



Innovation and Organizational Vitality In an International Company

Speciale/ Master Thesis
Author: Kasper Kernø Jørgensen
Cand. Merc. International Business Studies/
Master of Science in International Business Studies
Copenhagen Business School 2013

Supervisor:
Associate Professor Henrik Johannsen Duus
Department of Marketing

Hand-in Date: 3.-7.-2013
Number of Characters: 167273
Number of Pages: 95

Executive Summary

Quilt of Denmark – in short QOD – is a Danish producer of bedding material in form of duvets and pillows. QOD was established in 2000 and produce at its own production facility in the western part of Denmark.

The founders have a long experience in producing and selling commodity based bedding material out of China, but have also had a vision of producing and selling premium quality products based on European raw material and production skills.

After having consulted their main customers and made some market research the founders saw enough market potential to establish QOD and built a state-of-art production facility to supply the upper segment of the bedding market.

From the very beginning QOD employed experienced people so no steep learning curve was needed and great autonomy and responsibility was given, which benefited the company in this stage of the life-cycle.

QOD soon realized that making premium products was not sufficient to be successful. They also had to be innovative and if possible even be the front runner of the industry. In consequence they applied a NASA-developed technology to give their beddings new improved features. This proved to be a good strategy as the new bedding-concept was exceptionally well accepted by the market and within short placed QOD in a front position in the bedding market.

Through a series of innovative developments QOD has managed to keep this position and is today a medium-sized company with a very high export share.

Although only 13 years of age QOD has already been through several stages of a company's life-cycle and experienced the opportunities and challenges each individual stage represents. They have learned that what is beneficial in one stage of the company life may have to be changed in the next stage in order to remain vital.

They have also learned that they must focus on organizational goals, production efficiency and administrative routines even though the founders are mostly entrepreneurial and market oriented.

Furthermore QOD has learned that they must focus on their core business, which is duvets and pillows in order not to waste resources on side projects, where they have no competitive advantage.

In the company's learning curve, the personal capacities and specific qualifications of the individual employee have been taken into consideration in order to be effective. It is important that there is a good mixture of Entrepreneurial spirit, Production effectiveness, Administrative discipline and Integrational feeling to make the organization function.

QOD has managed to come through several different stages of the company life-cycle. Most things they have made right, but they have also made mistakes. However, they have been quick to realize when it was necessary to make changes and they are now maturing and further organizing for the future.

Preface

Choosing the theme for my Master thesis in the International Business Studies program at Copenhagen Business School was no easy task. Prior to my Master's degree I have managed to achieve two separate Bachelor's degrees, one in economics and business administration from Copenhagen Business School and another in biology from Copenhagen University. When I studied biology my interest was in the field of research and development in human biology and molecular biology.

With a determination to find a topic where both business and biological aspects could be examined side by side while remaining highly relevant to most companies today, and consequently my search for a topic that would satisfy both interests began..

As a part of my Master's degree, I made a field trip to the Beijing area in China. There I got to see, through several company visits, how a wide variety of both Chinese, western private companies and Chinese semi-private companies work in China.

Through this I got a thorough look into the competition the West has to compete against. A competition that will only become fiercer in the future.

As part of my Master's degree I also went on exchange to Cologne University in Germany where I found great inspiration, especially from three courses within leadership, retailing, and innovation management.

Parts of these courses involved visits to two large innovative and internationally successful companies, one within software development and another within B2B retailing.

Those two visits along with the third course in leadership guided me towards the final theme of my thesis.

The choice of theme fell on innovation, as business and biology are two fields that have a long history of being joined together successfully by innovative firms

Today these innovative firms operate within a wide range of varying products and services, as the field stretches from cultivated fish stock producers, to molecular biology, to beauty products, to GMO food stocks, and even to firms advising about how to grow roof gardens in the largest cities on the planet to name a few examples.

The activities are so different among all the firms, yet the interesting part seemed to be their similarities rather than their differences. This realization led me to the conclusion that it was not innovation itself that distinguished successful firms from their competitors, but rather how these

innovative firms kept on being successful and innovative and how they organized to achieve this. I find that knowledge of such interrelated processes is valuable as the lack of such knowledge might create barriers that can delay or even prevent entirely these companies from reaching their full potential.

This has inspired me to work on a thesis where I may combine insights from organizational development with strategy to discover how managers can best facilitate the exploitation of innovative capabilities in an organization.

Finally I arrived at the point where I knew my thesis would focus on innovation and organizational vitality in an international perspective.

Before progressing on with my thesis, I would like to thank the people who have been helpful and supportive during my work on my thesis. I especially want to thank my parents and my sister for their supportive efforts during my work. Further I would like to thank Karsten Nielsen for providing me with access to my case company and for taking his time to allow me to get a thorough interview about the case company.

I would also like to thank the founders of Quilts of Denmark, Hans Erik Schmidt and Søren Løgstrup, for enabling me to gain insights into what issues top managers deal with in an international company who bases success on innovation. The employees who revealed their opinions and ideas to me during my visit to the company also deserve great thanks as their in-put also contributed significantly to my insight of how the company works.

I would also like to thank my friend Michael Otis for proofreading my Master Thesis.

Finally I would like to thank my advising professor Henrik Johannsen Duus for guiding me and keeping me on track through out the process.

Table of Content

Executive Summary	1
Preface	2
Introduction.....	7
Research Question.....	9
Research Objectives.....	9
Delimitations.....	11
Philosophy of Science.....	12
Methodology.....	13
Fieldwork.....	13
Qualitative Exploratory-Integrative Research Design.....	13
Research Design	14
Thematizing.....	14
Designing.....	14
Semi-structured Interviews.....	15
Respondents	15
Interviewees.....	15
Søren Løgstrup, CEO of Quilts of Denmark (QOD).....	15
Hans Erik Schmidt, Director of Development in QOD.....	16
Karsten Nielsen, Head of Sales in Denmark and Asia.....	16
Interviewing.....	17
Pilot Interview.....	17
Introduction to The Interview Guide	17
Interview Guide.....	18
Topic 1: Innovation	18
Topic 2: Organizational Development and Values.....	18
Topic 3: The Market.....	19
Observation.....	19
Transcribing.....	20
Analyzing.....	20
Control.....	20
Verifying.....	21
Generalizability.....	21
Reliability.....	21
Validity.....	22
Reporting	22
Theoretical Framework.....	23
Theoretical Discussion.....	23
Schumpeter's View on Innovation.....	23
Adizes.....	25
The Operationalization of the Entrepreneur	30
Prospector.....	31
Defender.....	32
Analyzer.....	32
Reactor.....	32
Dynamic Capabilities.....	36
Absorptive Capabilities.....	37

Innovative Capabilities.....	37
Adaptive Capabilities	38
Analysis.....	39
Case Company Presentation	39
Industry Analysis	41
Actors in the Marketplace.....	42
Competitive Intensity in the Industry.....	43
Number of Companies.....	43
Growth Potential of the Market	44
Variable and Fixed Costs.....	44
Product Differentiation	45
Exit Costs.....	46
Barriers to Entry.....	47
Costs	47
Switching Costs	47
Distribution Channels	47
Regulation	48
Substituting Products	48
Supplier's Negotiating Power	49
Buyer's Negotiating Power.....	49
Summary of The Industry Analysis	50
Analysis of Quilts of Denmark.....	51
Courtship.....	51
Infant.....	55
What To Expect From an Infant?	57
How Does Reality Fit In The Life Cycle?.....	57
What Capabilities Made This Development Possible?.....	58
How Was The Adaptive Cycle Used at This Stage?	59
The Road Ahead and The Traps at This Stage.....	60
Go-Go	61
What To Expect From a Company at The Go-Go Stage	63
How Does Reality and Theory Fit at This Stage?	64
What Capabilities Made This Development Possible?	66
How Was The Adaptive Cycle Used at This Stage?	67
The Road Ahead And The Traps At This Stage.....	69
Adolescence.....	70
What To Expect From an Adolescent?.....	72
How Does The Expected Fit The Reality?.....	73
What Capabilities Made This Development Possible?.....	74
How Was The Adaptive Cycle Used at This Stage?	76
The Road Ahead and The Traps at This Stage.....	77
Conclusion.....	79
Can Organizational Growth Patterns Be Predicted In Advance?.....	82
How Does Innovation Affect the Development of a Company?.....	82
How Does Entrepreneurial Capabilities Affect Strategy?	82
How Can a Company Keep Its Competitive Advantages Over Time?.....	83
How Do Organizations Become Innovative and Manageable In a Changing Environment?.....	83
Literature List	84

Articles.....	84
Books	91
Internet pages.....	93
Appendix 1.....	95

Introduction

The ability to innovate and organize has always been important to people as well as to society.

Ever since the dawn of mankind success has depended on our ability to adapt to changing circumstances or new possibilities in such a way that we either profited from the change or mitigated the damaging effects .

The nature of change was already well understood by the ancient Greek philosopher Heraclitus of Ephesus bc.535– bc. 475 who stated:

“Change is the only constant.”

This edict remains just as true in the 21st century.

Nevertheless change is often considered to be a bad thing, as people tend to fear the unknown. Change should for many reasons be embraced, but still this is rarely the case as it also brings uncertainty. This fear of uncertainty leads many among us to consider change as a threat rather than an opportunity.

How to cope with an ever changing environment by means of innovation and organization will be the focal point of this thesis.

In ancient time oracles had a monopoly on predicting the future and giving advice. This was functional in great cultures for centuries because it was generally accepted in the absence of better methods.

In the Renaissance, this monopoly was overturned by people as described by Italian adviser and writer N. Machiavelli with his book “The Prince” (1512), that is, people who understood the way to becoming successful was more complicated than making offerings to oracles and fortune tellers. In this book he defined two factors one should pay attention to: “Virtue” and “Fortuna”. Virtue is all one can control and prepare for, which of course should be maximized. Fortuna is what could be referred to as one's luck, what is outside ones control, or the unpredictable, which should be

minimized.

With this Machiavelli provided guidelines as to how one should try to control the environment one finds oneself in. It does however also tell that there are elements which will alter the best of plans, as there will be unpredictable elements involved in any endeavor. The lesson from this fact of life is that one needs to be able to adapt to changing situations, as surprises both good and bad will inevitably occur.

A situation that demands the ability to change and adapt is currently very present in most of the western world, with globalization increasing the pressure on business in all sectors. The historically dominant economies in what used to be the dominating part of the world must change and adapt to new conditions if they want to stay ahead of the competition.

In the context of the largest financial crisis since the Great Depression in the 1930's and increased global competition, much needed growth seems to be elusive. With banks failing due to excessive speculative actions, the ensuing corporate bankruptcies, and a rise in unemployment, all this places great stress on the economies of the western countries. For these reasons, countries face the challenge of reviving their failing economies. The scale of this current crisis is so large it is not only the concern of certain employees or business managers, or the local or national politicians, it has even reached the politicians at the supra-national level.

So far the actions taken to address the financial crisis have been mostly for national politicians to cut spending, which has after several years failed to turn the general economy around. Nonetheless it has sparked growing public unrest in the worst hit countries as their economies have gradually declined even further. Businesses have dealt with the crisis by cutting costs on labor or by lowering their investment activity.

This is not a sustainable situation for the companies and countries affected, hence large efforts are necessary to turn the economy around. There are many divergent opinions on how the crisis should be handled, and the chances are that more than one single initiative is needed to be employed to solve the crisis in the quickest and most effective way.

One of the solutions to the crisis that scholars, politicians and practitioners can agree upon is through innovation. Innovation is widely accepted to result in growth. How innovation is best introduced and performed in different individual businesses is not as well understood as one could wish. So even though there is a will to invest in innovation, the knowledge of how to do it in the most optimal way in different businesses is still lagging.

While not an entirely new theme within academia, innovation has not been prioritized and developed to the same degree as other areas of economics have been. Thus there is still need for further insight in this area before more certain results can be achieved from investing in innovation and organizational development. This finally leads to my research question.

Research Question

This thesis seeks to contribute to the field of strategic management that deals with innovation and organizational development. It is considered to improve the success and long term survival of any company, if it is innovative and flexible. However it is not well understood why some businesses are more successful than others in their efforts to incorporate these capabilities in their organization. My research question is hence:

“How do organizations become innovative and manageable in a changing environment?”

In my effort to answer this question, it is important for me that not only the case company will benefit from the thesis, but that it will be relevant for other general managers and scholars who are working with similar challenges.

Research Objectives

How to advise an organization to become both innovative and manageable and remain this way is no simple task. For this reason I have chosen to pursue the answer through answering several sub questions. In the following I will present my sub questions and my reasoning for choosing these specific questions. When discussing management and the need to be able to adapt to change, the question, of how this change originates becomes important. When the cause of change has been identified, it will be easier to navigate the challenges it brings.

To answer my research question a series of sub research questions will be used to investigate the subject.

I will explore how theoretical knowledge of organizational life cycles can be applied on a particular company and investigate to which extent a manager can benefit from this knowledge and foresee challenges and their solutions. Which might affect the growth pattern as the manager can shape the organization to cope with challenges and avoid possible traps in the future. If such knowledge about the life cycle is appreciated by the manager, he will be able to guide the organization in the right direction and thus enable him to stay ahead of the present situation. This leads to the following subquestion:

Can organizational growth patterns be predicted in advance?

I will explore how the growth of an organization is affected by its capability to innovate. The vitality of the company will be linked to its ability to innovate to accommodate future needs. This ability to innovate might affect the organization in how it will develop. The innovative capability might depend on the organization's point of development. This leads to the following subquestion:

How does innovation affect the development of a company?

I will explore how entrepreneurial capabilities and strategy can be related to each other. Their relationship might play a crucial role in how the company will develop, exactly how this relationship functions will be investigated as a part of the company's development. This investigation will take into consideration how a company perceives its market and its ability to respond to changes in its environment. This leads to the following subquestion:

How does entrepreneurial capabilities affect strategy?

I will explore how a company can change its capabilities to cope with future challenges presented to it by its environment. Markets will inevitably change over time and companies need to do the same. In order to stay ahead of the environmental changes a company needs to be able to sense these changes and adapt in beforehand. This proactive ability will ensure the company to maintain its long term

competitive advantage. This leads to the following subquestion:

How can a company keep its competitive advantages over time?

In my thesis I will use a single case study to exemplify my analysis and describe how the management of an internationally operating Danish based production company handle these challenges and I will give my recommendations concerning how they can keep their company successful in the future.

Delimitations

The overall theme of the thesis is a relatively broad topic, and it has been necessary to delimit the area of analysis as follows:

First of all the use of a single case study of an internationally operating Danish production company will limit the generalizability of the findings in the my Master Thesis.

Only historical and data at a particular point in time was collected as the interviews were performed within a narrow time span. This limits the analysis from identifying all of the dynamics present in the company. Further the analysis will be limited to cover the stages that the case company can be found to have encountered.

The data used in the analysis is pure interview data retrieved from the case company, and no industry data has been obtained to verify the opinions held by the interviewees.

The choice of certain theories used in the analysis delimits the thesis from investigating other aspects of the company. However, the deliberate choice of using certain theories does not necessary exclude the relevance of other competing theories.

Philosophy of Science

In this part I will account for the scientific philosophy that forms the basis for this thesis.

There are three main divisions within scientific philosophy according to Saunder et al. (2003): positivism, interpretivism and realism. Interpretivism is sometimes referred to as constructivism (<http://www.erm.ecs.soton.ac.uk/>).

Positivism claims that the only true knowledge is obtained through sensory experience, logic, and mathematical treatment of data (John et al. 2010). Realism argues that true reality exists independently from our mind and we only experience some aspects of it. Realists believe that what is known now is only an approximation of the true reality and with every new observation we get closer to understanding this true reality (Blackburn, 2005). Interpretivism or constructivism as it is also called, maintains that knowledge is not discovered from the world, rather it is constructed by scientists. Hence science is a mental construct to explain the sensory impressions we get (<http://www.ihracs.ch/>).

As I am analyzing a company that works in a complex international environment with many different actors and stakeholders, constructivism is suitable for the exploratory and deductive approach applied in the thesis.

While epistemology is concerned with how we understand knowledge, ontology is concerned with what exists and makes up the world (Schuh & Barab, 2008). Ontology presents two aspects: objectivism and subjectivism. This thesis has a constructivistic foundation, thus the stance taken is subjective as the knowledge found is created by the scientist and for this reason it will be impossible for the scientist to be completely objective. Not only will the scientist influence the knowledge found, the scientist will also be influenced by the field which is being researched and become a part of the investigation itself (Darmer et al. 2010, Andersen, 2003).

Methodology

In this section I will present how I have worked throughout my thesis.

Throughout my thesis I have had a deductive perspective, as will be explained from the choice of investigation design.

Fieldwork

In the process of collecting empirical data I need to be aware of my own biases and pre-understandings. I will like any other individual use my own reference points to understand the reality that is being researched.

As a student I might see things that professionals miss and might overlook things obvious to professionals. Being a student researching a professional company in an industry which I have no prior knowledge of makes me vulnerable to interpret things in a way that better fit my understanding of the world than might be true.

Qualitative Exploratory-Integrative Research Design

I embarked on a journey into an area of economics which is very complex, hence why it would seem wrong to do a strictly theoretical paper based on what is currently a field fragmented into scattered elements. I therefore found it necessary to collect empirical data from which I could deduce new knowledge. In order to see how this new knowledge was fitting against already known knowledge, extensive desk research was also performed.

I then had to choose between performing a qualitative-or a quantitative study. As I found the area of interest to be less well understood than one could have wished for a qualitative exploratory-integrative design study seemed to be the most suitable approach as it could generate new insights or identify possibilities within the area of interest.

The exploratory part was carried out through interviews with two founding managers, a senior employee and informal discussions with three other employees combined with observation in the company.

The integrative part was done after the data had been collected. The data was analyzed and applied to a theoretical framework (Clausen, 2001).

Research Design

To structure my research in the exploratory part, I chose to use Kvale's (1997) Seven Stages of Interview Investigation.

- Theme
- Design
- Interviewees
- Transcribing
- Analyzing
- Verifying
- Reporting

The seven stages will help one to find what one initially set out to look for as there is an interdependence between each step (Kvale, 1997). In the following I will explain how each step was performed.

Thematizing

At this step the final theme of the thesis was developed. Through my preliminary desk research, I discovered that the innovation efforts performed by companies are of great importance for turning around today's economic crisis. Moreover it is the persistent effort and ability in general to innovate and adapt to changing environments that is representing one of the largest challenges for companies today.

I will therefore focus on innovation on a broader term as well as management in order to adapt to changing situations over time

e. I worked consequently with this understanding of my theme throughout the development and execution of my thesis.

Designing

During the design phase the final design of the study was established. The methodological procedures were determined from what data was intended to be collected (Kvale, 1996). It was at

this stage I decided on how I wanted to collect my data.

The collection was carried out through a series of interviews and a full day company visit. The obtained data was then to be used to test if current theory could be applied to my case company and if so what could be learned by this.

Semi-structured Interviews

When performing an interview there are different kinds of interviews available: the open, the semi-structured and the standardized interview (Andersen, 1998). I chose the semi-structured interview because it allowed me to remain open to new perspectives and information, but at the same time gave me a structure for questioning that would ensure a minimum of topics to be covered.

