One Company as Corporate Strategy

A Case Study at Saab AB

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Abstract

This research project explores the increasingly popular phenomena of companies striving to harmonize and align their business which is called a “One Company”-vision. The project is carried out on behalf of the global IT and management consultancy company, Logica. It is a case study at Saab AB, the Swedish aerospace-and defense-company, regarding corporate strategy. In this research project, the concept of parenting style is related as one important ingredient of One Company and it is considered to be the starting point for implementation of strategy. Implementation of strategy is further illustrated with the help of a tentative model. This model puts strategy in the center of the organization and then intends to align the whole company through strategic congruence and integrated control in order to implement the chosen strategy. If the whole organization is not committed, it will be very difficult to complete the journey to become One Company.

The purpose of this research project is to develop a perspective of a One Company concept and to investigate the implementation of this concept at Saab AB. To further explain the purpose and to deepen the understanding of the One Company concept, the following research questions have been addressed:

- How does Saab AB, a large Swedish multi-business organization, strive to become One Company?
- What are (if any) the critical success factors in Saab’s journey to become One Saab?
- What are (if any) the areas of improvement for Saab, according to the developed perspective of the One Company concept?

In order to accomplish the purpose, interviews have been performed with corporate level management. Moreover, gaps have been filled with empirical findings from a dissertation that investigated Saab’s competitive advantage in relation to strategic congruence and integrated control.

The results show that for Saab AB, the One Company vision started as a market initiative to create a common brand for what used to be a conglomerate. The One Saab strategy has led to many changes for Saab AB, regarding organizational structure, work methods and follow-up processes. It has affected all business areas and all functions. Human Resource and Finance are functions that have already been harmonized. Current changes concern consolidation of IT and implementation of a global management system. The global management system was launched this year (2011) and it will lead to many more changes within the company before it is fully implemented. This system will help bring the company closer to become One Saab.

The conclusion is that Saab AB has come a long way but today it is a synergic corporation and not yet One Company, as the concept is described in this thesis.
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1 Introduction

The first chapter gives a short historical introduction to the field of corporate strategy and a background to this particular research project. The concept of One Company is briefly described by scholars and management consultants. The purpose is then presented as well as the relevant research questions.

1.1 Background

Today, corporate strategy is characterized by a quest for harmonization and alignment for many companies. However, according to Goold, Campbell and Alexander (1994), the nature of thinking about corporate strategy has changed over the last decades. The 1950s was marked by an overload at corporate centers. This led to great enthusiasm for decentralization and corporate strategies were to a large extent influenced by divisionalisation. In the 1960s there was a quest for growth. Skills in general management were promoted and companies searched for synergies among their businesses. The diversification continued and related multi-business companies were created as well as conglomerates. Companies in the 1970s were struggling with resource allocation problems which led to adaptation of portfolio planning, lead by the Boston Consulting Group and other consulting firms. Skepticism increased during the 1980s regarding results achieved by diversified firms. Companies were showing poor performance in spite of large efforts to diversify and this resulted in that numerous businesses were restructured. The new thing was to “stick to the knitting” and many companies adopted value based planning. The 1990s was a return to core business, core competence and shared resources. The latter part of the 1990s and the beginning of 21st century were marked by parenting advantage and portfolio management to maximize value creation.

The quest for harmonization and alignment often take the shape of strategies, visions, approaches or initiatives named something like “One Xyz”, where Xyz is the name of the company. Various conferences address the subject, for instance, in November this year (2011) there is a conference that gives some insight into what it takes to reach a vision of becoming One Company (The Business Controller, 2011). Even though explicitly addressed in an industrial context, there is no single academic theory today, which describes the One Company approach in a coherent way.

Saab AB (from now on simply referred to as Saab) is a company that used to be a conglomerate. However, Saab has changed its focus towards core competence and the company also has an outspoken vision to become One Company. This thesis aims to describe a perspective of the One Company concept and study the progress of Saab’s journey to become One Saab.
Previous research at Saab, on a similar subject, has been performed by Ph.D. Erik B. Nilsson at Linköping University. He completed and presented his dissertation “Strategy, Control and Competitive Advantage – A longitudinal study of Saab AB” as recent as one year ago (Nilsson, 2010). This thesis is supplemented with his empirical material, where our study falls short, as the empirical material of this bachelor thesis naturally could not be as comprehensive as a dissertation.

1.2 Problem Discussion

Increased globalization has affected the formation of companies. Acquisitions, mergers and thus the formation of large multi-business companies have increased (Goold et al., 1994). However, there is a risk that multi-business firms become astray and lose core focus, their “raison d’être”. In order to stay competitive, and not become too divers, it is important for multi-business companies to have uniform strategy and control (Nilsson & Rapp, 2005). In short, many companies strive for harmonization and alignment simply because they have to. According to Goold et al. (1994), it is no longer sufficient to run a multi-business organization without adding value from the corporate center. It is even less sufficient to avoid releasing synergy potential. This quest for harmonization is thus a reaction to the business environment of today and necessary to sustain or increase competitive advantage and efficiency.

Even though the concept of One Company is rarely discussed in academic literature it is described in a master program syllabus, Uppsala Executive MBA (Uppsala University, 2011). In this syllabus it is an approach for companies to develop uniform strategies, controls and routines throughout the organization. In the syllabus, the author describes how, in an increased global environment, the functional orientation of management has been replaced with a process view approach. This affects companies’ management control systems to a large extent which in turn leads to new and changed requirements regarding information technology and information systems.

Moreover, the syllabus explains that there are many opportunities with new technology but that it also creates new control issues (Uppsala University, 2011). In this time of information overload, management attention is scarce and it is very important for control systems to sort and prioritize in order to only present the essentials. Management control systems require a close connection with strategic issues. Within this lies also an opportunity to make a clearer connection from corporate strategy all the way down to operational strategy (Uppsala University, 2011). This line of thought is acknowledged by the global consulting firm Accenture (2010), who claims that “the impact of the One Company concept on IT is huge”. This huge impact has great relevance for this research project since it is done with sponsorship from Logica, a business and technology service company which delivers business consulting, systems integration and outsourcing across all industries and business functions (Logica, 2011). Accenture has another explanation and continues to explain the benefits of One Company:
“One Company will translate into brand experience, compliance, collaboration in the supply chain, innovation across borders and the integration of sales channels.”
(Accenture, 2010:8)

“For companies which are actually One Company, it is possible to organize the development, administration and particularly the clustering of competences optimally and irrespective of location.”
(Accenture, 2010:7)

The lack of scientific writings on the One Company Concept has awakened our interest to make an attempt to fill this gap. One Company is an expression used at consulting firms such as Logica and Accenture. The expression is according to Accenture claimed to be used by many CEOs of multinational companies, for instance Shell, Philips, Unilever, TNT, Océ, and Siemens. The term is also used by our case company Saab. It is argued, in this thesis that the One Company concept found in the business world, has several counterparts in the academic world but that it is addressed by other terms.

There is a risk of confusion between concepts when discussing One Company. For instance, it could be argued that One Company is one of Mintzberg’s five P’s; perspective (Mintzberg, 1987). By that approach, it would be tempting to categorize companies as One Company if they have achieved a sense of being one entity with business units tied together by a common brand. Mintzberg (1987) argues that strategy can be seen as a collective belief rather than a plan, based on a position of how you look at the outside world. However, we perceive this comprehension too narrow and not how we want to explain the concept.

The starting point of our perspective was that it requires consistent strategies and uniform control for an organization to be One Company. During the writing process these terms have been developed and to some extent replaced with new terminology which is presented in the tentative model of this thesis. This thesis will make a humble attempt to describe the One Company concept by collecting and contrasting theories which capture the phenomena of harmonization and alignment.
1.3 Purpose and Research Questions

The purpose of this thesis is to develop a perspective of a One Company concept and to investigate the implementation of this concept at Saab.

To further explain the purpose and to deepen the understanding of the One Company concept, we address the following research questions:

- How does Saab, a large Swedish multi-business organization, strive to become One Company?
- What are (if any) the critical success factors in Saab’s journey to become One Saab?
- What are (if any) the areas of improvement for Saab, according to the suggested perspective of the One Company concept?
2 Methodology

This chapter describes how the research project has been carried out. We give an account on our choice of scientific methodology, our methodological approach, how we have collected data and our actual implementation of methodology. Moreover, we reflect on our choice of case company and respondents. The reader can also find a discussion of reliability and validity in this chapter.

2.1 Scientific Approach

Studies in the philosophical field mainly use a positivistic or a hermeneutic approach to science. Thurén (1991) argues that in contrast to the hermeneutic theory of knowledge, positivism claims there is an absolute truth and knowledge. To attain absolute truth, the solution according to positivism is to clear away what you previously thought you knew. As this thesis will study corporate management, which is a subject where no absolute truth exists, we have chosen the hermeneutic theory of knowledge as our scientific approach.

The hermeneutic theory of knowledge argues that absolute truth does not exist (Nyström, 2007). Truth is something that is subjective and it is different depending on who is interpreting reality. This means that research cannot strive to achieve objective knowledge. The hermeneutic approach is instead focused on interpreting and understanding reality (Nyström, 2007). Hermeneutics is often used in studies where human thoughts, feelings and opinions are of interest. As a result, one often fails to provide any quantifiable data and the researcher is instead doing different interpretations and explanations of reality. Because of this, hermeneutics is widely used in social science and all science where interactions between people are studied. According to Alvesson and Sköldberg (2008), the science in the field of hermeneutics is carried out in a spiral where interpretation leads to new knowledge which will give a new perspective in the next iteration of interpretation. The object of interpretation is not "facts" or "data" but instead a text. Results then emerge from the text through this process of interpretation. We realize that both our respondents and the authors of this thesis are part of this hermeneutical spiral. First, the respondents have interpreted their own work and progress in realizing the vision of One Saab, then they have interpreted our questions, and finally, we have interpreted their answers. It all comes down to that we cannot say it is an objective truth, but it is still our interpretation.
2.2 Methodological Approach

There are two main methodological approaches to philosophical science, qualitative and quantitative. The definition of qualitative methodology is, according to Alvesson and Sköldberg (2008), not entirely clear. They argue that a common denominator in qualitative methodology is to consider and focus on open and ambiguous empirical evidence. According to Lundahl and Skärvad (1999), qualitative methodology focuses on interpretation and understanding. The qualitative methodology is therefore appropriate when the scientist aims to describe, analyze and understand the behavior of individuals or groups of individuals. Since this thesis aims to study the behavior of corporate management and their work with Saab’s strategy it is suitable to use a qualitative approach.

Moreover, the purpose of the qualitative method is to create a deeper knowledge and to try to understand and analyze the subject as a whole (Davidsson & Patel, 1994). With this thesis, the authors try to understand and describe the concept of One Company and its implications for the whole organization. Repstad (1999) has a similar description and holds that the qualitative method is intended to perform a deep analysis. The qualitative method can also help in order to see the “big picture” (Lundahl & Skärvad, 1999). We argue that the qualitative method suits our purpose best, as we are to perform a research work to a large extent affected by interpretation and understanding.

Finally, Bryman (2002) argues that the other approach, the quantitative method, in general integrates the science standards and practices that characterize positivism. Since positivism does not suit the purpose of this thesis, a quantitative approach would not be fruitful. Lundahl and Skärvad (1999) also claim that a quantitative method seeks to describe or identify the cause of a phenomenon. Thus, a quantitative approach could be useful if we were to investigate the cause of companies’ quests to be harmonized, but in this thesis, the starting point is that companies, especially one particular company; Saab, strives to be harmonized.

2.3 Case Study

This thesis is to some extent a case study; research in this scientific approach refers to a study in which only one or a few cases are studied in more depth (Lundahl & Skärvad 1999). A case can for example be a group, an individual or an event. This study is limited to Saab, the Swedish defense and security concern, as case company.

There may be various reasons as to why people want to conduct a case study. The reasons may be to develop theories, hypotheses or to illustrate and exemplify (Lundahl & Skärvad, 1999). We have used examples from Saab to illustrate their journey to become One Saab,
and to develop a theoretical perspective on One Company. A case study can also be appropriate when the intent of the study is to answer questions containing formulations of how something happens (Lundahl & Skärvad, 1999). Since our first research question is an example of this type of question, we find the case study suitable for our purpose.

Finally, a case study can use different data collection methods within the same study (Lundahl & Skärvad, 1999). Apart from analyzing secondary sources of information such as web material, annual reports and a dissertation, we have also performed interviews to gather primary data.

### 2.4 Interviews

One method of data collection we have used in this thesis is interviews. The method is based on the fact that the researcher enters into a dialogue with a respondent and asks questions (Davidson & Patel, 1994). According to these authors, it is possible to distinguish between different types of interviews regarding the degree of standardization. The degree of standardization reveals how strict an interviewer follows the predefined questionnaire and the internal order of the questions. We have performed semi-standardized interviews, which are characterized by the researcher starting with a predefined questionnaire (Appendix 1). However, the possibility to ask follow-up questions is available.

In interviews with a high degree of structure, the respondent can only choose from a given set of predetermined alternatives. On the other hand, in interviews where the degree of structure is low, the respondent has the opportunity to formulate answers in a more open way (Lundahl & Skärvad, 1999). Even though there existed a structure of what questions to ask, the degree of structure can be considered low since there were no given alternatives for answers. We mainly used open-ended questions to get the respondent to share their knowledge and experience. Moreover, we consciously avoided closed questions where the respondents could only answer “Yes” or “No”.

The empirical part of this thesis is mainly based on three interviews which were all recorded. These recordings have then been transcribed in order to have the possibility to return if something is unclear. Two interviews were performed at Saab in Linköping, one with Mats Hultin, CIO (Chief Information Officer) and one with Mats Ran, Head of Application and Business Integration. We have also performed a telephone interview with Sunil Joshi, Head of Group Quality & Environment at Saab.

Interviews were intended at the business unit level, but respondents on this level chose not to participate. Thus, the empirical material is limited to corporate level. However, information that was found about business unit level through corporate level interviews and secondary sources such as web material, annual reports and the dissertation (Nilsson, 2010) is presented and analyzed.
Furthermore, a more theoretical discussion and interview has been performed and recorded at Linköping University with PhD Erik B. Nilsson.

