MANAGING STRATEGY AND FLEXIBILITY

A TRADE-OFF FOR SWEDISH COMPANIES

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Abstract:
Firms are reliant on a suitable fit between the firm and their business environment. Simultaneously environments globally become increasingly unpredictable, jeopardizing firms’ ability to develop and implement strategic directions to achieve a suitable fit. To tackle this challenge theorists call for increased flexibility in strategic processes by increasing strategic flexibility. However, the two concepts of strategy and flexibility work as opposing forces of change and stability. This study aims to explore the complex interplay between the two detached concepts in two large Swedish companies Saab and Ericsson. This paper embrace a qualitative method with semi-structured interviews combining deductive and inductive approaches to analyze the interplay between strategy and flexibility. Earlier theorists within strategic flexibility academia primarily focused on providing a resolution of definitional differences; therefore this study provides a new theoretical framework, comprised of a strategy as a plan approach combined with acknowledging strategic decisions in various intra-firm levels. Findings from this study indicate that firms should constantly consider four different trade-offs: decentralized versus centralized control, valuing short-term versus valuing long-term strategies, relying on individual experience versus planning to manage changes and product- versus market-driven strategies to achieve a beneficial interplay between strategy and flexibility.

Keywords: Flexibility; Strategy; Strategic flexibility; Interplay; Environmental changes
Acknowledgements

We are sincerely grateful for all input and contributions during this process. Firstly, we would like to thank all interview participants at Saab and Ericsson for their time and effort. We would especially like to thank our supervisor at Uppsala University, Göran Nilsson and our supervisors at Saab, Bo Petersson and Anders Carp who made this study possible. Further, we would like to thank all participants from our opposing seminar group that has spent hours providing guidance. Finally, to the people that have read through this paper and assisted with finalizing the text, we are deeply grateful!
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1. Introduction

Firms operate in various business environments globally; therefore survival of the firm is reliant on a suitable fit between the organization and its business surroundings.

Globalization has shrunk the world, and increasingly complex manufacturing, distribution and information patterns have emerged. Subsequently, politics, culture, social life, peoples’ demands and expectations have altered companies’ surrounding environment. (Dicken, 2011) The economic downturn in 2008 created turbulence in business environments all over the world, which further complicated companies’ abilities to predict future trends (Nandakumar, Jharkharia & Nair, 2012). These factors combined have redrawn the business landscape significantly, resulting in an increasingly uncertain and demanding business environment.

Technological changes, increased competition, large variations in customer demands, changing market trends and new regulations cause organizations to experience problems when operating in demanding business environments (Alarcon & Caruso, 2013; Singh, Oberoi & Ahuja, 2013). Consequently, the success of companies is dependent on their ability to tackle deviations to manage uncertainties (Engau, Hoffmann & Busch, 2011). Traditionally, changes have been managed through improvements in various processes, such as: just in time delivery, quality management and process reengineering. However, solutions like these can merely be seen as improvements of existing processes and not new drivers of competitive advantage enabling firms to survive in the long run (Abuzaid, 2014).

In order to achieve an appropriate fit between the organization and its environment, strategic practices become necessary. When developing suitable strategies in relation to the environment, firms benefit by predicting future environmental changes and planning in accordance. Despite the importance of strategies for organizational success and despite decades of research, academics have not yet agreed on what strategy really is and various approaches of strategy have evolved over the years (Markides, 2004). Based on empirical findings in this study and Alarcon and Caruso (2013), companies tend to use strategies as a tool for planning common actions to manage environmental changes.
Formulating and implementing appropriate organizational strategies are nowadays recognized as one of the most crucial determinants of successful management and business (Gupta, Jatinder & Sharma, 2004; Dunford, Cuganesan, Grant, Palmer, Beaumont and Steele, 2013). Therefore since environmental changes and uncertainty have significant influence on managers’ and organizations’ ability to formulate and implement successful strategies, it is important for organizations to handle changes by possessing flexibility (Nandakumar et al., 2012; Sharma et al., 2010).

Flexibility and strategy both have been defined differently by various researchers depending on the research perspective and have been stated to exist on various levels within the organization (Roberts & Stockport, 2009; Markides, 2004; Burnes, 1992). Companies use strategy as a tool for planning while requiring flexibility comprises conflicting forces of change and stability. Strategic dimensions emerge as a vital driver within a flexibility context, which can be seen in the increased use of the term strategic flexibility. Developing strategic flexibility is a beneficial practice for companies. It provides firms with possibilities for successful businesses by reassessing strategies in a flexible manner, while simultaneously creating flexible operations to manage a changing environment (Abuzaid, 2014; Sharma et al., 2010). The two contradictory concepts strategy and flexibility, propose a complex interplay.

The intertwined areas of flexibility and strategy are emerging and need a lot of attention in order to facilitate the understanding of their impact on various processes within organizations, leading to enhanced competitiveness and performance (Sharma et al., 2010). Previous research fails to provide empirical “hands on” insights for managers and a unified conceptual framework for researchers, thus there is an urgent need for investigating empirical real-world practices in regard to strategic flexibility according to e.g. Abbott and Banerji (2013) and Sanchez (1995).

Contemporary strategic flexibility theories are mainly based on various researchers trying to provide a resolution of definitional differences (Dunford et al., 2013; Singh et al., 2013). To understand the interplay between strategy and flexibility, strategic flexibility literature should be analyzed from a new angle; therefore a new theoretical framework has been conducted. Our theoretical framework together with our
empirical investigation revealed that strategies are implemented throughout the whole organization: high-, medium- and low-level, hence the analysis should not be limited to only corporate strategies, but instead strategic decision-making on all levels. To beneficially use strategic flexibility literature in this study and for clarifying purpose, we chose to conduct a new definition of the concept strategic flexibility: *A company’s ability to be flexible in strategic choices, at high-, medium- and low-level simultaneously*. Our theoretical framework emphasizes the importance of directing less attention on the degree of environmental change and instead on organizations’ perceived impact of environmental changes. Based on our empirical findings, to understand the interplay between strategy and flexibility, the phenomenon is preferably analyzed through a *strategy as a plan* approach, regardless of the organizational level and degree of impact. This study provides hands on insights and opens up the theoretical discussion towards becoming a more embraceable field in management science. A combination of qualitative methodology, the use of a deductive and inductive approach and existing theory provide a necessary tool in form of a new theoretical framework used as a foundation to achieve a broader understanding of the interplay between strategy and flexibility, leading down to following research question:

*How do firms manage the interplay of remaining flexible while simultaneously following their specified strategies?*

To answer the research question, we have chosen to study the interplay between strategy and flexibility in two large Swedish companies, Saab and Ericsson. To aid the reading, the terms organization, firm and company will be used interchangeably throughout this study.

### 2. Literature Review

*To be able to investigate how organizations manage the interplay between following their strategy and simultaneously possessing flexibility, one must start by highlighting the ongoing discussion amongst theorists of how to define strategy and tackle the increasing need for flexibility. For the purpose of this research and to provide a*
rational analysis in relation to the existing complex theories surrounding strategy and flexibility, we have in the end of this section conducted a theoretical framework.

2.1 Strategy

2.1.1 Strategy a Complex Definition
Despite the importance of a superior strategy for organizational success and despite decades of research on the subject, academics have not yet agreed on what strategy really is (Markides, 2004; Kono, 1994; Nohria, Joyce & Roberson, 2003). Collis and Rukstad, (2008) exemplified this problematic discussion through the question, can you summarize your company’s strategy in 35 words or less? If so, would your colleagues put it the same way? It does not necessarily have to be a negative thing for organizations to have a strategy, which is difficult to describe. On the other hand companies that do not have a simple and clear statement of strategy are likely to fail in executing efficient and accurate strategies. (Collis & Rukstad, 2008) According to Markides (2004), confusion within the subject exists due to the invasion of terms and slogans and the lack of one acceptable definition amongst theorists.

Lampel, Mintzberg, Quinn and Goshal (2014) further stated that, the confusion in the field stems from contradictory and ill-defined uses of the term “strategy”. Several different definitions from strategy as a notion to strategy as visioning are fighting for legitimacy and there is little agreement about what strategy is (Markides, 2004; Whittington, 2001). Whittington (1996) continues by stating that, the field of strategy research has never been as richly diverse, or as crowded with competing theories as it is today. As noticed above, defining strategy is a complex task. To be able to investigate strategy in organizations, an essential starting point is to explain and clarify the ongoing discussion around what strategy really is.

2.1.2 Three Fundamental Approaches to Strategy
Many researchers are trying to form an accepted definition of what strategy really is, leading to three main fundamental approaches: strategy as plan, strategy as pattern and strategy as practice. This paper emphasizes the approach Strategy as plan accordingly with empirical findings of how the investigated firms approached
strategy, although *strategy as pattern* and *strategy as practice* are shortly presented for clarifying purpose.

### 2.1.2.1 Strategy as Plan

The strategy as plan approach emerged in the 1960’s (Volberda, 1997; Whittington, 1996). It is also recognized as the “Classical Approach” and tackles strategy through a resource-based view (Whittington, 1996; Whittington, 2001). Researchers recent interpretations of *strategy as plan* tend to base their perspectives on Michael Porter’s book from 1980 “Competitive Strategy” (Johnson, Whittington & Scholes, 2011), thus Porter has become the most well-known researcher when discussing this approach. Even though Johnson et al (2011) distinguishes between Porter’s focus on strategy as predetermined choices in differentiation and competitiveness, both theorists’ perspectives can be encompassed in the *strategy as plan* approach.

Further, Barney (1991) and Porter (1996) both contribute to this approach by defining strategy as the concept of firm resources, competitive advantage and sustainable competitive advantage as central roles. To reach a sustainable competitive advantage firms should implement strategies that exploit their internal strengths, by responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Barney, 1991). According to Whittington (2001), strategy is a deliberate process to maximize long-term advantages; therefore *strategy as plan* raises the issue of what was actually intended. Much of the purpose with strategy in the perspective of Michael Porter is to create a valuable and unique position. (Lampel et al., 2014; Porter, 1980; Porter, 1996) An appropriate way to end the explanation of *strategy as plan* is with Whittington’s (2001) statement: Rational planning is founded in the belief that the outside world and the organization itself can be made predictable and shaped according to the plans of top management.

### 2.1.2.2 Strategy as Pattern and Strategy as Practice

In the perspective of Henry Mintzberg: a strategy is the pattern that integrates an organization’s major goals, policies, and action sequences into a cohesive whole (Lampel et al., 2014). *Strategy as pattern* incorporates strategy as an emergent process with plural outcomes (Whittington, 2001). The definition of strategy by Mintzberg is described as “a pattern in a stream of decisions” (Johnson et al., 2011:4).
Further, if there would exist one best practice on how to conduct a successful strategy, the basic principle of strategy would not exist (Lampel et al., 2014). An appropriate ending to the discussion concerning strategy as pattern is with the basic idea of this definition: It does not matter if the strategy is optimal, what it means is that no one knows the optimal strategy, thus failing to carry out the perfect strategy is hardly going to lead to serious competitive disadvantages (Whittington, 2001).