The semi-structured interview further has the advantage of being more colloquial which makes the interviewee feel more relaxed as the interview is conducted close to a normal conversation and the topics in the questioning guide do not have a strict order in which they need to be answered (Andersen, 1998).

Respondents

Kvale (1997) tells most surveys use a number of interviewees between 15+- 10, and this number is a result of a lack of resources and the law of diminishing returns. Kvale (1997) argues that one only needs to interview as many people as is necessary to uncover the desired field in question

I was able to gain access to the two founding managers of the company and a senior employee working as head of sales with responsibilities for Denmark and Asia. Furthermore, I performed informal conversations with some of the employees under less formal circumstances in the company. The people I formally interviewed will now be presented more in-depth.

Interviewees

Søren Løgstrup, CEO of Quilts of Denmark (QOD)

Søren løgstrup is the CEO of QOD, he is very market oriented and has many years of experience from selling bedding.

Søren Løgstrup began his carrier in “Dansk Supermarket” where he worked in the sourcing

department and later moved on to manage a supermarket store. Søren Løgstrup moved on to new challenges when he chose to work for Nordisk Fjer. In Nordisk Fjer Søren Løgstrup became known as one of the best sales people. This was partly because he understands both the buying and selling positions. After the bankruptcy of Nordisk Fjer Søren Løgstrup was invited to by Hans Erik Schmidt to try and salvage the bedding factory located in Singapore. Søren Løgstrup was given the responsibility to establish a new sales organization for the factory in Singapore as it did not have one after the bankruptcy of Nordisk Fjer. After working nine years on turning the factory around, the two had successfully managed to do so and in the process they had managed to become owners of too. The factory had moved from Singapore to China and changed name to Scandinavian Bedding. Both founders felt they wanted to work with high quality bedding again, as they had been unable to do so with the products produced in Scandinavian Bedding.

Hans Erik Schmidt, Director of Development in QOD

Hans Erik Schmidt is the Director of Development and has great knowledge of the materials used in production and is highly product development oriented.

Hans Erik Schmidt began his carrier as a product engineer in Danfoss where he started in the research and developing department. Later Hans Erik Schmidt changed to work for Nordisk Fjer, where he was working in a bedding factory in Singapore at the time of the bankruptcy of Nordisk Fjer. Hans Erik Schmidt and Søren Løgstrup managed together with an investment from a company looking to add a bedding company to its port- folio to salvage and turn the factory around. This new company was eventually relocated to China where it was turned over to Hans Erik Schmidt and Søren Løgstrup. Hans Erik Schmidt became the CEO of the company the two chose to call Scandinavian Bedding.

Karsten Nielsen, Head of Sales in Denmark and Asia

Karsten Nielsen began his carreer in Singapore working as a sales representative for the factory run by Hans Erik Schmidt and Søren Løgstrup. After working in Singapore for nearly a decade, Karsten Nielsen moved back to Denmark where he worked for a competing bedding company for a short while. Karsten Nielsen was soon after persuaded to return and start working with Hans Erik Schmidt and Søren Løgstrup again this time in QOD.

Interviewing

The actual interviews took place at three different locations. The interviews of Hans Erik Schmidt and Karsten Nielsen took place in their private residences, the third with Søren Løgstrup took place at the company premises. The informal interview with the employees took place at their work station. This was done in order to make the interviewees relax and make them feel more comfortable, also allowing me to easier by-pass any barriers to open communication they would have either intentionally or unintentionally (Kvale, 1996).

In my efforts to further remove mental barriers I began each interview by explaining, what I was interviewing about and why I was doing it, and why the interviews were of great importance to me. I also told the interviewees that they were the experts on the area and I was merely a student of the area, which further prevented a situation to arise where the interviewee would feel being put in an examination situation.

Prior to all the interviews, a confidentiality agreement was offered in case they were afraid of revealing any company confidential information. None of them felt such an agreement was necessary.

Pilot Interview

Before I made the actual interviews, I tested my interview guide on a friend of mine, who has no prior knowledge to the research topic. This was done to ensure the elimination of any expressions that were either too technical or vaguely formulated and that the interview guide maintained an everyday language.

Introduction to The Interview Guide

I started out with a short introduction of myself, and then turned my attention towards the interviewee. I asked some easy questions like what educational background they have and for how long they have been in the bedding business to help them relax.

The interviews continued afterwards until the topics were exhausted. I frequently asked open questions. If I did not get enough information from the response, I followed up by probing the interviewees to further elaborate certain points.

The three main topics in my questioning guide are presented in the following section, to see the full

questioning guide, see appendix 1.

Interview Guide

The interview guide takes its point of departure in the theoretical discussion which will be presented in depth later in the thesis.

Topic 1: Innovation

Innovation has been identified to be of great importance for the long term survival and success of any company (Miles & Snow, 1978; Adizes, 1988; Duus, 2012). There are many different kinds of innovation, involving products, processes or organizational structures to mention a few. The nature of innovation also plays a role, as there can be either radical or incremental innovations. All of these forms of innovation bring changes with them. These changes impact both the company itself but also the business environment as a whole.

As the global business environment is changing at an accelerating pace, so is the interest in enabling companies to obtain resources that can create change and adapt the company to new challenges. These investments may even enable companies to be a driving part of the processes that shape the business environment. By identifying the kind of innovation the company is pursuing, a picture of the company is revealed which reflects its strategy (Miles and Snow, 1978).

Topic 2: Organizational Development and Values

In order to forecast how a company's organization will develop in the future, one needs to know about its past. Decisions made in the past will influence the decisions available and how these future decisions can be made. The organization is said to be path dependent (Teece et al. 1997; Ambrosini, et al. 2009).

Adizes (1988) proposes a general framework for what problems most companies will experience during different stages throughout their life cycle and possible solutions to these.

When using the Adizes (1988) framework it is of pivotal importance to know the past and present development of the company. To build upon this framework, it is important that the values are uncovered. The values held by the people in the company are byproducts of former actions which are important when trying to understand how the company will most likely react to new challenges.

Topic 3: The Market

Much information about a company can be found by identifying what market it is dealing in and which strategy it employs to navigate in it. This information can be used in order to find out what kind of innovation the company is most interested in pursuing, which also reflects the abilities of the company itself (Miles & Snow, 1978). For this reason I found it to be an important area for exploration, as the ability to change and innovate is crucial in the long run for any company (Biedenbach and Müller, 2012). Companies operating on many different markets receive a lot of market input, identifying the valuable market information is crucial to be able to respond accordingly to changes in market demands. Even though a change in market demands is identified a company still need to respond in time and with right marketing efforts. When understanding the capabilities used in the process of adapting to changing market demands, the company may keep a close relationship with its customers.

Observation

I visited the company for a full day where I had the opportunity to interview the CEO and observe how daily work in the company was performed.

The observations were open and direct, as all the employees knew I was there to observe and for what reason. The observations were necessary to see how the company works with my own eyes so that I did not only have to rely solely on what I was being told in the interviews. The observations were unstructured as I did not have the opportunity to plan what activities, I wanted to observe. I did not take part in any of the daily business routines, as they were too complex for me to perform without prior experience.

A full tour of the factory was given with opportunities to see how the machinery works and to get an impression of the different materials and the storage departments. The tour included conversations with the employees in the production and administrative part of the company, where the different functional departments were introduced.

Through this, an opportunity arose to discuss problems and challenges seen from the employees' point of view. A system under development in the design phase was presented by two employees, who have prior experience in system implementation, from earlier in their careers.

During the day I had been given a desk from where I could observe and make notes. This gave me the possibility to make notes where I could note my observations (Andersen, 1998).

Transcribing

Audio recordings were openly made during all formal interviews. I found this appropriate for each of the situations as they were all performed in locations with no disturbances and no other people, who should be taken into consideration (Kvale, 1997). This way of documenting the interviews turned out to be very useful as two of the interviews proved to be much longer than anticipated. These interviews provided me with so much information that it would have been impossible to remember all the details or to have written all the information down during the interview. Notes were made during the interview, but this was in order to be able to return to areas of interest later in the interview itself.

The recorded interviews were transcribed into points of notes in order to enable a better overview of the interviews, as well as to provide a simpler way to navigate the extensive material provided by the interviewees. The recorded interviews have been attached to the appendix in the form of a CD.

Analyzing

It is in the analysis the data gathered is turned into information. The kind of information obtained from the analysis depends on what method is used to transform the data into information.

The analysis began already during the interviews, as certain topics were found interesting and others less so and hence were given different degrees of attention. There were also occasions, where statements given by the interviewee could be tested as to whether a topic or a statement had been understood correctly or not (Kvale, 1997). This could be done by repeating the answer in a slightly different way or by asking further into the topic in question (Kvale, 1997).

There are different sets of methods available to analyze interviews, one of the most common being the “ad hoc” approach (Kvale, 1997). The ad hoc approach is a non-standardized approach in which several methods are used in a non-standardized way. I have chosen to analyze the data with this particular approach.

I chose to use meaning condensation and a narrative meaning structuring (Kvale, 1997) by combining these two methods and using them, as I saw that they best fitted the overall method of analysis the resulting method turned out to be an ad hoc analysis.

Control

This thesis is made solely by me, hence the analysis of the interviews was also done by me only and

not a set of multiple interpreters. This makes the thesis prone to arbitrary or biased subjectivity. However, as the interviews and the analysis were done by the same person, they were influenced in the same way, thus the reliability can be considered to be high.

Verifying

Kvale (1997) argues that there are three factors in the verification process: generalizability, reliability, and validity. I will now present these three factors and relate them to my thesis.

Generalizability

My study is a qualitative study. The case company was not chosen randomly but from their exhibition of innovative qualities. Hence, the case company can not be used to generalize all internationally operating Danish based production companies in a statistical generalizing sense. Rather an “analytical generalizing” approach can be used instead, where the reader finds the circumstances of the case company familiar with the case in question of the reader. By these means the thesis may then be generalized to the reader (Kvale, 1997).

Reliability

Reliability has to do with the research results' consistency (Kvale, 1997). Reliability investigates if the measurements were performed in the correct way. (Thurén, 1998). As the collection of data has only been performed by me, the interviews, observation and the subsequent analyzing of the data have consequently been done in a way with no perceived variation. The reliability can hence be said to have a high degree of confidence.

The reliability may have been affected in a number of ways. As opposed to performing a couple specific steps in the process of doing research, it is an ongoing process to keep the reliability high. An example of such is provided by Kvale (1997; 231): *“if the interviewer asks leading questions, unless it is a conscious choice, the answers inadvertently will be affected by the interview technique.”*

Even though I am aware of such issues, all who perform research including myself have some shortcomings. As with all researchers, I acknowledge having some social and theoretical biases, that may have influenced my study (Järvinen & Mik-Meyer, 2005).

Validity

Validity is similar to reliability in that it is an ongoing process throughout the research process. It investigates if what was intended to be studied was indeed studied and nothing else (Thürén, 1998). As mentioned previously Kvale (1997) lists seven questions one needs to bear in mind when going through his seven stage interview investigation guide. When relating to each of these seven questions during the process, it will ensure the investigator to actually end up with an answer to what was intended to be investigated.

I have throughout the process of my research sought to bear these questions in mind to arrive at an answer with as high validity as possible.

Reporting

The final presentation of the research can be presented in a number of different ways and a number of mediums that go beyond traditional written reports, such as a documentary movie. One aim of my research is to make my research available to a wider audience. I have thus chosen the written report as the medium for my research, as it is an easy and cheap way of sharing my findings with others. I have included figures, tables, pictures and quotations to make the report easier to read and understand.

No matter which form is chosen, it is important that the report is easily understandable and lives up to scientific criteria (Kvale, 1996).

Summing Up

In any research where empirical data is used, it is important to know how it was retrieved.

Disclosing the method of data collection applied empowers other researchers to verify the findings by using the same method if they so desire.

This experience of visiting a company and collecting empirical data has added value to my thesis that would have been impossible to gain from doing desk research only.

has helped me to understand the true nature of this field, which would have been difficult had I only relied on secondary data obtained from doing desk research.

Theoretical Framework

I will now present the theoretical framework that form the background for my thesis.

Through the combination of already existing theories and new empirical data, I will see if new insights can be gained.

The theories chosen will, like the method chosen, reflect what kind of new insights I can foresee to gain. The choice of theories can thus be considered to be of equal importance for my thesis, as the methodology I chose to collect my empirical data with.

Theoretical Discussion

Ever since Schumpeter made his hugely significant book “Business Cycles” (1939), it has been widely known that innovation is a fundamental source of economic fluctuation and the macroeconomic dynamic is the sum of individual companys' behaviors (A. Filippetti & D. Archibugi, 2009). It is the innovation efforts performed in the individual company that in each of their individual ways affect the macro economy. These innovation efforts are governed by both internal as well as external factors (A. Filippetti & D. Archibugi, 2009; Tidd, 1997).

Schumpeter wanted his “Business Cycles” (1939) to be a starting point for others to aim for and build upon (Schumpeter, 1939). What is meant with this is that he is aware that his work does not provide a full model. It does however provide a framework that forms a starting point from which one can begin an analysis, which is exactly what I intend to use his framework for.

To clarify my starting point, Schumpeter’s framework will need a further presentation.

Schumpeter's View on Innovation

Schumpeter observed that innovations do not occur regularly but rather in swarms and unevenly distributed through time (Schumpeter, 1911, 1934, Andersen, 2006). Schumpeter continued in his analysis and coupled economic waves of growth together with innovation (Andersen, 2006, Kuznets, 1940). The relationship between economic growth and innovations follows a pattern of a sigmoid curvature, otherwise referred to as S-curves (Modis, 2007), see Figure 1.

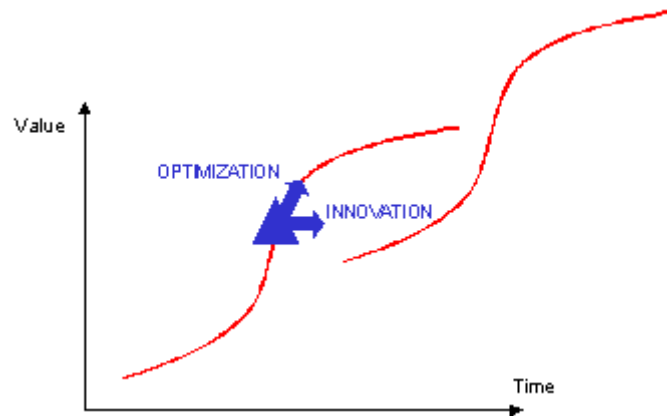


Figure 1, S-curves

<http://www.triz-journal.com/archives/1999/07/g/>

The shift from one S-curve to another is signified by the successful introduction of a new innovation. The nature of the innovation is decisive for how large an impact it will make on the industry. In general a distinction is made between incremental innovations which produce only minor changes and disruptive innovations with larger or even industry revolutionizing potential. The large industry revolutions that disruptive innovation brings, are also known as Schumpeterian revolutions, which are impossible to anticipate and the sources for them can only be described after they have occurred (Barney, 1986).

A Schumpeterian revolution changes what are considered important resources within a particular industry. Since important resources are unevenly distributed throughout an industry, an individual firm can either be lucky and possess the new resources or find itself in short supply (Barney, 1986). This perspective adds to the popular view on resources, which only focus on the strengths in an organization. This expands the view on what organizational resources are, as what might not be a resource now might become one later and what might be a resource now might become a liability later on.

If an organization is lucky to possess what is to be considered the new important resources it can enjoy the advantages of being the first mover. If an organization is on the other hand not so fortunate to possess the new important resources, it needs to acquire them, in order to successfully compete in the future. An organization that is incapable of obtaining the new important resources or changing its business model is not expected to survive (Hannan & Freeman, 1977).

Even though Barney (1986) argues that a Schumpeterian revolution is unpredictable, Machiavelli, the founder of political science, gives advice on how a manager can prepare his organization for the

event of such a kind. Machiavelli (1512) acknowledges two fundamental factors called fortuna and virtue that every manager needs to take into consideration. Fortuna is the luck of the manager, which represents all circumstances that are outside his control. Virtue is all the circumstances that can be controlled or planned for by the manager. The manager should for these reasons try to maximize virtue and minimize fortuna.

This leads us further into Schumpeter's framework where Schumpeter recognizes the entrepreneur as the personification of innovation. The literature distinguishes between two main streams of research within this field, the first places emphasis on the individual entrepreneur and the second focuses on corporate entrepreneurship and intrapreneurship in the reinventing of large firms (Hagedoorn, 1996).

The first stream of research tends to refer to Schumpeter (1934) and the second tends to refer to both Schumpeter 1934 and 1942 (Hagedoorn, 1996).

Adizes

Adizes (1988) manages to incorporate both kinds of entrepreneurs into a coherent framework of organizational development in his "Corporate Life Cycles" published in 1988. His work takes a biological life cycle approach in analyzing the organization.

A biological approach can, according to Lester et al. (2003), seem appropriate as organizations are born (Tichy, 1980), they then grow (Mintzberg, 1989) and eventual they die (Kimberly and Miles, 1980; Adizes, 1988). Hanks (1990) argues that a valid life cycle model is of great value to the manager. Lester et al. (2003) further argue that knowledge of an organization's current stage in the life cycle can aid the manager to appreciate the issues facing the organization.

Beverland & Lockshin (2001) and Hanks et al. (1993) claim that the manager's appreciation of the life cycle will aid him to understand the changes happening in the organization as it grows and develops and to act appropriately throughout the different stages.

Different actions are needed during the transitions through the life cycle: "*actions that can make an organization successful in one stage can prove to have the opposite effect at other stages*" (Adizes, 1988; p. 5). Management's primary role is to keep the organization in the healthy part of the life cycle, preventing or treating pathological problems from affecting the organization and finally to bring the organization into its prime and keep it there (Adizes, 1988).

A number of authors have proposed similar life cycle frameworks to Adizes's from which managers can benefit (Dodge, Fullerton, and Robbins 1994; Hanks, Watson Jensen and Chandler 1993; Miller and Friesen 1984; Mintzberg 1984; Torbert 1974; Downs 1967; Greiner 1972; Penrose 1952; Quinn and Cameron 1983). There are differences between the existing models with regard to the number of stages and activities within each stage (Hanks, 1990), however commonalities do exist as well (Lester et al. 2003).

Most models are multi-staged in nature, ranging from three to ten stages (Lester et al. 2003). They describe the same patterns, some break down general stages into smaller developmental periods where other models with fewer stages integrate two or more developmental periods (Lester et al. 2003). Further some authors distinguish between small organizations (Churchill & Lewis, 1983; Steinmetz, 1963; Scott & Bruce, 1987) and organizations in general (Kimberly & Miles, 1980; Quinn & Cameron, 1983; Adizes, 1988). Beverland and Lawrence (2001) found the two kinds of models for small-and general organizations to be similar to each other.

Beverland and Lawrence (2001) found that a single life cycle framework can be used throughout the course of an organization's life cycle without taking the actual size of an organization into consideration. Adizes's (1988) general framework can hence be used regardless of the actual size of the organization.