2.5 Choice of Case Company and Respondents

One of the authors (Per Malmlöv) is employed by Logica and he works as an IT-consultant for Saab. This is in part why we chose Saab. However, we do not consider this a problem. Contrarily, it has increased availability of information and helped us to get access to corporate level respondents and to achieve an open and frank dialogue. Moreover, it has also helped us to deeper understand the business of the target firm and its current situation.

Regarding the choice of respondents, we realize that there may have been other persons with suitable knowledge and experience. Because of our IT-connections at Saab, the first respondent we got in touch with was the CIO. Even though the CIO and the other respondents are involved in the strategic work, it would have been very interesting to get an interview with, for instance, Jan Germundsson, who is Vice President, General Manager Special Operations Aeronautics, Saab. Mr. Germundsson works on the corporate level with strategic issues and the organizational change (Westbridge Business Media, 2010). Moreover, he will be one of the speakers from Saab at the One Company-conference in November (The Business Controller, 2011). However, the chosen respondents have been a great source of information and have helped us understand Saab’s strategic work. All of the respondents also claim that the One Saab vision affects their work every day and every second, which shows they are relevant as sources of information.

2.6 Implementation and Road Map for the Study

The purpose of this thesis was accomplished by performing a qualitative analysis with interviews as a tool for gathering primary data. This section describes the complete process of this study and how it was carried out. We have divided the process for this study into several activities. When the process is described textually it can suggest that the study was carried out in a waterfall approach (a sequential way). However, the truth is that it was more or less an iterative process and the numbers below represent the initial order of each step. Moreover, these steps were reviewed along the journey of this thesis.

1. A literature study was done to be able to get a hold of the One Company concept and other key issues to be able to formulate a purpose, adequate research questions and interview questions. This literature study became the basis for the presentation of the components of the One Company concept.
2. With the literature study as a starting point, we developed a tentative model of the One Company concept. This model is a combination of the relevant theories and it was the foundation for further analysis of the case company.

3. Semi-standardized interviews have been carried out with key persons of corporate strategy. Interview questions were a foundation for empirical findings. The interviews have helped to illustrate the One Company strategy implementation at Saab.

4. Gaps in the empirical material have been filled with details from the dissertation of Nilsson (2010). His extensive work has given us a deeper understanding of Saab and has supplemented the primary data.

5. The results of the literature review and thus the relevant theories have been presented and contrasted in order to more fully describe the main concept of One Company. The theoretical chapter was completed after the interviews were conducted to strengthen week parts.

6. To reach the purpose and to answer the research questions, we have performed an analysis of Saab as One Company with our tentative model as a starting point.

2.7 Reliability

Reliability means if it is possible to repeat the study and still achieve similar results (Bryman & Bell, 2011). It is a term most commonly used in quantitative research, but nevertheless, it is also important in qualitative research. The work method of this thesis has been thoroughly described in order to make it repeatable. Most of the questions, even if not the follow-up questions, are presented in Appendix 1 in order to be repeatable. However, the purpose of this thesis is to describe a dramatic and on-going journey of change for the case company. If the research project were to be repeated, answers would probably show that Saab has reached further in its journey to become One Saab.

2.8 Validity

In order to achieve validity, the purpose of this thesis has been in focus and in the back of our minds throughout the research project. Concerning qualitative studies, there are mainly two types of validity, internal and external (Bryman & Bell, 2011). Internal validity concerns the interrelationship between variables and their causality. This is not a problem in this thesis since we describe the history of what has already happened, in Saab’s journey to become One Saab. However, this is done by the words of the respondents and
we realize that the respondents’ experience and personal opinions may color the results. To accommodate this problem, we have conducted three separate interviews.

Moreover, there is the issue of external validity, which concerns if generalizations can be made (Bryman & Bell, 2011). The journey to become One Company may look completely different at another company. Despite this, the work method a company may use in order to reorganize and try to become One Company can be similar to the one described with the illustration of the tentative model which is presented in Chapter 4.

### 2.9 Target Audience

The target audience for this thesis is Saab and Logica specifically, but also anyone interested in corporate strategy in general and in One Company in particular. Moreover, the target for this study is also other students in business administration.
3 Components of the One Company Concept

In this part, the chosen theories are presented and developed. The typology of parenting advantage and parenting style is introduced. After this, two important terms are introduced; strategic congruence and integrated control. Finally, strategy implementation is discussed.

3.1 Presentation of the Components and their Interrelations

This study is limited to three main theories which help describe the One Company concept. The reader should know that this thesis is not to be considered as a complete definition of the concept of One Company. A scientific contribution of this thesis is to contrast several theories (Rienecker & Jorgensen, 2009). The chosen theories all address the One Company concept but in differing terminology.

As a starting point, a suggestion came from Mikko Lareva at Logica to use “Corporate-Level Strategy – Creating Value in the Multi-business Company” by Goold, et al. (1994). These authors focus on the corporate level and do not investigate in detail the role of the business unit. This is why theory about business level strategy needs to be included.

In the search for an update of the parenting framework which is introduced by Goold et al. (1994), an article, by Swedish author Fredrik Nilsson, was found: “Parenting styles and value creation: a management control approach” (Nilsson, 2000). As the literature search continued, at the library and in article data bases such as EBSCO Host, for the concept “One Company”, the importance of the two terms strategic congruence and integrated control was revealed. These terms, coined by the same Fredrik Nilsson, former professor at Linköping University (and presently at Uppsala University), are developed and discussed in the book Understanding Competitive Advantage – the Importance of Strategic Congruence and Integrated Control (Nilsson and Rapp, 2005). This book is the second main source of this research project since the typology has great relevance to the One Company approach. As mentioned earlier, the concept of “One Company approach” is used at Uppsala University (2011). Still, there are no scientific articles which describe this approach and it has not been found in academic literature at Linköping University. However, the authors of this thesis suggest that the concept is in part studied here as well. The concept of One Company is studied in dissertations by Anjou (2008) and Nilsson (2010) from the perspective of Fredrik Nilsson’s terms “strategic congruence” and “integrated control”. In this thesis it is argued that in order to be One Company there needs to be strategic congruence and integrated control, even if these are not the only requirements. The main interest of the Linköping studies is that they focus on strategy on all levels in the company; corporate, business unit and functional level, which is not common. However, the functional level is not included in this research project and there
are specific reasons for this. Primarily, the functional level and its impact on the concept of One Company were not considered beforehand; this relation has been established during the study. Contrarily, the starting point for the One Company concept was the corporate level and its influence on the business level. Secondly, to get a complete picture of the functional level required an extensive foundation built on more interviews than there was time for in this bachelor level thesis. However, the business unit level is included to a limited extent. Porter (1980; 1987) focuses on the business unit level, but has a rather narrow typology with only two alternatives for generic business strategy. Nilsson and Rapp’s (2005) tentative model builds on Porter’s typology, but this model is only a tool, and a starting point for the discussion of strategic congruence and integrated control. In the model by Nilsson and Rapp (2005), it is not the business strategy itself that is in focus, but how it relates to and is congruent with corporate level strategy which is important in this research project.

The important relationship between corporate and business strategy also implies that strategy must have a large role in organizations; it must be put in the center. The third main theory addresses this. In The Strategy-Focused Organization (Kaplan & Norton, 2001) strategy is in focus but this theory also emphasizes the role of the Balanced Scorecard. This concept is presented in section 3.5, and from now on referred to as the BSC. However, in this research project their model is interpreted as one way of implementing strategy, not necessarily with the BSC in focus, but more with the BSC as one possible tool. In order to measure implementation of strategy and illustrate how a company strives to become One Company, several maturity models were presented by the mentor at Logica. Some of the models were too IT-related to be used in this business-related research project and the choice thus became the Strategy-Focused Organization by Kaplan and Norton (2001) since it is more focused on strategy and management control.

These theories are components of the One Company concept and they will be further explained in the following sections.

### 3.2 Corporate Strategy and Parenting Advantage

Anthony and Govindarajan (2007) describe generic corporate strategies as a continuum with single industry firms at one end of the spectrum and unrelated diversified firms at the other end. This implies that related diversified firms are in the middle of the spectrum. The authors continue by explaining that many companies do not fit neatly into one of these three classes, however, most companies can be classified along the continuum. To sum up, this is a rather wide description of corporate strategy.

Another definition of corporate strategy is given by Prahalad and Hamel (1996). They suggest two terms: portfolio of businesses and portfolio of competences (Prahalad and Hamel, 1996). These authors also coined the term core competence which has been
ground-breaking in the understanding of corporate strategy (Prahalad & Hamel, 1990). Anthony and Govindarajan (2007) define core competence as what a firm excels at and what adds significant value for customers. Prahalad and Hamel (1990), claim that there are at least three tests that can be applied to identify core competences in a company. First, a core competence provides potential access to a wide variety of markets. Second, a core competence should make a significant contribution to the perceived customer benefits of the end products. Finally, a core competence should be difficult for competitors to imitate. On the contrary, Prahalad and Hamel (1990), suggest that a company that compiles a list of 20 to 30 capabilities has probably not produced a list of core competencies. Moreover, strategy can be described as a matching of a firm’s core competence with industry opportunities (Anthony and Govindarajan, 2007).

A third definition of corporate strategy is the typology of Porter. This typology for corporate strategy consists of portfolio management, restructuring, transfer of skills and activity-sharing (Porter, 1987). Two of these terms, portfolio management and activity-sharing are used in the tentative model of Nilsson and Rapp (2005). The terms are related to the One Company concept, which is shown later in this thesis.

A fourth typology of corporate strategy is the one by Goold et al. (1994). These authors claim that few multi-business companies have a clear answer to the question: “What is your corporate strategy?” For most companies, corporate strategy is only the sum of division strategies, in addition to some broad objectives and a companywide statement of mission. In other words, Goold et al. (1994) claim that corporate level strategies often are underdeveloped and that focus in the planning process is within business strategy. If this is the case, the authors argue that multi-business companies consist of units that could be stand-alone companies.

Moreover, Goold et al. (1994), continue to explain that the core competence concept implies that businesses are related if they have common technical or operating know-how. Porter (1996) expanded the thoughts of core competence and fit in the article “What is Strategy?” He coins the activity mapping system and argues for the importance of fit among activities. However, this discussion was only held at the business unit level, which is not enough. Prahalad and Hamel (1990) question how many senior executives discuss the crucial distinction between competitive strategy at the level of a business and competitive strategy at the level of an entire company. This distinction between strategies on different levels is thus important and Goold et al. (1994) argue that their parenting framework can help to create a competitive corporate strategy.

These typologies of corporate strategy can be put together along a continuum which shows increased synergy potential and increased diversification degree. Figure 3-1 visualizes this continuum and relates the typologies to each other.
According to Goold et al. (1994), corporate strategy should guide corporate level decisions, just as business strategy should guide business level decisions. Moreover, Goold et al. (1994) claim that two questions are central in corporate level decisions:

1. **In what business should the company invest its resources; either through ownership, minority holdings, joint ventures or alliances?**

2. **How should the parent company influence and relate to the business under its control?**

The parenting framework focuses on the competences of the parent organization and on the value created from the relationship between the parent and its businesses (Goold et al., 1994). This strategic fit is to match core skills, expertise and resources of the parent with necessary improvements of the business unit (Moore & Birtwistle, 2005). However, if there is no fit, the parent could also destroy value. If the parent can create value it makes sense to develop corporate-level strategies. Goold et al. (1994), continue to explain that by finding out how value is created or destroyed, a corporate strategist can consider what changes that might improve fit.

According to Goold et al. (1994), there are four kinds of value creation that a corporate parent can produce. Moore and Birtwistle (2005) have further explained the four types which are presented in Table 3-1.
Goold et al. (1994) argue that to avoid the corporate parent from destroying rather than adding value, the parents need to have a “feel” for their business. This implies that the parent is aware of the business’ critical success factors and that it can judge whether or not the business is on track and performing well. Goold et al. (1994) suggest to first examining these critical success factors to be able to decide where the influence of the parent is positive and where it is negative. The analysis of the critical success factors is an important base to assess fit.

Goold et al. (1994) describe the fit between the characteristics of the parent and the characteristics of its businesses. They call this a “Parenting advantage“, and define the term as a fit which creates more value than rival parents could. The authors claim that the corporate strategy should clarify the company’s ability to achieve parenting advantage in terms of how and where. This leads them to draw parallels with the concept of business strategy and competitive advantage (Porter, 1987). Goold et al. (1994), claim that a company can have a competitive advantage when it comes to business strategy; by outperforming its competitors in operational effectiveness, quality or any other aspect. Moreover, a company can also have an advantage through their corporate strategy; a parenting advantage.

According to Goold et al. (1994) there are three conditions for a company to attain a parenting advantage:

1. **A corporate strategy targeted at parenting opportunities which have not yet been adopted by rivals or is substantially different.**

2. **More suitable parenting characteristics for realizing parenting opportunities than competitors.**
3. A more developed comprehension than competitors of business where its value-creation insights and parenting characteristics are most effective and what unfavorable parenting characteristics that would cause value destruction.

Moreover, Goold et al. (1994), present parenting characteristics and place them into four categories (Table 3-2). The parent characteristics may create or destroy value for the business units (Moore & Birtwistle, 2005).

<table>
<thead>
<tr>
<th>Parent Company Characteristic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental maps</td>
<td>The rules and models that guide parent managers in order to interpret and synthesize information. These serve as a blue-print for management decision-making and explain patterns of behavior.</td>
</tr>
<tr>
<td>The corporate, parenting structures, systems and processes</td>
<td>These are the mechanisms through which the parent creates value. These dimensions include budgeting and planning, capital approval systems and decision-making procedures.</td>
</tr>
<tr>
<td>Functions, central services and resources</td>
<td>The corporate staff departments and central assets that support subsidiary management in the value creation process.</td>
</tr>
<tr>
<td>Decentralization contracts</td>
<td>The extent to which companies have decentralized by delegating responsibilities and authority to business-unit managers; the jurisdiction distinction between the parent and the subsidiary company in relation to decision-making powers and budgetary authority.</td>
</tr>
</tbody>
</table>

Table 3-2 Parent Company Characteristics
(Source: Goold et al., 1994; Moore & Birtwistle, 2005)

3.3 Parenting Style

Parenting style is, according to Nilsson (2000), a broader concept than corporate strategy, since parenting style focuses on the ability of group management to create value as well as on the design and use of systems for strategic planning and control. Moreover, Nilsson (2000) explains three parenting styles: financial control, strategic planning and strategic control. The three parenting styles differ in the extent of corporate planning influence and corporate control influence (Goold et al., 1994).