The strategy as practice is to a large extent formed by the ideas of the process school, and returns to the managerial level. The practice perspective shifts focus from core competences of the corporation to the practical competence of the manager as a strategist. This approach proposes that the objectives and practices of strategy depend on the social system in which the strategy is taking place and how managers interact. (Whittington, 2001; Whittington, 1996) Strategy as practice is not the same for everyone and each firm has its own distinct and regular pattern. Therefore practical competence requires a readiness to work within existing structures and routines, rather than out of some textbook. (Whittington, 1996) To conclude the section of strategy as practice, a quotation from Whittington (1996:2) is appropriate “…the craft skills of strategizing are not general and success in one role is no guarantee of success in another.”

2.1.3 Strategic Levels
After highlighting the multivariate discussion of strategy and the related perspectives of how strategy is implemented, to understand how strategy is conducted one must first realize where it exists and where strategy implementation in organizations is possible. Strategy exists at many different levels in large organizations: corporate level strategies, business level strategies, functional or operational strategies are the most significant levels (Johnsson et al., 2011; Mintzberg, 1994; Burnes, 1992). Each of these levels needs to be aligned with the others, thus there is a need for integration of strategy, which is a complex task (Johnsson et al., 2011; Dess, Gupta, Hennart & Hill, 1995; Burnes, 1992). The difference in strategy and tactics between all levels of an organization lies in the scale of actions and perspective of the leaders. What is tactic for one manager may be strategy to another (Lampel et al., 2014). Therefore research within strategic management should not be limited to one level, but all levels (Dess et al., 1995).
**Corporate level strategy:** According to Johnsson et al. (2011), and Bowman and Ambrosini (2007), corporate level strategy refers to the overall scope of an organization and how the organization can add value to the business as a whole. Existing research on corporate level strategy has focused on the relationship between strategy and performance, without considering its impact on sustainable competitive advantage at business level (Dess et al., 1995). Strategic decisions on corporate level are likely to be considered by most managers, which are in companies with multiple product lines (Bowman & Ambrosini, 2007). In this matter, corporate level strategy includes diversity of products and services and how resources are allocated in the organization. The core aim is to determine the range of businesses to be included which lays the foundation for all other strategic decisions. (Johnsson et al., 2011; Dess et al., 1995) Burnes (1992) stated in a similar way that the corporate level refers to the direction, composition and coordination of various business units in the organization. Further it should be directed at enhancing value from decisions. Thus developing an understanding of the strategic decisions made on corporate level becomes critical, due to its consequences for the company (Bowman & Ambrosini, 2007).

**Business level strategy:** Johnsson et al. (2011) and Dess et al. (1995) define the business level, as how the individual businesses should compete in their different markets. When determining long-term thinking and future performance outcomes it requires attention to business level strategy (Megicks, 2007). From this perspective, the business level strategy tends to be referred to as competitive strategy and the units can either be stand-alone businesses or units within the larger corporation (Johnsson et al., 2011; Dess et al., 1995). In the latter case, it becomes crucial to align the business level strategy to the overall corporate level strategy, and the business level normally refers to innovation, how to tackle competition and value-adding activities (Johnsson et al., 2011).

**Operational strategies:** The operational level is of vital importance to the corporation and should be closely linked to the business level strategy. This strategic level further describes how the components of an organization effectively deliver the corporate and business level strategies in terms of resources, people and processes. (Johnsson et al.,
Burnes (1992) state that the functional level strategy refers to strategic decisions regarding individual business functions, thus the functional level shows similar characteristics as the operational level.

To summarize, corporate level strategy deals with the question in what business a company shall compete, while business level strategy concerns the question of how to attain a position to achieve its business objectives (Dess et al., 1995; Johnsson et al., 2011; Bowman & Ambrosini, 2007). Operational level strategy concerns how individual business functions manage a unit’s operations (Burnes, 1992; Johnsson et al., 2011).

2.2 Flexibility in a Business Context
One way for firms to manage uncertainties is to achieve flexibility in different operations and organizational processes (Nandakumar et al., 2012; Roberts & Stockport, 2009). Flexibility in its various forms has long played an important role in the organizational change and strategy literature (Dunford et al., 2013: Volberda, 1997). The importance for firms to be adaptable towards changing market settings became evident in the aftermath of the Great Depression (Dunford et al., 2013). In present time, flexibility plays an even more important role due to increasingly demanding business environments (Dunford et al., 2013; Sharma, Sushil & Jain, 2013).

2.2.1 Flexibility as a Concept
As it enables organizations to manage changing environments, understanding flexibility is critical (Volberda, 1997). A literature review of the concept clearly reveals the lack of a universally adapted terminology. In addition, flexibility has also been used in numerous business fields and the application of the concept shows great variability (Singh et al., 2013). In this respect, flexibility is considered to be a ubiquitous and polymorphous concept that is “hard-to-capture” and shows high levels of complexity (Sethi & Sethi, 1990; Sharma et al., 2010; Roberts & Stockport, 2009; Singh et al., 2013; Evans, 1991). Developing flexibility can be seen as a managerial task where the fundamental focus rests on managers’ capabilities to make accurate decisions or an organizational design task. In its purest form, flexibility can be
perceived as the ability to do something other than originally intended and can be considered as a response to environmental change and uncertainty. (Volberda, 1997; Sharma et al., 2010; Gupta & Goyal, 1989). Therefore, firms must have flexibility, throughout the organization to cope with increasingly demanding environments (Robert & Stockport, 2009; Sharma et al., 2010; Volberda, 1997).

Eppink (1978) and Krijnen (1979) elaborated on early dimensions of flexibility, which have pervaded a lot of existing contemporary research (Sharma et al., 2010; Roberts & Stockport, 2009). Eppink (1978) distinguished in his research between three different types of flexibility: operational, competitive and strategic flexibility (Eppink, 1978; Sharma et al., 2010). Krijnen (1985) argues in a similar fashion, that organizations can consciously choose a specific type of organizational structure enhancing the development of certain types of flexibility: strategic, organizational and operational. Volberda (1997) also distinguished between three different flexibility levels Operational, Structural and Strategic flexibility. For the organization to achieve full flexibility, it must be able to implement changes where needed at all levels (Eppink, 1978; Krijnen, 1979; Volberda, 1997). The capacity for maneuvers at operational level is through routines, on structural level through adaptiveness and on strategic level through overall strategies according to Volberda (1997), as displayed in figure 1. In theory, it becomes easy to distinguish and classify the different types of flexibility, but in reality they can have overlapping characteristics (Eppink, 1978). Allowing flexibility to pervade every level of the organization becomes a vital component for competitiveness (Sharma et al., 2010; Roberts & Stockport, 2009).

Strategic flexibility in particular has in recent years gained significant importance in management practice and literature (Singh et al., 2013; Roberts & Stockport, 2009). Already when Eppink (1978) studied flexibility in-depth, he stated that strategic flexibility as a concept will grow significantly in the future. Thirty years later, Sharma et al. (2010) highlighted that flexibility must be deeply rooted into strategic management processes. According to Gupta et al. (2004) to keep firms competitive in contemporary markets, the process of formulating and implementing strategic initiatives must explicitly involve flexibility at various levels in the organization. Strategic flexibility as a concept implicates that there is an ongoing interplay in progress between the two contradictory concepts of strategy and flexibility. In light of
previous discussion, this paper emphasizes on the concept strategic flexibility to understand the interplay between change and stability.

**2.2.2 Strategic Flexibility**

Strategic flexibility suffers from the same inconsistency in conceptualization just as the broader concept of flexibility (Roberts & Stockport, 2009). Due to different perspectives adopted in research, no unified definition or conceptualization exists (Eppink, 1978; Roberts & Stockport, 2009; Sharma et al., 2010; Abuzaid, 2014; Abbott & Banerji, 2003). Traditionally, strategic flexibility has been referred to as a non-routine steering capacity. Changes that require strategic maneuvers are the most urgent for companies to take into account since without accurate response they can lead to devastating outcomes. (Eppink, 1978; Heng, Xu, Jiangi and Xinglu, 2013; Sanchez, 1995; Volberda, 1997)

**2.2.2.1 Prior Conceptualization of Strategic Flexibility**

The existing wide range of strategic flexibility definitions demands a short review, with the purpose of clarifying how the concept has evolved amongst selected researchers. Aaker and Macarenhas (1984) defined strategic flexibility as a firm’s ability to adapt to uncertain environments. Evans (1991) provided a simple but clear definition, that strategic flexibility is a firm’s capability to modify strategies. Further, Shimizu and Hitt (2004) acknowledged strategic flexibility as a firm’s ability to identify changes in the environment, commit resources as responses to changes and to act efficiently regarding resource allocation during changes. Singh et al. (2013) defined strategic flexibility as the ability of a firm to react, proact, reposition or adapt to turbulent market conditions, supported by its resources and capabilities, to maintain its competitive advantage. Solely for clarifying purposes a new definition of strategic flexibility better suited for this study is presented in subparagraph 2.4.

**2.2.2.2 Portraying Strategic Flexibility**

Fostering a sufficient strategic flexibility mix is dependent upon managers’ capabilities and the “controllability or changeability” of the organization, thus maintaining adequate control while simultaneously facilitating change is a key issue for organizations’ (Sharma et al., 2010; Abbott & Banerji, 2003; Volberda, 1997). Decision-makers’ capabilities for managing strategic flexibility are of vital
importance. However, the lack of adequate theoretical frameworks studying the capabilities for strategic flexibility constrains understanding of it. (Combe & Greenley, 2004) Nonetheless, Heng et al. (2013) recently discovered when measuring strategic flexibility that several strategic management principles were beneficial for maintaining a flexible firm in a demanding business environment. First, possessing correct management principles allows units to break with normal procedures when dealing with emerging challenges. Second, it assists to maintain smooth communication mechanisms in the firm. Third, possessing correct management principles actively changes strategies and structures when responding to changing environments and last, actively adopting new management techniques. (Heng et al., 2013)

Sanchez (1995) among other researchers identified “resource flexibility” and “coordination flexibility” as main capabilities contributing to strategic flexibility. Thus, a company’s resource flexibility is determined by characteristics of the resource and flexibility in applying those resources to a wide range of activities and alternative courses of action (Singh et al., 2013). Consequently, strategic flexibility has emerged as a capability in itself and as a driver of competitive advantage (Roberts & Stockport, 2009; Nandakumar et al., 2012). As mentioned above, managing strategic flexibility includes capability building by investing in diverse resources and possessing, developing and reassessing a wide range of strategic options (Abbott & Banerji, 2003; Evans, 1991; Roberts & Stockport, 2009; Lau, 1996; Sharfman & Dean, 1997).