An organization's position in Adizes's life cycle does not reflect its age or its size (Adizes, 1988). The organization's position in the life cycle is determined by the relationship between how flexible it is and how controllable it is (Adizes, 1988) See Figure 2. The position in the life cycle indicates the complexity of problems an organization can handle.

Organizations are able to move both forwards and backwards in their life cycles, which means they can be revitalized if managers know how to (Adizes, 1988; Sull, 2003).

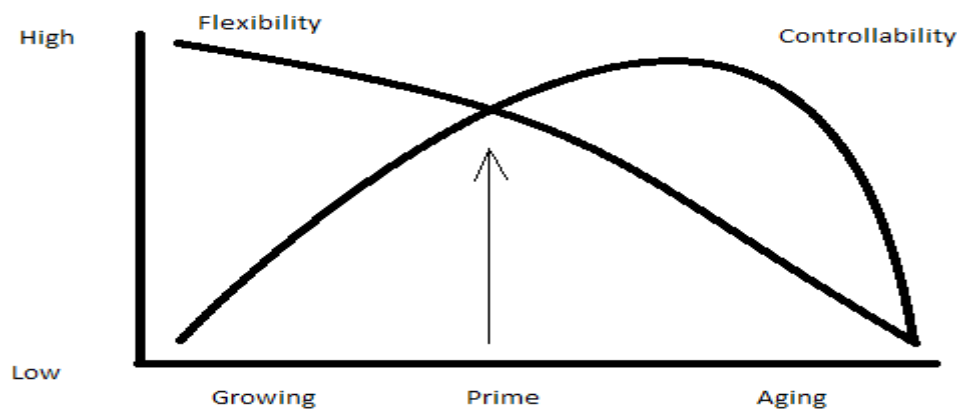


Figure 2, Growing or Aging, (Adizes, 1988)

Adizes's (1988) life cycle framework uses four main leadership characteristics in the description of the development of the organization. These are the (E)ntrepreneur, (P)roducer, (A)dministrator, and the (I)ntegrator (Adizes, 1988), see figure 3 below.

The (P)roducer of the organization is what makes the organization effective in the short run (Adizes, 1988). It provides the organization with a reason to exist; it provides a purpose for which it can function. *“Without this purpose the organization is like a cancer using resources for no reason”* (Adizes, 1988; 120). The real purpose of an organization is never profit, profit is better conceived as being the byproduct of functioning: the real purpose is always to satisfy client's needs, i.e. to add value for the clients (Adizes, 1988). Return customers are good indicators of the organization being effective in satisfying its customers' needs (Adizes, 1988).

To be profitable an organization needs to be both effective and efficient. (A)dministrators make an organization efficient by systematizing, routinizing and programing the activities of the organization. Ensuring solutions only need to be found once. The (A)dministrators' role is like the (P)roducers' role which is short-run in nature. For an organization to be successful in the long-run the roles of the (E)ntrepreneurs and (I)ntegrators are needed too (Adizes, 1988).

The (E)ntrepreneurs are the ones that hold creativity and risk-willingness both at the same time. It is the (E)ntrepreneur that makes the organization act proactively in its environment. In order to prepare for the future in the present someone must imagine how it will look (Adizes, 1988). Although sometimes the speed of change is too fast to react to, it is the (E)ntrepreneur's role to keep

the organization ahead of the curve and foresee where the organization should move next before the opportunities are missed (Adizes, 1988). (E)ntrepreneurs do not adapt organizations to changes as that would imply a reactive perspective (Adizes, 1988). (E)ntrepreneurs rather see possibilities others have not yet seen and prepare the organization for them in advance. (E)ntrepreneurs make the organization effective in the long-run as they ensure that the (P)roducer stays up-to-date. It is the characteristic from which the other characteristics can be derived, making the (E)ntrepreneurial characteristic the most important characteristic (Adizes, 1988). When the (E)ntrepreneurial elements are lost, the organization loses its ability to serve its long term purposes which is why it is a vitality indicator.

(I)ntegrators make the different departments in an organization understand their interdependency. It is important for the employees and the departments to appreciate the value of a fully functioning organization and not just a functioning department. When this is successfully done the organization moves from being a mechanical-to an organic organization (Adizes, 1988), making the people in the organization aware of a higher cause than each of their individual responsibilities. The (I)ntegrator makes the organization work efficiently in the long-run (Adizes, 1988).

All four characteristics are important for the success of an organization. If all of the characteristics were performed simultaneously, the organization would be effective and efficient in both the long- and short-run (Adizes, 1988). This is, however, difficult at best as all the roles are interdependent but at the same time undermining each other (Adizes, 1988).

The four roles have different importance at different stages and different emphasis needs to be put on each of them as the organization develops, see Figure 3.

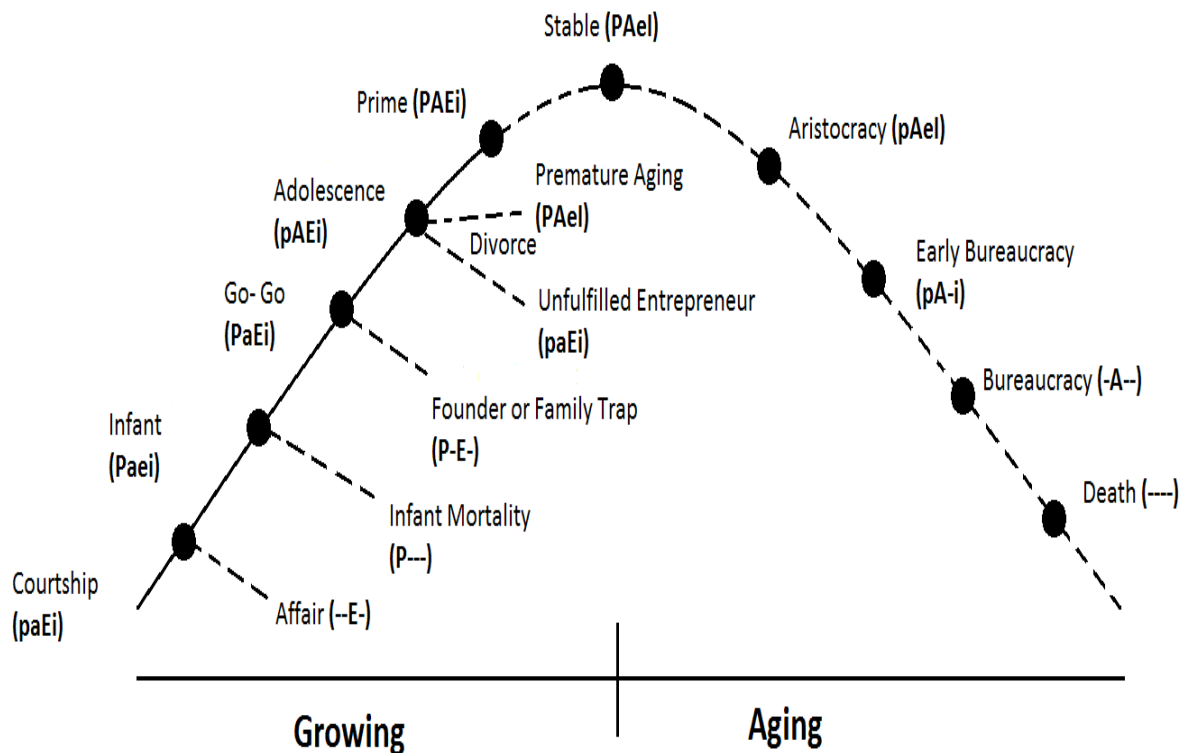


Figure 3, Life Cycle, Adizes 1988

Hanks (1990) describes how the determining factor of the number of stages in a life cycle model is how the researcher defines a life cycle stage. Adizes (1988) defines a stage by its unique sets of challenges. Each stage poses its own challenges, when the challenges are solved the organization moves on and grows and develops new challenges. In this context “*growing means the ability to deal with bigger and more complex problems.*” (Adizes, 1988; p. 3) and hence it is not related to size nor age (Adizes, 1988). These new challenges are then confronted in the next stage. If the challenges posed to the organization are not dealt with and goes unsolved, the consequences are either premature aging or the death of the organization as indicated in Figure 3 by the dotted lines. Just as what can be considered as normal behavior by a person in one stage of a person's life can in other stages be considered as abnormal, this is also valid for an organization (Adizes, 1988). Adizes's life cycle shown in Figure P can be split into two parts: a growing-and an aging part. In the growing part, there are several traps the organization can fall into if the management is not able to steer the organization forward and solve the issues presented at each stage. The second half of the life cycle is the aging part in which there are no traps. The organization starts to stiffen once it enters the “Stable” stage as the entrepreneurial elements start to be lost resulting in a decline in

organizational vitality. The flexibility in an organization is provided by its entrepreneurial elements which is a vital sign that needs to be monitored and maintained constantly (Adizes, 1988). If management does not succeed in changing this, a natural decline in organizational vitality will continue with the inevitable death of the organization as a result.

An organization will need leaders with different characteristics as it moves through its life cycle. An appreciation of the four characteristics along with the knowledge of the organization's position in the life cycle will help direct top management to develop the organization in an appropriate way, further allowing it to avoid the traps in the growth stages or cure the decline of organizational vitality in the aging stages. The most important roles performed at each stage is marked by capital letters in Figure 3, less important roles are written in lower case letters, and if one or more letters are missing at a stage it means the organization has lost these characteristics.

In the following section, I will operationalize the role of the (E)ntrepreneur to make the concept of the (E)ntrepreneur more tangible and actionable.

The Operationalization of the Entrepreneur

In order for a manager to operationalize the role and function of the entrepreneur as described by both Schumpeter (1939) and Adizes (1988), a full appreciation of how the different functions in the organization are connected is needed. This will enable the organization to create its own environment (Miles & Snow, 1978).

Miles & Snow's (1978) adaptive circle provides a framework that presents the different aspects every organization needs to deal with before any change is successfully integrated. One advantage of the framework is that it relies on observable characteristics and business activities, hence there is no need for extensive knowledge of internal activities or executive plans (James and Hatten, 1995; Segev, 1989; Shortell and Zajac, 1990; Zahra and Pearce, 1990).

Miles & Snow (1978) have split the organization and its functions into three major problems. The first problem is the entrepreneurial problem, which deals with what marketplace the organization needs to be in and with what products or services to offer to its clients.

The second problem is called the engineering problem, as it deals with the technological issues such

as how to manufacture the products.

The third problem is called the administrative problem: which is a dual problem with both a lagging and a leading aspect. The lagging aspect is the rationalization of organizational-processes and structure. The leading aspect deals with how the organization can continue to innovate and implement changes in the organization (Miles & Snow 1978), see Figure 4.

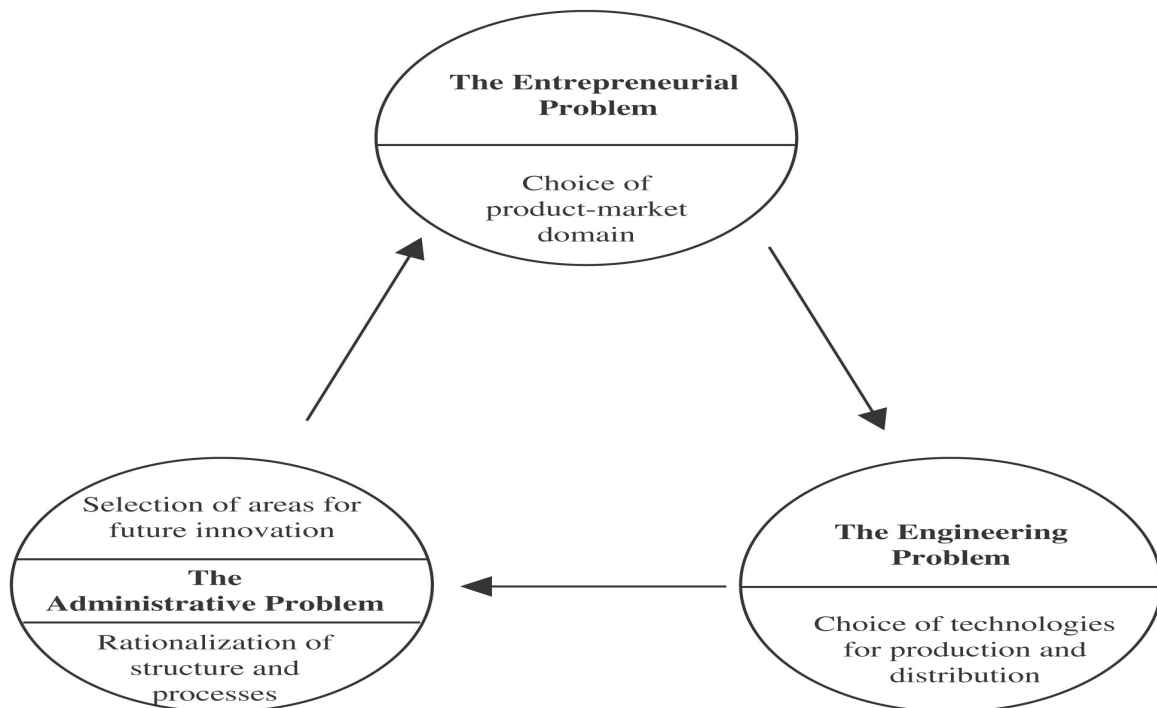


Figure 4, Adaptive Cycle, Miles & Snow (1978)

Depending on how companies prioritize the different problems in the Adaptive Cycle, four general different competitive strategies can be deduced, the prospector, the defender, the analyzer, and the reactor.

Prospector

First the prospector whose organization is characterized by perceiving the environment as dynamic and uncertain. They maintain flexibility to counter environmental changes (Parnell and Wright, 1993). The prospector consistently explores new markets, technological uses, product designs and organizational operations. In short, prospector organizations are constantly seeking innovation in

business. Most often, prospector leaders value innovation as the organization's key competitive advantage (Boeker, 1989; Miles and Snow, 1978; Zahra and Pearce, 1990). Miles and Snow (1986) refer to prospectors as serving as industry "designers."

Defender

Second is the so called defender; they are the opposite of prospectors (Parnell and Wright, 1993). The defender perceives the environment as stable and certain, hence the organization seeks stability and control in their operations to achieve maximum efficiency.

A defender's organization tends to excel in a selected, limited number of markets and production methods. Leaders following this strategy tend to favor highly specialized competencies in a few specific areas and place low priority on new ventures (Boeker, 1989; Miles and Snow, 1978; Parnell, 1994; Zahra and Pearce, 1990). They are slow at adopting major operational changes and the type of innovation that is likely to be introduced is the kind that will make the organization more efficient.

Analyzer

Third is a hybrid of the prospector and defender, a so called analyzer. The analyzer emphasizes both flexibility and stability at the same time; analyzers try to embrace the best of both worlds (Parnell and Wright, 1993). Analyzers exercise tight control over existing operations like the defender does, however less tight control is permitted for new undertakings. The strength of the analyzer is his or her ability to imitate prospectors and at the same time maintain efficiency in operations like a defender does (Parnell and Wright, 1993).

Analyzers are the classic second movers as they wait to see which prospector finds a business advantage, then imitating it and exploiting their superior efficiency to outcompete the prospector (Miles and Snow, 1978). Leaders in analyzer organizations do recognize that some opportunities are missed due to their second mover strategy. They at the same time view it as an insurance against costly mistakes (Boeker, 1989; Miles and Snow, 1978; Segev, 1989; Zahra and Pearce, 1990).

Reactor

Finally there is the reactor, which is a residual strategy (Robbins, 1990). Reactors do not follow any persistent strategy, but rather oscillate between the other three forms of strategies (Boeker,

1989; Miles and Snow, 1978; Segev, 1989; Zahra and Pearce, 1990). It is the lack of an appropriate set of response mechanisms which organizations need to confront environmental change that leads to the inconsistent results and consistent poor performance compared to organizations that follow one of the other three types of strategies (Parnell and Wright, 1993; Miles and Snow, 1978).

Organizations tend to stick to one of the strategies described above throughout their life cycle (Miles and Snow, 1978; Zahra and Pearce, 1990). The optimal strategy of the four proposed by Miles and Snow (1978) depends on the organization's industry, but the reactor will always have an inferior performance compared to the other three (Miles and Snow, 1978). However, organizational change has come to play a significant and constant role in the business world of today (Cowan-Sahadath, 2010). What is meant by this is that a manager may find a perfect fit between his organization and its industry at one point in time, but for numerous different reasons he might need to change the organization in one way or another as the perfect fit has disappeared and must be replaced with a new one.

The changes need not to be of Schumpeterian revolution magnitudes to be important or difficult to handle. Minor incremental changes introduced by newcomers may not be supported by the incumbent organization's processes or technology, even when similarities exist between the old and new (Teece et al. 1997). Hence the capabilities needed to introduce new strategies and bring about new processes are of great importance.

Models of organizational growth describe issues rather than predict them and they lack sufficient detail to capture the internal dynamics of firm growth (Freel, 2000). For this reason, it is necessary to bring in perspectives from other disciplines (Zhai. et al. 2007).

Miles and Snow (1978) emphasize the different kinds of degrees and ways an organization needs to sense its environment in order for it to make a coherent strategy. There are however different paradigms which an organization can choose to use in its effort to sense, interpret, and interact with its environment. A list of similarities and differences are listed in Table 1 on four different paradigms.

The four paradigms can be categorized into two groups. The competitive forces and strategic conflict paradigms seek to use strategizing as their best mean of acting. Strategizing seeks to raise entry barriers for competitors or raise competitors' cost in general through an exclusionary behavior. The source of competitive advantages lies at industry level or a subgroup within the industry.

The resource-based-view and the dynamic capabilities approaches seek to gain competitive advantages from economizing. The resource-based-view and dynamic capabilities see the competitive advantages originating from high-performance routines inside the organization, shaped by processes and positions. Prior decisions play an important role on what future choices will be available as the organization is said to be path dependent (Teece et al. 1997).

All the paradigms have strengths and weaknesses and the use of only one particular paradigm will create strategic blind spots (Teece et al. 1997). Some of the paradigms are complementary according to Amit and Schoemaker, (1993), whereas the paradigms are competitive in other cases (Teece. et al. 1997). Competitive advantages can be derived from both strategizing and economizing, but as both Teece et al. (1997) and Williamson (1991) believe that economizing takes precedence over strategizing. To quote “Pablo Neruda”:

“You can cut all the flowers but you cannot keep spring from coming.”

What managers can learn from this expression is no matter how good any strategizing is, at some point the organization will need to change if it is to survive the coming changes in the environment.

With this said, great insights can be gained from using multiple paradigms to analyze complex situations or problems. The important task lies in choosing the right ones to use, which is not restricted to these four paradigms (Teece et al. 1997).

A successful strategy is the combination of what H. Itami (1987) calls the dynamic strategic fit, which is the intertwining of external factors, internal factors, and strategy over time.

With a world in constant change, the winners in the global marketplace will be companies that demonstrate timely responsiveness and rapid and flexible product innovation, coupled with management's capability to effectively coordinate and redeploy internal and external competences (Teece et al., 1997). For these reasons I will now move on and focus on the economizing paradigms.

