization, and has developed a climate that is heavily competitive but at the same time suits the purpose of the firm. In a sense the solid sales focus within the organization seems to leverage the capability of a strong sales force in its corporate culture, which is vital in the RBV's fundamental idea in terms of strategy formulation.

Pascale et al. (1981) explain shared values as the factors or values that knit together the members of the organization and the organization as a whole. The empirical findings show that the organization has put less emphasis on the formulation and communication of shared values. These values should empower the entire organization to be consistent with the overall strategy (Kaplan & Norton, 2001). The lower emphasis on the shared values might be one explanation to the emergence of sub-units within the organization as explained in the general observation section. Schein (2009) states that as a company evolves from a smaller entrepreneurial firm into a more mature organization the culture tends to adapt itself. He further claims that from the beginning the culture is only inspired by the founder but as the company grows sub-cultures may develop within the organization, having an impact on the shared values within the organization. Schein (2009) further explains that these mechanisms

create industry specific culture. This appears to be evident for the company and many interviewees explained that different values appeared in different parts of the organization. The value of a heavy sales focus could possibly be seen as the industry specific value which had evolved within the company. A sense of community was also frequently mentioned in relation to value words. However, the sense of community was rather based on the respective department and not the company as a whole. Schein (2009) explains this phenomenon by stating that sub-units may arise based upon the functions, geographies, markets, and products. The sub-units develop values and beliefs that should complement the organization but are different from the core values of the organization. This seems, to some extent, to be evident for the company as well. Although they have a strong sales focus as one of their main assumptions throughout the firm, the sense of community only seems to last within the respective departments. Schein (2009) concludes that the differences between the sub-units may impede communication and integrate the various departments. From a RBV perspective, the sharing of resources and the creation of further capabilities and competences may be halted because of the boundaries of the individual values of the sub-units.

***Shared Values:** The shared values and company culture was said to fit the organization well because of the strong sales focus which had developed as a value all over the organization. However, there had developed sub-units within the organization with different values based upon the different departments. The departments did not merge as a single entity; rather they had individual preferences and interviewees rather explained a community to a single department than to the company as a whole.*

5.5 Style

Leadership styles, and what managers do, have a large influence on the organization as a whole, how the firm performs, and how the competitive advantage is maintained. It can also have a great significance for the organizational culture within the firm (Byrne & Bradley, 2007). As expressed by a majority of the interviewees, the sales organization has very competitive characteristics and the competitive climate is empowered and retained by managers and team coaches who link the sales volume to the salary of the individual sales employee. By having sales competitions and nearly only performance based salaries management empower a strong competitive sales focus. This means that the nature of sales, as

well as strategically decisions made by the company, has created a competitive environment. Due to the nature of the work task the non-sales departments have a more collaborative culture and a leadership style that support such a culture.

The participative leadership style was the most common leadership style within the company. The recruitment to positions which incorporates management responsibility is mainly done in-house. This assumes that the managers are already aware of the leadership style which works in conjunction with the corporate culture and there is no clear guidelines regarding leadership style (Ulrich et al. 2008). The employees are already shaped by the corporate culture and can therefore assimilate to an appropriate leadership style (Schein, 2009). They have experiences from being managed within the company. Thus, they can identify needs of their staff and can adapt an appropriate leadership style. The sales organization's way of working seems to be a major success for the company. The participating leadership style also seems to be the most appreciated leadership style by top management since many also explains the top management leadership style as participating. In that way top management directly or indirectly act as models for other managers in the organisation.

As Pascal & Athos (1981) state the leadership style incorporates what the managers focus their time on. Within the company the managers appeared to pay attention to the further development of the employees in terms of personal development and learning. Throughout the organization the interviewees believed that they received enough help from their managers to develop professionally. For the sales staff regular coaching and performance reviews are example of steps taken to facilitate professional development. Individual as well as group coaching in sales teams was frequently carried out. Kets de Vries (2005) states that group coaching can increase both trust and commitment. The managers did seem to establish commitment and trust within the departments, however, there did not seem to facilitate commitment towards the organization as a whole.