At one end there is financial control, which has low corporate planning influence, but tight financial control. In the middle there is a mix of control and planning influence in the strategic planning style. A high level of corporate planning influence and flexible control influence is what signifies the strategic planning parenting style. The three parenting styles are presented in Figure 3-2.
The parenting style strategic planning is based on linkage influence (Goold et al., 1994). Group management is involved in the strategic formulation for the business units and they create synergies through integration between business units. Follow-up is mainly based on non-financial measures and a comprehensive corporate scorecard is used. According to Goold et al. (1994), the strategic philosophy of a company with the strategic planning parenting style is core competence.

Financial control is a parenting style based on autonomy or stand-alone influence (Goold et al., 1994). Stand-alone influence means that most strategic decision-making is done at the business unit level but there is tight financial control and thus it is very important to follow up the annual budget. The strategic philosophy is portfolio management since the company usually have many and diverse businesses. The corporate center has a strictly financial role and the detail level of information which reaches the corporate center is low (Goold et al., 1994).

Strategic control is an attempt to combine the two earlier parenting styles. In these corporations, decision-making is decentralized and various planning systems are what maintain overall control (Goold et al., 1994). Moreover, there will be clusters of business units with high synergy potential as well as low synergy potential. Financial targets are set by the corporate center but strategy is merely reviewed and actions are not coordinated by the center. It is up to the strategic business units to develop their own strategy and figure out what to do in order to reach the financial targets. This parenting style is used when the number of businesses as well as the level of information at the corporate center is
medium. The method used by the corporate center is often a limited corporate scorecard (Goold et al., 1994).

A summary of the characteristics for the three parenting styles are presented in Table 3-3.

<table>
<thead>
<tr>
<th>Parenting Style</th>
<th>Strategic Philosophy</th>
<th>Role of Corporate Center</th>
<th>Role of SBUs¹</th>
<th>Typical Number of Businesses</th>
<th>Corporate Evaluation Methods</th>
<th>Detail level of the information in the corporate center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Control</td>
<td>Portfolio</td>
<td>Financial. The center aims to provide a better investments performance.</td>
<td>Manage strategy against tight financial targets set by center. Autonomy SBUs.</td>
<td>Many diverse</td>
<td>Financial</td>
<td>Low</td>
</tr>
<tr>
<td>Strategic Control</td>
<td>Linkages</td>
<td>Center coordinates and reviews strategy. Sets fairly tight financial &amp; strategic targets. Attempts to create links between businesses to create competitive advantage.</td>
<td>Develops strategy but coordinated by center.</td>
<td>Medium</td>
<td>Limited Corporate Scorecard and Financial</td>
<td>Medium</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Core Competence</td>
<td>Center drives strategy around important potential synergies or competences. Strongly coordinating actions and creating linkages between units.</td>
<td>Concentrates on implementation of strategy but also assists with corporate strategy.</td>
<td>Low related</td>
<td>Comprehensive Corporate Scorecards. Balanced aspects.</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 3-3 Parenting Style Characteristics
(Source: Goold et al., 1994)

Anthony and Govindarajan (2007), suggest that strategies can be found at two levels. First there are strategies for the whole organization, in this thesis referred to as corporate strategies. Secondly, there are strategies for business units within the organization. There is a need for consistency in strategies across business units and corporate levels even if the strategic choices are different at different hierarchical levels (Anthony and Govindarajan (2007). The business unit level of strategy and its relation to corporate level strategy is presented and discussed in the next section.

¹ SBU means Strategic Business Unit
3.4 Business Strategy and Strategic Congruence

The typology for business strategy has been described by several academic writers. For instance, Miles and Snow (1978) discuss business strategy in terms of defender and prospector. Gupta and Govindarajan (1984) refer to the business units’ mission as harvest, hold or build. Anthony and Govindarajan (2007) explain these three business unit missions and adds a fourth: divest. A build mission means that the business unit has an objective to increase market share. This is to be done even at the expense of short-term earnings and cash flow. A hold mission implies that the business unit is to protect its market share and competitive position. The third business unit mission is harvest; the objective is to maximize short-term earnings and cash flow. This objective is to be reached even if it affects market share negatively. The divest mission means simply to stop performing, either through slow liquidation or outright sale.

Anthony and Govindarajan (2007), claim that in order to accomplish its mission, each business unit should develop a competitive advantage. Porter (1980) has defined two generic competitive advantages: cost leadership and differentiation. Cost leadership can be achieved through economies of scale and tight cost control. Differentiation on the other hand, is meant to create a greater value for customers by creating something that is perceived as being unique.

The relationship among these typologies of business strategy can be shown on a continuum of increased environmental turbulence and increased importance of product uniqueness (Figure 3-3).

![Figure 3-3 The Relationships among Three Typologies of Business Strategy](Source: Nilsson & Rapp, 2005)
Nilsson and Rapp (2005) have chosen to focus on Porter’s typology of cost leadership and differentiation in their tentative model that is presented in Section 3.6. With the help of their tentative model and with Porter’s typology as a basis for discussion, Nilsson and Rapp (2005) define the term strategic congruence. This is consistent corporate, business and functional strategies at all organizational levels which are appropriate to the competitive arena and to overall strategic aims. It is not only important to have fit within the company, but it is also important to achieve a fit between the firm’s environment and its strategy.

Nilsson and Rapp (2005) agree with Goold et al. (1994) that the parent has an ability to create value and to play an active role in creating an integrated strategy; to reach strategic congruence. The parent can help to get strategy accepted throughout the company and possibly to establish policies and constraints to regulate decisions of all units. In order to have a competitive advantage there needs to be common business logic within the company (Nilsson & Rapp, 2005). Common business logic ensures clarity about what mechanisms create value; where synergy potential exists between individual business units. Strategies at all levels should be based on this common business logic (Nilsson & Rapp, 2005). Common business logic can be found by using or defining a limited number of critical success factors that are favorable to the creation of a uniform management style.

Moreover, Nilsson and Rapp (2005) have developed a tentative model that shows possibilities of fit between strategies on different levels. The model is built on Porter’s typology for both the corporate and business level. Nilsson and Rapp (2005) motivate their choice of this typology with that it has been empirically tested, that they are internally consistent, as well as widely accepted among scholars. However, any chosen typology could have led to similar results and the same discussion of the importance of strategic congruence between organizational levels (Nilsson, Erik B., personal communication, 2011-05-11). Nilsson and Rapp (2005), suggest that there are two possibilities for achieving fit with the help of combinations of strategies at the corporate and business level.

One is to have a corporate strategy of activity sharing in combination with a business strategy of differentiation. Another fit is to have a corporate strategy of portfolio management and a business strategy of cost leadership. Fit in this model means that these combinations have strategic congruence as well as integrated control. Fit may also be possible within the combination of activity sharing and cost leadership. All these combinations are shown in Figure 3-4 on the next page.
When the environment is turbulent, the combination of activity sharing and differentiation is suitable, according to Nilsson and Rapp (2005). Because of a turbulent environment, investments become more risky and corporate management needs to have a long-term perspective. Moreover, the authors claim that the activity sharing strategy usually involves having a clear core competence in focus (Nilsson & Rapp, 2005). This core competence often leads to great involvement of corporate management in the development of the business units. Goold et al. (1994) give an example of this when they suggest that the primary task of corporate management is to co-ordinate activities and make decisions to realize synergies. Nilsson and Rapp (2005), state that a long-term perspective and close collaboration makes activity sharing and differentiation an appropriate combination. The authors also claim that this close interaction between corporate and business-unit management is part of a learning process. This learning process can improve day-to-day management of the organization as well as help in the development of internal structures.

The quest for harmonization and alignment in companies’ businesses constitutes the mutual characteristics of the chosen pieces of theory in the different approaches. Nilsson and Rapp (2005) claims that this is achieved by fit between strategies at corporate and business unit level. This is strategic congruence and Nilsson and Rapp (2005) argue that there cannot be strategic fit without integrated control.
3.5 *Balanced and Integrated Control*

The management control system of a company is a central tool used to formulate and implement strategies (Nilsson, 2010). By integrated control Nilsson and Rapp (2005) mean that it facilitates a high degree of internal fit between strategies, internal structures and expected performance of the organization. Integrated control exists when strategic planning and follow-up at each organizational level are coherent throughout the firm (Nilsson & Rapp, 2005). One way of achieving coherence and internal fit is by using a common frame of reference to create meaningful communication between different levels within the organization.

“The purpose of integrated control is to facilitate the exchange of information between different organizational levels and decision-makers concerning strategic, tactical, and operating decisions.”

(Nilsson & Rapp, 2005:120)

Integrated control is intended to help in choosing and implementing strategy. Common business logic, and thus a uniform set of concepts, is helpful in order to discuss the establishment of an integrated control system and to show how it can create competitive advantage. According to Nilsson and Rapp (2005), there are several dimensions which have an impact on the possibility to establish coherent strategic planning and follow-up. Among these dimensions are tight and loose control, monetary and non-monetary control, and the time horizon.

Control can either be tight or loose and the corporate level’s position on this continuum depends on synergy potential (Nilsson & Rapp, 2005). The difference between tight and loose control lies within how the management chooses to plan and monitor the business performance. According to Anthony and Govindarajan (2007), tight control is exercised if management monitors the activities of business units frequently. Moreover, goals are often short-term as well as specific and the follow up is detailed. On the other side, if management is characterized by limited involvement in day-to-day operations, control is loose (Nilsson & Rapp, 2005). Moreover, if follow-up is less frequent and less detailed, this is also a sign of loose control. Anthony and Govindarajan (2007) continue to explain that if the budget is more of an instrument of communication and planning than a binding contract there is loose control. Nilsson and Rapp (2005) claim that many companies have had tight monetary control earlier, but now control is becoming more and more flexible or loose. In addition to this, non-monetary information is becoming more and more important and an essential element of management control.

There needs to be a balance between financial and non-financial measures in order to implement strategy and to measure performance. Nilsson and Rapp (2005) claim that management control and follow-up based strictly on monetary aspects share little relationship with the firm’s goals and strategies. Moreover, Nilsson and Rapp (2005)
argue that firms who put this into practice will be losing competitiveness. The best known control model with both non-monetary and monetary measurements is the Balanced Scorecard (BSC). This concept was introduced in 1992 by Robert S. Kaplan and David P Norton, and it is widely spread. The BSC is a performance measurement method that includes not only traditional financial measures but also qualitative measures such as employee satisfaction, corporate mission and customer loyalty (Kaplan & Norton, 2001). In Sweden, the BSC method has been popularized by the books of Nils-Göran Olve (e.g. Olve et al., 2004). There are other models than the BSC which emphasize the importance of non-monetary information, for example the Performance Pyramid (cf. Nilsson & Rapp, 2005). An interpretation of this model is presented in the next section. It is not all companies that have implemented balanced control. Nilsson and Rapp (2005) claim that there are many firms who still today use the planning and follow-up procedures that where criticized in the 1980s and led to models like the BSC. Nilsson and Rapp (2005) argue that this is probably one reason why some firms are unable to formulate and implement value-creating strategies and therefore loose competitiveness.

The dimension of time horizon also relates to synergy potential (Nilsson & Rapp, 2005). At the corporate level, the time horizon tends to be linked to synergy potential as well as the corporate strategy which is related to this potential. Moreover, according to Nilsson and Rapp (2005) the time horizon is manifested in the design and use of management control. In short, these authors argue that it will be easier to establish integrated control if all organizational levels conduct their activities on similar time horizons (Nilsson & Rapp, 2005).

Next, a way of implementing strategy and tools such as the BSC is introduced with the help of Kaplan and Norton’s theory of *The strategy-focused organization; How balanced scorecard companies thrive in the new business environment* from 2001.

### 3.6 Implementation of Strategy

Anthony and Govindarajan (2007) mention that there are several tools to implement the desired strategy. One of these tools is management controls, another is through the organization’s structure, the third is through the organizational culture, and the fourth is by management of human resources (Figure 3-5).
According to Kaplan and Norton (2001) it is important for companies to clarify the corporate vision in order to be able to implement strategy. Goold et al. (1994) agree and expand by saying that it is important to understand critical success factors in businesses. This is necessary in order to reduce the risk of causing accidental damage to the business and to maintain fit and retain value creation. In order to implement strategy to reach the vision, it is important for a company to define critical success factors. At the bottom of the performance pyramid (Figure 3-6) are the four perspectives that are commonly used in the BSC. As seen in the figure, the four perspectives are financial performance, customer knowledge, business processes, together with learning and growth.

The financial perspective reveals facts about the company’s history, its past events. Moreover, it reflects how well the firm is doing in creating value for its owners (Nilsson & Rapp, 2005). A company’s customers and business processes explain what activities the company is involved in right now. According to Nilsson and Rapp (2005), the customer perspective intends to show how relationships are managed and the business process
perspective relates to the efficiency of internal business processes. The learning and growth perspective should give a hint about the future of the company and what knowledge is needed to move forward (Anthony and Govindarajan, 2007), as well as show how the firm manages learning and innovation.

These four perspectives are used to measure implementation of strategy. The key performance indicators from the operational level should build the critical success factors for the company which need to be achieved in order to implement and execute strategy. An implemented strategy will then move the company in the direction of the vision. Kaplan and Norton (2001) emphasize the importance of non-financial measurements, especially in turbulent business environments. Kaplan and Norton (2001) describe that there are two sides of strategy implementation and follow-up; one hard side with maps, measures, processes and procedures, and one soft side with leadership, culture and teamwork. The BSC is one way of showing a balance of these two sides.