Dynamic Capabilities

The resource-based-view concentrates on resources and capabilities that are long lasting and hard to imitate (Conner, 1991). Resources are defined as valuable, rare, imperfectly imitable and imperfectly substitutional all at the same time (Barney, 1991, 1995). However the resource-based-view is criticized for only providing a static view (Barney, 2001 a,b; Priem and Butler, 2001; Locket et al. 2009; Kraaijenbrink et al., 2010), and hence it fails to address the dynamics of a company's development (Dierickx and Cod, 1989). I have for this reason chosen to focus on dynamic capabilities as it also provides a dynamic perspective in which the creation, alternation and renewal of the resources mix (Teece et al. 1997; Ambrosini and Bowman, 2009) as it tries to explain the successes and failures of organizations on the organizational level (Teece et al. 1997).

Dynamic capabilities are considered a source of sustainable advantages in Schumpeterian regimes of rapid change (Lee et al. 2002). Eisenhart and Martin (2000) argue that the dynamic capabilities paradigm could also be used in moderately changing environments and not only in highly volatile environments. The dynamic capabilities paradigm is the only paradigm that specifically focuses on the renewal of valuable resources over time and in a persistent manner (Ambrosini and Bowman, 2009). Valuable resources are built rather than bought in the marketplace (Makadok, 2001) as any valuable resource that is homogeneous and can be bought and sold at an established price is by definition not of high strategic importance (Barney, 1986).

In contrast, Teece et al. (1997) view the managerial and organizational processes or routines as the source of competitive advantages. These processes shape assets positions such as technology, intellectual property, customer base, and external relations. The processes are further molded by the evolutionary path taken by the organization as its previous actions will invariably affect which actions it will have available, hence posing natural constraints (Teece et al. 1997). A great emphasis is placed on the top management's ability to sense and understand the environment in which the organization operates.

The dynamic capabilities concept is quite abstract and comprehensive, which is why it is beneficial to look at elements that contribute to the concept more specifically (Biedenbach and Müller, 2012). Wang and Ahmed (2007) identified in a review of 32 key empirical studies on dynamic capabilities three main components: absorptive, innovative,-and adaptive capabilities. These will be further described in the following section.

Absorptive Capabilities

Absorptive capabilities concern a company's capability to apply the latest knowledge from external sources and works through learning processes (Lane et al. 2006). These learning processes can be split into three groups: exploratory, exploitative, and transformative learning. Furthermore, these three types of learning build upon each other (Lane et al. 2006). The sequence of the three types occur in such a way that new knowledge is first acquired from external sources, then this new knowledge is operationalized and applied by the organization, and finally this new knowledge must be maintained over time (Garud and Nayyar, 1994; Zahra and George, 2002). When done accordingly, absorptive capabilities have proved to be an important inter-organizational tool for improved learning and performance (Lane et al., 2001, 2006) and increased innovation (Cohen and Levinthal, 1990; Oltra and Flor, 2003). Absorptive capabilities have been shown to produce positive results in both the long and short term, thus any manager can benefit from the deployment of this capability at any point (Biedenbach and Müller, 2012). The sources of such new knowledge are very diverse, but typically such new knowledge can be acquired through active networking, organizational collaborations, attending conferences, studying research articles and through dialogue with various external stakeholders (Biedenbach and Müller, 2012).

Innovative Capabilities

Innovative capabilities are what enables an organization to refine, reinforce or transform a product or service (Subramaniam and Youndt, 2005).

Researchers commonly distinguish between two kinds of innovations: incremental and radical. However, when it comes to innovative capabilities, Biedenbach and Müller (2012) choose not to make this distinction according to model parsimony. Innovative capabilities have been found to result in a higher level of innovative output (Oltra and Flor, 2003) and resulting in an improved performance of the organization (Sher and Yang, 2005). Large and small organizations have different approaches on how to facilitate innovative capabilities. In larger organizations, teams of highly qualified people with diverse backgrounds are put together to support the innovative capabilities (Biedenbach and Müller, 2012). In smaller organizations with fewer resources at their disposal, innovative capabilities are derived from a good and informal work environment, characterized by open communication in the organization while the employees also share a feeling of involvement in the entire process (Biedenbach and Müller, 2012). The smaller organizations tend to cluster together in business parks or close to academic institutions as they can draw benefits from

collaborations with these groups (Biedenbach and Müller, 2012).

Innovative capabilities have been shown to be beneficial in the long run only. In the short run, it might be that only a minimum level of innovative capabilities are needed, whereas in the long run a larger amount of innovative capabilities are needed for a successful performance (Biedenbach and Müller, 2012).

Adaptive Capabilities

Adaptive capabilities are defined as an organization's ability to identify and capitalize on emerging market opportunities (Chakravarthy, 1982; Hooley et al., 1992; Miles and Snow, 1978; Wang and Ahmed, 2007). These capabilities are related to day-to-day operations such as monitoring competitors product pipelines, developments in the marketplace, and changes in the customers' preferences (Biedenbach and Müller, 2012). Additionally, market orientation plays an especially significant role for innovation in highly competitive environments (Grienstein, 2008). Adaptive capabilities have a short run perspective as they focus on the immediate business possibilities and adaptation to changes in the environment.

To sum up the proposed framework:

From my framework one can conclude that in order to establish a vitally healthy organization, one needs to know where the organization is in the organizational life cycle. Then it needs to employ the people with the appropriate characteristics for that particular stage. When it comes to the founder, then there is no such specific characteristic. Rather it is an ability to sense, learn, and act correctly combined with an urge to gain more than he expects. When attempting any changes, a sequence of steps need to be taken in order to make the change successfully as the entire organization needs to change and not just minor departments.

All these capabilities need to be combined with a certain risk willingness which is a part of the (E)ntrepreneurial spirit. If a person or an organization is satisfied with the current state of affairs and knows what to expect, then no drive for improvement exists.

The proposed framework will now be applied to internationally operating Danish production company.

Analysis

The following analysis will take its point of departure in a case company to test and exemplify the proposed theoretical framework presented in the previous section. The analysis will start with an introduction of the case company.

Case Company Presentation

Quilts of Denmark (QOD) is a bedding company situated in an area of western Denmark known as the “triangle area”. This area has many production and transport companies as it is in a key logistical position in Denmark. QOD was founded in the year 2000 by two business men who both have long experiences in the bedding industry. Before the foundation of QOD, the two business men were already running a bedding company in Asia. Due to a number of reasons, this company was not able to compete in the innovative and high quality segment of the bedding market. Both of the founders wanted to explore this segment and wished to start producing highly innovative products, which led to the foundation of QOD.

QOD has experienced astonishing rates of growth almost from the very beginning. These extraordinary growth rates were formally recognized by the leading business newspaper in Denmark “Børsen” with the prize “Gazelle Sprinter of 2005” only five years after the foundation. Only companies who can show growth in sales in four consecutive years and double the sales figures in four years, from a basis of at least 1 million DKK, are considered “Gazelle” companies (<http://borsen.dk/>)

One of the reasons for QOD’s success is, according to the two founders, that they have from the very beginning been concerned with getting the right people for both the actual positions as well as for the organization as a whole. Prospective team members were invited to come join the company and be a part of the “Dream Team”. The founders quickly succeeded in acquiring these people, leading the company in its early days to be known among people in the industry as “the family”, due to its strong collective culture.

In the bedding market, QOD has established itself as one of the market leaders in terms of

innovative products. This has led to an expansion into over 40 markets around the world along with an expansion in both the total number of employees and larger production facilities as a result.

The challenges QOD have met so far have been solved by actions relating to either hiring more people, expanding production capacity, boosting sales or introducing new products.

A new kind of challenge is facing the company now. This new challenge calls for a different solution than the earlier ones as it is now clear that more sales does not provide higher earnings. In this context, recycling solutions to former challenges would only make the current challenge more complicated.

The organization has started to make administrative mistakes that obstruct the daily operations and impede the organization from running smoothly. The company's challenge is how to become better organized so the company can keep growing and remain innovative.

Before applying the theoretical framework to the case company, an industry analysis is appropriate. It has been argued earlier economizing takes precedence over strategizing, the owners of the case company can be expected to know their business environment well. However, I do not know the business environment and neither can I expect a reader to do. In order to understand the reality the case company finds itself in an analysis of the environment is necessary.

To analyze the industry QOD is operating in, Porter's five forces provide an excellent framework, see figure 5.

Once the analysis of the case company's environment has been made an analysis of the case company itself will follow.

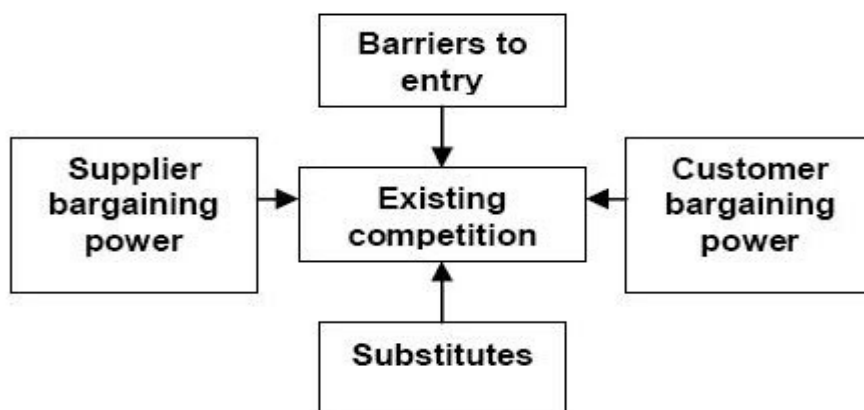


Figure 5, Porters five forces,
www.tomspencer.com.au

Industry Analysis

The most ideal business situation any company can find itself in when it comes to creating profits is a well protected monopoly situation. This also the starting point in Porter's five forces framework. (Porter, 1980). Porter's five forces then analyzes what is threatening the monopoly's position or obstructing an industry from being a monopoly. The key point of analysis is the competition situation and what affects it (Porter, 1980). However, before the analysis can be carried out, the industry in question needs to be defined.

Vejrup-Hansen, Lotz, Dalum and Bech (2006; 172-175) define an industry as “*all the companies that offer substituting products*” where substituting products are seen as “*products that by the consumers or customers are considered to fulfill the same needs*”. Vejrurp-Hansen, Lotz, Dalum and Bech (2006; 175) further stress that substituting products all need the following characteristics: “*the products provide the same function, to be somewhat similar and to be offered in the same geographical area*”.

QOD's vision of what they want to provide is “*a better sleep for a better tomorrow*”. QOD's own vision of what they are aiming to provide their customers and their consumers is a material that will help the consumer to experience a better sleep.

This is too wide a description of the industry as there are many aids like duvets, blankets, mattresses, pillows, earplugs, sleeping eye pads, sleep medicine and night costumes which all can aid in providing a better sleep. With this in mind it becomes clear that a focus on the actual products rather than on their vision is appropriate.

QOD's mission is to produce duvets and pillows, hence the specific industry being studied is bedding material. Furthermore, QOD has to support the mission with organizational values and adapted strategies in order to achieve its defined vision.

A geographical area also has to be defined as the operating area for QOD where its customers and consumers purchase their products. QOD is dealing in more than 40 different countries around the world. With the involvement in this many countries and diverse markets, an industry analysis for each of the markets will be impossible to carry out within the scope of this thesis.

Instead, a global perspective will be taken to better understand the environment QOD is operating in.

Actors in the Marketplace

The bedding used around the world is generally divided into two areas, that have been separated due to cultural preferences. For instance the Mediterranean area as well as the countries that belonged to the former British Empire have a tradition of only using blankets as bedding. The alternative to this is to follow a Nordic/Germanic tradition of using duvets as bedding. The duvet marketplace is split into two subcategories: natural and synthetic products. Natural products historically have been viewed to be of a superior quality, which is still the case today, but the gap is slowly narrowing.

QOD's immediate competitors are those companies that serve the same segment of the bedding market which is the medium to high quality bedding segment. However, the providers of cheaper bedding made from natural material and providers of synthetic bedding can not be ignored as their products could be considered as substituting products as defined by Vejrurp-Hansen, Lotz, Dalum and Bech (2006; 175) even though they serve other segments of the market. Generally consumers can differentiate between the products in the various segments. However, this can be a challenge for consumers.

The immediate competitors are located in Europe and the number of competitors is relatively large as there are many SMEs in the bedding industry. The immediate competitors are all depending on the same raw material as QOD, which is the high quality feathers and downs from the meat production of waterfowl.

No waterfowl are produced for their feathers and down alone (<http://www.idfb.net/faqs/>). 80% of all feathers and downs used in the production of products containing feathers and downs come from China, as waterfowl play a significant part of the diet there (<http://www.idfb.net/faqs/>).

The European producers of waterfowl use different species of birds than the Chinese waterfowl producers do as the preference for meat is different in Europe. The European waterfowl producers are not only using different bird species but they also allow the waterfowl to live longer so they can gain more weight.

This longer life expectancy allows the waterfowl to develop superior feathers and down compared to the Chinese waterfowl. It is not economically feasible to ship feathers and down around the world to make a competitive product; not only do feathers and down take up a large amount of space compared to the quantity transported, the feathers and down are also negatively affected by

the changing humidity and temperature experienced when transported, according to QOD. For these simple reasons, production of quality bedding material needs to take place in Europe as the right raw material is only easily available there. Furthermore, there is not a production of waterfowl elsewhere in the world large enough to sustain the production of bedding containing feathers and down.

The bedding product itself in its most crude form is a very simple product, consisting of two cotton sheets boxing in an isolating material. Quality bedding uses feathers and down as the isolating material as it also allows moisture to pass through the material. The suppliers of these commodities are many and access to the raw material plentiful. With both many suppliers and competitors in the marketplace, no single actor can be said to dominate the global marketplace.

There is no single dominant actor globally but there are local actors, who dominate some specific markets. To exemplify this, QOD covers more than 50% of the Danish medium to high quality segment.

Competitive Intensity in the Industry

Number of Companies

The competition in the industry is quite fierce. There are many SMEs in the market. The latest expansion of the European Union shifted a large amount of funding to the eastern European countries in developmental investments. This funding has also found its way into the bedding industry, which has resulted in competitors becoming increasingly competitive as they have been equipped with new machinery. Combined with a low salary level and a great location for acquiring raw material, they have key ingredients to establish a great platform for competing.

The number of actors in the bedding industry has reached a saturation point and as a result a consolidation process has begun. When companies consolidate there are two dual purposes to do so. They hope to gain the benefits from larger scale production, while at the same time eliminating a competitor from the marketplace (Vejrup-Hansen, Lotz, Dalum and Bech, 2006; 183). This process is slow in nature, but will invariably continue in the years to come.

Growth Potential of the Market

The world market for bedding can be split into three categories. First there is the Nordic/Germanic tradition where people use duvets as bedding. Markets that have been dominated by this tradition for a long period of time are replacement markets as they only offer a low growth potential. This is due to the fact that any growth will often be at the cost of a competitor's market share (Nygaard, 2006; 151). However, they do represent an important base from where a certain profit can be earned.

Secondly there is the Mediterranean area together with the countries that previous belonged to the former British Empire. Here there is a tradition of using blankets as bedding. Due to globalization, these markets which have formerly been dominated by blankets have begun to represent large growth markets.

People in these areas go traveling and experience the use of duvets in hotels or other places. They sleep and find duvets to provide a superior sleeping experience to blankets. This is a process that is difficult to speed up, no matter the company.

Nordisk Fjer, the world leading bedding conglomerate up to 1991, tried to introduce duvets in markets dominated by blankets in the 1980's. They failed as it proved difficult to enter markets that were not ready for change and any efforts made in the market to change the consumer's preferences was countered by competitors. The markets that have emerged show great growth potential and these markets represent opportunities for producers of low, medium and high quality bedding as these are all new unsaturated markets.

Thirdly there are the emerging economies, where people previously were not able to buy duvets for bedding for economic reasons e.g. the BRIC countries. With the emergence of a larger middle in these new markets, large new growth potentials are presenting new opportunities to all companies in the industry.

Variable and Fixed Costs

The production of bedding is seasonally determined as the demand and collections follow the summer and winter seasons. The main production time is during the summer as the products need to be in store when the main sales are held during the start and middle of the winter season.

Advantages of scale can only be utilized in the lower segments of the bedding market that are competing on price rather than differentiation. Large scale production is impossible to pursue for the medium to high quality segments because the product life cycle is shortening and companies

who do produce to stock run the risk of ending up with inventories that are outdated. A competitive advantage can be gained from having a flexible workforce available to accommodate seasonal production demand and through this way providing a flexible production.

Product Differentiation

Bedding products can seemingly be difficult to differentiate from one another. The industry is an extremely conservative one, with most products being produced in either white or blue colored sheets. With only the packaging, lining or washing tag as a visible distinction between products, the need to successfully convey the product qualities to customers and consumers is pivotal when demanding a premium price for a product. To convey the message of product qualities, a quite aggressive sales and marketing effort is required.

This can be done by distributing the same product under different identities, e.g. QOD brand name for regular customers or as private brands for larger retail chains and finally as a no- name label for low end providers in the segment. Real product differences do exist as different qualities of materials are used in production but consumers may find it difficult to appreciate the real differences between the products. An example of real product qualities is the amount of feathers and down and the ratio between those two, which will have a direct effect on the price but may seem difficult for consumers to recognize.

Retailers are resistant to spend money on larger advertising campaigns on commodity products, as their competitors will gain just as much as the retailer itself but without having spent any money on the campaign themselves. For this reason, a large effort has to be put into minor customization for each retailer of the products delivered if they are to be expected to participate in any marketing effort for the products.

Marketing is not enough when selling bedding. A large amount of work has to be put into training the floor personnel at the retailer's stores so that the individual sales representative has a large knowledge of the products and can inform consumers of all the benefits they gain by purchasing the premium product when compared to a similar product of inferior quality.

If the retailer's sales personnel are not educated sufficiently, the consumer can have difficulties to differentiate between the products, as the qualities can be difficult to appreciate as is illustrated in the picture below, of two differently priced duvets . Rather than competing on product qualities, the

competition can turn into a price competition, if such efforts to educate consumers fail.



Picture of two different duvets

Exit Costs

In order to manufacture bedding, an investment in machinery is necessary and the type of machinery needed to produce bedding is highly specialized. These specialized machines can not be converted into different uses, hence they must be considered as a total write off if not used for their original purpose. Other exit costs to be considered are the investments made in the intangible assets, such as brand name, customer relationships and supplier relationships which will also be lost in the transition to new business areas. How this affect the workforce, depends on which country the company is operating in, different labor laws will apply to letting people off and how they should be compensated.

Barriers to Entry

Costs

Before any company can start to serve its customers in the bedding industry, a minimum investment in machinery is required. The world market for bedding is served by manufacturers situated in primarily in Europe and Asia. in order to compete with low salary level and subsidized export production any production facility must be utilized at maximum efficiency.

Switching Costs

Bedding products are easily substituted as they generally look the same and try to serve the same need in more or less the same way as they all try to provide a comfortable sleeping experience. The different customers do experience a switching cost with the suppliers they have an intimate collaboration with. This collaboration can be done in several ways. One way is by collaborating on the supply chain; by using ERP systems, the manufacturer sees how many products each store has in stock and can then supply an agreed number of products when needed.