From a theoretical review, one can determine that strategic flexibility is a complex concept with a wide range of definitions and application areas. Nevertheless, strategic flexibility is governed through a variety of flexibility dimensions, which are influenced by regulatory, economic, political and social factors (Roberts & Stockport, 2009; Singh et al., 2013). To have strategic flexibility embedded in an organization’s routines, communication and coordination results in positive outcomes (Heng et al., 2013). Managing strategic flexibility accordingly involves the creation, maintenance and understanding of different routes for the firm’s future (Singh et al., 2013). Positive effects on firms’ competitive advantage, performance, management practices, international ventures and competitiveness in technological environments are evident (Hitt et al., 1998; Nadkarni & Narayanan, 2007; Sharma et al., 2010; Abbott &
Banerji, 2003; Heng et al., 2013; Singh et al., 2013). More explicitly, competitive advantages can be achieved through a firm’s unique capability to generate strategic-decision options, suited for different environmental contexts, which is difficult for competitors to imitate (Sanchez, 1995).

2.3 Our Theoretical Framework

In presence of the increasingly integrating relation between flexibility and strategy in relation to a lack of unified flexibility and strategic flexibility conceptualization, a new theoretical framework is essential for the purpose of this study. Our theoretical framework does not reject previous theories within flexibility and strategic flexibility, but rather providing a foundation with certain adjustments for analyzing the interplay between strategy and flexibility.

Based on the empirical findings from strategic directors in both Saab and Ericsson, a common perspective of strategy is to plan for five years in the future. Therefore we chose to build our theoretical framework with an emphasis on the strategy as plan approach, even though common variables exist between our empirical findings and all three approaches to strategy. Combining strategy and flexibility, Roberts and Stockport (2009) and Sharma et al. (2010) identified without deeper analysis that
strategic flexibility has three levels of strategy analysis; high-, medium- and low-level. High-level is concerned with the organizational direction, medium-level deals with the organizational structure while the low-level deals with operations related to individual business units (Singh et al., 2013). Burnes (1992) and Johnson et al. (2011) emphasized the need for analyzing strategies on various levels in organizations and the need for integration between them. This is the basis for why we continue to use these levels throughout the paper. Abbott and Banerji (2003) and Singh et al. (2013) researches revealed that strategic flexibility could be increased through various capability-building activities related to production, HR, R&D, innovation and technology. According to Krijnen (1985) decentralization of decision-making is necessary for possess flexibility on operational level, thus in our theoretical framework acting as a criteria for flexibility on all levels.

Finally, strategic decisions in a flexibility context were in older literature only considered to be useful in highly unusual and specific situations such as an oil crisis, the birth of internet, a financial crisis that impacts all firms. (Eppink 1978; Volberda, 1997). Krijnen (1985) on the contrary argues that the environmental impact should be evaluated from firm specific circumstances. Above-mentioned perspective of environmental impact indicates that a firm must make accurate adjustment based on perceived impact, as displayed in figure 3. The traditional view in this manner would not be valid; instead an environmental change with substantial impact does not necessarily affect all firms, which was the case for Saab during the financial crisis.

The above settings indicate that some parts of the traditional view of strategic flexibility are outdated. By using the concept of strategic flexibility as a basis and acknowledging that strategic decisions can be made separately on high-, medium- and low-level, it enables studying the interplay between strategy and flexibility. The interplay is preferably analyzed by acknowledging the many various variables within strategic flexibility together with acknowledged variables in strategy literature on different levels as displayed in figure 2.
2.3.1 High-Level Strategic Flexibility
High-level strategic decision-making has generally been named corporate level or organizational direction (Roberts & Stockport, 2009; Burnes, 1992). No matter what terminology used, the concept aims at explaining the overall corporate strategy e.g. direction, composition and coordination of the firm (Burners, 1992). Based on Sharma et al. (2010), Burnes (1992) and, Roberts and Stockport’s (2009) classifications, high-level strategic flexibility in this study concerns changing of overall strategies, renewal and diversity of products and services, switching to new markets or technologies and directions.

2.3.2 Medium-Level Strategic Flexibility
Medium-level decision-making has been referred to in strategy and flexibility academia as organizational level, competitive level, organizational structure or business level (Volberda, 1997; Eppink, 1978; Sharma et al., 2010; Roberts & Stockport, 2009; Burnes, 1992; Johnson et al., 2011). Strategic decision-making at this level concerns innovation, how to tackle competition and other value-adding activities (Johnson et al., 2011). From a contemporary perspective, organizational flexibility concerns activities such as co-ordination flexibility, locational flexibility and resource flexibility (Madhani, 2013; Ruiner, Wilkens and Küpper, 2013; Roberts
Combining these strategy and flexibility indicators, measurements for medium-level strategic flexibility can be summarized as: competences, decision and communication processes, innovation, how to tackle competition and other value-adding activities.

### 2.3.3 Low-Level Strategic Flexibility
Concerning low-level, there is less terminology confusion in previous academia regarding flexibility and strategy. This level is more or less jointly termed operational level (Roberts & Stockport, 2009; Sharma et al., 2010; Krijnen, 1979; Volberda, 1997; Johnson et al., 2011). According to Burnes (1992), the operational level strategy concerns strategic decisions regarding processes, people and resources. Firms can be perceived to be flexible when they with ease can change production to match fluctuations, efficiently shift production between locations, withdraw production from unprofitable markets, customize products or move resources to profitable markets (Krijnen, 1979; Fisch & Zschoche, 2012; Sharma et al., 2010; Kandemir & Acur, 2012). Combining these strategy and flexibility indicators measurements for low-level strategic flexibility can be summarized as: changing production volumes connected to supply and demand fluctuations, allowing customization of products, easily shifting production between locations and allowing people in a decentralized structure to make operational decisions.

In our theoretical framework high-, medium- and low-level strategic flexibility are mutually determined by a firm’s flexibility to use, develop or reassess existing strategic options in regard to above-mentioned measurements on all levels. Our new theoretical framework functions as a tool for investigating variables deemed to affect strategic flexibility, and thus the interplay between strategy and flexibility. For clarifying purposes, the investigated strategic flexibility variables are presented in table 1.

### 2.3.4 Summary of Our Theoretical Framework
In our theoretical framework, to achieve sufficient interplay between strategy and flexibility, accurate strategic decisions become necessary along one, two or all three levels depending on the perceived extent of impacts from environmental changes, as
presented in figure 3. To beneficially analyze the interplay, approaching strategic flexibility through this lens provides structure to investigate possible affecting variables. In this regard, the firm is flexible when managing accurate strategic choices at high-, medium- and low-level.

**Figure 3.** Theoretical Framework: Interplay between Strategy and Flexibility

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**2.4 Defining Strategic Flexibility**

Solely for clarifying purpose, strategic flexibility in this paper is defined as: *A company’s ability to be flexible in strategic choices, at high-, medium- and low-level simultaneously.*
2.5 Theoretical Limitations
We have chosen to concentrate on strategy as plan based on empirical findings, though this choice could limit how firms can perceive strategy. The drawn framework is based on strategy as plan in relation to strategic flexibility on three levels within organizations. No established theory combining these areas exists, possibly limiting our theoretical foundation. Further, several more definitions on flexibility exist, hence limiting the extent of theories used in this research. Specific theories regarding the investigated variables could have provided further theoretical contributions to our theoretical framework.

3. Methodology
The choice of method and its implications for this paper are explained and discussed in relation to how we aim at broadening the understanding of how organizations manage the interplay between following strategies and simultaneously possessing flexibility, through a practical lens. To answer the research question, the method used emphasizes a mixture of inductive and deductive approach.

3.1 Theoretical Implications for a Clear Picture of the Framework
This research began with a review of existing theories concerning strategy and flexibility. The insufficient qualitative studies and disagreeing research within strategic flexibility theories created a starting point for the specific theoretical framework generated in this research. This study is characterized by a combination of deductive and inductive approaches, with emphasis on deduction. It is not to be perceived as an abductive approach, since according to Dubois and Gadde (2002), abductive is different from a mixture of deductive and inductive, more suited to developing new theoretical models and finding new variables. Criticism exists towards deduction and its rigid methodology that does not permit alternative explanations of what is going on (Saunders, Lewis and Thornhill, 2009). In this study it can be perceived as a limitation of the results, due to the purpose of exploring how companies handle strategy and flexibility. Even though alternative theories may be suggested, it might still limit the result, because of the structured research design. The use of deductive in combination with inductive reduces these limitations, thus
allowing us to construct a theoretical framework from existing literature, individual opinions and empirical data. According to Saunders et al. (2009) combining deduction and induction is often advantageous. Combining research approaches assisted with clarification of definitions, assumption about the appropriateness of the theory and structuring the approach through deduction, simultaneously providing broader understanding of the context and flexibility in the research through induction (Saunders et al., 2009).

Many educators reject researchers’ individual opinions in the theoretical setting, although Greener (2008) states that individual opinion is important but in order to be valuable it should be based on evidence and logic, and expressed fairly and objectively. Our theoretical framework, which is to a large extent based on substantial number of well-known studies within strategic flexibility, in relation to our objective interpretation, validates the use of it as a basis for the analysis. Further, the theoretical phenomenon required individual opinion in order to illustrate the problem and supply a clear picture of the research phenomenon, the purpose of which is to decrease the risk of biases when collecting and systemizing data. According to Saunders et al. (2009) it is essential when conducting an exploratory research.

3.2 A Qualitative Study to Explore the Interplay between Strategy and Flexibility
Qualitative research studies can help to provide an additional understanding of the investigated phenomenon according to Schilling (2009), equal to the purpose of this study. A quantitative approach has the purpose of providing a statistical generalization, and thus lacks the ability for researchers to answer the research question by extracting non-intended information. Therefore a quantitative approach would limit the results of this study. Furthermore, since this research is characterized by answering a “how question”, a quantitative approach is not considered (Yin, 2003). With the purpose of exploring new insights to provide a broader understanding through analysis of the multivariate existing literature of the subject, a qualitative approach is more appropriate. Much of previous research within the field is dedicated to the level of strategy and its relation to performance, using quantitative methods (Dess et al., 1995). Using a quantitative method causes insufficiency to the study in
form of unobservable factors, thus enlightening the benefits of using a qualitative method for the purpose of this paper. Since this study is characterized by interpretational aspects, both in a theoretical context and in the purpose of contributing to existing literature, a qualitative approach assisted to achieve an embraceable understanding of the interplay (Saunders et al., 2009; Greener, 2008).

