Adoption of intended strategic initiatives in MNCs: role of piloting

DAVIDSON, Rhoda Elspeth

Abstract
The replication of templates, which are working examples of organizational practices, plays an important role in intraorganizational knowledge transfer. However, remarkably little is known about how templates are created. This exploratory mixed methods research seeks to open up the black box of template creation. Firstly, to understand the characteristics of templates that influence the early adoption of organizational practices. Secondly, to reveal the multi-level processes involved in template formation that impact the introduction of new organizational routines. The chosen context is MNCs where the corporate center first employs pilots to create templates before subsidiary by subsidiary rollout. This research contributes to knowledge transfer theory by illustrating how pilots reduce the degree of stickiness of future knowledge transfer. In addition, the study contributes to institutional theory by showing that pilots can be viewed as frames that mobilize subsidiaries to take action under situations of uncertainty and conflicting institutional pressures.

Reference

URN: urn:nbn:ch:unige-241721
DOI: 10.13097/archive-ouverte/unige:24172

Available at:
http://archive-ouverte.unige.ch/unige:24172

Disclaimer: layout of this document may differ from the published version.
Adoption of intended strategic initiatives in MNCs: Role of piloting

THÈSE
présentée à la Faculté des sciences économiques et sociales de l’Université de Genève
par
Rhoda Davidson
sous la direction de
M. Gilbert PROBST, HEC
pour l'obtention du grade de
Docteur ès sciences économiques et sociales mention gestion d’entreprise

Membres du jury de thèse:
Mme. Bettina BUCHEL, IMD
M. Emmanuel JOSSE RAND, HEC
M. Gilbert PROBST, HEC
M. Sebastian RAISCH, HEC (président du jury)
M. Achim Schmitt, Audencia Nantes School of Management

Thèse no 787
Genève, le 12 septembre 2012
Adoption of intended strategic initiatives in MNCs: Role of piloting

La Faculté des sciences économiques et sociales, sur préavis du jury, a autorisé l'impression de la présente thèse, sans entendre, par là, émettre aucune opinion sur les propositions qui s'y trouvent énoncées et qui n'engagent que la responsabilité de leur auteur.

Genève, le 12 septembre 2012

Le doyen
Bernard MORARD

Impression d'après le manuscrit de l'auteur
# Table of Contents

Résumé ................................................................................................................... vii
Abstract .................................................................................................................... xi
Preface ...................................................................................................................... xv

## Chapter 1. Introduction & Overview ................................................................. 1
  1.1 Templates as vehicles of knowledge transfer .............................................. 1
  1.2 Intended MNC strategic initiatives employing templates ......................... 2
  1.3 Research question ..................................................................................... 5
  1.4 Definitions and assumptions going into this research .............................. 6
  1.5 Importance of the research question ......................................................... 7
  1.6 Outline of the dissertation ....................................................................... 7

## Chapter 2. Literature review .......................................................................... 9
  2.1 Templates as a mechanism for intrafirm knowledge transfer ..................... 9
    2.1.1 Templates as sets of routines ............................................................ 9
    2.1.2 Best practice transfer and use of templates ....................................... 12
    2.1.3 Replication and use of templates ..................................................... 13
    2.1.4 Antecedents of stickiness in intrafirm knowledge transfer .................. 14
    2.1.5 Summary of literature gap in knowledge transfer theory .................... 30
  2.2 Institutional theory and global new practice adoption in MNCs ................. 31
    2.2.1 Neo-institutional perspective ............................................................ 32
    2.2.2 Conflicting isomorphic pressures in MNCs ....................................... 34
    2.2.3 Institutional change models ............................................................. 37
    2.2.4 Summary of literature gap in institutional theory ............................... 44
  2.3 Role of MNC subsidiaries in capability creation and transfer .................... 44
  2.4 Summary .................................................................................................. 47