***Style:** The leadership style within the company did have a great influence on the company's general environment, especially by facilitating a competitive environment with a high focus on sales. The participative leadership style with coaching and performance review developed commitment within departments, but not the organization as a whole. There was no*

outspoken leadership style within the company, but the participative style was more prevalent. The in-house recruitment implies homogeneity between managers and coaches.

5.6 Staff

An important aspect regarding the staff element is the motivation factor regarding employees. The motivation level seemed to be high throughout the organization. The sales staff had clear instruments for motivation such as the salary model based on provision and sales competitions. The IT department did not have any structured motivational instruments. Yet, soft methods such as personal and skills development and flexibility seemed to be their general tools for motivation. The sales staff was more subjected to what Gottschalg & Zollo (2007) calls extrinsic motivation, a desire to get tangible or intangible rewards. Whereas the IT and other departments, were more interested in hedonic intrinsic rewards linked to personal development and flexibility. Since the most of the recruitment for management positions is done in-house it could benefit the organization by applying a tool for motivation for lower level staff in terms of career development, regarding the sales department of product x. The other departments were considered too small for career development to be a motivational factor.

One issue which was detected was a very high staff turnover within the sales department. As described in the interviews this was very much an industry specific occurrence. However, one potential reason for the high staff turnover could be the initial learning curve. It takes some time for the company to develop necessary capabilities regarding newly recruited staff to achieve competitive salaries because of the salary model. To achieve an increase in performance of the sales staff Purcell & Boxall (2003) state that employee development and education is crucial and can ensure that appreciated employees with great knowledge and desired personal characteristics stay within the organization.

The absence of a dedicated HR function is a common trait for SMEs (Garengo & Bernardi, 2007). The HR function focus on finding the right attitudes in the recruitment process as well as applying methods of education may be a contributing factor to the high staff turnover. The recruitment processes should find suitable employees with the desirable characteristics as explained by the interviewees (Ulrich et al. 2008). It became evident that the

recruitment process of employees had previously been fairly casual. As many of the employees stressed the importance of finding the right attitudes within the new employees a more thorough recruitment process might be necessary which could be enabled by a stable HR function within the company.

Staff: Even though there are different motivational factors within the separate departments the staff felt in general motivated. The high staff turnover within the sales departments could be an effect of an initially steep learning curve resulting in lower salary for the newly recruited sales people, as well as a casual recruitment process resulting in not finding the “right” people. The in-house promotion of managers induced already assimilated managers and coaches and formed a tool of motivation within the sales department of product x, the other department were considered too small for career development to be existent.

5.7 Skills

Skills are referred to the features that an organization and its key personnel do particularly well, and the aspects of the firm that differentiate themselves from their competitors (Pascale & Athos, 1981). The interviewees highlighted that, in their view, the company was famous for and very good at having a high customer focus and for being fast, effective and that it was easy to do business with the company. These are capabilities that do not emerge by themselves. They are compilations of resources that support each other. These key skills or capabilities are very important and should, in theory, set the company apart from its competitors (Hitt, 1995) and in order to create these capabilities, education and training is fundamental (Senge, 1990).

Prahalad & Hamel (1990), claim that the definition of the skills within a company is the first step to seek out the core competences, i.e. how the skills are coordinated with other capabilities. In regards to the skills development of the company the main focus is put on improving the sales employee's volume of sales, which naturally is very important for the profitability of the company. However, in regards to the RBV, other skills which directly and indirectly affect the work of the sales staff needs to be developed and maintained, for example the dependability of product x sales system (Prahalad & Hamel, 1990). This would further induce the creation of long lasting core capabilities of integrated resources and capabilities.