Moreover, according to Kaplan and Norton (2001), managing strategy is in many ways managing change. In order to manage strategy, it needs to be put in the center of the organization; focus needs to be on strategy. Kaplan and Norton (2001) continue to explain that the BSC can be used as a tool for implementation of strategy and that the use of tools like this result in a more strategy-focused organization. Strategy implementation can be done in accordance with the five principals of the strategy-focused organization model. When all these principals have been accomplished, the organization has transformed into a strategy-focused organization and has an ability to execute its strategy (Norton, 2002). The five principals are:

1. **Mobilize change through executive leadership**
2. **Translate strategy into operational terms**
3. **Align the organization to the strategy**
4. **Motivate to make strategy everyone’s everyday job**
5. **Govern to make strategy a continual process**

Figure 3-7 shows the strategy-focused organization’s readiness model, which is a useful tool to describe the organization’s ability to execute and implement strategy (Brown, 2002). As seen in the figure, all five principals can be evaluated on five different levels. The principal may not yet be under consideration; it may be considered but not yet implemented; it may be acted upon; it may be fully implemented or the organization may even be best practice at it (Kaplan & Norton, 2001).
The first principal is to mobilize change through executive leadership; to define a vision and to create a corporate team that truly understands this vision. Kaplan and Norton (2001) describe that it is the executive management who take the initiative for managing a change. The top leadership team needs to be committed to the change and experience a cause for change; a burning platform is to be clearly articulated (Norton, 2006). Then, the whole leadership team needs to be educated and engaged. After that follows a development of a vision and an outline of a strategy. Usually, the customer plays an important role in the change process and is a focal point. A change also leads to new rules.
and roles and the authors claim that it requires integrated, cross-functional behavior to execute strategy; it leads to understanding a new way of managing the organization (Norton, 2002). This is the starting point, Phase I, for a holistic view on strategy.

The next two principals make up Phase II, which consists of design and rollout of the articulated strategy through translation and alignment (Kaplan & Norton, 2001).

The second principal is to translate strategy into operational terms and according to Kaplan and Norton (2001) this can be done with the help of a strategy map. According to Kaplan and Norton (2000), the key to executing a firm’s strategy is to make people understand the strategy. This includes crucial but obscure processes like how intangible assets will be converted into tangible outcomes. Kaplan and Norton (2000) argue that strategy maps can help organizations to communicate and visualize the strategy and show employees how their individual work are linked to the overall objectives. This link can create a sense of accountability; that people of the organization feel involved and take responsibility for their actions in order to accomplish their specific targets. This increases collaboration and coordination towards the goal of the company. A strategy map usually includes the four perspectives of the BSC; financial, customer, business or internal processes, as well as the learning and growth perspective. Moreover, the strategy map is a summary of activities that a company performs in order to reach its targets. Another measurement tool is the BSC. Both these tools are helpful when breaking down the strategy into targets and initiatives. According to Norton (2006), targets needs to be established and initiatives should be rationalized. Once the measures have been developed by top management it needs to be linked to the business units and to the support units (Norton, 2002).

To align the organization to strategy is the third principal; there needs to be a fit between the strategy and the organization. Preferably, there should also be goal congruence. The BSC can be used to link corporate goals to business units and support units (Kaplan & Norton, 2001). A corporate role should be defined (Norton, 2006); in other words, a parenting style should be chosen. Moreover, to fully execute the strategy, the leadership of each business unit needs to get comfortable with the approach (Norton, 2002). To put it differently, the corporate level needs to be aligned with the business units and in turn, the business units need to be aligned with the support units as well as external partners (Norton, 2006). Alignment is also necessary for the board of directors. Kaplan and Norton (2001) continue to explain that when appropriate measures have been articulated it may lead to restructuring and to shutting down programs that do not impact the chosen measures. It requires the management to prioritize among investments.

Since strategy is formulated from the top but executed at the bottom of an organization, it is important that everyone understands the strategy and that governance processes are linked with strategy (Kaplan & Norton, 2001). This is described in the fourth principal which is part of Phase III, the last phase, to become a strategy-focused organization.
The fourth principal is very important and may be the most difficult one. In order to execute the strategy, Kaplan and Norton (2001) suggest educating and empowering all co-workers of the organization about the formulated strategy. It is important for activities and behavior to be changed according to the new strategic focus; a new way of managing must emerge (Norton, 2002). Communication is key and it needs to be comprehensive and continual as well as preferably personal, since personal communication has the greatest impact. After strategy awareness is created through communication, personal goals should be aligned, as well as personal incentives (Norton, 2006). Finally, competency development should be aligned.

Finally, the fifth principal states that when a vision is clearly stated; the strategy to achieve it is identified; the strategy has been translated and accepted throughout the organization; the internal processes should be adjusted accordingly. With the help of the BSC, strategy can be linked with the governance processes of budgeting, reporting, planning and reviews (Norton, 2002). Norton (2002) also claims that sustainable value can be achieved by analyzing soft values such as customer profitability, product quality, and employee skills. These and other soft values, such as leadership, culture and teamwork are as important as the hard measures, for instance financial measures or measures developed by tools such as strategy maps and the BSC. Once a BSC reporting system is established there needs to be frequent strategy review meetings and planning, budgeting and strategy needs to be integrated (Norton, 2006). Norton (2002) also suggests that operational management programs can be linked to the BSC to ensure alignment. Moreover, human resources (HR) and IT planning should be linked to strategy as well as knowledge sharing (Norton, 2006).

In the next chapter, the five principals have been combined with the parenting typology from Goold et al. (1994) as well as the terms strategic congruence and integrated control from Nilsson and Rapp (2005) in a tentative model.
4 One Company - A Tentative Model

This chapter introduces a tentative model that the authors of this thesis have developed. The model combines all the relevant terms and gives a visual presentation of the components of the One Company concept. Since the One Company concept is something not completely defined in academic literature, this part is a development of a perspective on One Company. This perspective has its base in academic theory and some requirements have already been presented as components of the One Company concept. The following chapter first includes an explanation of what parenting style is significant for this research project's perspective of One Company. Afterward, the possible strategic fits are described, which are requirements for One Company. The discussion then results in a model which relates the important components. An illustration of these components put together is then used as a starting point for analysis of Saab and its journey to become One Company, in the next chapter.

Goold et al. (1994) claimed that the question “What is your corporate strategy?” made multi-business companies uncomfortable back in the 90’s. A lot has happened since, and many companies today have a corporate strategy which includes becoming “One Company”. It is argued in this thesis that a clear parenting advantage is a necessity to be One Company. Without a parenting advantage the point of being One Company is lost, since it is a concept based on the corporate influence on business units. To influence a business unit without a parenting advantage will according to Goold et al. (1994) destroy value. Goold et al. (1994) also argue that a “feel” for the business is required and that parenting characteristics need to fit the business units and that the corporate level must be able to seize parenting opportunities.

Moreover, One Company is about making strategy emanate from the corporate level. This requires an influence from corporate level over its business units and an organization that is aligned and harmonized when it comes to processes, tools and work methods. This is to a large extent a completion of the strategy-focused organization model. Moreover, it is important that the company as a whole is strategy focused. It is possible to achieve strategic focus in some business units, without having the corporate level define strategies throughout the whole corporation. If this is the case, the company is perceived as a synergic corporation in the typology of corporate parenting styles (see Figure 4-1).

In a synergic organization, the corporate level is used as a “sounding board”, for the business units to address questions to and raise issues in front of. By moving one step to the right in the figure, thus increasing the financial control and decreasing the corporate planning influence, there is the holding company. In this scenario, the corporate level has no influence on business strategy at all.
One Company is about the corporate level setting the game plan rather than autonomous business units acting on their own. The One Company approach is a quest for core competence and therefore One Company is positioned as the strategic planning parenting style as can be seen in the figure. The main characteristic for strategic planning is that the corporate level defines strategy, which is to be implemented throughout the whole corporation. As mentioned earlier, in the strategic planning parenting style, the center drives strategy around important potential synergies and competences. The business units or business areas concentrate on implementation of strategy and assist with corporate strategy. The business units are relatively few and related and the corporate scorecard needs to be comprehensive with both non-financial as well as financial measurements. The level of information at the corporate center is high.

However, strategic planning and parenting value creation is not enough to be One Company. The thoughts from Goold et al. (1994), about how the parent imposes value, are important but the One Company perspective of this research project is viewed as an even wider term. Moreover, the thoughts of Goold et al. (1994) can also be fairly unclear. The parenting framework has an overwhelming focus on the corporate level and pays little attention to levels below. Therefore it is argued that in order to be One Company, what Nilsson and Rapp (2005) call strategic congruence and integrated control has to be established as well. They emphasize that it is important for companies to have a fit between strategies at different levels within the organization and that these strategies must be harmonized. Nilsson and Rapp (2005) argue that it is also important that the management control systems are aligned and harmonized; that there is a fit between
management control systems at different levels in the organization. It was showed in the previous chapter what type of corporate strategy that fits with what business strategy. The perspective of this thesis suggests that the corporate strategy should be activity-sharing in order for an organization to be One Company. This is showed by the circle in Figure 4-2.

Figure 4-2 A One Company Perspective on Nilsson and Rapp's Model
(Source: Nilsson & Rapp, 2005, modified)

Nilsson and Rapp (2005) present different possibilities or company configurations which are able to create strategic congruence and integrated control. However, Nilsson and Rapp (2005) also have their limitations because their typology is largely based on the thoughts of Porter (1980, 1987).

In this thesis, the One Company perspective emphasizes translating and breaking down strategy into measurable pieces and also making strategy “Everyone’s job”. Therefore, the strategy-focused organization model from Norton and Kaplan (2001) fills these gaps and tie Goold et al. (1994) together with Nilsson and Rapp (2005). These connections are illustrated in the tentative model (Figure 4-3). It describes a perspective of One Company and it functions as a foundation for further discussion and analysis of Saab. To clarify, Saab is analyzed with the help of the five components in the pentagon. All of the five components are explained further after the figure. Similar to the strategy-focused organization’s readiness model, the tentative model has five levels for each component.
1. The upper right side of the pentagon is the starting point of our model. The foundation of One Company is value added by the corporate parent. This side in the figure is a combination of parenting advantage from Goold et al. (1994) and of executive leadership from Kaplan and Norton (2001). As presented earlier, strategic planning is the parenting style that represents the One Company perspective in this thesis.

2. The upper left side is about how well the company manages to translate their strategy into operational terms. There are several tools for translation of strategy, for instance strategy maps and the BSC. This is a design issue of the firm’s management control system. However, the choice of tool is not essential; it is the end result that matters and the design should result in integrated management control systems.

3. The lower left side represents Nilsson and Rapp’s (2005) perspective of strategic congruence. It is seen as a necessity in order to be able to align the organization; the strategy must be congruent from corporate- to business- and in the end too operational level.

Figure 4-3 A Tentative Model for Illustrating a One Company Perspective
4. The bottom is inspired by the strategy-focused organization model, but in the tentative model of this thesis it is also seen as an important design tool to create integrated management control systems within the organization. To paraphrase Kaplan and Norton (2001) in the end it is the employees who execute strategy.

5. The lower right side represents the use of the management control systems. There must be an integrated control within the business which means that there is a fit between the management control systems at all levels throughout the organization. This is essential in order for firms to be One Company and it will help make strategy a continual process.

This chapter has introduced the tentative model of this thesis. The model is used in the analysis of Saab which is presented in Chapter 6. First, the empirical findings are presented.
5 Saab’s Journey to Become One Company²

In this chapter the case company Saab is presented. First, a short description is given of the company and its background; which includes a presentation of the company vision, mission and its strategic priorities. It is also presented how Saab translates the vision and strategy into operational terms. Then, we describe how the One Saab initiative started and show how cost savings is an important driving force. Moreover, Saab’s corporate influence is discussed as well as the company’s core competence. Saab’s new organizational structure is a very important tool in order to accomplish the vision of One Company. This vision has also lead to major changes in IT-environment and the introduction of a global management system.

5.1 Introduction of Saab

Saab AB, Svenska Aeroplan Aktiebolaget (in this thesis simply referred to as Saab), was founded in 1937. The company was established to meet a need in the domestic military aircraft industry in Sweden. Today, Saab serves a global market with high technology products, services and solutions from military defense to civil security. There are operations on all continents and Saab continuously develop, adapt and improve new technologies to meet the changing needs of their customers. The vision of Saab is:

"It is a human right to feel safe.”

(Saab Group, 2010:9)

Saab makes this vision possible through systems and solutions that increase security. The company’s quest since inception has been to keep society and people safe. The mission of Saab describes how they work to achieve the vision: "To make people safe by pushing mental and technological boundaries." (Saab Group, 2010:9). The official core competence of Saab is described by the words of the CIO:

“A lot of what we do, both in airplanes and in services is systems engineering – complex integrated system solutions, business management systems, decision support systems”

(CIO)

² Unless otherwise explicitly stated this chapter is based on the following sources of information: Mats Hultin, CIO; Mats Ran, Head of Application & Business Integration; Sunil Joshi, Head of Group Quality & Environment; Martin Hjelm, Change Leader at Saab Aeronautics; and Erik B. Nilsson, PhD Linköping University.
Since January 1st, 2010, Saab has divided operations into a total of five business areas: Aeronautics, Dynamics, Electronic Defense Systems, Security and Defense Solutions, Support and Services. The division into five business areas was made in order to adapt to new conditions in the industry and because the global defense industry is undergoing an extensive transformation. The change in organizational structure started as a market-driven initiative and the goal is to create a more market-oriented company that has an increased focus on customers’ future needs and requirements.

In 2011, the strategy of Saab is focused on four priorities or long-term strategic goals:

1. **Profitable growth** - Evaluate current positioning and identify growth opportunities.
2. **Performance** - Work with efficiencies and continuous improvements.
3. **Focused portfolio** - Adapt the portfolio to areas with strong competitive advantages and growth opportunities.
4. **People** - To be an employer of choice in the global market. Our employees are the backbone of our offering and our growth.