3.2.1 Exploratory Research
This study is conducted with the purpose of contributing with new insights and a broader understanding of the research phenomenon, therefore we chose to conduct an exploratory research because according to Saunders et al. (2009), this method facilitates seeking new insights, clarifies understanding of problems and assesses the phenomenon from new angles. When answering the research question and in order to achieve a satisfactory outcome in line with the purpose, flexibility and change of direction when new information appeared was of utmost importance. Choosing an exploratory research facilitated this study (Saunders et al., 2009). This, together with our theoretical framework and by limiting the study to technologically driven companies, it provided a broader understanding and new insights into the investigated phenomenon.

3.2.2 Embedded Case Study
Conducting an embedded case study allowed for exploiting multiple sources of evidence within a real life context, which helped to gain a richer understanding (Saunders et al., 2009; Yin, 2003). Because an embedded case study according to Saunders et al. (2009) allows researchers to examine a number of units within the organization. Due to the substantial extent of examining strategy and flexibility of companies as a whole, using an embedded case study approach benefited the result of this paper. To strengthen the conducted theoretical framework of this paper, an embedded case study approach helped to explore and challenge existing theory, providing additional understanding and perspectives. (Saunders et al., 2009)
3.3 Understanding Flexibility in Context to Strategy through Triangulation

The gathered empirical data is based on a combination of primary data in form of semi-structured interviews and secondary data in form of documentation together with theory, which facilitates the use of triangulation (Greener, 2008). The use of triangulation assisted to capture the retrieved data in a broader sense and provides new insight according to Yin (1994) it also provided multiple perspectives for the researchers related to how firms use strategy and simultaneously treat flexibility. Further, the use of triangulation both enriched and confirmed the retrieved picture of how the interplay is managed. It also acted as a controlling function of the findings from the used methods, thus allowing for cross-check verification. (Saunders et al., 2009; Greener, 2008; Patzer, 1996)

3.3.1 Semi-structured Interviews

Yin (1994) states that interviews are the most appropriate method for collecting in-depth and specific data. Based on that recommendation and the need to collect in-depth data to be able to answer the research question, gathering primary data by conducting semi-structured interviews increased flexibility amongst the respondents, which allowed deeper and freer answers since the respondent was able to elaborate his or her answers. It also provided some structure to the interview, which assisted in providing answers to intended questions. Additionally, the semi-structured design enhanced the information gathering process and assisted in understanding the meanings that respondents described. It also allowed the researchers to vary some questions from interview to interview to fit the particular purpose of the specific interview (Saunders et al., 2009). Intended Questions for the interviews are displayed in appendix 1 although in regard to conducting semi-structured interviews, all questions were not asked, instead respondents were given the possibility to elaborate more freely in their answers. For instance, when conducting interviews with Sales Managers, questions concerning market and competition were in focus. Further additional questions, were asked to respondents at later times, due to insufficient answers or a discovered need for extended understanding.
Following strategic flexibility variables in table 1 was in focus when asking questions in order to gain understanding of how the concerned company treats strategy and flexibility. The variables are anchored in the literature by Roberts and Stockport (2009), Krijnen (1979), Sharma et al. (2010), Burnes (1992), Volberda (1997), Johnson et al. (2011), Madhani (2013), Ruiner et al. (2013) and Fisch and Zschoche (2012). Using these variables as a foundation when conducting the interviews assisted with realizing the interplay between strategy and flexibility. Further, the conducted interviews have been carried out with employees from Saab and Ericsson, responsible for strategy, human resources, market, sales and operational functions, all of them involved or affected by the strategic process, as displayed in table 2. The reason for structuring the study in three levels according with existing theory is to gain a coherent structure of the paper, and also to facilitate findings from the empirical investigation. An Ericsson interview with HR was not conducted, since we found little additional value after conducting interviews within Saab of two respondents that represent medium-level. The purpose of choosing respondents in those particular positions is to cover as many variables connected to strategy and flexibility on high-, medium- and low-level as possible, but also to contribute with a comprehensive understanding and a multifaceted perspective of the investigated phenomenon, and to distinguish between different variations of the multidivisional structure (Dess et al., 1995).

The purpose is not to explain everything that affects the interplay between strategy and flexibility, rather it is to provide a broader perspective of how companies manage this interplay. To investigate this, strategic flexibility is divided into three levels, thus the choice of respondents responsible for different functions on the three levels. Additionally, the interviews have all been completed in an appropriate language for the respondents, thus increasing their ability to understand the questions correctly (Saunders et al., 2009; Greener, 2008). Opening the interviews with an explanation of the research project facilitated cooperation, thus enhancing credibility in the answers from respondents. To further enhance more revealing answers from the respondents, we chose to keep them anonymous according to what Greener (2008) states, although for credibility reasons and for the purpose of distinguishing the answers between high-, medium- and low-levels, they are referred to by title.
Table 1. Investigated Strategic Flexibility Variables

<table>
<thead>
<tr>
<th>Strategic Flexibility Levels</th>
<th>High-level</th>
<th>Medium-level</th>
<th>Low-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functions</td>
<td>Strategic policy, Overall</td>
<td>HR, Market or Communication</td>
<td>Operation, Production</td>
</tr>
<tr>
<td></td>
<td>strategies</td>
<td>strategies</td>
<td>strategies</td>
</tr>
<tr>
<td>Variables</td>
<td>Strategic process</td>
<td>Value adding activities,</td>
<td>Production volumes, Supply</td>
</tr>
<tr>
<td></td>
<td>Diversity of products and</td>
<td>Decision-making process,</td>
<td>and demand fluctuations,</td>
</tr>
<tr>
<td></td>
<td>services, Switching to new</td>
<td>Communication process,</td>
<td>Customization, Shift</td>
</tr>
<tr>
<td></td>
<td>markets or technologies,</td>
<td>Innovation, Competences,</td>
<td>production location,</td>
</tr>
<tr>
<td></td>
<td>Directions</td>
<td>Competition</td>
<td>Operational decisions</td>
</tr>
</tbody>
</table>

Table 1. The investigated variables and functions on the three strategic flexibility levels.

Table 2. Interviewee Respondents

<table>
<thead>
<tr>
<th>Company</th>
<th>Saab</th>
<th>Saab</th>
<th>Saab</th>
<th>Saab</th>
<th>Ericsson</th>
<th>Ericsson</th>
<th>Ericsson</th>
<th>Ericsson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Director</td>
<td>Manager</td>
<td>Human Resource</td>
<td>Director</td>
<td>Group</td>
<td>Development</td>
<td>Engineer</td>
<td>Excellence</td>
</tr>
<tr>
<td></td>
<td>(SD1)</td>
<td>(SM1)</td>
<td>(HHR1)</td>
<td>(PD1)</td>
<td>Function</td>
<td>Manager</td>
<td>(PD2)</td>
<td>Responsible</td>
</tr>
<tr>
<td>Interview</td>
<td></td>
<td></td>
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<td>Experience</td>
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<td>Employed</td>
<td>Employed</td>
<td>Employed</td>
</tr>
<tr>
<td></td>
<td>at Saab</td>
<td>since 2000,</td>
<td>at Saab</td>
<td>at Ericsson</td>
<td>at Ericsson</td>
<td>at Ericsson</td>
<td>at Ericsson</td>
<td>at Ericsson</td>
</tr>
<tr>
<td></td>
<td>37 years and</td>
<td>within</td>
<td>since 2012</td>
<td>since 1991</td>
<td>since 1996</td>
<td>and working</td>
<td>employed and</td>
<td>Worked as</td>
</tr>
<tr>
<td></td>
<td>been</td>
<td>market and</td>
<td>as head of</td>
<td>and 10 years</td>
<td>working and</td>
<td>working with</td>
<td>working</td>
<td>manager in</td>
</tr>
<tr>
<td></td>
<td>working</td>
<td>sales, active</td>
<td>HR and 11</td>
<td>of working</td>
<td>sales and</td>
<td>production</td>
<td>within</td>
<td>both</td>
</tr>
<tr>
<td></td>
<td>with Saab</td>
<td>in the start</td>
<td>years</td>
<td>with strategy</td>
<td>Ericsson</td>
<td>managing for</td>
<td>production</td>
<td>Ericsson</td>
</tr>
<tr>
<td></td>
<td>since 2000,</td>
<td>up of Saab’s</td>
<td>with HR</td>
<td>strategy</td>
<td>since 1985</td>
<td>many years</td>
<td>location</td>
<td>and Saab</td>
</tr>
<tr>
<td></td>
<td>and been</td>
<td>Civil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>since 1990’s.</td>
</tr>
<tr>
<td></td>
<td>Saab</td>
<td>Security</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>since beginning of</td>
</tr>
<tr>
<td></td>
<td>business</td>
<td>business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1990’s.</td>
</tr>
</tbody>
</table>

Table 2. Respondents within Saab and Ericsson and their positions together with their working experience.
3.3.2 Documentary Data
In combination with interviews, secondary data were used in form of raw documentary data concerning the company’s strategic practices, contributing with additional information of how firms treat strategy. The secondary data were collected through companies’ internal database and web sites.

3.4 Understanding Strategic Flexibility Practices by Extracting Valuable Information
The sample was chosen to fit three main criteria: First, the companies are characterized by high technology. Second, they are categorized as large companies and third, they hold their headquarters in Sweden. The criteria were set for the following reasons: first, for the ability to investigate variables concerning technology connected to flexibility, choosing companies characterized by high technology assisted with understanding that relation. Further, to provide a multifaceted perspective of strategy and flexibility on the three levels, choosing large companies to investigate was highly important. Choosing companies that have their headquarters in Sweden allowed access to intended positions of respondents. The studied companies were then chosen out of convenience reasons, through already established contacts within Saab. Advantageously, it provided access to intended respondents, thus strengthening reliability of the data, because according to Yin (1994) choosing relevant respondents are of utmost importance to correspond well with the purpose of the paper. Disadvantageously, it can foster biases in respondent’s answers, due to recognition. Further, possible disadvantages lies amongst the researchers’ ability to remain objectively towards the results. Accessing Ericsson was done through snowball effect from our leading contact in Saab.

The retrieved data is analyzed in three different sub-processes, accordingly to how Saunders et al. (2009) and Miles and Huberman (1994) recommend. First, after collecting the data, it was reduced by summarizing and simplifying it, to facilitate the analysis. After shortening the data, it was organized in a visual way and last, conclusions from the data were drawn in relation to the research purpose. Since qualitative data includes large amounts of information, following these steps was useful to extract valuable information and identify important patterns, thus enhancing
the analysis (Miles & Huberman, 1994). Using the extracted valuable information enabled us to identify ways of how companies handle the interplay between strategy and flexibility, but also underlying factors affecting this interplay. It allowed for increased understanding of how companies manage the interplay of following their strategy and being flexible on high-, medium- and low-level.