Another collaboration could be done in the developing area. The retailers are in better contact with the consumer than the actual manufacturer. The retailers can, based on their knowledge of consumer's demand, ask for a product to be developed that will meet certain quality demands and still stay within a certain price range. If such a collaboration is successfully establish between the manufacturer and the customer, the customer can experience a switching cost as it will need time before a similar collaboration can be established with another manufacturer.

If the manufacturer does not share a close relationship with its customers, the switching costs are quite low for the customer as its floor personal can be educated quite quickly on new product qualities made by other manufacturers if needed.

Distribution Channels

To get the products to the consumers, a retail link is most often used. There are also bedding sold on the internet but the premium products need more information to be conveyed to consumers why it is mostly cheaper bedding that is sold through those channels. The different markets have different retailers and specialized retailers. It is no simple task to gain access to these retailers. Bedding is a product that takes up much shelf space, which is why retailers are only able to sell a limited number

of different brands in each store. Some markets are dominated by large retail chains and getting access to these is vital for a producer. One way of getting in contact with retailers is to have a champion product that can be used as a trail blazer for other products.

Another possible way to gain access to retailers around the world is to attend the largest trade fair within home textile, which is the “Heimtextil” trade fair held in Frankfurt each year. A risk when attending the largest trade show is to disappear in the crowd, making regional trade fairs also an option to get in contact with retailers.

Regulation

If a company is trying to introduce highly innovative products into a market, it may unintentionally run into regulations. Regulations can occur when a company introduces new materials in their products to give them new functionalities. These new materials or functionalities may completely change the category the products belong to. One example of such is when chemicals are used to repel insects from pillows; the entire product may change character and fall under regulations for insect repelling chemicals rather than pillows.

A product can claim superiority to others if it can achieve to be certified by different organizations. Some markets may even demand certain approvals before the products are allowed into the market as a way to guarantee a minimum standard for the consumer. Such approvals are usually given by either health, safety or environmental organizations.

Patents are a way to protect against competition. If critical steps in the production or characteristics of the final product can be patented, the company can enjoy a favorable position in the market for an extended time.

Substituting Products

The overall bedding industry is a very stable and conservative industry. The initial product has not changed much over time and substituting products seem to be considered by consumers as inferior, and therefore not posing an immediate threat.

As previously mentioned increased travel activity has led to the emergence of new markets for duvets, as people experience the comfort of sleeping with duvets to be superior compared to when using blankets. The process of increasing the number of people using duvets increase slowly but

surely through word of mouth as the users tell about their positive experience to friends and family.

The medium to high end segment of the bedding market is characterized by a shortening product life cycle. Thus, any company serving this segment feels the need to bring new products to the market at a faster pace than ever before. This does not mean that all companies are innovative but relatively many of them are followers and second movers, mimicking the product qualities introduced by a small number of truly innovative companies.

Supplier's Negotiating Power

There are two main products being supplied to the industry: sheets, and feathers and down. The suppliers of sheets provide a commodity product with many competitors offering similar products and information on prices are easily available. Sheets are made in many developing as well as developed countries around the world. Their products are easy to transport with little effect on the product itself. Consequently a single supplier of sheets generally holds relatively weak negotiating power.

Suppliers of feathers and down have a number of various distribution options, as feathers and down are used in other products than bedding, such as winter jackets and other insulating fabrics.

The market is dominated by price competition as the raw material has been refined to only a minor degree, making a differentiation strategy difficult to pursue.

Suppliers of feathers and down can try to improve their negotiating power by establishing a close relationship with buyers and thereby creating a switching cost for the buyer. There are a few bad suppliers who do not follow what is considered to be good ethics which can inflict great damage to a brand name, the buyer will be protected against those through long term relationships with specific suppliers (www.bt.dk).

Buyer's Negotiating Power

The customers as already identified are large retail chains, department stores and specialized bedding stores. These buyers have different kinds of negotiating power depending on their individual purchase.

Large retail chains have the largest negotiating power of all buyers as they provide the seller with the largest turnover, which is essential when taking into consideration that the manufacturer's

production facilities are never fully utilized due to seasonal variations and a preference for not producing to stock. Access to large retail chains can be vital in some markets if a penetration is to be successful.

Collaboration between sellers and buyers is an obvious choice as retailers can ask for new products that will satisfy certain needs and at the same time stay within a set price limit, as they know best the price sensitivity of their customers.

Department stores and specialized bedding stores hold less negotiating power than the retail chains as they create less turnover. They are both serving a medium to high priced segment, where there do exist product differentiations between the suppliers in the marketplace. However, there are many suppliers of medium to high quality bedding products. Even though there are differences among the products offered by the individual supplier, it can be difficult for the supplier to emphasize its product's advantages over the rest of the market.

QOD customers are not the final consumer. Customers need to be able to provide a high level of service in order to sell the premium products to consumers. Access to these points of sale is no easy task to acquire. It is difficult to gain access to these different retailers as there are many competitors with similar products, highlighting the importance of champion products that break the ice and differentiate themselves from the rest. Once in store at the retailer more products can follow later.

Summary of The Industry Analysis

QOD is operating in an conservative industry, the bedding industry is characterized by supplying traditional products such as duvets and pillows. The products have traditional been difficult to differentiate from each. There have been introduced new qualities to the functionality of the products but they still look much the same and premium products require a lot of sales effort. Generally the market for bedding material has been divided in two parts, one that prefer blankets and one that prefer duvets. A shift in the boundaries between the markets for sheets and duvets has begun, with the increased globalization consumers have begun to change taste from blankets to duvets. Together with the emerging economies and the rise of a middle class who is able to purchase goods, they earlier were not able to purchase, the market for bedding is growing.

In order to enter the market an initial investment in equipment is needed, once setup the company

can try and create products with premium qualities that can be protected from imitation by patenting the products giving the product a competitive advantage for an extended time if the message about the qualities can be carried all the way to consumers.

The materials used in the product of bedding is cotton sheets and feathers and down. The suppliers of sheets are selling a commodity and holds little negotiating power. The suppliers of feathers and down sell a product that has only been refined to a minor degree. However, they hold a number of options to which industries their products can be sold to.

The distribution channels which are used to supply consumers with products, hold depending on their size a relatively large bargaining power. In some markets the large retail chain can be crucial to have access to if a market is to be penetrated.

Analysis of Quilts of Denmark

Courtship

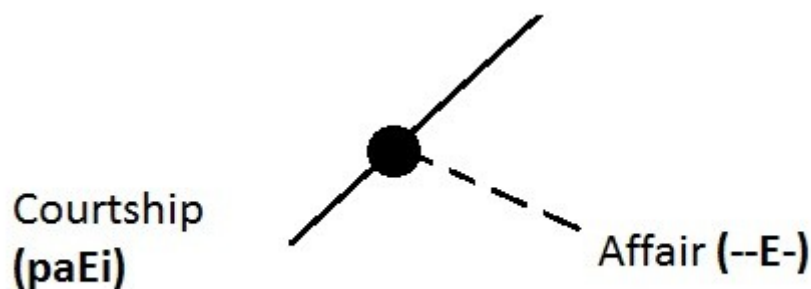


Figure 6, Adizes, 1988

The first stage in the life cycle of QOD was the courtship stage, see figure 6. This stage occurred even before the organization physically existed when the founders were gathering both enough commitment and momentum to eventually start the organization. The momentum that builds up results in risks being undertaken. This initial commitment was needed to sustain the organization

once it had been formed (Adizes, 1988).

In the beginning, the (E)ntrepreneur is doing a lot of dreaming and discussing the idea with many people. He is trying to sell his ideas to those people, but what is actually going on is the idea is being sold to the (E)ntrepreneur himself (Adizes, 1988).

Before the foundation of QOD, the two founders, Hans Erik Schmidt and Søren Løgstrup, spent the foregoing nine years turning around a company that was on the verge of failure into a successful company. The company they managed to turn around and now own themselves is called Scandinavian Bedding, which is situated in China. It was a company that was part of the Nordisk Fjer conglomerate that produced bedding solely for other companies within the conglomerate. It had no sales department as orders just came automatically from other companies from within the conglomerate. As explained earlier, this company was only able to serve customers in the low priced segment of the bedding market due to its location.

Once Scandinavian Bedding had been turned around successfully, the two founders tapped into new energy to start dreaming again. Both founders started to dream about dealing with highly innovative and high quality bedding, as they both had been dealing with these products during their time in the Nordisk Fjer conglomerate and wanted to resume dealing with these products. Consequently they decided to establish QOD with the intention to specialize in such premium products.

The founders of QOD found, through the use of their adaptive capabilities, an emerging business possibility to enter the premium priced segment of the bedding market. As they were no newcomers in the bedding industry, the founders knew they had to reality test their business idea before bringing it to life.

This reality test is crucial if the organization is eventually to reach Prime. All four (E), (P), (A) and (I) roles need to exist in the organization in some form or another from the very beginning (Adizes, 1988) if the company is to be able to reach its Prime stage. The reality test is needed to test the idea of the (E)ntrepreneurs, so that when the idea meets its first challenge, the commitment to it will not disappear as dew before the sun (Adizes, 1988). An infant company that does not have its founders' commitment will soon perish (Adizes, 1988).

The founders of QOD started their reality testing with investigating the entrepreneurial problem in the adaptive cycle, see figure 4 (p.33). They began by contacting their existing customers of

Scandinavian Bedding products, and asked if they would be interested in dealing with them if they could supply innovative premium products. With enough positive feed back from their retailers, the idea went on with being developed.

The idea had passed the first obstacle in the adaptive cycle, by securing a promising initial market. By doing this the (E)ntrepreneurial question had been answered, the reason for “why” the company should exist, which was to provide innovative quality products. The (E)ntrepreneurial elements are the most important and dominant at this stage as indicated by the capital letter in figure 3. The (E)ntrepreneurs are responsible for creating the excitement about an idea.

The (P)roducer's characteristic, identified as the “what” question, was also answered. The actions needed to be done had also been performed as the first initial customers had been identified. At this early point in time the rest of the characteristics play a minor role compared to the (E)ntrepreneur, as the most important aspect is to create commitment and momentum about an idea; the other characteristics are there to make sure the idea is realistic.

The second step was to solve the engineering problem, see figure 4 (p.33). They knew they had to setup the company in Europe due to the logistical reasons given earlier, so the choice fell on Denmark. This was not a conscious choice, but most likely based on the nationality of the founders, as the company could just as well have been setup anywhere in Europe.

The founders first thought was to buy an existing company in the industry. This proved too difficult and with too many drawbacks like outdated machinery and production facilities that would not satisfy the requirements needed for the new company.

A green field operation was decided upon to be the best solution for the entire operation, as this would allow for the customizing of the plant size that could take requirements for the new equipment into consideration as well. With the decision of a green field operation thought through, the aspects of the engineering problem in the adaptive cycle had been dealt with. To run a factory requires a lot of cooperation and planning. This was a clear case that the (A)dministrative capabilities were also present from the very beginning, as the “how” the company should run was answered here.

Next in line was the dual problem of the administrative problem. The lagging part of an organization's administrative system, which should rationalize structures and processes, should and could not have been established at this point in time. In the infant stage the organization will be

learning what to do and what not to, and how to do them in order to satisfy customer needs (Adizes, 1988). If too many rules or regulations prior to this learning process were introduced too early, then these very rules or regulations that are supposed to increase the performance of the organization would likely result in the opposite. The rules and regulations would stiffen the organization and making it unable to respond to customers needs and hence pose a risk that could have choked the company (Adizes, 1988). For this reason the lagging part of the administrative problem could not be planned in advance.

The leading aspect of the administrative problem is possible to plan. The founders had created a unique type of corporate culture in Scandinavian Bedding where all employees felt they were important and valued team players. Each team player would help the others as it would benefit the company overall, for which they felt an ownership.

The founders wanted to create this culture in QOD as well. To create such a specific type of culture in the company, the founders needed to be very selective about the people they were going to employ. So even before QOD had taken form, a few selected people had been offered positions there and were offered the opportunity to create their own teams.

The bedding industry in Denmark is quite small, thus the key performing people in the industry are well known by all. Four of the five people who were considered to be fit and who were asked replied with a positive response to joining the new enterprise. This showed the (I)ntegrator capability was present, as the question of “who” should do the different tasks had been taken into consideration here.

The two founders had by then used their adaptive capabilities and identified a business opportunity in the bedding market to be exploited. That opportunity had resulted in enough commitment and momentum being gathered to start a new enterprise. The founders analyzed the different areas in the adaptive cycle which would then enable them to operationalize their idea. All four characteristics described by Adizes (1988) also proved to be present, which is important for reaching the company's full potential. For these reasons, QOD avoided falling victim to the first trap in the life cycle called the affair (see Figure A). The founders performed a reality test and prepared how to realize their business plan even before trying to realize their business idea.

Infant

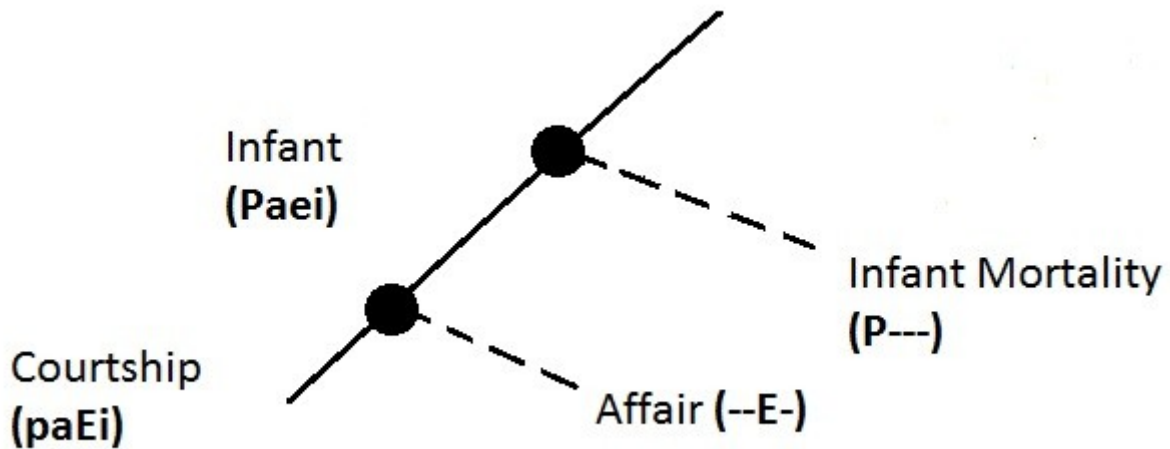


Figure 7, Adizes, 1988

QOD was established in December 2000 and then moved from the courtship stage to the infant stage, see figure 7. The two founders had built a new 2000 m² factory and found the right employees to run it. They had tried to headhunt five high performing key personnel from the industry and had received positive feedback from four of them. These new employees were given the liberty to go through their own network and hire the people whom they needed. The main criteria was that they should fit into the company as well as help develop the corporate culture, the founders had envisioned in the courtship stage.

Søren Løgstrup was appointed CEO of QOD and Hans Erik Schmidt was put in charge of product development. Hans Erik Schmidt was already CEO of Scandinavian Bedding which is located in China, requiring Hans Erik Schmidt to spend a lot of time there.

Appointing Søren Løgstrup CEO of the QOD, was the natural decision because Hans Erik Schmidt would have had difficulties being in charge of two different factories on two different continents. Moreover, Søren Løgstrup has a large knowledge about the trends in the bedding market and is strongly sales oriented.

During the first year QOD managed to enter most of the Danish specialized bedding- stores and chains. Even though QOD had managed to gain a sizable customer base it still lost all of its share-

capital of 1,5 million DKK as a result of the first year of operations. The second year this stabilized customer base showed to be enough for QOD to turn a profit as they managed to produce their first positive result of 0,3 million DKK in 2002.

While Søren Løgstrup had been busy creating a stable customer base Hans Erik Schmidt was searching for ways to create innovative products. QOD is an SME with limited resources, forcing them to proactively create a network of people ranging from physiotherapists, to sleep scientists to other experts in an informal advisory board. Here two main factors were identified, that would contribute to a better sleep. These two factors were temperature regulation and moisture regulation. However, knowledge is one thing and it is another thing to identify the technology that can develop the products to use that knowledge.

The technology that could satisfy both temperature- and moisture regulation was found in space, to be more exact, in the spacesuits worn by NASA astronauts. The technology was originally developed to keep the astronauts comfortable in their spacesuits during spacewalks, as the temperature difference experienced by the astronauts is immense depending on whether they are in the sun or in the shade (<http://lunar.gsfc.nasa.gov>).



TempraKon advertisement

Hans Erik Schmidt managed to arrange a meeting with Colonel Frederick D. Gregory, Deputy Administrator at NASA and Richard MacLeud, the CEO of The Space Foundation. The Space

Foundation is an organization involved in the commercialization of NASA developed technologies so that these can come to benefit the general public.

After this meeting QOD was introduced to another company called Outlast, which had bought the rights to this technology and was developing it. A collaboration between NASA, Outlast and QOD resulted in an innovative product with the capabilities recommended earlier by the advisory board, that would allow the bedding material to actually regulate the temperature and hence also the moisture, during the sleep. This innovative product went into production in December 2002, only two years after the foundation of QOD.

What To Expect From an Infant?

The difference between the courtship and infant stage is that risk has been undertaken. The new company will from the moment it is brought into existence need to create positive cash flows in order to survive. This has the effect that the dominant role needs to switch from the (E)ntrepreneurial role to the (P)roducer. This can be a difficult transition as emphasis changes from dreaming and creating ideas to creating return purchases from customers. In order to create return purchases, customers need to be satisfied.

In order for a company to satisfy its customers, it needs to learn the correct processes of things and implement them. If a company is to successfully go through the learning process, a doer is required rather than a dreamer. What is typical at this stage is that very few formal rules or regulations exist. At this point in time the rules and regulations have not yet been established as the company is still learning how to satisfy its customers. Therefore the company is highly flexible but also incapable of exerting much control over its operations. The CEO, who is normally the founder, at this point in time will hold all the decision power and will do little or no delegation of responsibility to the employees.

How Does Reality Fit In The Life Cycle?

Once QOD had been established, Søren Løstrup was put in charge of QOD as the CEO. Søren Løstrup clearly possesses the dominant capability found in a true (P)roducer. He is short term oriented and highly market oriented. In just two years Søren Løstrup succeeded in achieving the most important task for any infant company. He managed to establish a positive cash flow for QOD and turn a minor profit by the second year. This was done by gaining access to most specialized bedding stores and chains in Denmark.

At the same time the person with the largest (E)ntrepreneurial capability of the two founders, Hans Erik Schmidt, was occupied by running another business in China, while he at the same time worked on developing a highly innovative product but without interrupting the daily business activities in QOD.