![Figure 5-1 Saab's Strategic Priorities](source: Saab Group, 2010:11)

Saab’s plan to achieve long-term profitable growth is to stay focused on established markets, such as the European countries, South Africa and Australia. Moreover, an intention is to establish a stronger presence in North and South America as well as Asia. Concerning performance, Saab focuses on efficiencies in operations. During the last three-year period, Saab’s cost base was reduced with SEK 1.5 billion. In order to achieve growth, investments in the portfolio will be prioritized. These investments imply both product innovation, in addition to renewal and upgrades of existing products. Moreover, the foundation of the strategic goals is the people of the organization and this is visualized in Figure 5-1. Saab’s employees are considered to be the enabler of strategy implementation. In 2010, the people priority was harmonized; overarching Human Resource (HR) processes were harmonized “to better address business-critical HR related issues” (Saab Group, 2010:13)
5.2 The Strategy Process at Saab

In 2002, Saab created a corporate function called Strategy and Business Development. As explained in Nilsson (2010), a central change was that the strategic work was included in an overarching corporate process, which the business units participate in. The strategic planning process for Saab starts in the spring. The planning horizon is usually 3-5 years and the break-down process of corporate strategy is a bottom-up as well as a top-down process. The strategies are aggregated from below, across business areas and then evaluated and coordinated at the corporate level. Next, they are returned down through the organization. The participants both give and take in these processes and Saab’s strategy is formed through mutual adaptation between the two levels. The outcome of the strategic planning process is a business plan for the Saab Group and operational plans for the business areas.

The strategic business plan and the financial business plan for the Saab Group are more than the sum of the business units own plans (Nilsson, 2010). The corporate business plan gives a general idea about how the company should grow regarding market shares etc. These targets are traceable down to business unit level but the goals are still at a general level. The corporate business plan is then a basis for input to the budget process which starts early fall every year. The focus when developing business plans is to realize the targets set within the corporate group, which the business area has helped to develop. In practice, the business plans are continually refined and this yearly reconciliation is a more thorough walkthrough of the plans. Saab’s business areas have almost complete autonomy in the design and creation of operational plans: the business areas are managed by objectives. Saab’s ambition is to put strategy in the first room but sometimes, the intended strategy has to be revised if they realize that funds are not enough to implement the strategy.

The respondents claim that Saab uses “a Balanced Scorecard-approach” but not the BSC in a pure manner. The company has been working with the BSC for more than ten years. In the beginning of the 1990s Saab introduced the BSC in order to create a distinct strategic direction. It was implemented to get the possibility to delegate responsibility without controlling the details. In reality, every business area has had the freedom to adopt a Balanced Scorecard or other strategic tools in whichever way they wanted to. Saab uses management by objectives but evidently this is not completely developed on the overarching corporate level (Nyd & Teodorowitz, 2010). The BSC was implemented to create a holistic view on strategy with the intention that Saab’s vision, strategies and targets were to be available to all employees. It was also supposed to increase a sense of involvement and commitment on all levels of the organization. This will in turn create goal congruence for Saab. Another reason for implementation of the BSC was to achieve a better balance between quantitative and qualitative measures. It has been difficult for Saab to implement qualitative measurements. Saab wants key performance indicators
(KPIs) at the corporate level to be simple to interpret and easy to understand. They prefer strict financial measurements.

"To sell aircraft systems require another type of order process and different measurements compared to for example off-the-shelf-products."

(Head of Application & Business Integration)

Even though, it was quite some time since the BSC was introduced, this system has not been fully introduced throughout the organization. The BSC at Saab includes five perspectives: financial, co-workers, to create profitability, customer and increased competitive advantage (Nyd & Teodorowitz, 2010). The corporate strategy is broken down to corporate targets or goals which are then placed in the different perspectives of the BSC.

Earlier, Saab used something called “Biografen” (Eng: the Cinema) which was a BSC-inspired room with KPIs posted on the walls (for visualization see Appendix 3). On one wall were KPIs for the business areas; on the second wall there were KPIs for Saab as a whole; and on the third wall, the functional KPIs were presented Germundsson (2011). Biografen was invented as a tool to follow up the Billion+ Program (explained further in 5.4.), it helped to verify the amount of money saved, and it avoided that the program ended up in a game of numbers.

As another tool, Nyd and Teodorowitz (2010), claim that Saab uses strategy maps to translate their strategy. It is also clear from Germundsson (2011) that they in fact do so. An example of a strategy map for Saab Aeroautics is presented in Appendix 2. However, it is unclear if it is only one business area that creates strategy maps or if this is done in all five business areas. There is no evidence of a corporate strategy map and the respondents did not refer to any strategy maps when asked. Apart from the strategy map, the company also sets overarching goals for the business area to achieve. Through constant reviews and an informative intranet, Saab strives to achieve a high degree of goal congruence (Nyd & Teodorowitz, 2010).

However, according to the respondents, an area of improvement is Saab’s communication of strategy within the organization. The details of Saab’s strategy are to some extent secret and this has a limiting effect on what can be communicated. However, some attempts are made: Every year, the corporate executives host a road show for all managers at Saab. The thought is then that these managers should communicate the content of Saab’s business plan and overall strategy to their employees. The CEO (Chief Executive Officer) and business area managers participate in the road show. The presentation is usually a two hour session, and in total they give approximately 20 presentations. Saab also perceives the corporate culture as mechanism for implementing strategy and makes employees feel involved through the organizational culture. Some information regarding strategy, vision or mission is also communicated through the Saab’s intranet: SaabNet.
Historically, Saab has created really good plans but not been able to carry them through properly. During the last couple of years, Saab has focused on smaller changes in their strategies which have made the strategic plans into a better foundation for the budget process. Saab has investigated if there are any major changes in their surroundings that force the company to adjust its strategies. This has made Saab better in executing plans.

“A plan is good, but you have to execute the plan as well.”
(Head of Group Quality & Environment)

### 5.3 One Saab - from Market Initiative to Harmonization

The initiative of One Saab is rooted in the creation of a business management group in 2001. The purpose was to get the business area managers to participate in discussions of if and then how the business areas could cooperate. This was followed by a market initiative to form a common brand that was recognized in all of Saab’s products and throughout their markets.

“It was about unifying the sales message, material, logos and co-ordination...
It was a perspective.”
(CIO)

One driving force has been market opportunities; for instance, the increased interest in network defense systems. This was a different kind of solution for Saab to deliver which required collaboration across organizational boundaries. Saab has during the last decades gone from being a conglomerate and is now striving to become a harmonized and aligned company. One Saab is an articulated and well communicated strategy along the corporate executives and it is documented in the corporate business plan. However, former CEO, Åke Svensson, is perceived to have set the tone. The overall mission is to stay competitive and this strategy derives in part from the Billion+ Program (described in section 5.4.). One Saab is also an ambition to create more standardized products in order to decrease the number of operations required to complete a product and so that work methods can be shared. This is of course to increase profitability. According to Saab, this is a necessity in today’s turbulent and changing world; Saab has to change to be able to stay competitive. Because of the turbulent environment that Saab operates in, the implementation speed of the One Company approach has recently increased. Even though the respondents claim that the “sense of urgency” at Saab unfortunately is too low.

### 5.4 Cost Savings – a Driving Force

To sustain competitiveness, Saab initiated a program in 2008, called the Billion+ Program. This program was aimed at improving internal efficiency and it resulted in that Saab, during a three-year period, cut costs of over one billion SEK.
Cost reductions were made possible by a large reduction of the workforce (approximately 500 employees) as well as a reduction of costs of goods sold. The costs of goods sold were reduced by an increased standardization of products. As mentioned earlier, performance, and to work with efficiencies and continuous improvements, is one of Saab’s strategic priorities. The work will continue through a further quest towards more standardized and harmonized work methods which will help reduce costs. A part from work methods Saab will prioritize among activities. To do this requires that the company achieves a change in culture that focuses on what is best for the whole organization.

To become a more cost-efficient organization Saab has five priorities that are summarized in their annual report (Saab Group, 2010:18):

- **Standardize and harmonize operations in order to drive cost efficiencies through functional synergies.**
- **Optimize R&D efficiency through standardized product management and development processes.**
- **Focus on contract quality, project implementation and risk management to improve project results and forecasting abilities.**
- **Increase flexibility in our cost structure to adapt to variations in volume.**
- **Ensure [that Saab] can maintain a stable cash flow to facilitate investments for growth in acquisitions, R&D and marketing.**

Saab is working on a number of activities in all of the above areas. Standardization and harmonization includes for instance to maintain efficient enterprise systems with the best industry standards.

The Billion+ Program has been a driving force in the One Saab journey and financial targets are suggested to be the only possible way to create One Company. Some arguments used are the size of Saab as a firm which does not allow any other measurements to be carried out in a proper manner and that it is too difficult and fuzzy to measure other values.

Saab’s strategic focus can be found in the four parts of their “strategy-house”. The strategy house, also called the four P’s, consists of Performance, Portfolio, Profitable Growth and People. The efficiencies of the Performance part in the strategic focus areas are an important part for Saab in the journey to become for One Company:
Saab wants to save money by harmonizing and standardizing work methods. This can be exemplified by that if all five business areas at Saab would go out to find for instance a new agile work method. This would be a larger cost than if the process is carried out once at corporate level and then rolled out or shared between the business areas.

Every business area at Saab, as well as every central function, has financial targets of cost savings. Moreover, a new function has been introduced; the Business Improvement Office, which is a controller function that keeps track of the savings of all functions and units to make sure that calculations for cost-savings are done properly. These savings are part of the Billon+ program.

5.5 Corporate Influence and Evaluation of Business Areas

The collaboration and interaction between corporate level and business areas is important for Saab. The company is convinced that it is important to carefully consider when the corporate level should influence and control its businesses. In the end, the business areas know best most of the time, since they are closest to their operations and closest to the customers. The organizational change with boards and councils aims at creating a good balance between corporate influence and business area autonomy. It is important for Saab to find a balance between corporate control and the autonomy of the business areas otherwise creativity and business development may be suffocated.

The business areas at Saab are controlled through management by objectives. The corporate level sets financial targets for the business areas, for instance, revenue targets. Then it is up to the business area to find the most suitable way to achieve these targets and break them down to operational goals. This puts the ability to create deals and deliver results in focus. This in turn drives what kind of collaboration business areas will seek with other business areas. The corporate level has more of a control function in this aspect to make sure that the business areas do collaborate. Saab has different forums which force the business areas to collaborate but the amount of collaboration is to a large extent dependent upon what goals the business areas have been assigned from corporate level. This can be described as loose control rather than tight.

“It is not like; Hallelujah, corporate level knows best, let’s go!”
(Head of Group Quality & Environment)

To some extent, employee surveys are used to evaluate the business areas but Saab argues that their business areas are very different and that it is hard to find a common way of evaluating them. Aeronautics for instance, is geographically located at primarily one
place; other business areas can be spread across the world. This makes it more complex to find a common way of evaluating and comparing different business areas.

The corporate executives at Saab are involved in the recruitment of top level managers within the business areas. In general, Saab uses a grandparent principle which means that the manager's manager should supervise and accompany his manager in any recruitment of a new manager.

Saab perceives their corporate level as value creating to its business areas by the harmonization process involved in becoming One Saab. Common project methods and research and development (R&D) investments have already been the fruits of the harmonization. The corporate executives do not have the intention to further enhance their influence over the business areas in the future. The intent is to create a standardized portfolio of tools for the business areas to choose from. For example, regarding project methods for system development, Saab’s goal is to define a few number of methods suggested at corporate level that the business areas can choose from. However, it will still be a free choice of the business areas which ones to adapt but they have to pick from the suggested. The attempts from the corporate level to standardize, coordinate and create centralized functions are not always appreciated in the business areas.

“We are often seen as the bad guys. Sometimes it is faster to do things yourself, but we are looking at Saab as a whole, and then we believe that we create value.”
(Head of Application & Business Integration)

5.6 Critical Success Factors and Quest for Synergies

A common core competence for Saab is knowledge which implies that people is a core competence. To have skilled and competent employees is a critical success factor for Saab. This is the foundation for maintaining frontline system development and engineering. It is also important to be able to create complex integrated system solutions, management systems, decision support systems etc. When it comes to core competence, some argue that Saab’s core competence is this knowledge in technology or perhaps systems integration. IT has become more of a core competence of Saab today than earlier. When Saab sells an aircraft system today, the company is also likely to sell an accompanied maintenance IT-system and this creates new business opportunities.

Saab is a small company in an international perspective compared to its competitors. It can be argued that it should be easier to change a small company than a large. Saab argues that adaptability is a competitive advantage as well as a critical success factor. However, all of Saab’s changes will adventure the satisfaction of the employees and Saab perceives this as a major challenge.
Saab has improved when it comes to delivering complete solutions with participation from different business areas. Still, there is great potential in the work to bring business areas closer to each other. All business areas act on the same market, share the same type of problems and the products are sold in the same way and thus the collaboration is as a critical success factor for Saab. However, there are no clearly defined official critical success factors for Saab as a corporation. Some place a high value on the culture within the company which is told to be marked by a spirit to never give up.

Synergies between business areas are an important aspect of corporate strategy. It is also a major issue especially when you want to standardize and streamline an organization. The actual business is carried out within the business areas. At the corporate level, Saab tries to tie it all up, to become One Company. It is important that the business areas collaborate in this process. Without collaboration Saab will return to being a conglomerate as it has been before. Some voices at Saab claim that a key issue is to let strategy grow from below in the organization.

“One [of the critical success factors] is the governance and control structure which really moves down in the organization.”

(CIO)

5.7 New Corporate Structure – Key to Harmonization

According to Nilsson (2010), Saab has made a lot of structural changes in terms of business areas being divided into segments to move similar businesses closer together and to realize synergy potential between the business units. Several changes have been made since 2004/2005 when these segments were introduced and today, Saab has five business areas. as mentioned in Section 5.1. For inspiration in deciding which actions to take to create One Saab, Saab has looked at similar firms in the industry as well as related businesses.