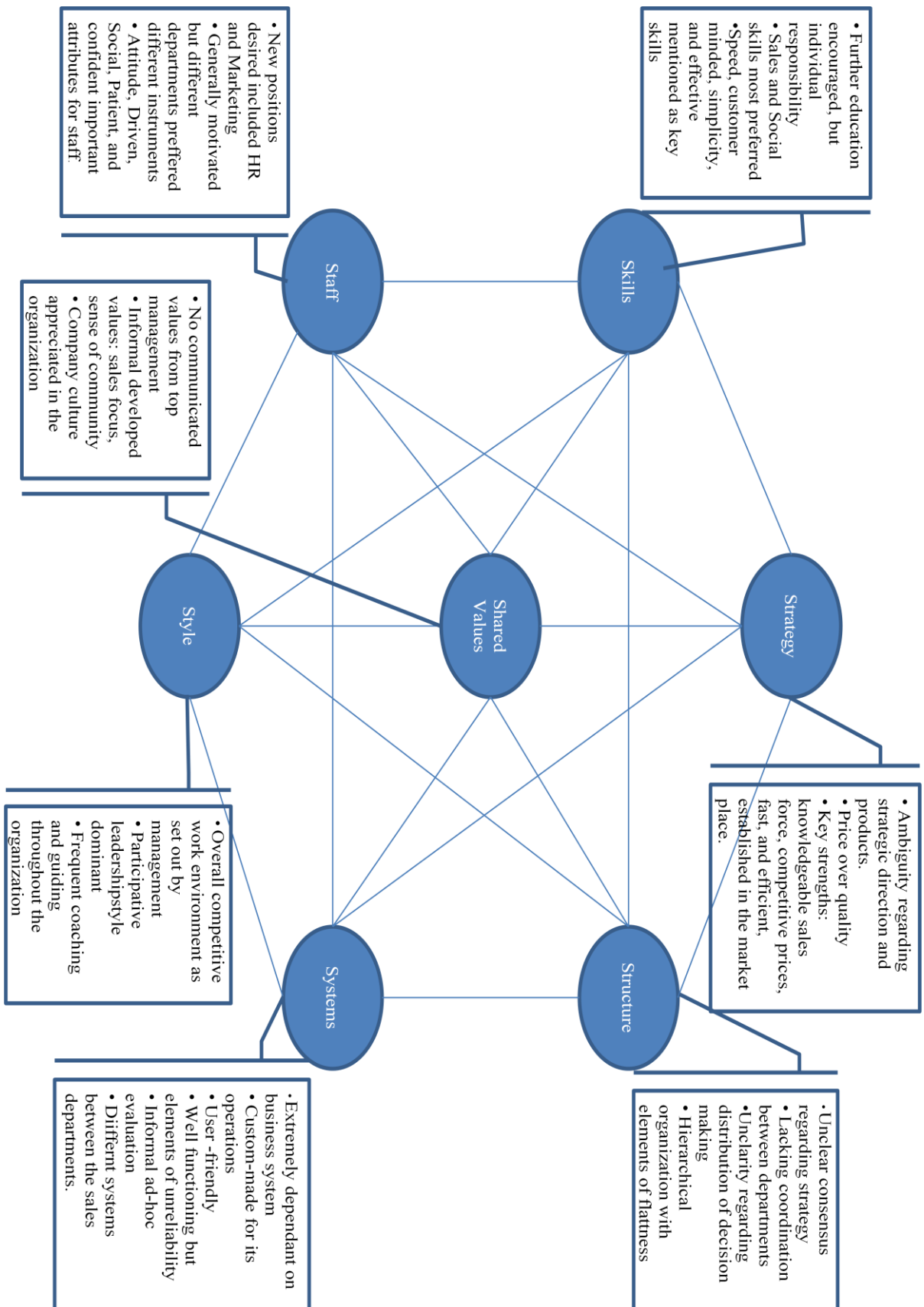
When it comes to skills development in terms of further education and knowledge, the company seemed to put much of that responsibility on the individual employee. Providing means such as books and further education upon request, whereas the latter happened quite seldom. The company uses both structured and unstructured feedback systems. However, the feedback seemed only to include individuals and individual departments, not the company as a whole. A guided direction on where the company wants to be, and how skills throughout the organization can be integrated and complement each other to create capabilities, and perhaps core capabilities might be beneficial. It is necessary to know what the company as a whole can do, and what it needs to learn in order to leverage this against competitors.