The dominant characteristic did indeed switch from the (E)ntrepreneur to the (P)roducer as predicted by figure 7 in the transition from the courtship- to infant stage. The founders wanted to create a culture where the employees would have a special relationship to the company, so it was more than just a place where they work. By searching for the right people for both the position and the organization, they managed to get both the organization and the desired culture kick started. As the people were already experienced within the industry, the learning curve for the company proved to take a short time before making the company turn profitable.

What Capabilities Made This Development Possible?

To gain a better understanding of the development in QOD at this stage, a closer look at the different capabilities at play in the organization is needed.

Søren Løgstrup, who contributes with the dominant (P)roducer capability to QOD, showed to exercise adaptive capabilities in his effort to establish a solid customer base for QOD.

Hans Erik Schmidt, the (E)ntrepreneur of the two founders, used another set of capabilities as his orientation is long term as opposed to Søren Løgstrup's short term orientation. Hans Erik Schmidt was responsible for generating the products that would realize the founders' vision of providing innovative quality products.

In spite of limited resources QOD created an advisory board from where external knowledge could be obtained, providing critical information on what qualities innovative products could possess.

Absorptive capabilities are needed when taking advantage of external knowledge. There are three processes that take place during this process: exploratory learning, exploitative learning and transformative learning.

At first the exploratory learning took place, where the new information was acquired from the sources in the advisory board. Later followed more new knowledge that came into existence through the collaboration with NASA and Outlast.

Secondly, exploitative capabilities were used in the process of applying this new knowledge in the search of new technologies that would eventually help QOD to introduce real innovative quality products to the bedding market. During the collaboration with NASA and Outlast, information learned during the development of the new bedding material, had to be converted so it could gain functional use.

Thirdly this new knowledge that had been made available and applied by QOD also had to be maintained over time. At this stage in the life cycle few systems had evolved and this included the systems involving the maintenance of its acquired knowledge.

QOD's limited resources meant most knowledge was not made easily available throughout the organization but rather managed by Hans Erik Schmidt alone, hence any in-house development by employees was impossible as they simply did not have the capabilities to do so, but more importantly they didn't have access to them neither.

How Was The Adaptive Cycle Used at This Stage?

QOD had from the start chosen to follow an innovative strategy in an otherwise conservative industry. If such a strategy was to be carried out, the features used in the prospector strategy should be found in the actions taken by QOD.

When starting with the entrepreneurial problem, QOD showed a high degree of market sensibility. They identified a space in the desired market, which they could enter and satisfy. They managed to pursue the right marketing and sales activities while at the same time being responsive to the conditions in the marketplace. All these activities show that the company exercised a high degree of adaptive capabilities and was very market oriented, as a true prospector should be.

The second issue is the technological problem. QOD had just been established through a green field operation. That meant the factory building was brand new, but in order to be successful the two founders knew they also had to have state of the art production facilities and the right people to operate the equipment.

A lot of product development was going on at this phase, but the development did not take place at QOD factory. The real product development took place at the facilities owned by Outlast. Whenever Outlast, the owners of the spacesuit temperature regulating technology, had any inquiries relating to the process of developing the new bedding material, they forwarded them to Hans Erik Schmidt. The answer came either directly from Hans Erik Schmidt or were found in collaboration with the

advisory board: QOD as such was not involved to any larger extent in the development, only regarding how the products would eventually be produced. For these reasons the newly bought production facilities did not need to be adapted or supplemented with extra new equipment, which would have been needed in any developing process.

The production facilities were bought for the sole purpose of producing customizable quality goods. Thus it was very flexible in terms of single products being produced efficiently, but it was not suitable to be used in product development and didn't need to.

To deal with the dual administrative problem, QOD had headhunted some of the best people in the industry to be a part of the start of QOD. These people brought with them a collection of know-how and routines so they did not have to learn everything from scratch. Some of them were employed in the production, others in the administrative part of the company.

The number of employees was relatively low, and the culture in the company was a very friendly and open one. For the same reason the company became known as the “family” in the industry. With a small number of highly capable and motivated employees that all knew their area well and a culture that provided an open and friendly atmosphere, the need for explicit rules and regulations was not the most important point on the founders' agenda.

At this point, control of the company was well in the hands of the two founders with no need for external investments. They could lead the company as they wished. They had divided the responsibilities between sales and product development between them so they could each concentrate on their area of responsibility. QOD was at this point in time very flexible and the different tasks had been split between a limited number of people. With the communication working well, little thought was given to how the company could prepare for future changes.

The Road Ahead and The Traps at This Stage

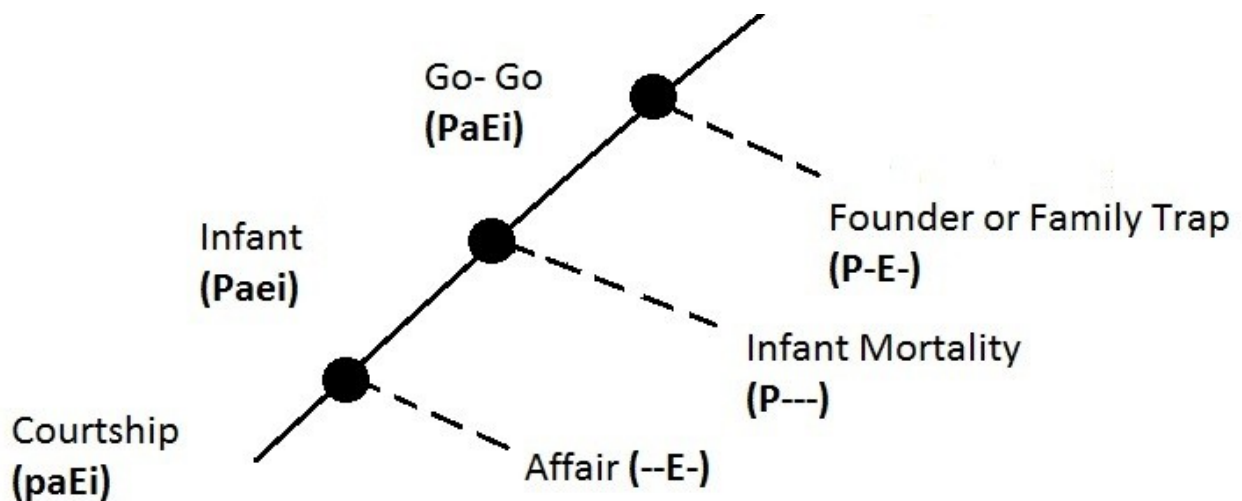
QOD had managed to make the transition from the dreaming done in the courtship stage to the infant stage characterized by the doer. QOD successfully generated a positive result by its second year in business. This signaled the end of the infant stage and start of the the next stage in the life cycle called Go-Go.

This happened as the main issue of generating enough positive cash flow from a stable customer base to sustain the company had been solved. The (P)roducer role would at this point have reached its full potential and it would now allow the (E)ntrepreneurial role to start to develop again in the

Go-Go stage.

QOD had managed to steer around the potential lethal trap at this stage called “infant mortality”, where the founder works too hard for too long but would remain unable to make the company develop a stable customer base and a stable positive cash flow. If the company demands more energy and resources to develop than it takes to maintain it will eventually die because it is in a stage where it can only remain for a limited time, and it will not keep receiving the needed resources if it does not develop (Adizes, 1988).

Go-Go



Figur 8, Adizes, 1988

QOD managed to get its first positive result after its second year in business. It had then gained access to most specialized bedding stores and chains in Denmark. The business had been set up and the business concept of providing quality products at a premium price had been proven to work. QOD was doing well as they were not having any problems in the manufacturing department and the sales department was experiencing great success, the company had moved on to the Go- Go stage, see figure 8.

At the same time as the first positive result came out, a new highly innovative product went into production for the first time. The collaboration between NASA, Outlast and QOD had relatively quickly resulted in a new highly innovative product that was launched at the large home textile

trade fair in Frankfurt am Main, Germany.

QOD knew it was going to be difficult and expensive to gain access to all the various markets around the world if they had to visit each different chain of stores all over the world. They knew their best chance to get noticed internationally would be to spend a lot of money on the main textile trade fairs. QOD chose to introduce their new and innovative product called TemptraKon at the largest trade fair of its kind, which is in Frankfurt am Main.

The trade fair in January 2003 marked the start of a huge export success for QOD. At the time of the introduction of the new TemptraKon product at the trade fair in Frankfurt am Main, QOD was well established in the Danish market and had a minor export of 5 to 10 markets. TemptraKon turned out to be a massive success from the day it was introduced; QOD went almost overnight from 5 to 10 export markets to having 35 to 40 export markets. Even unexpected markets such as the Middle East turned out to demand their product.

At the same time as the TemptraKon product was opening doors to a lot of new markets for QOD, a new idea emerged to expand the concept of providing a better sleep for the customers. QOD came up with a design for a bed and mattress system.



QOD's beds and mattresses

The bed itself was partly inspired by the collaboration with NASA as the feet of the bed had lights in them to give the impression of the bed being airborne. Besides its very high tech aesthetics, the bed had some real features including a built-in elevation system.

QOD had through their collaboration with NASA managed to impress them so much that they had been granted access to yet another technology developed for astronauts. This new technology was developed for the seats the astronauts sit in during the launch of the space shuttle. It is a kind of foam that retains its form to give better support while sleeping.

This material is known as memory foam. When this memory foam is combined with both some of the best down and the TemptraKon technology in one product, a mattress that provides support, helps regulate temperature and keeps moisture levels down is devised. The bed system and mattresses were being developed by QOD itself and extra people had to be hired to work with these specific products.

With this increased activity a larger production area was needed, therefore it was necessary to expand the production area by another 1000m². Besides the bed and mattress project, a small office employing four to six people was set up in Pakistan. This would ship table cloths, bed covers, towels and other related fabrics to Europe.

As QOD was developing in many directions, an uncertainty emerged in the market and customers had problems identifying company products. QOD had yet to find its characteristic colors and its logo. This was solved by entering a collaboration with the painter Karsten Auerbach. He managed to help through a lot of projects which supported their position and image in the market.

All this happened during 2003 when the growth of the company was seen not just in the financial numbers and the new marketing initiatives, but also in the expanded physical size of the facilities. The production capacity was doubled, new products entered the portfolio and the number of employees was increased to 29. The result of the year was a positive result of 3,1 million DKK, as the company grew by 35%.

What To Expect From a Company at The Go-Go Stage

Once the company turns successful, all the trouble the founder and employees went through is forgotten which may result in the company becoming arrogant. They forget the hard work that was put into the creation of their initial success and the company starts to move in many directions.

Every opportunity is pursued as the company feels it is invincible (Adizes, 1988; 34-36).

All this happened because after the company became self-supportive, there was energy left over.

This energy could be channeled back to support the (E)ntrepreneurial elements again. This would eventually create a balance with (P)roducing elements in further developing the company.

The company is reacting to opportunities in the environment rather than planning or positioning itself to exploit future opportunities which it is creating. At this stage, the company is built around people and their availability rather than around tasks and competences. It means the organization is not well organized and grows in a non-planned way. The company is learning by trial and error and thus mistakes are bound to happen (Adizes, 1988; 38). This is because the (A)dmistrative elements have not yet been developed.

The need to become better organized only becomes more apparent to the company once it makes a mistake that gives rise to a major crisis. The size of how big this crisis needs to be depends on how big the initial success was. The purpose of this crisis is to cure the company of its arrogance, and it can only be done when a crisis occurs of the same magnitude as their early success. When the company starts to develop rules and policies, it starts to move towards the transition into the next stage called Adolescence. This transition is no easy transition as the founder wants to delegate assignments but not authority. This can be a long process where the founder tries to delegate assignments but ends up decentralizing authority, which at the first sign of error is redrawn from the person in question.

How Does Reality and Theory Fit at This Stage?

Once QOD managed to create a consistent positive cash flow from a stabilized customer base the company moved from the Infant stage and into the Go-Go stage. QOD passed the initial test and new energy was released to be used elsewhere.

Søren Løgstrup, the main character responsible for the (P)roducing elements in QOD, had become busy with pursuing the new opportunities their TempraKon product was presenting. QOD could not have foreseen the positive reception of TempraKon, and had not planned for the great success the TempraKon product would gain from the Frankfurt trade fair.

QOD went to markets they had not thought they could go to. Suddenly they found themselves operating in Middle Eastern markets as well as the Japanese market. The structure and demands of the markets around the world vary tremendously in the amount of resources it takes to serve them.

The Japanese market proved especially difficult to serve because there are a lot of distribution levels in that particular market, which means the product story can be hard to get all the way

through to the consumer. A constant presence and the opening of an office in Japan was needed to cater to all the needs of the customers there. In the end, the Japanese market was shut down as it proved too difficult to serve profitably.

But even markets which are culturally similar in many aspects can prove to have different demands when it comes to the use of bedding. The preference for a high or low temperature in the bedrooms in Denmark and Sweden proved to differ, explaining why different duvets need to be supplied to each market.

QOD received orders directly from the home textile trade fair or acquired leads that were followed up upon afterwards. QOD gained access to a lot of new markets this way, but there was no strategy involved in which country to enter next. QOD followed a predictable reactive pattern of response to sales. A certain amount of arrogance was developed where success is just expected to arise from new undertakings, which will be demonstrated next.

The predicted development of the (E)ntrepreneurial energy was clear in QOD's case. The company expanded into several other businesses outside their core business. They moved into importing fabrics from Pakistan as well as production of beds and mattresses. This was a sure sign of an increased (E)ntrepreneurial energy but also the pursuit of random opportunities. In an effort to accommodate this new increased activity an expansion of both the production and office facilities had to take place as well as the implementation of new IT systems.

QOD had grown significantly and a lot of new people had entered the company. The first five years the company had been at a size where the desired corporate culture of the “Dream Team” could flourish, but QOD had grown too large for it to continue. This culture of the “Dream Team” had postponed the need for introducing any larger administrative measures, as abundant (I)ntegrative capabilities can replace the need for developing significant (A)dministrative capabilities (Adizes, 1988).



“The Dream Team” in QOD

QOD had started to make mistakes and the systems in QOD were not running as smoothly as they should have. A major setback came when they had to accept a major loss from one of their suppliers.

The two founders knew that none of them had any great capabilities within administration, so for the first time ever they searched for a new employee outside their network through a headhunting agency.

This immediate sign of recognizing the need for the introduction of better administrative systems could indicate QOD was getting ready for moving on to the next phase called Adolescence.

What Capabilities Made This Development Possible?

Several things took place at this stage. QOD expanded into new industries and markets with an array of new products. The organization also experienced considerable organizational changes, as QOD grew both in number of employees and size of production facilities and integrated a new IT system. Which of these dynamic capabilities made this change possible will be investigated further now.

QOD applied absorptive capabilities during their collaboration with Karsten Auerbach. At that point in time, QOD was missing a consistent identity to use in the communication with its markets. The colors and new logo were a result of the collaboration and they are still used today.

The implementation of a new IT system and the expanding organization also forced the organization as a whole to learn a new way of communicating, as the old culture of the “Dream Team” had reached its limits. The entry into a number of new markets also meant a lot of information about different preferences and ideas from customers around the world where a lot of new knowledge was exploited and eventually turned into new products.

Innovative capabilities were used in the development of the TemptraKon duvet, as it significantly transformed the qualities that could be put into a bedding product (Subranabiam and Youndt, 2005). Before the introduction of the TemptraKon, there was only a few differences in the quality of the inside material or the sheets. Now QOD had brought the idea of adding further materials and hence new qualities to the products.

QOD experienced a growth in both the number of industries they were engaged in and the countries they were represented in. To achieve such an accomplishment a great deal of adaptive capabilities had to be exercised.

QOD was able to identify opportunities in the market for several products. They were not only paying attention to opportunities in their own initial industry but also to related industries.

How Was The Adaptive Cycle Used at This Stage?

QOD had undergone a great development but how had this affected the different sections in the adaptive cycle and did this have an effect on QOD's strategy?

Starting with the Entrepreneurial Problem, QOD had shown a large degree of market sensibility as it had successfully identified new markets for existing products but also introduced products in new industries.

QOD made several developments regarding the technological problem in this stage. First of all two brand new unrelated products to bedding production had been added to the portfolio of production.

QOD had added mattress and bed production to its portfolio. These naturally differ from bedding production as the materials and final products are considerably different.

The logistical challenge of being a manufacturer of beds and mattresses is also considerably different from the challenge of being a manufacturer of quality bedding. Beds and mattresses need to be delivered separately by a specialized team of furniture movers. A process very different from bedding material where it can be sent in any amount by the local UPS service provider.

Concerning the lagging issue that deals with the rationalization of processes and routines in the organization, the organization had introduced a new IT system to make more efficient use of the information in QOD. However, even though the organization has grown a lot, little focus has been put on the administrative system and as it has yet to be granted the resources it needs to develop.

The corporate culture that was established at the start of QOD had outgrown its limit for how many people it could function with in the existing structure. The “Dream Team” culture gave a feeling of belonging to an extra family. It provided a low hierarchy with an open communication where ideas were shared among all members of the company.

This corporate culture had been important for driving innovation and provided a knowledge throughout the company about what each employee was dealing with. It also provided a dominant (I)ntegration capability that had restrained the need for introducing (A)dmistrative capabilities. The complexity and amount of work had begun to demand more regulation and systematizing than the (I)ntegrative capabilities could compensate for.

In the bedding industry QOD had shown the characteristics of the prospector as it introduced new innovations that changed the paradigm of which qualities could be put into the bedding products. In this sense, QOD was the pioneer who proved to be the designer of the future bedding industry. At the same time, QOD chose to move into other complementary industries. The prospector strategy was attempted in the bed and the mattress markets. A team of people had been hired to develop their bed product and the mattresses designed on new space technology. These products were unfortunately not as revolutionizing as their bedding product.

However, when it comes to production the hybrid strategy of the analyzer was employed. In order to be competitive, the company needed to reach a minimum level of efficiency as cost is a factor in

the market. Thus the prospector strategy can not be said to have been truly followed. It must be concluded at this stage that QOD was following the analyzer strategy with an efficient production facility and a very sensible responsiveness to market demands. There is no room for true prospectors in the industry, so QOD ended up performing the role of the prospector but with the analyzer's efficiency in production as it was designing the future of the industry through its ongoing efforts to introduce innovative products.

The Road Ahead And The Traps At This Stage

The way for the company to develop to the next stage called Adolescence is by developing its (A)dmistrative capabilities. The purpose of this transition is to institutionalize leadership. This means that the founders need to give up absolute control of the company and make rules and regulations even they are subject to themselves.

If such an institutionalization does not occur, the company will fall into the founder's or family trap. In the founder's or family trap, institutionalization of leadership is not realized. This means the company stays too personalized and decisions are made as an individual sees fit, rather than facing a limited number of options restricted by the systems put in place. This makes the whole company depend on the quality of decisions made by single individuals. Without the institutionalization of both (P)erformer and (E)ntrepreneuring capabilities the path into Prime is blocked, and the company will not be able reach its full potential.