In 2010, Saab made another major change in the organizational structure to enforce the One Saab initiative. The company created several boards and councils at the corporate level and these include participants from all business areas. Within these boards and councils horizontal mechanisms have been implemented such as discussion- and decision forums. An explanation to these actions is that Saab perceives that the most important focus of corporate executives should always be orders received and to do business. In order to make it possible to also drive a radical change such as a major integration of the firm, then the agenda of the corporate executives has to be split to address all these questions. These new boards and councils have been given corporate authority, for instance there is the Operational Excellence Board, the Finance Board, and the Communications Board, etc. A major part of the corporate executives are part of one or several of these boards and they also include representatives from the business areas. Directly under the boards are several councils which represent different parts of
management in the organization. The purpose of the new organizational structure is to link the businesses and to create synergies to make it easier to collaborate over organizational boundaries. The overall objective is that decisions and priorities should be in the best interest of Saab as a whole. The boards are cross functional; ICT (Information and Communication Technology), Quality, Product Development etc. For instance, in the Quality council there is a chairman and five representatives, one from each business area. There are also some participants from the Quality Department staff. The councils have monthly meetings where they discuss and report on the current situation. If the chairman needs support, he or she raises the issue to the Operational Excellence Board. Previously Saab worked a lot with consensus between business areas and business units before taking action but this is not the case anymore. Nowadays, everyone has a chance to give their opinion but the board makes the decision, which is a big difference.

Further organizational changes are the competence centers that Saab has created. The purpose is to avoid being dependent of critical resources as well as to increase synergy and learning potential between key resources. The employees in the competence centers service Saab as a whole with their expert knowledge. This also avoids redundancy of some competences between different business areas. This is easier with HR and IT to some extent, than with product development. The competence centers are divided into centralized and decentralized whereas the centralized is a common group and the decentralized is a network of people which belong to different business areas but still has the task to be responsible for the competence center.

Another shared resource is money. Nilsson (2010) explains that changes have also been made to investments and an investment portfolio has been established for Saab to be able to prioritize among investments in different business units. The aim in the selection of investments is to pick the ones which create most value for the company as a whole. The financial resources are perceived as shared between the business areas and both corporate executives and business area managers are represented in the Finance Board; no business area has its own investment funds. It is about arguing and motivating one’s case to receive funding. The investments are also evaluated against Saab’s corporate business plan.

5.8 **Major Changes in the IT-environment**

As far as possible, Saab works with open systems. The company uses multiple applications and they claim it is their ability to coordinate systems which is the key to their product development. This makes it possible for Saab to integrate products into larger military and civil operations.

The harmonization of IT and IT-environments has been greatly influenced by cost savings of consolidations and increased efficiency. After the initial market initiative, the One Saab journey started with ICT and this was the first function to be consolidated and to be
shared by all business areas. At the moment, Saab is reducing its number of IT-tools and consolidating IT-environments in order to reduce costs and to drive the One Saab vision. In other words, at the moment Saab is harmonizing the organization with IT as a tool. Moreover, Saab perceives IT as a driving force in the change towards integrated control, and the common denominator is to anchor the processes among the people of the organization before rolling out the systems. Many changes within the One Saab initiative starts with IT and IT drives these changes by enforcing different units to adopt other IT-tools and thereby change their work method.

“My job is to drive the change and the standardization.”
(CIO)

This leads to that IT has been given more attention and greater decision influence than before. From an IT-perspective, the mission is to drastically reduce the amount of different IT-tools at Saab. It is important to create a common IT-environment for Saab independently of where in the world you are working.

Moreover, Saab puts a lot of resources on building competence centers and if these resources cannot be transferred among business areas and business units in a simple manner, the initiative will not be very successful. This transfer of skills is becoming easier as IT-environments and IT-tools are being more standardized at Saab. For competence centers to be useful, the processes must be harmonized and aligned between business areas. If this is not the case, the competence center would have to adapt to another ordering units different set of processes. But Saab has a lot of work to do here before common processes, work methods and tools are established throughout the company.

Saab is also investigating the opportunities with social media. After this summer, a collaboration tool similar to Facebook will be rolled out. The tool is hoped to encourage learning and collaboration across organizational boundaries.

## 5.9 A Common Business Management System

At Saab today, there are about 15-20 different business management system. These systems are used in different business areas and business units to articulate how operations should be carried out in terms of processes, tools and frameworks. On top of this, Saab has during the last two decades bought several companies, for instance Celsius and Ericsson. However, Saab has not completed the integration of these new businesses and Saab itself, but work has mostly been carried out in the old manner. A priority during 2010 was to develop a business management system referred to as the global management system (from now on referred to as the GMS). This system is intended to help Saab to improve co-ordination and efficiency at the operational level. The GMS was launched this year (2011), but it is still not fully implemented. One purpose of the
One Company as Corporate Strategy – A Case Study at Saab AB

implementation of the new global management system (the GMS) is to change this. The GMS aims to create common processes, work methods and tools.

“The GMS is a big step in the creation of One Saab.”
(Head of Group Quality & Environment)

The GMS emphasizes by its prefix “Global”, that Saab is not only a Swedish, but an international company. Moreover, the GMS will be the common business management system for the whole corporation.

“One of the purposes with the GMS is to not invent the wheel several times.”
(Head of Group Quality & Environment)

According to Saab, the investments in the GMS cannot be justified by the costs of maintaining a wide range of business management systems compared to maintaining one single system. Today Saab spends roughly SEK 100 million per year to keep their 15-20 business management systems running to perform business and supplier revisions, and to maintain quality certifications. When Saab has completed the implementation of the GMS, costs can be decreased with approximately SEK 30 million per year. According to Saab, these cost savings alone cannot justify the investment since the project itself is very expensive. However, cost savings will come from the released synergy potential from the harmonization of Saab, rather than the savings from maintenance of the management systems.

The main focus of the GMS is to create a common identity; that Saab’s employees recognize the Saab work methods no matter where in the world they are employed. All of Saab’s 15-20 business management systems point out different work methods and one goal in becoming One Saab is to pick the best ones and apply them throughout Saab.

All business areas at Saab are certified according to the quality standard ISO 9000 but the different business areas and business units have different interpretations of what this implies for the business. Saab wants to create one common interpretation of the certificates to fit all their businesses, independent of if whether they are small or large. The same applies to Saab’s revisions. Today Saab carries out revisions of their own business units, but one unit can be a supplier to another unit and this can create weird situations where the customer revises the supplier.

“This does not create value for us as a business and we have a lot of work to do here.”
(Head of Group Quality & Environment)

The collective belief at Saab is that there must be common processes among businesses within a company before tools and work methods can be standardized. The objective of the GMS is to create common processes.
“How can you possibly have a common ERP-system3, if you do not have common processes?”

(Head of Group Quality & Environment)

Today, Saab does not have a common language. Different terms are used for the same purpose at different units and for Saab to be One Company, there has to be a common language, a common definition of terms and concepts. This will make collaboration across organizational boundaries much easier, which is not easy at all today.

“Once Saab has common processes, work methods and tools, then it is One Saab.”

(Head of Group Quality & Environment)

Common development processes and common manufacturing processes are considered to be an area where Saab has not come very far. There is a discussion of to which extent it is possible to really harmonize these processes. The different nature of Saab’s businesses makes it hard to make a total standardization.

“…sometimes we deliver a complete aircraft, sometimes we deliver a service. These are very different deliveries which creates completely different demands on development and manufacturing.”

(Head of Application & Business Integration)

5.10 Saab’s Management Control Systems

Saab has improved its management control system, mainly by defining a corporate wide strategy process with a common strategic planning between business units. However, Nilsson (2010) claims that the management control at Saab is used in contra productive purposes. On the one hand, a common strategy process and strategic planning is implemented. On the other hand, business units are still evaluated through independent financial targets. This has according to Nilsson (2010) led to many discussions at the corporate level regarding transfer prices, among other things.

Many processes related to how Saab is doing business, are being standardized and one example is the Business Control And Monitoring process (BCAM); a tool used to predict probability of deals and business decisions. During the fall of 2006, the decision was made to develop BCAM. It is further explained by Ohlson (2007) and it “introduces a common language, terminology and number of reports across the entire Saab Group”. The BCAM is intended to help with project processes, even though it does not cover all functions, like support functions, product management, development process etc. By creating common project processes the BCAM aims to improve the management of business and projects within Saab:

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3 Enterprise Resource Planning-system
“With the introduction of BCAM, Saab will assure that all business departments will manage their projects in the same way.”
(Ohlson, 2007:9-10)

Another aspect of management control systems is incentives. The incentives system at Saab is limited and fairly undeveloped. It is mostly high level executives like business area managers that are included in incentive programs. Saab simply does not believe in incentives. According to Nilsson (2010), Saab has changed their incentive system to reward not just the business unit’s result but also the overall corporate result. However, the incentives are still based only on financial targets but the group executives have discussed the possibilities to implement non-financial measurements to evaluate business units but this has not lead to any action yet. All employees at Saab have individual development plans which include goals that can often be related to overall corporate goals. The work situation affects if employees feel involved and is committed to their tasks. Saab interprets that tools to increase operational efficiency like Lean, can make people more committed.

The vision of One Saab implies a lot of changes for employees in the business areas. Saab has a great challenge here and at the same time a problem. The company finds it difficult to communicate these changes and why they need to be done. The corporate level has communicated One Saab in a very good way in the business plan and in annual reports but it has not been communicated down throughout the organization to all employees.
6 Analysis of Saab from a One Company Perspective

In this part we present our analysis and discuss our empirical findings in relation to the theoretical framework. The interpretation of the One Company perspective is the foundation for further analysis of Saab. The tentative model of One Company is used as a starting point and we have divided the five sides of the pentagon into five topics, one for each side of the figure. First, we introduce Saab’s parenting style and thus executive leadership’s influence on the company. Second, we show how Saab has translated their strategy and how the management control systems has been designed to achieve integrated control. Third, we discuss the term strategic congruence in relation to alignment of the organization. Fourth, there is a discussion on how Saab works with motivating employees and how they try to make strategy influence everyone’s daily work. This is also a step to achieve integrated control. Fifth, there is an analysis of Saab’s management control system, IT and different processes and how these are used to achieve integrated control.

6.1 Parenting Advantage

It is essential to have a parenting advantage in order to be One Company. According to Goold et al. (1994) there are four possible ways for the corporate management to create value for its businesses. Table 6-1 on the next page provides a mapping of these four value creation types for Saab.

Moreover, the parenting style of the firm is also essential, as well as the executive leadership’s ability to communicate and articulate strategy in order to achieve a parenting advantage. The tentative model of One Company proclaims that the parenting style adequate for One Company is what Goold et al. (1994) calls strategic planning. A firm with a holding parenting style could be aligned and harmonized but is still not, from our perspective, One Company. One Company implies a clearly added parenting value from the corporate level and at the same time clear and articulated strategies.
Table 6-1 Saab’s Value Creating Activities

The first topic of the tentative model implies to mobilize change through executive leadership in order for the company to get a holistic view on strategy. It is about defining a vision and creating a corporate team that truly understands this vision. Kaplan and Norton (2001) describe that it is the executive management who takes the initiative for managing a change. The top leadership team needs to be committed to the change and perceive a cause for the change; a burning platform is to be clearly articulated (Norton, 2006). The sense of urgency to change the organization toward One Saab is rather low among the employees within the business units at Saab. However, the corporate executives have a clear and articulated picture of where the company is going and the business area executives are committed. According to Norton (2006) the customer usually plays an important role in the change process and is a focal point. This is evidently the case at Saab. The starting point for corporate executives is that Saab must change to

<table>
<thead>
<tr>
<th>Value Creation Type</th>
<th>Saab’s Corporate Influence and Value Creating Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stand-alone influence</td>
<td>The Group has a clearly defined strategy and financial targets that emanates from the business areas. There is a Grandparent principle of recruiting. As of January 1st, 2010 there is a new structure with boards and councils which centralizes decisions.</td>
</tr>
<tr>
<td>Linkage influence</td>
<td>Saab strives for synergies between business units and the whole One Saab initiative circles to a large extent around synergies (which explains our parenting style characterization: strategic control). However, the tight financial evaluation of business areas has a limited effect on synergies since it does not encourage collaboration nor lead to discussions about transfer prices and cost-sharing.</td>
</tr>
<tr>
<td>Central functions and services</td>
<td>Competence centers are created to help and support all business units across the different business areas. The initiative of a global management system (GMS) that collects and uniform the processes within Saab. The GMS is one step in the right direction. It has been launched but it is still not fully implemented. There is common ICT (Information and Communication Technology), Quality, HR, Finance etc.</td>
</tr>
<tr>
<td>Corporate development</td>
<td>Saab does not perform any corporate development activities toward its business units. The new structure with boards and councils has resulted in synergic and coordination effects but when it comes to implementing strategy and operations, the business units are almost autonomous. The corporate level offers portfolios with, for instance, processes, tools and work methods but the business units are free to adopt which ones they think suit them the best.</td>
</tr>
</tbody>
</table>
be able to stay competitive and that this requirement derives from the market and thereby from the customers.

Moreover, it is important for the organization to define its corporate parenting style and Table 6-2 shows that Saab’s parenting style is more similar to that of strategic control. Dark orange squares indicate a match and a lighter orange square indicates a match to some extent.

<table>
<thead>
<tr>
<th>Parenting Style</th>
<th>Strategic Philosophy</th>
<th>Role of Corporate Center</th>
<th>Role of SBUs(^4)</th>
<th>Typical Number of Businesses</th>
<th>Corporate Evaluation Methods</th>
<th>Detail level of the information in the corporate center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Control</td>
<td>Portfolio</td>
<td>Financial. The center aims to provide a better investments performance.</td>
<td>Manage strategy against tight financial targets set by center. Autonomy SBUs.</td>
<td>Many diverse</td>
<td>Financial</td>
<td>Low</td>
</tr>
<tr>
<td>Strategic Control</td>
<td>Linkages</td>
<td>Center coordinates and reviews strategy. Sets fairly tight financial &amp; strategic targets. Attempts to create links between businesses to create competitive advantage.</td>
<td>Develops strategy but coordinated by center.</td>
<td>Medium</td>
<td>Limited Corporate Scorecard and Financial</td>
<td>Medium</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Core Competence</td>
<td>Center drives strategy around important potential synergies or competences. Strongly coordinating actions and creating linkages between units.</td>
<td>Concentrates on implementatio n of strategy but also assists with corporate strategy.</td>
<td>Low related</td>
<td>Comprehensive Corporate Scorecards. Balanced aspects.</td>
<td>High</td>
</tr>
</tbody>
</table>

**Table 6-2 Saab’s Parenting Style Characteristics**
(Source: Goold et al., 1994)

First, concerning Saab’s strategic philosophy, it is clear from the annual report that Saab focuses on core competence, which is a characteristic of the strategic planning style. However, in our interviews, we interpret that Saab has gone from portfolio management to more linkages between business units and that Saab still has a few steps to take in order to completely focus on core competence and the strategic planning parenting style that we associate with One Company.