***Skills:** Tools of skill development like feedback and education are present within the company, but there does not seem to be a clear strategy regarding the development and maintenance regarding skills of the company as a whole. According to the employees the company already seems to have incorporated the most valuable and important skills, for example, high customer focus, being fast and effective. These skills seem to be well suited for the company's operation and the overall business.*

5.8 Summary

As highlighted in the theory, all the “S’s” are interrelated and need to have consistent strategies in order to create a strategic alignment and organizational effectiveness. The following figure plots the individual attributes of each element in to the 7-S framework as identified within ABC Inc. We will use these individual attributes to combine and identify issues and opportunities in regards to the internal strategic alignment and SMEs. As we have stated earlier, all the elements are constantly interrelated and they all have an effect on each other to a greater or lesser extent. However, in the subsequent section, the synthesis, we will derive the main interactions, which we have identified, between the elements and how they have an effect on each other. This will allow us to use the 7-S framework to assess the internal alignment within the firm and provide evidence of managerial issues related to alignment and SMEs.

Figure 8: 7-S Framework applied



5.9 Synthesis

Since we are targeting the firm from a wide perspective our synthesis will consist of some main general findings we have derived from our analysis regarding strategic alignment. We will highlight specific issues that were noticeable within our case company which further highlights the importance of strategic alignment for a SME. The issues we bring up are products of the analysis and are large extensive issues regarding the organization as a whole. These are not the only issues but we rather argue that these are the largest and most important.

Ambiguity regarding strategy and structure

Two of the hard factors, strategy and structure, did show tendencies to be unclear throughout the company. We argue that as a company grows, in terms of business units and employees, the strategy and structure needs to be clearly communicated throughout the organization. As the theory states the hard elements is what can be fairly easily detected compared to the soft elements. It is therefore important that measures are taken to implement clear hard elements which can empower and have a direct effect on each other and the softer elements creating an efficient and coherent organization. We are also certain that an internal evaluation is important in various stages of a firm's growth to measure and make sure that the overall strategy and structure is well apprehended throughout the organization. As the company grows there is a need to clearly communicate the alterations made to the strategy and how the firm will reach its goals. As well it is important to establish the boundaries of the firm in relation to structure.

Emerged alignment within softer elements

From a wide perspective we believe that the soft elements complemented each other fairly well. However, this had emerged by itself. At the current time it did not seem as if ABC Inc had clear strategies regarding the softer elements, instead they had developed and emerged informally by themselves, more or less created by the members of the organization, instead of through strategic decisions made by top management. However, their development seemed to, from a wide perspective, complemented each other in a satisfactory manner. The staff was motivated and the leadership style with a participating approach seemed to suit the internal environment. The main shared values which had emerged were sales focus and sense of community. Even though the sense of community was more towards individual departments

the sales focus inspired the entire organization and also facilitated a sales driven organization. The employees seemed to be competent regarding their work tasks and have a suiting attitude in regards to the company. However, in terms of new recruitment a dedicated HR function was lacking, creating uncertainty in finding new employees with the appropriate attitude. Although high staff turnover was identified as a common industry attribute, this may be one reason for the high staff turnover.

Overall the soft elements seemed to complement each other well; however it is of great importance that all the elements work in conjunction with each other. The core capabilities as identified by the staff seemed to fit the overall strategy in terms of how they compete. But, there was no cohesion within the company regarding what products they compete with.