Adolescence

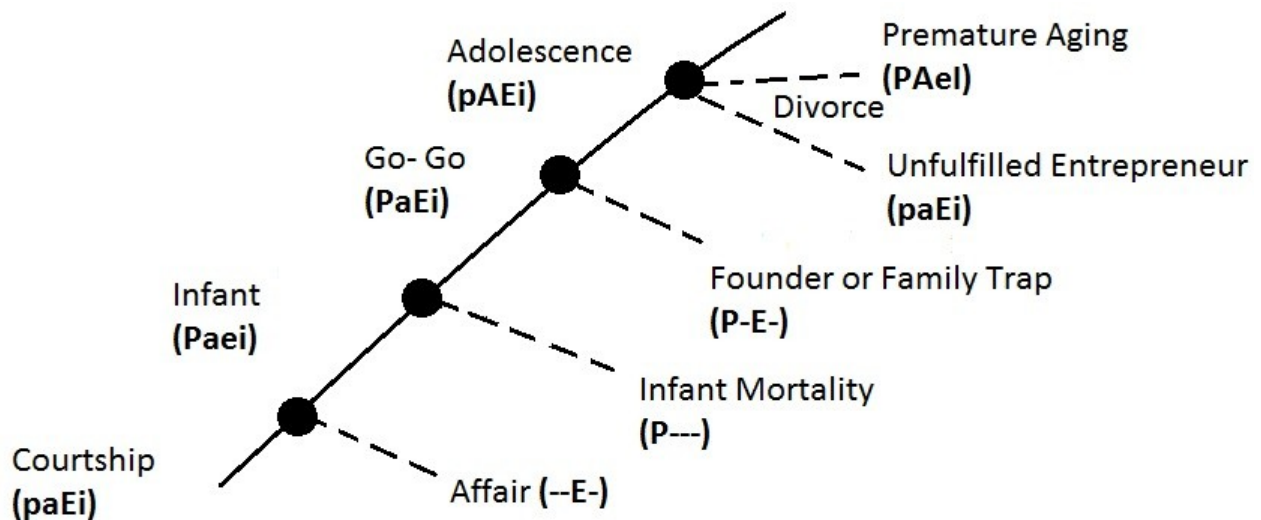


Figure 9, Adizes, 1988

QOD had started the difficult transition into Adolescence, see figure 9, as it had realized it needed to get better organized and systemized. The company had grown and the initial corporate culture had reached its limits. The employees, who had been with QOD from the start, had begun to openly express their opinions on the corporate culture had changed. The number of employees and the beginning specialization meant, all did not know, what was going on everywhere any more.

QOD kept growing, one of their largest expansions was mainly due the certification from The Space Foundation, that enabled QOD to enter a chain of 288 stores in the USA. New products were still being developed, some bringing in inspiration from the markets around the world, as bag of flowers could be hidden in a pocket in one pillow found its inspiration from the Australian market. Other innovations were developed in-house, like a pillow with natural oil that would repel mosquitoes.

This product turned out to be ahead of market regulation, as the pillow was put in the same product category as insecticides, leading the introduction of this new product to be postponed for a while. The bedding industry is very conservative, which is why real inspiration to make new products needs to found outside the bedding industry itself. The search takes place in many different places, from fashion shows to car shows. The effort is to keep innovating going on, even though the innovations are getting more incremental in nature, than their champion innovative product TempraKon.

The bed industry that QOD had moved into and even gotten a minor success in, turned into being a potential economic liability for QOD. The competitors in the bed market were much larger than the competitors in the bedding market, and if threatened they could use their economic advantages to push QOD out of the market with major losses as consequence. Further the bed system required a much more expensive form of logistical support, as beds had to be handled individually and at a much higher cost, when shipped to the customer.

Both the bed system and the mattress system were sold off and the import of fabrics from Pakistan was shut down, as the founders realized they needed to focus on their core business. The organization had simply been spread thin through all the various activities. They turned their focus back on their core business, which is the bedding business.

At the same time the new CEO turned out to be a disappointment to the founders. The person they had hired through a head hunting agency previously worked in a larger company with the support systems already available. In QOD he had to build them and as he wasn't able to satisfy the founders with his progress in this aspect. He ended up being fired from the company instead. This was the first person hired from outside the network of QOD, which has had the effect that new employees are only picked from within the network of QOD today.

With the person, who should have introduced new systems that would improve the efficiency of the organization, being laid off, the founders stood in a difficult situation. They knew they had to get better organized but they did not possess the abilities to do it by themselves. Afraid to make the same mistake of hiring a person, that would not execute the given task, the founders took another approach on how to solve the challenge.

QOD expanded its Board of Directors, with three new people. These three new people bought their way into the company, so the founders would be sure the new board members were motivated. The capabilities of the new members were not only administrative. The first member is a Production Engineer with a lot of experience within sales. The second person is an entrepreneur with his own company which deals with bathroom furniture and holds a formal education as an accountant. The third person is a Norwegian, who has his own bedding company in Norway.

The founders' idea with this expansion of the Board of Directors was to get input to how the

implementation of systems should be done.

The CEO Søren Løgstrup has been made responsible for carrying the actual plan into life. Today the task of organizing the order intake has been delegated to two of the employees. One of them has been through a similar process of creating systems in another growing company at an earlier employment. The job seems a bit overwhelming as no masterplan exists, but the two employees seem to be confident that they will manage to succeed with the challenge, they have been given.

What To Expect From an Adolescent?

The transition into Adolescence is one of the most difficult transitions. It is the transition from entrepreneurial management to professional management (Adizes, 1988; 195). The founders try to delegate assignments but keep losing control with project. The solution is often found by bringing in a new manager, who can implement systems. This new manager, is hired as the founders usually recognize they lack the capabilities to manage problem of the lacking (A)dministration. The new manager is hired to make the company more professional, where professional means to make the company less intuitive in its decisions and making it opportunity driving rather than opportunity driven (Adizes, 1988; 48). This is only possible by developing the company's (A)dministrative capabilities.

In this process there will inevitably arise a conflict between the founder and the newly hired manager. Founders understand the need for the organization to become better organized, but they are usually the first to break the rules and policies and their senior employees are soon to follow, which can easily make the new manager a lame duck.

The company is at this point still unorganized and systems need to be developed. When trying to do this it is important to realize the kind of managers needed to develop a growing company is different from the kind used to revitalize a company, where the essential problem is a lack (E)ntrepreneurial capabilities rather than a lack of (A)dministrative capabilities. The newly hired manager will often find himself fired not too soon after he was hired, with the reason being he just did not fit into the company, as the founder does not appreciate the way the new manager works. This can signal the onset of the revolving door syndrome, where one manager soon replaces the next. This happens as the type of person needed for this job is very different from the founder. Since

infancy the company has been addicted to its (P)roducers, as they created sales and positive results. Bringing in a new IT system will not solve the lack of (A)dministrative capabilities, it will only speed up the bad decision making. When new IT systems are implemented to solve such issues, it is normally in an attempt to make a quick fix. The problems at this stage is the company wants to do two mutually exclusive things at the same time, which is to keep growth rates high while getting better organized (Adizes, 1988).

The company needs to develop its (A)dministrative capabilities and the energy to do this can only be taken from one of two places, either its (E)ntrepreneurial or its (P)roducing capabilities.

(A)dministrative capabilities have a short term orientation, which is why the healthy choice is to take the energy from the (P)roducing capabilities as it also has a short term orientation. By draining the (P)roducing capabilities the (A)dministrative capabilities are allowed to find their place and settle there. The timing for doing this is crucial; the best time to perform this action is while the company is doing well as the need for (P)roducing sales is less pressing.

If energy is taken from the (E)ntrepreneurial capabilities the company will lose its long term orientation and end up being only short term oriented, this will send the company into the premature aging.

How Does The Expected Fit The Reality?

In the Go-Go stage the (E)ntrepreneurial capabilities caught up with the (P)roducing capabilities in QOD. This led to QOD moving into several new businesses while they kept being innovative in their initial business.

QOD's expansion made it apparent to both the employees and the founders that the organization had to be improved in order to function more efficiently. An IT system had been implemented but proved not to be sufficient to solve the problem of the lack of (A)dministrative capabilities. The organization has not let it settle for long enough. The communication in QOD has switched from verbal communication to being done electronically, but the order process is still a manual process where paper moves from one desk to another.

The founders of QOD knew they did not possess the skills to establish the much needed systems by themselves, thus a new manager was hired.

The new manager had previously worked in a larger company and had an extensive knowledge of how systems should work and be organized. The new manager had unfortunately not been working

with developing such systems, which is why he appeared unproductive as he was not able to develop the systems himself. The manager was fired from QOD, exposing the risk of the revolving door syndrome to QOD.

The founders saw the new businesses they had engaged QOD into did not create much synergy with their bedding section, rather it exposed QOD to a large risk. The founders decided to return to their core business of providing innovative quality bedding and shut down the import of fabrics while the bed and mattress sections were sold off.

QOD did not fall victim to the revolving door syndrome. The two founders choose to expand the number of people in the board of directors in QOD, with these new board members came also some extra share capital as the members had to buy a share of QOD in order to prove their commitment. With these new board members came new capabilities, from where inspiration and guidance to how development of the systems could be done.

The process of making QOD more professional is a task that is still going on, and delegation of important tasks to the employees have begun.

What Capabilities Made This Development Possible?

At this stage QOD has continued to use their innovative capabilities as they kept introducing new products to the markets, such as pillows with different qualities and improved the TemptraKon product, making it more flexible and hence more comfortable.



Picture of a QOD pillow with TemptraKon technology and cooling gel pads

Further adaptive capabilities were used to realize, QOD had to withdraw from the bed market. This market did not present an opportunity but rather the opposite as it was dominated by companies much larger than QOD. These companies could, if they began to feel threatened by QOD drive the prices low enough for an extended time to bankrupt QOD.

Most importantly QOD exercised absorptive capabilities at this stage. QOD showed a willingness to learn how to develop their organization. This is no simple task, it takes long as not only does the founders and especially Søren Løgstrup need to learn as he is the main responsible for the systemization, but also the employees need to exercise their absorptive capabilities as they are all affected by this transition.

The process depends on all three kinds of learning processes. The exploratory learning is used when identifying which steps should be taken in order to turn QOD better organized. Here the new board of directors represent a great source of knowledge that can be drawn upon.

The application of these ideas is no simple task either, as QOD has very little experience in how to develop and apply these different solutions themselves. In this respect QOD is still using the trial and error tactic to develop.

Lastly the successful solutions need to be able to be stored over time in the organization, so the organization can keep using the systems even if key employees leave the company. QOD is still in the early phase of this systemization process but if they manage to accomplish this task they will be well on their way towards Prime.

How Was The Adaptive Cycle Used at This Stage?

QOD had moved into a number of different businesses, but in order to keep their focus, and to reduce risk all but the core business were eliminated from the product portfolio of the company. QOD was looking to improve its structure in order to become more efficient. This is not the characteristics of a Prospector but rather an Analyzer, but how was this reflected in the organization.

Turning to the entrepreneurial problem first. QOD had placed itself as the innovative company in the bedding industry, and had done so with great success. QOD had then moved into a number of related business. However, QOD later decided to focus solely on the bedding business and left the businesses, they had entered. This was done for several reasons. Even though QOD had managed to get the sales of beds and mattresses going quite well, they saw it would not be possible to become as successful in the bed business as they had become in the bedding business. The CEO Søren Løgstrup had begun to direct some of his attention away from market and turned it inwards in an effort to solve some emerging administrative issues in the company. This had meant that the market sensibility was slowly being done to a higher degree by the sales staff in QOD.

When looking at the engineering problem, QOD had introduced a new IT system to deal with some of the evolving administrative problems. Further the company expanded into and then retracted from these new market. This had meant they had to handle products that were very different from the bedding product they were used to. The logistics of beds and mattresses are much more demanding and costly than the logistics involved in bedding materials.

Finally the dual administrative problem. This is the most important problem at this stage, as it is about to be properly developed at this stage. So far the administration has been neglected to a great extent. There have been few rules and policies that have been introduced. The company has learned by doing. The important part at this stage is to establish, what not to do, in order to avoid future problems. A new manager failed to introduce the needed structure and he was quickly let go. The introduction of new members to the board of directors has brought in new resources that the CEO Søren Løgstrup can draw upon when needed, in his effort to supervise the improvement of the structure in QOD. The process of improving this structure has been help by the fact the company has chosen to focus on one activity rather than four different ones.

QOD's prospector strategy proved to be consistent, they have kept innovating and bringing new products and technology into the bedding industry. Why QOD remains known in the industry as the first mover in innovate products.

The prospector strategy took them outside their industry as other new technologies and products were tested, but QOD found out it should restrict itself to its core business and not venture outside into new industries as the market conditions there may demand very different resources than what QOD is capable of mustering.

The Road Ahead and The Traps at This Stage

QOD is standing at a crossroad and there are four different directions QOD can develop into. Which one it will eventually be, depends on how successful QOD will be in their effort of structuring their organization. This success relies heavily on how much the CEO Søren Løgstrup is willing to prioritize the structuring process over his sales effort.

The first direction QOD can take is by falling back into the founders' trap if the (A)dministrative capabilities are never developed. This may happen if QOD is unable to develop the structure and systems needed in order to institutionalize leadership. Or if the founder is unwilling or unable to delegate responsibilities, then QOD will move into the founder's trap, which will occur if the founders can only see the need to develop systems and structure in times of trouble.

When a company is in trouble it will not have the time to develop (A)dministrative functions, it will be oriented towards its markets and not itself, in other words there will not be taken any energy from the (P)roducers in order to develop (A)dministrative capabilities in such situations.

The second direction a company at this stage can take is called the unfulfilled entrepreneur. This will occur if the revolving door syndrome is allowed to persist. The founder is aware the company needs better structuring, but the managers who are hired to implement a better structure keeps being fired. The most common reason for the manager to be fired is because, they fail make the founder follow the systems, the founder will come up with ideas faster than the manager can change his budgets.

The third direction the company can take is called premature aging. What happens here is the opposite of what happens in the unfulfilled entrepreneur. Here the new manager ends up taking

control with the company usually in cooperation with a new board of directors who are looking for control and stability. Both stability and control make the founder feel trapped, so either he will leave on his own or the company will in its effort to pursue stability get rid of the founder. When doing so the company will lose its main (E)ntrepreneurial element and other like minded will follow soon.

This loss of (E)ntrepreneurial elements will send the company into premature aging.

An alternative path that will give the same result, is if the energy to develop the (A)dministrative element is taken from the (E)ntrepreneurial elements rather than the (P)roducing elements. This will drain the company of its long term purpose and the company will end up in premature aging as well.

Finally there is the fourth option. If the company successfully manages to institutionalize its leadership, by creating systems that will allow the company to dissociate itself from the capabilities of the founder. This way the company will move into Prime, which is the optimal section in the life cycle. At this point it is both flexible and able to accommodate new opportunities in the market as well as exercise control of its behavior.

Conclusion

QOD was established 13 years ago and has expanded to employ 70 people and export to more than 30 countries. The efforts behind this development are visions, entrepreneurship, hard work, innovation and a bit of luck.

In the year 2000 manufacturing industry in general was already moving to China in great pace and traditional textile industry was given little or no future in Denmark.

However, the founders Søren Løgstrup and Hans Erik Schmidt, who were the owners of a bedding in Asia, had a vision that the traffic could also move in the opposite direction. They saw a market potential in producing and selling high quality bedding and pillows based on unique European raw material and the skills of Danish workers.

With the founders' background and experience in the bedding industry they had great market and production knowledge, but the big question was, whether key-customers would be interested in the concept and would be willing to buy sufficient quantities to set-up a factory.

The market response was positive and the company was established as a green-field- operation. The business venture was set in motion and a factory with state-of-art machinery to ensure efficient production and high quality was set- up.

In order to secure a smooth start QOD handpicked qualified and experienced people from the local textile industry.

To further improve the start-up phase the staff was given a high degree of autonomy and responsibility, which almost created a sense of family feeling among the staff. This low hierarchy that ensured the company had a family like culture left the company with little need for developing (A)dministrative capabilities. However, once QOD grew too large for this culture to be sustained the need to develop formal (A)dministrative capabilities.

During the first year of existence QOD learned that being a small producer of high-end standard products was not viable business. This only confirmed their vision of providing innovative quality products.

Through networking as well as a good piece of luck QOD came in contact with an American company, which was offering spin-off innovations from the NASA space program (www.qod.dk). The founders of QOD saw a big potential in commercializing a specific innovation and built it into beddings and pillows as a feature improving sleep.

Market reaction to the new concept and product line was overwhelming and within a short time the company was exporting to 35 different countries. The organization in QOD was not at all geared to this success and the distribution network grew randomly without any strategy to penetrate and establish themselves in each market.

It is understandable that QOD tried to benefit as much as possible from this success but unplanned expansion and investments into unfamiliar markets were both time consuming and costly and taught QOD an expensive lesson.

All efforts and energy was channeled to sales and production in order to meet customer demand and no formal structures existed in order-handling or administration. Shortsighted it was a very profitable situation, but longsighted it was a risky situation. After a while it became apparent to the company it needed to improve its structure in order to handle the great influx of sales orders. The CEO who should deal with this lack of structure was too busy handling the day-to-day challenges arising from the lack of structure.

Furthermore the thin administrative abilities were further stressed by introducing product lines outside the core business of bedding. The founders underestimated the challenges occurring when taking in product lines which needed complex handling and distribution systems. QOD learned an expensive lesson from this attempt to diversify and are now again concentrating their efforts in their original core business.

However, the lack of administrative effectiveness kept bothering the founders and they realized that

they were not capable of solving this themselves, due to a lack of interest the field and a shortage of competence.

They tried to solve the problem by asking a headhunter to find a competent manager with solid experience from a bigger company. They succeeded in finding one but had to fire him relatively soon as he did not perform as expected.

Apparently the profile of the job had not been well enough described. What they wanted and needed was a person who could built a system and then run it. What they got was a person who could run it but not built it and consequently he turned out to be a failure.

Unfortunately this mistake led to the conclusion that a possible new manager could only come from within their personal network. This is not necessarily a rational way of acting and so far no real effort has been done to solve the problem.

As the present leader of QOD is highly market oriented, the task of creating an administrative structure that can eliminate traditional paper flow and electronically integrate the various functions has been delegated to two internal employees, who do their best but work without a master plan.

Like many other SME companies QOD tend to think that they are unique and only in-house developed solutions are applicable. However, this is normally not the case as there are thousands of companies with similar structure and challenges. It is therefore to be recommended that QOD acquire a standard software with all the needed features and have installed with the assistance of an external company, which can also instruct and train the staff.

In the process of becoming a professionally managed company QOD has taken in outside board members. This is a good idea as it broadens the perspective and give new impulses to daily management. However, it is not the role of board members to be involved i day-to-day business and they can not substitute the dismissed manager, who failed in introducing new administrative routines.

From the above analysis, the conclusion for my research questions are as follows:

Can Organizational Growth Patterns Be Predicted In Advance?

QOD is at the present moment located in the adolescent stage, so far QOD has followed a growth pattern fitting with the life cycle model predicted by Adizes (1988). It is now a company that is flexible and has both well developed (E)ntrepreneurial and (P)roducer capabilities. On the other hand QOD is not well structured, many of its routines have to be organized in order for the company to be keep growing. In order to accomplish this energy needs to be shifted from the (P)roducer capabilities and channeled towards creating (A)dministrative capabilities.