\(^4\) SBU means Strategic Business Unit
When it comes to the role of the corporate center, Saab’s bottom-up and top-down process is clear evidence that the corporate center coordinates and reviews strategy. Corporate level has a focus on management by objectives more than strategic management. There is tight financial control even though suggestions about investments come from lower levels within the organization. Saab focuses mainly on the creation of synergies between business areas in order to create competitive advantage. The corporate center does not coordinate actions of the business areas; business units are free to reach their targets in any way they find suitable.

Moreover, the bottom-up and top-down process is also a sign that the role of the strategic business units is to largely develop strategy but that it is coordinated by the corporate center. This indicates that in some ways the role of the corporate center is significant of the strategic planning style, but the lack of coordinating actions makes Saab again fall into the compartment of strategic control.

Another argument that puts Saab in the position of a parenting style of strategic control is the fact that the company has gone from a wide range of many diverse businesses to a medium number of businesses. Even though mostly related, they cannot be considered to be in low number of related businesses, since their range includes such different products as airplanes and security systems.

Saab has developed and uses a limited corporate scorecard. The tool Biografen was developed to visualize and gather targets as well as results from the different business areas during the Billion+ Program. It was a good starting point for a discussion of strategy and goal formulation on the corporate level. However, focus was, and still is, on financial measures and not to any extent on soft, non-financial measures.

When the company was a conglomerate, the detail level of information in the corporate center was very low. Since the reorganization, which was completed in January 2010, and the completion of the structure with boards and councils, the level of information in the corporate center has increased, but cannot be considered high yet. One effect of the mentioned structural change with boards and councils is that the corporate planning influence has greatly increased at Saab. However, the evaluation of business areas is still strictly financial which defines Saab as more of a synergic corporation and thus with a parenting style of strategic control.

Saab has gone from being a conglomerate with tight financial control, which is significant for the parenting style with the same name; financial control. The journey toward One Company and the corporate parenting style of strategic planning has begun, but Saab still has some steps to take to leave the strategic control parenting style, where the company presently is. There are two areas where Saab has reached our perspective of the One Company concept to a large extent. This is regarding core competence, and the role of the corporate center. However, the business areas need to be further involved in the strategic process, not only concerning implementation within the business area itself, but also
regarding planning and formulation of strategy for the whole company. Furthermore, Saab needs to increase the number of non-financial measurements in order for the corporate scorecards to be more comprehensive.

6.2 Translation of Strategy

To completely implement a One Company strategy, what is articulated at corporate level must in some way be broken down to the business unit level and in the end to the operational level. In other words, there must be traceability between top-level strategy and the strategy at business unit level. In the next section (6.3), we will also discuss the necessity of fit between these strategies.

One of several important tools that can be used to achieve integrated control is the translation of strategy into operational terms. The translation can be seen as a part of management design regarding the control system. It tells how the control system is intended to work; what should be measured in the business processes. Integrated control can also be seen as an overall concept and the ability to translate strategy into something which makes strategy comprehensible for other members of the organization is the tool; the how to. The ability to use controlling mechanisms to uniform and direct human behavior it is very important and the translation of strategy is meant to create a common image of what the target is and how to get there.

A tool for translating strategy is, according to (Norton, 2006) the creation of a strategy map. This is an excellent tool for breaking down a strategy to measurable items. There is however other alternatives. Porter (1996) proposes what he calls activity-mapping, which is a similar technique. It is clear that Saab does the distinction of corporate strategy and business strategy that Prahalad and Hamel (1990) claim is important. However, in the interviews, we did not find any evidence that Saab translates strategy from the corporate level to the business unit level. Moreover, it is clear from Germundsson (2011) that they actually do have strategy maps, at least at the Aeronautics business area. What is interesting though, is that Germundsson (2011) also claims that the only common language for Saab is numbers. This can explain why business units are given financial targets to reach, but are not directed in any large extent on how to reach the targets. Thus, strategic documents such as strategy maps are only used to a limited extent.

On a corporate level Saab has the “strategy house” with its four Ps. It can be interpreted that these four Ps are an adaptation of a top-level Balanced Scorecard implementation. Profitable growth would then represent the financial perspective; performance the business processes; portfolio could be seen as the customer perspective; and finally, people could be seen as the learning and growth perspective. Unfortunately, the similarities stop there.
Saab claims they do not use the BSC as it originally introduced by Kaplan and Norton back in 1992, but that the company applies similar thinking. However, the four perspectives were not enough for them. They felt something was missing and added a collaboration perspective. Even though it was quite some time since the BSC was introduced, this system has not been fully introduced throughout the organization.

The corporate strategy is broken down to corporate targets or goals which are then assigned to the different business areas. Any evidence of a further break-down which would give traceability to business unit strategy has not been found. Contrarily, the corporate level sets financial targets for the business areas and then it is up to them to find a way to reach these goals through their business plans and operational plans. Some business areas may have adopted the BSC; others may have other tools or frameworks to assist them, either way, this is not coordinated at corporate center.

We argue that Saab has the potential to quite easily improve the translation of strategy into operational terms since they have implemented a corporate wide strategic planning process. The strategy process is a top-down bottom up process starting early spring. The planning horizon is 3-5 years and all the business plans from business areas are collected and reviewed at the corporate center and then iterated down again. The strategic plan is then input to the budget process in early fall. However, when the business plans for the business areas are decided upon, business areas only get financial targets instead of a balanced set of key performance indicators which are both financial and non financial. These key performance indicators should be traceable from the corporate strategy plan down to the business area as well as the business unit level. The idea is to have critical success factors which derive from all of the perspectives.

### 6.3 Strategic Congruence

Nilsson and Rapp (2005) define the term strategic congruence as when strategies are consistent at corporate, business and functional level. Moreover, the strategy should also be appropriate to the competitive arena and to overall strategic objectives. The parent can help to get strategy accepted throughout the company and possibly to establish policies and constraints to regulate decisions of all units (Goold et al., 1994). Saab has implemented a corporate wide strategy process which should facilitate consistency of strategy on all organizational levels. Since the strategy process is a bottom-up as well as a top-down process, the corporate center acts as reviewer.

In the previous chapter we described the importance of translating strategy into operational terms to be One Company. A translated strategy is a necessity but it is also required that the corporate, business and functional level strategies are consistent; that there is a fit. The perspective of this thesis suggests that the corporate strategy should be activity-sharing in order for an organization to be One Company. It does not matter if the
business unit level is cost leadership or differentiation; in both combinations the company can be considered to have strategic congruence.

The combination of activity-sharing and differentiation should according to Nilsson and Rapp (2005) be used if the environment is turbulent and there is a need for close collaboration. Because of the environment, investments become riskier and corporate management needs to have a long-term perspective. Moreover, the authors claim that the activity sharing strategy usually involves having a clear core competence in focus. This core competence often leads to great involvement of corporate management in the development of the business units. Saab, due to its tremendously long product cycles and the fact that the company is acting in a global market, is definitely in a turbulent environment. The turbulent environment can be one reason that Saab needs to have a corporate strategy of activity-sharing or at least a transfer of skills. The typology regarding transfer of skills is manifested by e.g. the competence centers and shared resources in terms of ICT; HR, etc. Moreover, Goold et al. (1994) suggest that the primary task of corporate management is to co-ordinate activities and decisions to realize synergies. To a large extent there are also similarities with the typology of activity-sharing as collaboration in business cases requires deliveries from several business areas.

Regarding business level strategy, Saab creates unique products and every deal is a tailor-made solution adapted to the customer. Even though there are attempts to standardize the products and no longer create one solution for each new customer or market, the business level strategy is still a differentiation strategy.

There are several tools to implement the desired strategy, e.g. through the organizational structure. For Saab, the organizational structure is very important and the company has done a lot of efforts in harmonizing and aligning their organization which are perceived as steps toward strategic congruence. Central functions such as Strategy, HR, Finance, ICT, Quality etc. have been implemented to help uniform the organization. A new structure with boards and councils were to enforce that decisions are made in the best interest of the organization as whole. The harmonization has been carried out at the cost of decreased autonomy of the business areas. We perceive this as a key issue and a major step to become One Saab.

To sum up, Saab has strategic congruence between the corporate and business level. However, Nilsson and Rapp (2005) claim that there cannot be strategic congruence without integrated control. This is more discussed in the next section.

6.4 Empower Employees for Execution of Strategy

In order to be One Company, firms need to address communication and incentives as tools to achieve integrated control. The control system should motivate employees in their daily work to achieve overall objectives and thereby make strategy everyone’s job. Kaplan
and Norton (2001) argue that since strategy is formulated from the top but executed at the bottom of an organization, it is important that everyone understands the strategy. This can be one way to empower employees. Moreover, it is important that governance processes are linked with the strategy. Saab is well aware of that the communication of their strategies is critical and perhaps the biggest challenge in becoming One Saab. Saab has seen that it may be difficult for employees on lower levels to realize the benefits they can receive through a harmonized company. The activities today, in communicating strategy, are mainly through the corporate business plans and through annual road shows by the CEO and top management. The road show presents Saab’s business plan and strategy to lower levels of management. However, only managers with a staff liability are obliged to attend the presentation. Some information is also communicated through communications channels like the intranet. According to Norton (2002) the communication needs to be comprehensive and continual as well as preferably personal, since personal communication has the greatest impact.

According to (Norton, 2006), aligned personal goals and personal incentives is also an important mechanism to make strategy into everyone’s job and link it to personal behavior. The incentives system at Saab is not well developed and Saab does not perceive it as a good tool to change behavior in the desired direction. There is no empirical evidence of the use of personal scorecards. However, employees are evaluated by goals in their personal development plan. The corporate level sets financial targets for the business areas which is the starting point for the development of business and operational plans. The business plans can then include individual or group measurements. However, monetary incentives and bonuses are not used at Saab more than to high level executives e.g. business area directors, and in the cases where bonuses are given, they are only based on financial targets.

Another way to empower employees for execution of strategy is through the corporate culture. Saab recognizes organizational culture and corporate values as a mechanism for implementing strategy and perceives this as tools for committing employees to the chosen strategy. If employees share a company’s core values, it is easier for them to act in a uniform direction, and thus implement strategy.

To summarize, Saab still has some areas of improvement regarding communication and how to empower employees for execution of strategy. This could be addressed with incentives and personal scorecards, but also with tools such as strategy maps which were mentioned in section 6.2, or any other tool which articulates and shows the cause-and-effect relation between strategy and overall objectives.

### 6.5 Integrated Control

The design of the management control systems is the preparations made before the systems can be implemented in order to affect behavior in the organization. It is when the
management control systems are used that the effects will be revealed. In sections 6.2 and 6.4 we have discussed that the management control systems can be designed to achieve integrated control by translating strategy and empowering people to execute strategy. In this section, we focus on how the management control systems are used to make the strategy process continuous. Furthermore, we present ways in which IT and processes help to achieve integrated control facilitate the exchange of information between organizational levels.

Since the detail level from business unit level to the corporate level is relatively low, Saab is considered to have loose control. Moreover, the operational plans are set by the business units themselves with the help of only a few objectives, usually financial targets, from corporate management. Thus, it is evident that Saab has loose control and this puts the company somewhat closer to the parenting style strategic planning, even if they still need to supplement their scorecards with non-monetary measures.

According to Anthony and Govindarajan (2007), management control systems affect the way the budget is used and perceived. Saab expresses that their budget process has a clear start and end but that it is iterative and that the plans are gradually refined in the corporate wide strategic planning process. This is further evidence that Saab has loose control.

Nilsson and Rapp (2005) claim that management control and follow-up based strictly on monetary aspects share little relationship with the firm’s goals and strategies. The use of management control system is built upon which information leads to decision; which information matters. Saab emphasizes financial targets and numbers is claimed to be the only common denominator. In an integrated control system design, as well as utilization of management control systems, is consistent at all levels. Nilsson and Rapp (2005) claim that there are many firms who still today use the planning and follow-up procedures that where criticized in the 1980s and led to models like the BSC. The authors argue that this is probably one reason why some firms are unable to formulate and implement value-creating strategies and therefore loose competitiveness.

For management control follow-up, Saab previously had what they called Biografen which could be interpreted as somewhat favorable to an initiative to make strategy a continual process. It was a way for management to meet, discuss and visualize performance from different perspectives. Performance results were posted on the walls in a room and the Cinema-initiative was a concept within the Billon+ program. However, after the target of the Billion+ Program was reached Saab stopped using this presentation aid.

Nilsson and Rapp (2005) claim that: “Establishing integrated control will be easier if the situational variables lead each organizational level to conduct its activities on the basis of roughly similar time horizons.” Since the importance of the term integrated control was realized at a rather late point during the research project, the questions asked in interviews were not detailed enough to establish Saab’s degree in integration in management control regarding time horizon. Moreover, since there were no interviews
made on the business level at Saab, it is difficult to establish whether or not Saab has integrated control regarding the time horizon at different levels within the organization.

The definition of integrated control from Nilsson & Rapp (2005) was that “Integrated control exists when strategic planning and follow-up at each organizational level are coherent throughout the firm.” To achieve integrated control Saab is about to implement a common business management system (the GMS) which will provide the organization with a corporate wide standardization of processes, tools and work methods. In theory and in the long run, this will radically improve integrated control. However, the GMS is not fully implemented yet and today there are about 15-20 different business management systems at Saab. Moreover, every business area is still rather autonomous when it comes to the choice of control systems. Nilsson and Rapp (2005) argue that in order to have a competitive advantage there needs to be common business logic within the company (Nilsson & Rapp, 2005). Common business logic ensures clarity about what mechanisms create value; where synergy potential exists between individual business units. Strategies at all levels should be based on this common business logic (Nilsson & Rapp, 2005). A common business management system is perceived to be a key in the journey to become One Saab and thus to achieve integrated control.