Lack of collaboration

One issue detected in relation to the strategic alignment is the incoherence and lack of collaboration between departments, especially between the sales department of product x, and product y. We have identified four main reasons found in the 7-S framework. Firstly, there is the ambiguity regarding the organizational structure. The organizational structure does not visualize and clearly outlines the possibilities of collaboration between the departments. Secondly, as many of the sales staff in product x communicate through their business system, the difference in sales systems might be another factors that halts interdepartmental communication. Thirdly, there were no communicated overall core values throughout the organization. This may further separate the departments and create individualism between the department instead of coherent values and assumptions throughout the organization. Lastly, the different location of the offices may be a factor that impedes collaboration. Although, there was only two floors in the same building separating the departments it may have an effect on communication and collaboration. However, the separation of departments does not necessarily need to be bad. As Schein (2009) explains the informal formation of sub-units are to some extent inevitable as an organization grows. It allows the units to specialize in their specific tasks. However, a clear picture of the company as a whole together with knowledge regarding the other functions can be advantageous in terms of resource sharing, capability, and competence creation.

Uncontrolled core values

The core values that ABC Inc. had once established seemed to have gotten lost as the company had grown. One potential reason is the high staff turnover which made it more difficult to implement clear values. Instead core values had emerged informally within the organization. The main values being sales focus, and sense of community. The strong focus on sales had influenced the entire organization. Since the organization is to a vast majority constituted by sales staff this might have been a natural development. However, the strong sale focus and the need to be quick and deliver high volumes might have had an unconstructive effect on the IT department. Instead of creating long-term solutions to some of the flaws which had been detected in the business system the improvements were instead quick fixes. Although they worked, in some instances they were only temporarily. In order to develop the business system as a resource and thereby reinforce the capabilities of the sales staff a long-term approach might be necessary. A formal creation of core values which clearly responds to the strategy of the organization and relates to all the departments could be beneficial. Thereby it will facilitate the creation of an organizational wide sense of community making sure that the entire organization is working as a whole.

Distribution of decision making

The uncertainty regarding structure seemed to have implications for the distribution of decision making. As the top management desired a more executive organization the need to clarify the authority of the staff as well as empower them with additional knowledge so that they can make responsible and well informed decisions seemed necessary. Our overall impression is that the staff was competent regarding their respective specializations. As well, there seemed to be a great amount of knowledge within the organization but limited tools to share it. Working closely with managers and regular coaching is obviously means to share knowledge. But again, this only occurred within the individual department, and regarding the sales organization, the respective team. Opportunities to establish formalized measures in regards to knowledge sharing and skills development could be found in the organization. As well, the desire for education seemed to be consistent throughout the organization. This could offer an outside perspective and bring additional knowledge into the organization. A clear structure emphasizing linkages between the departments is necessary to visualize the linkages and facilitate interdepartmental learning. Together with systems that enables communication and learning mechanisms in the softer elements would empower and clarify the distribution of decision making.

Summary

As has been shown in this synthesis much of the issues detected stems from the tendencies towards ambiguity regarding the strategy and structure elements. We cannot highlight enough the importance of a sound and clear communication regarding changes made to these elements as a SME develops in terms of strategic alignment. If the strategy and structure is not specified the possibility of the other elements to move in different directions emerges. Even though in the case of ABC Inc the soft elements seemed to complement each other gaps could be found in regards to the strategic alignment of the company as a whole. In order to create a coherent and aligned organization the informed and well articulated decisions needs to be made focusing upon what the firm currently encompass and how they should be developed as the SME grows.

6 Concluding Remarks

To finalize this thesis we will describe our general conclusions of this study together with managerial implications and theoretical contributions, as well as criticism towards the study and future research.

6.1 Conclusion

As a SME grows it will face various challenges in order to secure an efficient and coherent firm operating towards a common goal. A sound strategic alignment between a firm's internal resources, capabilities, and competences is therefore important to ensure the competitiveness of the firm. As mentioned a SME is not a smaller version of a large organization. The importance of SMEs and the lack of research on strategic alignment within SMEs clearly identified an academic gap to fill. Based upon our results we argue that strategic alignment is just as important for a SME as it is for a large organization. The mere fact that we were able to detect issues regarding strategic alignment by using the 7-S framework shows that it is, to some extent, a viable model when assessing the strategic alignment within an SME. Examples of issues detected are low collaboration between departments, ambiguity regarding decision making, and uncertainty regarding the core values of the firm. Much of these issues stems from the difference in the conception of the strategy and structure of the organization. These issues can naturally not be transferred to all other SMEs but because we were able to identify such gaps it shows that an internal evaluation of a SME in the context of strategic alignment can be beneficial for a growing SME to make sure that the organization is working as a whole.