3.5 Increasing Reliability and Validity in how Firms Manage the Interplay between Strategy and Flexibility

In this research a semi-structured interview guide, complemented with recording of the interviews, together with triangulation, was used to provide transparency and clearness for the reader to understand the used method, in accordance to what Greener (2008) and Saunders et al. (2009) propose to be important to increase reliability in the research. By using the same interviewer when asking questions, it reduced the probability of asking questions in different ways depending on respondents.

High level of face validity is important for this study, in order to encourage the interviewees to understand that the method makes sense, thus to be able to answer questions (Greener, 2008). To increase face validity, choosing appropriate respondents to interview is of utmost importance. Bias of the answers can be a risk when conducting interviews due to individual perceptions of the investigated phenomenon. Therefore to decrease the risk of bias we have conducted as many relevant interviews as possible. Since the study is comprised of empirical data from two different Swedish high technology driven companies and characterized by semi-structured interviews, generalization of the results becomes limited, thus limiting external validity in this context (Saunders et al., 2009; Yin, 2003). To further promote validity and reliability, the respondents were supplied with themes of the questions in advance, for the ability to consider the information and respond with accuracy (Saunders et al., 2009). Measuring flexibility could be a problematic task, therefore interviewing employees in different positions for a multifaceted perspective on the phenomenon, increases the ability to understand what is measured, thus enhancing validity to the study (Greener, 2008). Regarding the retrieved secondary data, determining reliability can be difficult since we did not attend when the
documents were conducted (Saunders et al., 2009). Although, since they act as guidelines for the company reliability can be perceived as high.

4. Empirical Findings

Backgrounds of the two focal companies are initially presented before each firm specific section, followed by the empirical findings on three levels: High-level, Medium-level and Low-level. These findings are complimented with other relevant empirical insights regarding strategy and flexibility.

4.1 Saab

4.1.1 Saab’s Background
Saab, founded 1937 in Sweden, is a global security and defense company that serves markets around the globe with world-leading products, services and solutions, ranging from military services to civil security. Saab has operations present on every continent of the world. The most vital markets are Europe, South Africa, Australia and the US. Saab has around 13,000 employees and annual sales amount to around SEK 24 billion, where R&D accounts for approximately 20% of annual sales. Saab offers various products ranging from advanced airborne systems to consulting services. Saab operates in various demanding business environments around the world and has varying customers ranging from governments to private companies. One common feature is the high technological focus and innovation-driven perspective. Some businesses are related to longer product life cycles while others have shorter life cycles. (Saab, 2014)

4.1.2 Saab’s Strategic Process
The general strategies are set at high-level and communicated through department managers, steering the direction for Saab. They are partly built on business plans and market plans from further down in the organization. The strategic business plan is conducted with a five-year scope and continuously updated every year based on market and sales plans for the different business- and market areas. If something unpredicted happens during the year the plan needs to be updated to fit the new situation. However, decisions regarding products in various segments can stretch far
beyond the strategic plan, some products lasts up to forty years. Conducting strategies is a mix of top down and bottom up. (SD1)

### 4.1.3 High-Level

Strategy for Saab is something very complicated, the reason for that is the many different products involving different business logics in relation to the need for investing during long periods. The need for investments over long periods forces Saab to plan on long-term, which is problematic. It is natural for Saab to have profit demands on short- and long-term, but the focus remains on long-term ventures. It is important to find balance, a potential barrier to retrieve balance is the possibility of strategies that differ between levels and are sometimes contradictable. Therefore, Saab needs to put up rules for how to handle situations when strategies could contradict; otherwise everyone starts to pressure each other, which could end in a catastrophe. All strategic decisions have to be made from a pre-determined delegation of authority, and to assist decision-making, Saab distribute manuals on which decisions each decision-maker are allowed to make, although there is room for strategic decisions on low-level. The reasons for centrally controlled strategic decisions are the focus on transparency. (Strategic Director, SD1) Further, SD1 mentioned that it is not possible to change strategy every day, due to long reaction-times, therefore the biggest challenge with Saab’s strategy is to conduct accurate market forecasts to recognize new trends, because internal strategies can always be handled, unlike external. When asking SD1 (2014) which part of the strategy is most important, the response was the planning process, quoting “Plan is nothing, planning is everything”. But the communication of strategies within Saab is done in a very complicated way (SD1).

For SD1, flexibility is most important when it comes to volume, orientation and competence, for instance moving an employee abroad is flexibility for Saab, which sometimes can be a complicated task according to Head of Human Resources (HR1). A distinct problem with that is Saab’s need to move older experienced employees, due to the importance of customer relationships and the individual ability to discuss with generals and politicians, because as SM1 (2014) stated “…it is difficult to teach old dogs to sit”. Although the highest demand of flexibility is within big production units, since Saab has so many products, they cannot put resources on all products
every year, but focus on what is trendy, in turn it prevents employees in non-prioritized divisions from engaging in the strategic process. (SD1)

When launching businesses in new markets, Saab often acquires already established companies, in that way they can retrieve competence and employees. Because the more employees Saab has on the market the more knowledge they retrieve, which increases flexibility, being market-driven rather than product-driven helps to manage flexibility. For Saab to move its core production abroad is highly unlikely, they are not at all prepared for such an event, although to increase flexibility internally Saab sometimes outsources production on lower-levels. (SD1)

While Saab does business with different customer alignments, they see external flexibility as the ease to move between different customer alignments. It is important to be flexible, since they want to be perceived as an attractive company on all levels (Production Director, PD1). To tackle unpredictable changes, which could affect the whole company, Saab always considers alternative scenarios and try to have a plan B. An alternative way to deal with unpredictable change, that Saab does not have earlier knowledge of, is to begin with conducting a consequence analysis, and if the sequence of events is unrecognized, hiring consultants to analyze the problem is the next phase. (SD1) When asking SD1 (2014) how he perceives different types of environmental changes the respond was: “The problem is to predict what effects a change gives from a business perspective…”

One environmental change that had huge impact on Saab was a political decision about ten years ago, to open up the Swedish defense market for international competition. The decision forced Saab to increase sales on new international markets to survive. This was new to Saab and very demanding, but it paid off in the long run, because Saab is now less dependent on the domestic market. (SD1)

4.1.4 Medium-Level
The Sales Manager (SM1) stated that, planning is mostly qualified guesses, therefore changes in the strategy are done all the time. According to HR1, strategy is about realizing what is happening around the company to adapt the process development and implementation. Further, SM1 stated that it is extremely important to possess the
ability to make a 180-degree turnaround if necessary, which SD1 (2014) also highlighted the same importance with following quote, “...If the environment changes faster than the company, you are in trouble.” When SM1 (2014) was asked to describe what strategy is, he described it as follows “... a central concept, that you must have, it doesn’t mean that it has to end up that way”. While SD1 highlighted the importance of conducting accurate forecasts SM1 emphasized the importance of managing the constantly changing strategic process, to make accurate forecasts. To possess that ability Saab needs to remember that there is no magic person who writes the strategies. Therefore the challenge is to create awareness amongst all employees, that they have a role in the strategic process.

The ability to be flexible is recognized as more important nowadays (HR1). When asking SM1 (2014) how he perceives flexibility, he responded with the quote: “...it is difficult to be flexible and at the same time achieve profitability.” He then explained that flexibility is about listening to the customer, although it depends on the characteristics of the product. While Saab wishes to be flexible, it cannot all the time, on the other hand and it is important to not promise the customers too much. The biggest challenge is to be accommodating and at the same time stick with the basic product. In all business Saab must always consider if the product can be sold to additional customers, because if it is adapted too much it is useless for other customers. For Saab, getting feedback and input from customers is very valuable, therefore customization is still preferable in many segments. In Saab’s line of business no easy customers exist; customers are often states, thus political mechanisms have a great impact, and planning for the future is a difficult task. Competing with price is often difficult for Saab, since they have huge costs. To handle this, Saab tries to promote other advantages, most often security, guarantees, quality, stability and sustainability. Security amongst customers is important, and being too flexible is often perceived as a risk to lose safety in the product, “...yes it is possible to be too flexible”. (SM1, 2014) Further, there is also a risk of being too flexible if Saab starts running on all strange opportunities, which then leads to an undesired fragmented business. HR1 also highlighted the risk of too much flexibility and that it leads to a mess, therefore structure and frameworks is important. There is also a possibility to do business too well, it can then be problematic to manage getting the right people with appropriate competences on short notice. (SM1)
communicating flexibility throughout the organization SM1 specified the following words, which are used in the company: flexibility, responsiveness, customer-oriented and relationships.

4.1.5 Low-Level
PD1 emphasized similar importance of adapting to the environment as SD1 and SM1, by stating that it is important to not get too static, because it can result in high costs, if the environment changes and Saab cannot follow. On the other hand losing products in their portfolio is often viewed as a failure amongst the employees (PD1). As mentioned earlier by SD1, there is room for strategic decisions on low-level, and PD1’s perspective is, as long as you keep within Saab’s expressed guidelines, directions and policies you are free to implement own methods and decisions. But it is up to each decision-maker to interpret the overall guidelines and strategies, and further communicate them in a pedagogical way, since it is written in corporate language, which is very difficult sometimes. Therefore, the more experience you have as a decision-maker the easier it becomes to understand frameworks, resulting in more room for individual decisions. PD1 believes that this is a common phenomenon within Saab and the consequences of that is some managers just let the strategies pass without interpretation, which result in some employees not understanding where the organization is heading. (PD1)

There are different levels of flexibility; it depends on the impact of environmental change and the consequences of the required response. On low-level is it important to be flexible towards the customer in order to know what they want, which helps Saab to realize future required competences. Engaging in joint ventures around the world can prevent flexibility, since consulting is often needed before it is possible to make required changes. The positive effect is ensuring that changes are not done too much, the negative effect is that it simultaneously slows down the process and the ability of being flexible and innovative. (PD1) In products where many sub-contractors are involved it is difficult to change production volumes on demands, it depends a lot on Saab’s relationship with the concerned sub-contractor (SD1). Most important for Saab is flexibility in competences, tools and methods, since they produce both up to date technological products and at the same time maintain older products, which can be under contract for thirty years or even more (PD1).
4.1.6 Secondary Data Saab
Prioritized segments of the overall strategy are communicated through Saab’s strategic business plans (SBP). Strategic objectives related to Saabs group strategy, business strategy and market strategies are linked to four competence pillars and communicated through the first business plan. SBP1 is communicated in the same way no matter what intended level it targets. It is written in a corporate language and the objectives are broadly defined in big terms with statements such as; desired market leader, strengthening leadership skills and attract top talents.

The second business plan SBP2 focuses on communication to employees in unit functions. SBP2 uses a corporate language similar to SBP1. However, significantly fewer details are presented concerning business and market strategies than in SBP1. Apart from SBP1, SBP2 emphasizes on financial numbers in its communicated information.