How Does Innovation Affect the Development of a Company?

QOD is following a prospector strategy, which means it generates profits by being innovative and the first to introduce new qualities to the products in the industry. A consequence of the prospector strategy is that QOD is highly product development- and market oriented, and it is always on the lookout for new market opportunities. This means that management's capacity and energy have been emphasizing a prospector strategy, that focus on utilizing new product- and market opportunities. This innovative behavior has affected the company to stay highly flexible as new challenges have met the company constantly.

How Does Entrepreneurial Capabilities Affect Strategy?

Founder's entrepreneurial capabilities will affect the company's strategy. In QOD's case this is seen in how they have managed to build a vast network that have allowed them to develop products that would otherwise have been impossible to develop with its limited resources. Through this they have become first mover in the industry and this has affected their strategical possibilities when considering how they need to approach customers and how they need to organize their company. In effect this has meant customers have been so eager to buy their innovative products that they have come to QOD by own initiative instead of QOD coming to them. Such an entrepreneurial approach to market strategy may led to the identification of new markets or product developments. However, if left uncontrolled it may alternatively lead to inappropriate customer relationships that unconsciously draws resources away from more profitable opportunities.

How Can a Company Keep Its Competitive Advantages Over Time?

For a company to stay competitive over time, many different dynamic factors need to remain in equilibrium. This means a company need to be able to sense its market, obtain external knowledge and convert this new knowledge into innovation. On the other hand these capabilities need to be administered in a way that allows the company change along with its customers demands but still remain focused on its core business. When changing over time a company may need to correct its strategy in order to keep its competitive advantage, as it may not fit the new circumstances. When making such a correction of strategy a number of areas in the company will need to be attended to. It is necessary to align the technological-, administrative- and entrepreneurial problem in the organization before any correction in strategy will be fully implemented.

How Do Organizations Become Innovative and Manageable In a Changing Environment?

From the answers to the four subquestions it can be concluded a manager can benefit greatly from understanding the organizational life cycle approach with its four associated characteristics, when he needs to direct his company in a new direction, whether the company needs to be more innovative or manageable. However, it is not enough to only appreciate the goal, the process of how to get there is just as important. The adaptive cycle together with the dynamic capabilities approach helps the manager to operationalize the ideas provided in the life cycle approach. With tools that tell both where to go and how to get there and what to look out for, the future road ahead for the manager seem a little less complicated to navigate with this knowledge.

Once a manager appreciates the stage of development his company is in, and the challenges associated with it, he may easier solve his current challenges and prepare for the coming challenges in advance.

Literature List

Articles

Ambrosini, V. & Bowman, C. (2009) What are Dynamic Capabilities and are They a Useful Construct in Strategic Management?, *International Journal of Management Reviews* Vol. 11 Issue 1 pp. 29- 49

Amit, P., Schoemaker, R., (1993). Strategic assets and organizational rent, *Strategic Management Journal* 14 (1), pp. 33- 46.

Andersen E. S., (2006). The limits of Schumpeter's Business Cycles, *Industry and Innovation* 13 (1), 107- 116.

Barney, J. B. (1986) Types of Competition and the Theory of Strategy: Toward an Integrative Framework, *The Academy of Management Review*, Vol. 11, No. 4, pp. 791- 800

Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17, 99- 120.

Barney, J. B. (1995). Looking Inside For Competitive Advantage, *Academy of Management Executive*, 9 (4), 49- 61.

Barney, J. B. (2001a). Is the Resource Based "View" a Useful Construct for Strategic Management Research? Yes. *Academy of Management Review*, 26, 41- 56

Barney, J. B. (2001b). Resource- Based Theories of Competitive Advantage: A Ten Year Retrospective on the Resource- Based View, *Journal of Management*, 27, 643- 650

Beverland, M., Lockshin, L. S., (2001). Organizational life cycles in small New Zealand wineries, *Journal of Small Business Management* 39 (4), 354- 362.

Biedenbach, T. and Müller, R. (2012). Absorptive, innovative and adaptive capabilities and their impact on project portfolio performance, *International Journal Project Management* 30, 621- 635

Boeker, W., (1989). "Strategic change: the effects of founding and history", *Academy of Management Journal*, vol. 32 no. 3, 489- 515.

Chakravarthy, B. S. (1982). Adaptation: a promising metaphor for strategic management, *Academy of Management Review*, 7 (1), 35- 44

Clausen, Lisbeth (2001) 'The "Domestication" of International News: A Study of Japanese TV Production', PhD Series. No. 21, Economics Faculty, Copenhagen Business School

Cohen, C. W. and Levinthal, D. A. (1990). Absorptive capacity: a new perspective on learning and innovation. *Administrative Science Quarterly*, 35 (1), 128- 152

Conner, K., (1991). A historical comparison of the resource-based theory and five schools of thought within industrial organization economics: do we have a new theory of the firm?, *Journal of Management* 17, 121- 154

Cowan- Sahadath, K. (2010) Business transformation: Leadership, integration and innovation- A case study, *International Journal of Project Management*, 28, 395- 404

Churchill, N. C., Lewis, V. L., (1983). The five stages of business growth, *Harvard Business Review* 61 (3), 30- 50

Dierickx, I., Cod, K., (1989). Asset stock accumulation and sustainability of competitive advantage, *Management Science* 35, 1504- 1511

Dodge, H., Fullerton, S., Robbins, J., (1994). Stage of the organizational life cycle and competition as mediator of problem perception for small businesses, *Strategic Management Journal* 15 (2), 121-134.

Downs, A., (1967). The life cycle of bureaus. In Downs, A. (Ed.), *Inside bureaucracy*, San Francisco. CA: Little Brown & Co. and Rand Corporation.

Duus, J. (2012), Innovation- De Vises Sten- De oversete Forudsætninger, *Futuriblerne*, Selskabet for Fremtidsforskning, 2012 (5), nr. 1-2, pp. 4- 11.

Eisenhart, K. and Martin, J. (2000). Dynamic Capabilities: What are They?, *Strategic Management Journal*, 21, 1105- 1121.

Filippetti, A. and Archibugi, D. (2009). Innovation in times of crisis: National systems of innovation, structure and demand, *Research Policy*,

Freel, M. S., (2000). Towards an evolutionary theory of small firm growth, *Journal of Enterprising Culture* 8 (4), 321- 342

Garud, R., Nayyar, P. R., (1994). Transformative capacity: continual structuring by intertemporal technology transfer, *Strategic Management Journal* 15 (5), 365- 385.

Greiner, L. E. (1997). Evolution and Revolution as Organizations Grow: A company's past has clues for management that are critical to future success. *Family Business Review*, 10:397

Greiner, L.E. (1972) Evolution and revolution as organizations grow. *Harvard Business Review*, July- August, pp. 37-46

Grienstein, A. (2008). The effect of market orientation and its components on innovation consequences: a meta analysis. *Journal of the Academy of Marketing Science*, 36 (2), 166- 173

Hagedoorn, J., (1996), Trends and patterns in strategic technology partnering since the early

seventies, Review of Industrial Organization, 11

Hanks, S. H., (1990). An empirical examination of the organizational life cycle in technology firms, Doctoral dissertation, University of Utah.

Hanks, S. H, Watson, C. J., Jansen, E., Chandler, G. N., (1993). Tightening the life- cycle construct: A taxonomic study of growth stage configurations in high- technology organizations. Entrepreneurship Theory and Practice 2, 5- 29

Hannan, M. T., & Freeman, J. (1977) The Population Ecology of Organizations. American Journal of Sociology, 82, 929- 964

Hooley, G. J., Lynch, J. E., Jobber, D. (1992). Generic marketing strategies, International Journal of Research in Marketing 9, 75- 89.

James, W. L., Hatten, K. J., (1995) "Research notes and communications: further evidence on the validity of the self typing paragraph approach: Miles and Snow strategic archetypes in banking", Strategic Management Journal 16 (2), 161- 168

Jawahar, I. M. & McLaughlin, G. L., (2001) Toward a Descriptive Stakeholder Theory: An Organizational Life Cycle Approach, Academy of Management Review, Vol. 26, No. 3, 397- 414

Kaplan, R. S. & Norton, D. P., (1992) The Balance Scorecard Measures That Drive Performance, Harvard Business Review, January- February, pp. 71- 79

Kraaijenbrink, J., Spender, J. C., Groen, A. J., (2010). The resource-based- view: A review and assessment of its critiques, Journal of Management 36, 349- 372.

Kuznets, S., (1940). Schumpeter's businesses cycles, American Economic Review 30, 257- 271

- Lane, P. J., Koka, B. R., Pathak, S., (2006). The reification of absorptive capacity: a critical review and rejuvenation of the construct. *Academy of Management Review* 31 (4), 833- 863.
- Lane, P. J., Salk, J. E., Lyles, M. A., (2001). Absorptive capacity, learning and performance in international joint ventures, *Strategic Management Journal* 22 (12), 1139- 1161.
- Lee, J., Lee, K. and Rho, S. (2002). An Evolutionary Perspective on Strategic Group Emergence: A Genetic Algorithm- based Model, *Strategic Management Journal*, 23, 727- 746
- Lester, D. L., Parnell, J. A., Carraher, S., (2003). Organization life cycle: A five- stage empirical scale. *The International Journal of Organizational Analysis* 11 (4), 339- 354.
- Lockett, A., Thompson, S. and Morgenstern, U. (2009). Reflections on the development of the RBV, *International Journal of Management Reviews*, 11, 9- 28.
- Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic- capability views of rent creation, *Strategic Management Journal*, 22, 387- 401
- Miles, R. E., Snow, C., (1986). "Organizations: New concepts for new forms", *California Management Review* 28, 62- 73.
- Miller, D., Friesen, P. (1984). A longitudinal study of the corporate life cycle, *Management Science* 30 (10), 1161- 1183.
- Mintzberg, H., (1984). Power and organization life cycles, *The Academy of Management Review* 9 (2), 207- 224.
- Modis, T., (2007). Strength and weaknesses of S- curves, *Technological Forecasting & Social Change* 74 (6).
- Oltra, M. J., Flor, M., (2003). The impact of the technical opportunities and innovative capabilities on firms' output innovation. *Creativity and Innovation Management* 12 (3), 137- 144

Parnell, J. A., (1994). "Strategic consistency versus flexibility: does strategic change really enhance performance?", *American Business Review* 12, 22- 30.

Parnell, J. A., Wright, P. (1993). "Generic strategy and performance: an empirical test of Miles & Snow typology", *British Journal of Management* 4 (1), 29- 36.

Penrose, E. T. (1952). Biological analogies in the theory of the firm. *American Economic Review*, 42, 804- 819.

Priem, R. and Butler, J. (2001). Is the resource based view a useful perspective for strategic management research? *Academy of Management Review*, 26,22- 40.

Quinn, R., Cameron, K., (1983). Organizational life cycles and shifting criteria of effectiveness: Some preliminary evidence, *Management Science* 29 (1), 33- 41

Scott, M., Bruce, R., (1987). Five stages of growth in small business, *Long Range Planning* 20 (3), 45- 52.

Segev, E., (1989). "A systematic comparative analysis synthesis of two business- level strategic typologies", *Strategic Management Journal* 10, 487- 505.

Sher, P., Yang, P., (2005). The effects of innovative capabilities and R&D clustering on firm performance: the evidence of Taiwan's semiconductor industry, *Technovation* 25 (1), 33- 43.

Shortell, S. M., Zajac, E. J., (1990). "Perceptual archival measures of Miles and Snow's strategic archetypes: A comprehensive assessment of reliability and validity", *Academy of Management Journal* 33 (4), 817- 832.

Steinmetz, L. (1963). Critical stages of small business growth. *Business Horizon* 12, 29-36.

Subramaniam, M., Youndt, M., (2005). The influence of intellectual capital on the types of innovative capabilities. *Academy of Management Journal* 48 (3), 450- 463.

Teece, D. J. (2010) *Business Models Business Strategy and Innovation*, Long Range Planning 43 pp. 172- 194

Teece, D. J., Pisano, G. and Shuen, A. (1997) *Dynamic Capabilities and Strategic Management*, *Strategic Management Journal* Vol. 18:7 pp. 509- 533

Tichy, N. (1980). Problem cycles in organizations and the management of change. In J. Kimberly & R. Miles (Eds.) *The organizational Life Cycle* pp. 164- 183. San Francisco: Jossey Bass Publishers.

Tidd, J. (1997). Complexity, networks & learning: Integrative themes for research on innovation management, *International Journal of Innovation Management* 1 (01), 1-21

Tidd, J. (2001) *Innovation management in context: environment, organization and performance*, *International Journal of Management Reviews*, Vol. 3, Issue 3, pp. 169- 183

Torbert, W., (1974). Pre- bureaucratic stages of organizational development. *Interpersonal Development* 5, 1- 25.

Wang, C. L., Ahmed, P. K., (2007). Dynamic capabilities: a review and research agenda. *International Journal of Management Review* 9 (1), 31- 51.

Williamson, O. E. (1991). Strategizing, economizing and economic organization, *Strategic Management Journal*, Winter Special Issue 12, 75- 94.

Zahra, S. A., George, G., (2002). Absorptive capacity: a review, reconceptualization, and extension. *Academy of Management Review* 27 (2), 185- 203.

Zahra, S. A., Pearce, J. A. II (1990). "Research evidence on the Miles and Snow typology", *Journal of Management* 16 (4), 751- 768.

Zhai. E., Shi, Y., Gregory, M., (2007). The growth and capability development of electronics manufacturing service (EMS) companies, *International Journal of Production Economics* 107, 1-19.

Books

Adizes, I. (1988) *Corporate Lifecycles: How and Why Corporations Grow and Die and What to Do About It*, Prentice Hall, New Jersey, pp. 361

Andersen, I. (1998) *Den skinbarlige virkelighed- om valg af samfundsvidenskabelige metoder*. 1. udgave 2. oplag. Samfundslitteratur

(Blackburn, Simon_(2005). *Truth: A Guide*. Oxford University Press, Inc.

Darmer, P., Jordansen, B., Madsen, J. A. & Thomsen, J. (2010), *Paradigmer i praksis – Anvendelse af metoder til studier af organiserings- og ledelsesprocesser*, Handelshøjskolens forlag.

Itami, H. (1987), *Mobilizing Invisible Assets*, Harvard University Press, Cambridge, MA

Järvinen, M. & Mik-Meyer, N. (2005) *Kvalitative metoder i et interaktionistisk perspektiv- Interview, observationer og dokumenter*. Copenhagen, Hans Reitzels Forlag

Kimberly, J. R., Miles, R. H., (1980) *The Organizational life cycle: Issues in the creation, transformation and decline of organizations*, Jossey- Bass Publishers, San Francisco.

Kvale, S. (1996), *Interviews*. Thousand Oaks. Sage Publications.

Kvale, S. (1997), *Interview: En introduktion til det kvalitative forskningsinterview*, Hans Reitzels Forlag.

John J. Macionis, Linda M. Gerber, (2010) *"Sociology"*, Seventh Canadian Edition, Pearson Canada,

Machiavelli, N. (2006); Fyrsten, 2nd edition, Helikon, Denmark.

Miles, E. M. and Snow, C.C. (1994) Fit Failure, and the Hall Of Fame, 1st edition, The Free Press, United States.

Miles, R. E. and Snow, C. C. (1978) Organizational Strategy, Structure, and Process, 1st edition, McGraw- Hill series in management, New York.

Mintzberg, H., (1989), Mintzberg on Management, The Free Press, New York

Nygaard, C., Strategizing (2006) Kontekstuel virksomhedsteori, Forlaget Samfundslitteratur 3rd edition 2nd printing.

Porter EM. 1980. Competitive Strategy. The Free Press/Macmillan: New York

Robbins, S. P., (1990). Organization theory; Structure, design and applications. Prentice Hall, Englewood Cliffs, New Jersey

Saunders, M., Lewis, P., & Thornhill, A. (2003) Research method for business students, 3rd edition. New York: Prentice Hall.

Schuh, K., & Barab, S. (2008). Handbook of Research on Educational Communications and Technology. In J. M. Spector, M. D. Merrill, J. van Merrienboer, & M. Driscoll (Eds.), Philosophical Perspective. New York, NY: Taylor & Francis.

Schumpeter, J. A., ([1911] 1934). The theory of economic development, Cambridge, MA: Harvard University Press.

Schumpeter, J. A., (1939) Business cycles : a theoretical, historical, and statistical analysis of the capitalist process. Vol. 1, New York ; McGraw-Hill.

Schumpeter, J. A., (1939) Business cycles : a theoretical, historical, and statistical analysis of the capitalist process. Vol. 2, New York ; McGraw-Hill.

Schumpeter, J. A. (1942) Capitalism, Socialism, and Democracy, Harper, New York.

Sull, D. N., (2003). Revival of the fittest: Why good companies go bad and how great managers remanek them, Harvard Business School Press, Boston.

Thurén, T. (1998) Videnskabsteori for begyndere, 1. udgave 9. oplag, Munksgård, Copenhagen.

Vejrup-Hansen, P, Lotz, P, Dalum, B & Bech, H 2006, Erhvervsbeskrivelse: Økonomiske begreber og data om virksomheders omverden. Handelshøjskolens Forlag, København.

Internet pages

http://www.erm.ecs.soton.ac.uk/theme2/what_is_your_paradigm.htm

3-7-2013 University of Southampton

<http://www.ihracs.ch/?p=92>

3-7-2013 International Hospitality Research Center Switzerland

<http://lunar.gsfc.nasa.gov/moonfacts.html>

3-7-2013 NASA

http://borsen.dk/nyheder/oekonomi/artikel/1/191077/fakta_saadan_defineres_en_gazelle-virksomhed.html

3-7-2013 Børsen/ Danish Business News Paper

http://qod.dk/DK/presse/pdf/Aarets-netvaerksvirksomhed-2012_QOD.pdf

3-7-2013 QOD being an awarding networking company

http://www.adizes.com/corporate_lifecycle_overview.html

3-7-2013 Adizes homepage

<http://www.idfb.net/faqs/>

3-7-2013 International Down and Feather Bureau, Industry Organization

<http://www.triz-journal.com/archives/1999/07/g/>

3-7-2013 The Triz Journal, Part of Real Innovation Network

<http://www.bt.dk/nyheder/chokerende-tv-billeder-gaes-plukkes-levende-til-danske-dyner>

3-7-2013 BT/ Danish Tabloid Paper Reporting on Animal Cruelty

<http://www.tomspencer.com.au/2008/08/17/porters-five-forces-model-analysis-framework/>

Porters-five-forces-model-analysis-framework 29-6-2013

Appendix 1

Interview Guide

Innovation

- a. Reasons to be innovative
- b. How are they innovative
- c. Areas of inspiration
- d. Research and development
- e. Products
- f. State funding

Organizational Values and Development

- a. Personal back ground
- b. History of the company
- c. Company culture
- d. Organizational development
- e. Education of employees
- f. Choice of location

Market

- a. Which market do they operate on
- b. International experience
- c. Competitive advantage
- d. Who is their customer
- e. Marketing strategy
- f. Feed back systems
- g. Market barriers