By using the RBV together with strategic alignment concepts we were also able to identify what the company does well. These attributes is, according to the RBV, what the strategy should be formulated around and what the rest of the company should support by aligning itself to the strategy. For a SME this is of the highest importance when breaking new

grounds into new products and markets. A clear communication of the strategy and alterations to the structure needs to be consistent as the SME grows.

Furthermore, by using the 7-S framework we were also able to notice that the softer values within the firm seemed, from a large perspective, to have merged together and complemented each other quite well. This advantageous result of our application of the 7-S framework further induces its viability to assess the internal alignment of an SME since it clearly links the organization together. By linking the outcomes of our application of the 7-S framework together with additional theories regarding the RBV and the individual seven S's we have been able to read between the lines and discovered potential causes for the gaps within the organization. The concept of strategic alignment which directly targets such issues is therefore important for any type of organization to embrace. However, there do exist differences between SME's and large organization. We believe that our study has clearly established the importance of strategic alignment for a SME and because of the results given through the 7-S framework we do believe that it is a viable guide to assess the internal strategic alignment, not only for a large organization but also within a SME.

6.2 Managerial Implications

As has been shown throughout this thesis the concept of strategic alignment is fairly difficult to grasp because of the complexity and interrelatedness of the elements discussed. The aim of strategic alignment is to get the entire firm, and everything that it embodies, to work towards the same strategic goal. It is of the essence that leaders and managers make these goals clear throughout the organization and that there is constant communication and reminders as the company grows. The strategy and the structure need to be clearly identified and the systems should facilitate the internal communication and sharing of resources. Leaders need to be aware of the resources existing in the organization and how to combine them in an efficient manner to create capabilities and competences which establishes competitive advantages in the market place. This is not an easy task. There are contingencies that are out of reach of managers which will have a direct impact on the organization. As well, changes in one element may derive unanticipated changes in another. We believe that for an SME the importance of internal evaluation in relation to strategic alignment is necessary to make sure that the organization is on the right track and that the elements move in the same direction. By

doing this it will be easier to understand the fundamental values of the organization and to establish what the company can and is prepared to do regarding expansions. It is also facilitates the discovery of what the firm can do and what capabilities and competences that has been informally developed within the organization, which can be used to further establish and leverage competitive advantages.

6.3 Theoretical Contribution

We have used two main theoretical concepts throughout this thesis, the RBV and strategic alignment. As an extension of the strategic alignment the 7-S framework has been used as our main theoretical framework for analysis. The 7-S framework has, to our knowledge, never been tested in the context of an SME. We can conclude that the 7-S framework is a viable framework to assess the strategic alignment within a firm. The main reason is how it embraces a holistic view of an organization. By using the 7-S framework we believe that we have managed to discover main managerial issues within an SME. Even though it may be industry specific it does offer valuable insights which can be applied to firms operating in other industries as well. The combination of the RBV and strategic alignment has also provided a deeper insight into the constellations of a firm. The RBV establishing what a firm has and the concept of strategic alignment stressing the importance of that it should be coherent and consistent throughout the organization and thereby serves as complements to each other.

6.4 Future Research

As propositions for future research we believe that the concept of strategic alignment in a SME context can be further explored. For example, this study has solely involved the internal aspects of the firm. Measures to examine the impact of the external environment are also a necessary area of research in relation to strategic alignment and SMEs. Furthermore, this study only analyzes one company within a specific industry. Research regarding strategic alignment within SMEs operating in different industries can also be a valuable topic for future research.