4.2 Ericsson

4.2.1 Ericsson’s Background
Ericsson, founded 1876 in Sweden, is a world-leading provider of telecommunications equipment and solutions to fixed and mobile network operators. Ericsson has around 115 000 employees. Besides mobile networks, Ericsson is a strong actor in core networks. Maintenance, support solutions and quality control are central parts of the business. Ericsson has over 35 000 patents and 25 300 employees employed in the field of R&D. The biggest client base is operators, but Ericsson also delivers to industries related to TV, media and public safety. Net sales in 2013 were SEK 227 billion. The company has a global focus and is present in more than 180 countries. Ericsson is rather unique by offering end-to-end solutions for all major communication standards and approximately 40% of the world’s mobile traffic passes through Ericsson’s networks. Ericsson offers various products and services around the world to different customer segments. Ericsson is operating in various demanding business environments and has an innovative and high technological focus. (Ericsson, 2014)
4.2.2 Ericsson’s Strategic Process
At Ericsson, corporate strategies are consolidated on top-level and are built on business units, product units, and sales regions projections in combination with market projections conducted at lower level. The strategic process is a yearly, fine-tuning, continuous activity, where changes in the strategy are updated directly when they occur. However, changes do not occur often in Ericsson’s line of business, therefore strategies normally stretch three to five years into the future depending on function. Conducting strategies is a mix of top down and bottom up, it is a chain of strategies that together comprise the overall corporate strategy. (Strategic Director, SD2)

4.2.3 High-Level
Strategic work is conducted both from a short- and long-term perspective. This balance is the most difficult task regarding strategic work, in a sense to have focus and be profitable here and now, while simultaneously focus on the longer perspective, is a very contradictory work task. There is nowadays a tendency to adjust strategies towards more projects based on business opportunities, due to the difficulties of balancing resources and prioritizing between short- and long-term instead of flexibility and plan. Ericsson likes providing global solutions and to not deviate from global standards. But at the same time they focus on working close to customers to solve their problems. Stability and not doing too many changes is something Ericsson believes in and can therefore be perceived as conservative. Decisions regarding mergers and acquisitions are made when opportunities on new markets emerges. This often has a direct impact on the corporate strategy, which means that strategies need to be calibrated. Ericsson builds on competences where they already are strong as a strategy to enter new markets. (SD2)

According to SD2, within Ericsson, it is more important with quality than flexibility since the main offered products are very complex and too many changes risk decreasing the quality. Flexibility is not a big concept for Ericsson, instead the term agility is commonly used and communicated, which in this context means smoothness to handle situations. Therefore SD2 considers Ericsson to be as flexible as they need to. “If we are not flexible we would not get any offers” (SD2, 2014). Managing flexibility is up to the whole organization and managing problems when they appear
is common practice. It takes long time to build up correct competencies for specific business areas to manage a changing environment. This process is eased if Ericsson is the leader within a business field, hence it becomes easier to continue being the leader. It is necessary to continuously recruit or further educate employees, since technology is always changing. (SD2)

During the time when Ericsson was highly engaged in the production and sales of mobile telephones, a fire in a large distributor’s component factory affected the entire mobile phone component market. Nokia had previous experience from a similar event and quickly bought all remaining components on the market, which resulted in a loss of competitive position for Ericsson. (SD2) SD2 further stated that Ericsson never recovered from this failure and perceived it as the starting point for the collapse of Ericsson’s mobile phone operations.

4.2.4 Medium-Level
A reason for far-reaching update is that most business units operate in environments where slow changes and high standard requirements exist, although, “…if something big happens, we will have to solve it” (Sales Manager, SM2, 2014). Further, SM2 stated that strategy is about managing risk and making the correct changes and adjustments. It is necessary in order to set priorities and directions. If a business contradicts with Ericsson’s overall strategy it must be terminated. Ericsson is a large company and a technology leader, therefore they have more expenses, hence cannot compete with price, but instead compete with features. (SM2)

Since Ericsson is a company with many different divisions, general interpretation of the overall strategies is sometimes difficult. It is both customer demands and the ability to develop a demand amongst consumers that directs where the company is going, in terms of developing solutions. Since Ericsson has the largest amount of resources in the industry to put on R&D they usually follow new technological streams. (SM2) When asking SM2 how Ericsson would tackle new competition the answer was as follows: “I don’t really know how we would tackle new competition. In our core business, there are not many new competitors. It’s rather a consolidation in the market where actors and competitors disappear.” (SM2, 2014) Instead Ericsson has to be flexible mainly due to the fact that they are dealing with different
type of customers with specific processes and that they are active in different regulatory environments. Further, flexibility is also a vital part when conducting joint businesses, which is a big part of Ericsson’s successful business. (SM2)

Regarding customization, it depends on the product, but often it involves a fast changing technological development, while the industry is slow moving, so not much adaptation is needed. In some areas like radio nets Ericsson have a focus on standardization to keep the quality on a global scale. If the product unit is the leader in an industry, they have the power to make decisions. (SM2)

A substantial amount of Ericsson’s sub-components are produced in Asia. When the tsunami struck this area in 2004 it resulted in devastating consequences, but a small group of employees at Ericsson with previous experience from similar events understood that this would severely affect their operations. For that reason, Ericsson quickly emptied the market of sub-components and was able to continue delivering products to the market, while other competitors failed. The knowledge of how to solve that situation resided in specific employees inside Ericsson rather than in a preset strategy. (SD2) As SM2 mentioned, Ericsson relies much on individual experience and competences, rather than relying on analysis concerning customer relationships (SM2).

4.2.5 Low-Level
Units on low-level could be affected differently by the communicated strategies, because they are context specific, due to different conditions for the different units within Ericsson. The communicated strategies affect production in a sense that it forces standardization between units. The reason for standardizing production processes is to create more common long-term solutions. (PD2) Ericsson as a listed company has per se a very short-term perspective. In turn it forces the different units to conduct and communicate instruments such as balance scorecard etc. which sometimes is viewed amongst employees as useless, but might fulfill a meaning for a top manager. Thus, these instruments are conducted and reported, but afterwards the particular unit does what they believe is important for an internal long-term perspective. For such reason OE2’s unit in Katrineholm implemented Lean in their production. The biggest challenge is working long-term in a short-term company.
Some communicated strategies from corporate level are more difficult to relate to and understand than others, it depends partly on the scale of Ericsson’s operations. It is important that the particular unit finds strategies which make sense for them and communicates those in a suitable way to all concerned employees. (OE2)

When asking if decision-making is affected by their units’ status within Ericsson, OE2 explicitly said it is; his unit has made good results during some years, which according to him builds confidence for the organization, allowing his unit the freedom to make decisions on its own. One example is during Ericsson’s crises in 2006 the Katrineholm unit was un-prioritized and on the verge of liquidation. One experienced individual manager at low-level realized potential and consequently changed the operational strategy to avoid liquidation, even though some employees initially rejected the new strategic practice regardless of the result. Today, the unit in Katrineholm is displayed as a “center of excellence”. The success was not due to decisions from top-management, but internal ideas and decisions from within the unit. (OE2) Decision-makers in production are not involved in the overall strategies, although it is important that they are involved early in the production process to make the products producible. (PD2; OE2)

Flexibility according to PD2 is about the ease to shorten setup times between products and make transitions when needed. “Flexibility is a challenge for the future” (PD2, 2014). Flexibility is a part of the daily work within production (OE2). It is important to have experienced employees in production, it contributes to flexibility in terms of risk minimization (PD2). Ericsson uses consultants on a daily basis in their production to increase flexibility, it is their way of dealing with changes in the environment (PD2; OE2). “…Changes do hurt …there is always a massive resistance in the beginning…” (OE2, 2014). A change is similar to a train going into a tunnel, when the first wagon is out of the tunnel the last is going into the tunnel. It is important to not use a top down strategy when implementing changes, but rather let units on lower level be responsible for using necessary tools. (OE2) Even if a production unit has the ability to deliver orders quick, it might not be necessary, although they want to have that flexibility (OE2).
4.2.6 Secondary Data Ericsson
The words lean and agile are clearly communicated internally at Ericsson’s production unit in Katrineholm. In the internal report, an image displays that strategic decisions are made outside the production unit, at a higher management level. Changing the production strategies in the Katrineholm unit caused significant beneficial results. Decreasing production times and the need for large stocks of components increased both flexibility and agility towards customers. Even though the Katrineholm unit achieved better results than anticipated, the new way of working was not embraced by some employees, who did not participate in the pilot project and therefore lacked understanding of the process. (Persson, 2008)

5. Discussion

The discussion is based on existing theory and empirical findings. The previously acknowledged variables work as a foundation for this study and are evaluated and categorized within four discovered trade-offs: decentralized versus centralized control, valuing short-term versus valuing long-term strategies, relying on individual experience versus planning to manage changes and product- versus market-driven strategies. These categories work as the foundation for structuring the discussion.

Discussing how the investigated firms approach strategy is vital in order to understand the interplay between strategy and flexibility. Based on empirical findings, tendencies exist indicating that there is no optimal strategy for each firm, much in line with the strategy as pattern approach. However, findings revealed that the companies do not often update their strategy outside what is planned, more similar to strategy as plan. Strategy as practice converged with empirical findings in a sense that managers’ abilities proved to have significant effects in terms of emphasizing individual experience within both companies, although mainly in Ericsson. Even if both strategy as pattern and strategy as practice converge to some extent with empirical findings, it is strategy as plan which companies lean against. It proved to be vital for controlling each company according to directions set by top management, to stay alive.

Strategic flexibility has been a widely discussed topic in management science during the last decades. According to PD2, flexibility is a challenge for the future and is now
part of all daily routines in Katrineholm. Therefore, the need for greater “hands on” insights and understanding is evident. By analyzing empirical findings in regard to the three investigated levels, four previously unknown factors were acknowledged, trade-off between: decentralized versus centralized control, valuing short-term versus valuing long-term strategies, relying on individual experience versus planning to manage changes and product- versus market-driven strategies, all corresponding more or less to all pre-determined variables analyzed.

5.1 Decentralized vs. Centralized Control
Both companies claim to have decentralized organizations, which according to Sharma et al. (2010) is vital for flexibility, although findings indicate the opposite, for instance SD1 emphasized on the importance of centrally controlling decision-making by distributing manuals. According to Abbott and Banerji (2003), fostering strategic flexibility is dependent on managers’ capabilities, and controllability and changeability of the organization. Saab has a pronounced decentralized structure, but at the same time distributes rather strict manuals controlling decision-making, therefore a conflict between the two forces appears preventing strategic choices to be altered with ease. This is important, because strategic flexibility demands an ability to alter strategic decisions on all levels, in accordance with our theoretical framework and Evans (1991).