“The purpose of integrated control is to facilitate the exchange of information between different organizational levels and decision-makers concerning strategic, tactical, and operating decisions.”

(Nilsson & Rapp, 2005)

To facilitate an exchange of information the One Saab initiative has to a large extent started in IT and this makes IT to some extent drive the change by enforcing different units to adopt new IT-tools and thereby change their way of performing their work. Saab perceives IT as a driving force in the change towards integrated control and harmonization, but the common denominator is to anchor the processes before rolling out the systems.

Another way to facilitate exchange of information between organizational levels is that the management control system of Saab has been adapted according to the new organizational structure with boards and councils. Moreover, Saab strives to achieve integrated control with the help of the standardization of processes and work methods, e.g. the BCAM tool.

However, not all is good for the business units even if it in the end is good for the company as a whole. An example of how the harmonization and standardization affects the business areas, in a negative way, is that the process of investment decisions could earlier be made by “anyone” and did not need to be addressed on the corporate level. This has changed and all investment decisions need to be presented to a board and then the board will decide in the best interest of the whole organization and follow through with the chosen investments. Similar processes apply to other areas which have been centralized such as ICT, Quality, and HR etc.
An area of improvement for Saab is the strategic communication to employees at lower levels in the organization. To address and improve this issue of collaboration and networking, Saab will launch a “Saab Community”. After this summer, Saab launches a social media tool similar to, but simpler than, Facebook. It will provide employees with the possibility to make friends at Saab as well as share their thoughts and experiences online. This could in some sense be seen as a step toward a more integrated control in the perception of the influential possibility that this tool can have on people. However, it remains to be evaluated when the system is in place.

Another way, in which Saab is working to improve knowledge sharing to reach integrated control as well as strategic congruence, and the One Company vision, is by the establishment of several corporate wide competence centers. These centers are intended to create synergy and learning potential and thus, complete the five topics in the tentative model of this thesis.

Goold et al. (1994) argued that for many companies the corporate strategy is only the sum of division strategies in addition to some broad objectives and a companywide statement of mission. However, Saab claims that their strategic and financial business plans for the Saab Group are more than the sum of the business areas own plans. Through this analysis, we have established that this is in fact the case. Even if the many changes to some extent lead to conflict and frustration among employees and there are areas of improvement, many positive things have come out of the One Saab initiative, and this is even before Saab has fully reached our perspective of One Company.
6.6 Application of the Tentative Model on Saab

This section applies the tentative model of Chapter 4 to Saab. The values on the axes in the figured are obtained through the analysis in the previous sections (6-1 to 6-5). The application should be perceived as a tool for visualization rather than an absolute science. The model uses the same ranking system as the strategy-focused organization’s readiness model by Kaplan and Norton (2001) which implies:

1. Not yet under consideration
2. Considering: no action yet
3. Acting upon
4. Fully implemented or executed
5. Best practice

The red area represents a completed level and the light red area implies an initiated but not yet completed level.

Figure 6-1 Application of the Tentative Model on Saab
6 Conclusion

The purpose of this thesis was to develop a perspective of a One Company concept and to investigate the implementation of this concept at Saab. The perspective was developed in Chapter 4 as a tentative model of One Company and the implementation of this concept at Saab was illustrated in the analysis of Chapter 6.

In general, Saab has taken some crucial steps in the journey toward One Saab. Today, the company has strategic congruence as well as integrated control but the parenting style is strategic control. To be One Saab according to the tentative model of One Company we have developed, Saab needs to adopt the parenting style of strategic planning instead. However, it is not granted that this parenting style will benefit the company and this thesis does not answer where the optimum location is on the One Company continuum for Saab. What this thesis does is that it answers the posed research questions.

- How does Saab, a large Swedish multi-business organization, strive to become One Company?

For Saab, the One Company strategy started as a perspective similar to what is described in the background of this thesis: “strategy as a perspective” (Mintzberg, 1987). The initial ambition was to create a common brand for the company. However, the ambition has dramatically evolved and today Saab strives to a large extent toward what we have described in the tentative model of One Company. The quest for the One Company vision takes the shape of harmonization and alignment of the organization by centralization of common functions. Moreover, Saab strives to increase and seize synergy potential and to always perform planning, follow-up and decision making with the company as a whole in mind, rather than only single units. However, Saab does not strive to centralize each and every department. The ambition right now is to make employees at Saab feel as they are employed to one and the same company, no matter where in the world they are localized. Further ambition is to continue to realize synergy potential even though the business areas at Saab will still possess quite large autonomy in the future.

- What are (if any) the critical success factors in Saab’s journey to become One Saab?

Saab has not reached all the way to become One Saab but they have taken some critical steps which have implied several comprehensive changes for Saab. For example, a new organizational structure is established with boards and councils to expand involvement on the corporate level, to seize synergies and control decisions in the best interest for Saab as a whole. Furthermore, Saab has implemented a corporate strategic planning process. A corporate-wide business management system is also about to be rolled out.
which will align processes, work methods and tools for Saab. Moreover, IT governance has changed due to the centralization of ICT and many other functions, such as Human Resources and Finance have also been centralized. In addition to this, Saab has created competence centers to increase synergies and efficiency. Finally, the changes have made Saab achieve strategic congruence between the corporate and business level as well as integrated control which are critical success factors for the completion of One Saab. To summarize, the strengths for Saab in the journey toward One Saab is the role of the corporate center and the focus on core competence.

- **What are (if any) the areas of improvement for Saab, according to the suggested perspective of the One Company concept?**

In order for Saab to truly become One Saab, we address the following areas of improvement. The first is to articulate and structure the translation of strategy into operational terms. Saab needs to harmonize processes, tools and work methods; the roll-out of the GMS must be completed. Hopefully, the GMS can address Saab’s difficulties to collaborate across organizational boundaries. This is a key factor for releasing further synergy potential that exists within the company.

Another area of improvement is that the business areas also need to be further involved in the strategic process, not only concerning implementation within the business area itself, but also regarding planning and formulation of strategy for the whole company. Furthermore, Saab needs to increase the number of non-financial measurements in order for the corporate scorecards to be more comprehensive.

Saab has the potential to quite easily improve regarding the translation of strategy which is required to be One Saab. The company has a solid foundation with a corporate wide strategic planning process but should replace the strict financial targets with a balanced set of key performance indicators which are both financial and non financial. Preferably, these key performance indicators should be traceable from the corporate strategy plan down to the business area as well as the business unit level. The idea is to have critical success factors which derive from all of the perspectives in the BSC or any similar balanced control tool.

Some other areas of improvement for Saab are regarding communication and how to empower employees for execution of strategy. The vision of One Saab is articulated and communicated at the corporate executive level but it has not fully spread down through the organization. This could be addressed with incentives and personal scorecards, strategy maps, or any other tool which articulates and shows the cause-and-effect relation between strategy and overall objectives.
7 Reflections and Further Research

The cost savings of the Billion+ Program acted as a catalyst for the harmonization and alignment of Saab later to be perceived and formally articulated as a vision to become One Saab. However, it can explain why Saab historically has had an emphasis on financial measurements. This could depend upon the harsh economic situation and that Saab has not given space or room for balanced measurements. But this is only a speculation.

We realize that it is difficult, and that it was not an intention, to draw any general conclusions from results of this research project. However, if we were to make an attempt at this, our tentative model of One Company could be used as a tool for analyzing other multi-business firms’ quest in trying to harmonize their organization. Moreover, it could be fruitful to perceive our tentative model as a tool for implementation. From that perspective, the model could be used as a benchmarking tool and at the same time as a spiraling work method. In the original model, the scale of the axis of each component of the pentagon is a measurement of how far the firm has reached in that area. Moreover, an analysis of the total area will give a hint of how far, on the journey toward One Company, the organization has come. If interpreted this way, we argue that the model should be used with additional numbers with one as a starting point and then iteratively used in a cyclic manner and in numerical order (1 to 5). After each lap is completed, the level is hopefully raised. Then, it is time to benchmark and when all levels have been completed, the organization is One Company. Our suggestion for further research is to perform this kind of research project and a possible research question could be: “How could the tentative model of One Company be used as a model for implementing One Company as a corporate strategy.”

There is also the question of whether all companies really should strive to be One Company. It is not sure that Saab benefits of striving to complete our perspective of One Company. The optimal state of being could just as well be a synergic corporation which is what Saab presently is. Perhaps the right position for Saab can be found somewhere in between the parenting styles of strategic control and strategic planning, while keeping in mind that there needs to be strategic congruence and integrated control as well.
References


**Respondents**


Appendix A – Interview Questions

In this section we present our interview questions.

o Beskriv kort din bakgrund, roll och ansvarsområde.

Finns det på koncernnivå en tydlig, artikulerad och gemensam bild av vision, mission och strategi?

o Finns det olika ansvarsområden på koncernnivå för att implementera Ett Saab-strategin?

o Vilken betydelse har tillvaratagande av synergier mellan affärsenheter för utformningen av koncernstrategin? Om stor, beskriv de viktigaste strukturella förändringarna som påverkat förmågan att tillvarata dessa.

o Vilket är koncernens strategiska fokus?

o Vad anser du är viktigast när det gäller värdeskapande för Saab? Affärsenheters rörelsefrihet eller koncernens möjlighet att styra och influera affärsenheterna?

Har ni tydligt definierade kritiska framgångsfaktorer och har de en koppling till era affärsenheters strategi?

o Om så, vad är Saabs kritiska framgångsfaktorer?

o Är dessa faktorer gemensamma för era olika affärsenheter och hur påverkar det utformningen av er koncernstrategi?

o Beskriv Saab kärnkompetens samt dess betydelse vid utformning av strategier.

o Vilka förändringsprogram pågår just nu på inom Saab? Hur är programmen kopplade till era framgångsfaktorer?

Hur har ni brutit ner er koncernstrategi?

o Vilka verktyg används i nedbrytningen? (strategy maps, activity mapping systems)

o Används Balanced Scorecard?

o Vad finns det för dokument som konkretiserar er koncernstrategi?

o Vilka nyckeltal används på koncern och affärsenhetsnivå? Finansiella, icke finansiella? Hur sker nedbrytning och val av indikatorer?

o Vilken karaktär har den information som används vid planering? (monetär/icke-monetär)
Vilket inflytande har koncernnivå över affärsenheter och vidare nedåt i organisationen?

- Är koncernens roll tydligt definierad i strategiarbete för affärsenheterna?
- Vem fattar beslut om investeringar på affärsenhetsnivå? Affärsenheter själva eller koncernledningen?
- Sätter koncernstrategin agendan för affärsenheternas strategier? Eller har affärsenheterna fritt spelrum när det gäller val av strategier?
- Är aktivitetsplaner harmoniserade och prioriterade med hela organisationen som utgångspunkt?
- Hur länkas koncernstrategi till affärsenhetsnivå? (t.ex. genom strategisk planering)
- Är länkningen mellan koncern och affärsenhet en del av en formell process? (Formell strategisk planering?)
- Vem fattar beslut om tillsättande av chefer på affärsenhetsnivå?
- Vem har ansvaret för strategiska planeringen för affärsenheterna? Koncernledningen eller affärsenheterna? Om affärsenheterna, vad är koncernledningens roll i planeringen? (sparrande/kontrollerande t.ex.?)
- Är affärsenheter och stödfunktioner likriktade? Dvs, jobbar de mot samma mål?
- Är koncern och affärsenhetsnivå likriktade?

Hur får ni koncernstrategin att influera medarbetares beteenden för att organisationen som helhet ska röra sig i avsedd riktning?

- Finns det personliga scorecards eller liknande, dvs följs “folk på golvet” upp efter mål som är härledda till affärsenhetens strategi som i sin tur går att härleda till koncernens övergripande strategi?
- Är bonussystem kopplade mot implementering av strategin?
- På vilket sätt blir alla i verksamheten delaktiga i strategiarbetet?
- Kommuniceras strategier och strategiska prioriteringar genom olika medier (intranät, gruppmöten etc.) för att sprida budskapet genom organisationen?
- År det viktigt att koncernstrategi genomsyrar organisationen till samtliga medarbetare? Hur genomförs detta?

Hur ofta har ni möten där ni diskuterar strategi på koncernnivå och på affärsenhetsnivå? Vilka deltar vid de olika mötena?

- Finns det representanter för affärsenheter i koncernledningen eller vid strategimötet med koncernledning?
- (Tillämpar ni strategisk planering? Årliga genomgångar?)
- Vad besluter ni om först budgeten eller strategin?
- Budget handlar om resursallokering. Hur kopplar ni resursallokering till er strategi process?
**Beskriv hur och i vilken utsträckning verksamhetsstyrningen är gemensam över affärsområden på Saab idag?**

- Används samma verksamhetsledningssystem över alla affärsområden?
- Får affärsenheter/områden själva bestämma över sina verksamhetsledningssystem?
- Hur utövar koncernledningen inflytande över affärsområdena/enheternas verksamhetsstyrning?
- Hur påverkar ”Ett Saab” verksamhetsstyrningen för de olika affärsområdena/enheterna?
- Beskriv hur sker framtagandet av verksamhetsplaner sker på koncern och affärsenhetsnivå?

**På vilket sätt påverkas IT-planering av koncernstrategi?**

- Hur arbetar ni för att harmonisera er IT-miljö?
- Vilka system finns för att främja lärande inom organisationen?
- Hur påverkas IT-governance-processer av er koncernstrategi? (IT-styrningens processer)

**Hur långt anser du att ni kommit på er resa till Ett Saab?**

- Är ”Ett Saab” en artikulerad koncernstrategi? Beskriv i korthet koncernens strategi och mål för att bli ”Ett Saab”
- På vilket sätt påverkar ”Ett Saab” ditt arbete?
Appendix B – Example of Strategy Map

(Source: Germundsson, 2011)
Appendix C – Biografen

(Source: Germundsson, 2011)