6.5 Criticism of the Study

We believe that even though we have provided a clear picture of the importance of strategic alignment and how it could be assessed, we have located three main areas of criticism in relation to our study. Firstly, the study is a single case study which limits our possibilities for generalizations. In this way cannot the findings be considered as facts suitable for all SMEs. Secondly, we cannot be entirely certain that the interviewees which the study is based on represent the views that are spread across the entire organization. However, we believe that our large sample minimizes such issues. Thirdly, the lack of previous research has limited our possibility to compare and benchmark our findings. This means that we have not been able to confirm our findings and conclusions with previous studies.

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Appendix 1

Author & Year	Aim	Method	Type of company	Conclusion	Gap ⁵
Dwyer, L & Mellor, R (1991)	Use 7-S framework to structure responses in order to investigate corporate climate and its proficiencies on new product processes	Quantitative study using questionnaire.	75 manufacturing companies	To promote new product processes the firm needs to pay close attention to characteristics regarding their organizational environment.	Only examining the 7-S in relation to new product processes
Fleishner, C & Nickel, J (1994)	Identify organizational factors that impact the development process of staff's Total Quality Management adoption, using the 7-S framework.	Empirical findings based upon survey method targeting people working with TQM .	A multitude based upon the use of TQM	Although quality may be attained in some areas of the organization it does not necessarily affect the whole company	Only targeted employees that worked with a specific function, not a company as a whole
Bollen et. al (2008)	Identify best practices in organizing and managing the internet investor relations. 7-S framework used to investigate organizational performance.	Multiple case study (6 cases)	High quality and Low quality websites	A company needs to prepare and devote adequate resources to accomplish high quality internet investor relations.	Used only large multinational listed companies
Mehta, S & Tambe, H (1997)	Examine relationship marketing in corporate banking	Single case study	Large Multinational Bank	An aligned, learning, anticipating and responding organization is of the essence to gain a healthy relationship structure.	Large multinational corporation
Gopalakrishnan, S & Santoro, M (2004)	Using the 7-S framework to examine the role of key organizational factors in facilitating knowledge sharing and technology transfer activities.	Survey data collected from 189 industrial firms in 21 different industries.	Multitude of industrial firms.	Higher level of knowledge transfer could be found within firms with enhanced mechanistic structures and more stable direction-oriented cultures	Specific issue and not the organization as a whole.

⁵ Gap refers to differences between our scope of research and that made in the explained article.

Appendix 2

Hard Elements		
Strategy	Structure	System
<ul style="list-style-type: none"> How would you define your strategy? In what ways do you make sure your strategy is maintained? How do you position yourself in regards to your competitors? <ul style="list-style-type: none"> Which are your competitive advantages? 	<ul style="list-style-type: none"> How would you say your company is structured? (How is the hierarchy?) How do the departments collaborate? Explain the distribution of the decision making? (Centralized or decentralized?) How do you attain information? Is there anything in regards to the structure that can be improved? 	<ul style="list-style-type: none"> What systems are there in regards to the operations of the company? How do you control and evaluate your system? What advantages do your systems have today? Is there anything that can be improved?
Soft Elements		
Shared values	Style	Staff
<ul style="list-style-type: none"> What are the company's core values? How are those values communicated? How would you explain your company culture? Do you think that culture is consistent throughout the organization? Do you believe that this culture is suitable for the operations the company is conducting? 	<ul style="list-style-type: none"> How would you describe the dominant leadership style within the company? (Participating/delegating?) Is there an outspoken preferred leadership style within the company? What kind of support is given to employees in terms of personal development? Do you think it is a competitive or collaborative work environment between departments and individuals? 	<ul style="list-style-type: none"> Do you believe there are positions that needs to be filled? What internal processes exist to motivate the employees? Which personal characteristics do you believe are the most important when recruiting new staff?
Skills		
<ul style="list-style-type: none"> Which are the most appreciated skills within the company? Is there any competence you believe is missing within the company? How is feedback delivered in relation to skills/competence? Is education and personal development something that is encouraged by the company? What do you think the company is known for doing very good? 		