Possessing strategic flexibility embedded in the communication processes is vital to achieve positive effects on development of e.g. competitive advantages according to Barney (1991) and Porter (1996). Therefore, efficient communication can be viewed as prerequisite to achieve a successful interplay between strategy and flexibility at various levels. Regardless if you have a centralized or a decentralized control system, communication of strategies is emphasized throughout organizations. In an organization with a decentralized control system, communication revealed to be more valuable than in centralized controlled organizations, in accordance with our theoretical framework. Flexibility revealed to be expressed in many different words such as agility, responsiveness, relationships and customer-orientation. However, it had different meanings within the two firms. For instance, flexibility is not purposely communicated throughout Ericsson, instead the word agility is used to emphasize the
importance with smoothness in handling situations according to SD2. However, SM2 perceived flexibility as a concept that is most likely communicated from a corporate level and he seemed not to put any value in the word agility. This contradiction together with the fact that corporate strategies are difficult to understand clearly shows that there is not a defined communication of strategy and flexibility, which is a fundamental process for strategic flexibility to flourish (Heng et al., 2013). It is up to each unit to find a strategy, which they understand and are able to communicate to all concerned employees. All units are embedded in different contexts and affected by different conditions, consequently communication differentiates between units. Within Saab, flexibility is clearly communicated throughout the organization. Flexibility is among words like responsiveness and customer orientation communicated to emphasize its importance. The communication of flexibility has had significant positive impacts at low-level. A distinct consequence of that is the implementation of strategies from individuals on low-level, which increased flexibility in product development processes. It indicates that a clear understandable communication process is of utmost importance in decentralized organizations. Corporate strategies are difficult for everyone to understand according to Bowman and Ambrosini (2007), but understanding strategic decisions from high-level is highly important for companies. If corporate strategies are not understood it offers room for interpretation on lower levels. On one hand this could be perceived as a way for companies to increase flexibility on low-level, but might obstruct the overall strategic direction.

The challenge for large firms is to create awareness amongst all employees, that they play a role in the strategic process, according to SM1. By doing so, all employees get involved in the strategic process, which facilitate effective communication and understanding of strategies, thus indirect increase flexibility and add value to the decentralized control system. This was the case with Ericsson in Katrineholm, where individuals were aware and could interpret strategies from high-level that the unit would be terminated, which instead saved the unit from termination. While our theoretical framework implicitly places communication processes in medium-level, it proved to have significant affect on the interplay between strategy and flexibility on all levels. According to Heng et al. (2013), having strategic flexibility embedded in the communication process is important, but empirics revealed that the
communication process itself also has a fundamental role in the development of strategic flexibility on all levels. With a decentralized control system where awareness and correct interpretation of strategies amongst all employees exist, room for individual accurate strategic decision-making on all levels is possible. Without awareness, clear communication and correct interpretations of strategies, an expressed decentralized control system becomes more similar to a centralized control system, as revealed in Saab’s communicated guidelines and frameworks, which limit individual strategic decision-making in a decentralized control system.

5.2 Valuing Short-term vs. Valuing Long-term Strategies
Based on results from the completed interviews, a challenge for Saab and Ericsson is to deal with strategies on short- and long-term simultaneously, which is a contradictory work task. Therefore having a clear direction of the strategy throughout an organization becomes very complicated. This complication is obvious according to PD2, since the fundamental working practice is to create common long-term solutions and synergies. This contradiction can result in unclear strategic directives for employees, because it forces units to work on a daily basis with short-term goals while emphasizing long-term projects. Lacking a clear strategic direction, understandable for employees at various levels, can prevent strategic flexibility to flourish on all levels according to Sharma et al. (2010). This contradiction is exemplified on low-level in Saab, where managers explicitly expressed that strategic changes on day-to-day basis are not possible. However, high- and medium-level managers emphasized the importance of making quick adjustments in the strategy and to always have alternative scenarios.

In regard to short- and long-term perspectives, managing environmental changes and their impact proved to be of vital concern in Saab, while it was not in Ericsson. Within strategic flexibility theory, a rigid fact is that a firms’ ability to handle environmental changes is by possessing flexibility. For strategic flexibility to flourish in the organization according to Evans (1991) and Roberts and Stockport (2009), it demands flexibility to be embedded in various processes so strategies can be transformed with ease if needed. Awareness of environmental changes forces Saab to
emphasis business opportunities that are trendy at the moment. Directing resources towards trendy projects prevents certain less trendy projects and their employees from engaging in strategic work and other flexibility-generating activities. In turn, it increases vulnerability and decreases the ability to achieve strategic flexibility, hence a beneficial interplay between strategy and flexibility to exist, the logic behind this is that strategic flexibility entails smooth allocation of resources, which might change quickly due to changes in the environment (Sanchez, 1995). Within Ericsson, room for decision-making at low-level was much larger in profitable and market-leading units in comparison to less profitable ones according to SD2. This indicates that strategic decision-making is extracted from high-level further down in the organization, harming a long-term comprehensive strategic direction. If an unexpected environmental change occurs, it might force the firm to shift attention towards less prioritized businesses. As a consequence of focusing on trendy and profitable businesses, the non-prioritized unit might lack necessary experience to deal accurately with an unexpected environmental change. This in turn affects a firm’s room for flexibility in processes and in strategic choices, which is important according to Roberts and Stockport (2009). Focusing on what is trendy and profitable at the moment can thus be considered as a short-term strategy. The process to manage the interplay between strategy and flexibility is per se a long-term strategy, which must involve all parts of the organization, regardless of trends and specific profitable business units. Both companies express their long-term focus, while occasionally display tendencies of relying on short-term strategies, proving that they have not yet considered this trade-off. In turn affecting the interplay between strategy and flexibility.

5.3 Relying on Individual Experience vs. Planning to Manage Changes
Ericsson perceives itself as a market leader, which can be a reason for the confidence in not conducting alternative scenarios in their strategy. Instead they put trust in individual experience to solve problems, similar to Volberda (1997), who state that flexibility is a managerial task. Managing problems when they occur is common practice in Ericsson, it has proved to be both successful as in the case of Katrineholm and unsuccessful like the case of the fire. Saab on the other hand, manages changes in
the environment by constantly planning different scenarios. Saab’s way of responding to changes through flexibility is done in a more pro-active way, while Ericsson responds in a more re-active way, in accordance with Singh et al. (2013). Why is this so? A simple rational answer is Ericsson’s reliance on being market leader, another is Saab’s fierce competitive environment. A way for Ericsson to increase flexibility is by using consultants, which allows them to possess flexibility and quickly manage changes such as supply and demand fluctuations as acknowledged by Shimizu and Hitt (2004). Relying on individual experience can be hazardous, because if it is not enough to handle changes in the environment, the organization risks losing their direction. Ericsson handles situations when a business’s risk contradicts with the overall strategy by terminating the particular business, thereby risk to lose competencies, which in the future could be appropriate to manage changes. Relying on individual experience both has pros and cons regarding flexibility in strategic decisions. This is exemplified in Ericsson’s cases: Katrineholm, where individual experience saved the unit, and the fire where Ericsson lost its competitive position on the cellphone market, due to lack of alternative planed scenarios. Relying on planning for future changes have pros in terms of constantly possessing an alternative strategic option. However, only using alternative scenarios locks Saab’s strategy into only a number of predetermined strategic choices, thus decreasing flexibility to adapt to non-perceived impacts.

Even though relying on individual experience is risky, it also has positive effects on a firm’s ability to react more rapidly to unpredictable changes, since the time of analyzing the problem to make accurate decisions can be avoided. One example is Katrineholm’s successful story, where ideas now flourish, new standards are being developed and employees are used to change which increases possibility for a beneficial interplay between strategy and flexibility. From this perspective it proves that individual experience can be one way to deal with flexibility in strategic decision-making.

5.4 Product- vs. Market-Driven Strategies
Another distinct trade-off affecting a firm’s interplay between strategy and flexibility is the choice of either emphasize of being market-driven or product-driven. Firms
who present themselves as product-driven tend to relate flexibility to production and innovation, thus not emphasizing customer-orientation, market trends or external environmental changes to the same extent. If a firm presents itself as market-driven, understanding the environment is of utmost importance but innovation and production is still emphasized, although more in relation to customer demands. In this study, Saab proved to be more market-driven, while Ericsson proved to be more product-driven. Both companies revealed that their way of managing business is successful, hence the trade-off is likely to depend on companies specific business logics. For instance as stated by SD2, Ericsson view themselves as market leaders, and can therefore afford to be more product-driven and mainly build on competences where they already are strong, as displayed in their tremendous R&D budget. Saab on the other hand always needs to compete against strong competitors on the market with value-adding specification to satisfy customers. This trade-off between product- and market-driven is something which is not distinguished in existing strategic flexibility literature by e.g. Roberts and Stockport (2009). A Reason could be the lack of qualitative studies within the field.

A combination of planning for future trends and possessing a diversified product portfolio means that Saab needs to use many different business logics, which is an effect of being market-driven. Unlike strategic flexibility theory by e.g. Sharma et al. (2010) and Roberts and Stockport (2009), diversified business logic seems to have a negative effect on a firm’s strategic direction, thus hampers its ability to be flexible in strategic decision-making on low-level. Attempting to draw synergies between production families in processes helps to counter this, as proven in Ericsson’s product-driven strategy. A favorable interplay between strategy and flexibility on low-level requires creation of a stable manufacturing processes, enabling for flexible decisions and synergies. According to Roberts and Stockport (2009), diverse competences create more possibilities for strategic decisions. Findings from Saab, where moving only experienced employees to foreign markets were revealed to hamper flexibility. Therefore, moving only experienced employees or employees with diverse competences are a trade-off for companies on higher levels, which they have to take into consideration. According to Madhani (2013) and Ruiner et al. (2013) strategic flexibility includes that various HR practices, such as coordination flexibility and locational flexibility must be handled accurately. Moving personnel where they
suit based on experience or relationships instead of competencies can cause problems. Depending on a firm’s ability to perceive the impact of an environmental change, they can coordinate correct individuals to solve upcoming challenges, which proved to be important in both companies and converged with our conducted theoretical framework. According to Burnes (1992) high-level strategies should facilitate the coordination of various businesses to enhance flexibility, this contradicts with how Ericsson works with their strategies. Coordination of businesses is instead conducted on all levels. The reason for such different ways of coordinating businesses lies in Ericsson’s and Saab’s separate perspectives of managing the environment and their diverse business logics.

Since Saab views flexibility as the ease to move between customer alignments, it contradicts with their way of perceiving risk in being too flexible when running after all possible opportunities. Related to market-driven strategies are joint ventures, which revealed to prevent the interplay between strategy and flexibility in Saab, since consulting with the partner is needed before altering strategies. One can imply that, more engagement in joint ventures, leads to less flexibility in strategies.

Flexibility in processes related to customization of products and services is important according to Kandemir and Acur (2012), since customer bases can change or new trends emerge, altering a firm’s business logic according to SD1. For both companies, strategic decisions concerning customization are complicated. Customization of products is dependent on segment and if the product after adaptation can be sold to other customers. At the same time, flexibility is perceived to be crucial due to complex businesses involving both up to date technological products and maintenance of old products with long contracts. Meaning that, the more customized a product is, the less probability to sell the product to other customers, acting as a barrier against flexibility in a product-driven firm such as Ericsson.

6. Conclusion
Even though existing literature and tendencies from the empirical findings indicate that companies are starting to deviate more from a strict strategy as a plan approach and perceive strategy as an emerging process, traditions to rely on planning for the
future are still strongly anchored in companies’ behavior. This highly affects how the interplay between strategy and flexibility is treated.

Handling the interplay between strategy and flexibility is an important part of an organization’s daily work in order to manage a constantly changing environment. Decentralized structure together with effective communication of strategies and flexibility were proven to be significant for companies to handle the interplay. Companies need to consider four different trade-offs to handle the interplay between strategy and flexibility: decentralized versus centralized control, valuing short-term versus valuing long-term strategies, relying on individual experience versus planning to manage changes and product- versus market-driven strategies. It proved to be difficult for companies to possess a beneficial interplay everywhere in the organization simultaneously. Therefore, they need to consider, which trade-offs will result in the most valuable outcomes for their specific firm. When this is done managers must realize that to settle in one trade-off, will consequently affect the interplay both within and between other trade-offs. This complexity is supported by Eppink (1978) when stating that flexibility has overlapping characteristics.

Additional factors also affecting the interplay exist, such as: industry characteristics, political decisions and regulations, although these are normally perceived to be beyond the firm’s ability to affect. For companies to be successful managing the interplay requires an ability to maneuver through a jungle of challenges related to different trade-offs and at the same time get all parts of the organization to follow one single direction. The biggest challenge for companies is to realize and make the right choices on all levels within the specific company when facing different trade-offs. Implicitly, companies must be able to regularly break free from their normal procedures, equal to their comfort zone to manage a constantly changing environment. Important for making correct choices are communicating strategies with less room for interpretation throughout the whole organization, in a way that all managers and employees understand the message. This proved to be a highly important and difficult task on all levels. The identification of how individuals and units reacted towards change displayed similarities in a lack of participation and understanding of strategic processes, which in turn increase resistance to change. Therefore companies must always consider involving all units and employees in the
strategic work or at least make sure that they understand in which direction the company is heading in order to facilitate flexibility in strategic processes.

However, researchers within strategic flexibility tend to disagree, therefore studying the interplay between strategy and flexibility becomes more relevant, because this clearly describes the challenge for companies to plan for the future and simultaneously possess flexibility. The appearance of challenges revealed to differ between companies, due to earlier mentioned factors. Ericsson offers more freedom of decisions on all levels, while Saab control by distributing guidelines and frameworks for employees to follow. Companies must therefore treat these factors according to their own specific way of handling the interplay. Through a beneficial interplay between strategy and flexibility companies are able to gather more insights of how to handle environmental changes.

By managing the interplay organizations can expand strategic flexibility, thus the development of competitive advantages is facilitated, which in turn assists companies to survive. However, our findings revealed that no firm has fully embraced strategic flexibility principles throughout the organization, due to factors which they cannot influence together with the lack of fully realizing flexibility potential.

To conclude, definitions of both strategy and flexibility theories constantly evolve, therefore attempting to solve the dispersed perspectives becomes a complex task. On the other hand this is a starting point in order to contribute with further understanding of the interplay between strategy and flexibility as the world continues to change. Separately the two concepts of strategy and flexibility are highly valued in both companies, but the realization of the interplay and its consequences are not evident.

**6.1 Contributions, Limitations and Suggestions for Future Research**

Strategic flexibility has various applications areas according to existing theories. A wide range of application areas demands a structural simplification towards a more embraceable field, with broader concepts related to studying the interplay between strategy and flexibility instead of parting out a jungle of definitions within strategic
flexibility. Consequently this study contributes with the understanding of a complex contemporary research field by providing hands on real-world findings. Strategic flexibility proved to have beneficial effects when approaching the inconsistent definitions of strategy and flexibility and the interplay between them. While strategic flexibility is comprised of many dispersed application areas, concentrating the study towards investigating the interplay provided a clearer purpose. Future research should therefore initially consider studying the interplay to embrace a simplified perspective when investigating flexibility in relation to strategic practices. By acknowledging the challenge for firms to make correct choices when facing different trade-offs, emphasizing managers’ awareness proves to be vital. Therefore, shedding light on an evolving concept of managerial importance related to factors for managing a constantly changing environment is a necessity.

Further contributions for future researchers to have in mind is to not only emphasize expressed variables acknowledged within existing strategy, flexibility and strategic flexibility theories, but instead concentrate on the many number of trade-offs which firms face in their business environment. In this study we emphasize four different trade-offs, contributing to the understanding of the interplay between strategy and flexibility, while other firms might face other trade-offs. This study contributes to existing theory by opening the door to move away from focusing on variables separately and instead concentrate on investigating different trade-offs, capturing the many different variables and factors in a broader and more comprehensive manner.

Investigating only two companies within similar industries, together with conducting interviews strictly categorized to each specific level within both companies limits the generalization of the findings. Combining literature within strategy, flexibility and strategic flexibility into a theoretical framework with the purpose of aiding the study, it simultaneously risks hiding some variables and factors affecting the interplay. While approaching the study through a broad lens, various in-depth specific findings potentially bypassed the researcher, which could have contributed with further valuable insights, even though it is not the purpose of this paper. Further, the common opinion amongst researchers is that the purpose of possessing strategic flexibility should lead to increased profitability or development of competitive advantage. Since that is not emphasized here, the use of this paper for further research within these
subjects is limited. To not treat theories within fields of communication, knowledge management and managerial decision-making limits the ability to draw in-depth conclusions related to these research areas.

To increase generalization of findings, we suggest including a richer range of companies, which could result in further valuable insights when studying the interplay between strategy and flexibility. By including companies who are active in a pronounced fast changing environment, it could result in an altered portray of the interplay. By investigating the subject in additional functions within companies a more multifaceted perspective of the phenomenon could be achieved, thus increasing possibilities to find further valuable insights.
References


Appendix

Outline common questions:

1. Hur ser du på strategi?
2. Hur styrda är ni av de övergripande strategierna?
3. Upplever du att det finns utrymme för egna strategiska beslut på din nivå?
4. Hur ser du på flexibilitet?
5. Hur viktigt är flexibilitet på din avdelning?
6. Hur kommuniceras strategi och flexibilitet till din avdelning/ut i organisationen?

Outline questions: Head of Strategy

Strategy

7. Hur jobbar företaget med övergripande strategier?
8. Vad ser ni som den största utmaningen i det strategiska arbetet?
9. Anser ni att det finns en optimal strategi att arbeta mot?
10. Kan strategierna skilja sig mellan olika nivåer?
11. Ser ni några risker med att utforma en långsiktig strategi?
12. Finns det någon tydlig plan hur man följer upp arbetet med strategin?
13. Hur tacklar företaget en situation när en oförutsägbar händelse inträffar som företaget inte har tidigare erfarenhet av?
14. Om det sker en stor förändring (politiskt, teknologiskt) på en marknad där företaget är verksamma, kan företaget på ett ”effektivt” sätt koordinera åtgärder?

Flexibility

15. Hur stor vikt lägger ni på flexibilitet inom företaget?
16. Hur arbetar företaget för att öka flexibilitet?
Outline questions: Sales manager

Market strategy
17. Hur mycket anpassar ni er till kunden?
18. Hur hanterar ni situationen när en ny konkurrent slår sig in på marknaden?
19. Om ny teknologi kommer in på marknaden hur hanterar ni en sådan situation?
20. Hur går ni tillväga för att slå er in på en ny marknad?
21. Inom vilka områden arbetar ni med value-adding activities?

Outline questions: Production Director

Production
22. Hur hanterar ni förändringar i supply och demand?
23. Finns det ett utpräglat innovationsfokus?
24. Vad driver innovation?

Outline questions: HR Director

HR Strategy
25. Hur jobbar ni med era övergripande HR strategier?
26. Hur kommuniceras HR riktlinjer ut i företaget?
27. Hur effektivt kan ni flytta/koordinera personal mellan olika platser nationellt/internationellt?
28. Hur arbetar ni med att utveckla personalens kompetens?

Outline questions: Operational Excellence/Production Manager
29. Hur hanterar ni kortsiktigt kontra långsiktigt perspektiv?
30. Hur påverkas friheten i beslutsfattandet av avdelningens status i företaget?
31. Anser du att det finns problem med tolkning av strategier?
32. Uppstår det problem bland anställda vid implementering av förändringar?

Translated Interview Questions

Outline common questions:

1. How do you perceive strategy?
2. How controlled are the company by overall strategies?
3. Do you experience room for individual strategic decisions on your level?
4. How do you perceive flexibility?
5. To what extent is flexibility important in your unit?
6. How is strategy and flexibility communicated to you and your unit?

Outline questions: Head of Strategy

Strategy

7. How do the company work with overall strategies?
8. What is the biggest challenge in the strategic work?
9. Do you consider that a optimal strategy for the company exist?
10. Can strategies differ between levels?
11. Are there any risks to formulate a long-term strategy?
12. Does a clear plan of how to follow up on the strategic work exist?
13. How do the company tackle a unpredictable situation of which you do not have previous experience of?
14. If a big change on a market occurs, can the company coordinate actions efficiently?

Flexibility

15. How much do the company emphasize flexibility?
16. How do the company work to increase flexibility?

Outline questions: Sales manager

Market strategy
17. To what degree do you adapt to your customers?
18. How do you handle a situation when a new competitor enters a market?
19. How do you handle a situation when new technology arises?
20. How do you enter new markets?
21. In which areas do you work with value-addling activities?

Outline questions: Production Director

Production
22. How do you handle fluctuations in supply and demand?
23. Is there a pronounced innovation focus?
24. What drives innovation?

Outline questions: HR Director

HR Strategy
25. How do you work with your overall HR strategies?
26. How is HR directions and guidelines communicated within the company?
27. How effectively can you coordinate personnel?
28. How do you work to develop competences amongst the employees?

Outline questions: Operational Excellence/Production Manager

29. How do you handle short- vs. long-term perspectives?
30. How does the status of a unit affect freedom of decision-making?
31. Do you perceive that there is a problem with interpreting strategies?
32. Do changes in the company give rise to problems amongst employees?