## Chapter 3. Research methodology ................................................................. 49
  3.1 Research paradigm .................................................................................... 49
  3.2 Research approach ................................................................................... 52
    3.2.1 Mixed methods research .................................................................. 52
    3.2.2 Phase 1: qualitative research ......................................................... 54
    3.2.3 Why follow up with quantitative research ....................................... 55
    3.2.4 Researcher’s role in qualitative phase ............................................. 55
  3.3 Research strategy ..................................................................................... 57
    3.3.1 Qualitative research strategy ......................................................... 57
    3.3.2 Unit of case analysis ....................................................................... 59
    3.3.3 Quantitative research strategy ....................................................... 59
    3.3.4 Overall research design .................................................................. 59
  3.4 Research setting ....................................................................................... 60
  3.5 Case sampling ......................................................................................... 62
Adoption of intended strategic initiatives in MNCs: Role of piloting

3.5.1 Sample size ...............................................................................................62
3.5.2 Sample selection .......................................................................................66
3.6 Research program .......................................................................................67
  3.6.1 Introductory stage ..................................................................................68
  3.6.2 Stage 1 ..................................................................................................68
  3.6.3 Stage 2 & 3 ............................................................................................74
3.7 Steps to ensure reliability & validity in qualitative research ......................79
  3.7.1 Reliability .............................................................................................79
  3.7.2 Validity ..................................................................................................79
3.8 Steps during data collection in quantitative research ..................................82
3.9 Summary .....................................................................................................83

Chapter 4. Finding about piloting .....................................................................85
  4.1 Piloting characteristics ..............................................................................85
    4.1.1 Replicability of the practice through a template ...............................88
    4.1.2 Credibility of the pilot location .........................................................96
    4.1.3 Feasibility of the new practice ........................................................101
    4.1.4 Proposition development for piloting characteristics .......................107
  4.2 Multiple pilots as a moderator of strategic initiative adoption ..................108
    4.2.1 Enhancing replicability .................................................................109
    4.2.2 Enhancing credibility .................................................................110
    4.2.3 Enhancing feasibility .................................................................111
    4.2.4 Proposition development for multiple pilots .................................112
  4.3 Commitment to change as a mediator ....................................................112
  4.4 Towards a theory of piloting in the adoption of intended initiatives .........117
  4.5 Summary ..................................................................................................120

Chapter 5. Finding about the piloting process ...............................................121
  5.1 Overall process of template creation ......................................................121
    5.1.1 Formal global strategic initiative initiation .....................................123
    5.1.2 Global-local bargaining to select pilots ...........................................126
    5.1.3 Preparation to implement ............................................................129
    5.1.4 Template implementation ............................................................130
    5.1.5 Decision to rollout ...........................................................................132
  5.2 Global team selects credible pilot location with aligned interests ..........134
    5.2.1 Selection of credible, potentially feasible and replicable pilots .......137
    5.2.2 Involvement of subsidiaries in template development ......................140
    5.2.3 Clearly communicated, user-focused goal setting ............................141
    5.2.4 Resolution of informational inadequacies during pilot ....................146
    5.2.5 Exercise template control ..............................................................151
    5.2.6 Template completed at the time of rollout decision .........................154
    5.2.7 Positive feedback from pilot managers .........................................157
    5.2.8 Continued senior management support for initiative .......................160
    5.2.9 Facilitation of positive performance feedback .................................161
  5.3 Summary ..................................................................................................163

Chapter 6. Quantitative study and findings ....................................................164
  6.1 Piloting as a multidimensional construct ...............................................164
6.1.1 Theory development ................................................................. 164
6.1.2 Operationalization of the piloting construct ................................. 165
6.1.3 Results .................................................................................. 165
6.2 Impact of piloting on strategic initiative adoption ............................... 168
   6.2.1 Piloting construct .................................................................. 168
   6.2.2 Results ............................................................................... 168
6.3 Summary....................................................................................... 172

Chapter 7. Discussion ............................................................................. 173
7.1 Summary of significant findings ....................................................... 173
7.2 Examining alternative theories for piloting characteristics ................. 174
7.3 Piloting as the creation of replicable-credible-feasible templates ......... 175
   7.3.1 Comparison with best practice transfer ..................................... 176
   7.3.2 Comparison with replication .................................................... 179
   7.3.3 Piloting as a way to reduce future potential stickiness ............... 180
7.4 Piloting as a multilevel global-local self-reinforcing process .............. 182
7.5 Pilots as template persuaders .......................................................... 184
7.6 Pilots as a dynamic capability to increase firm absorptive capacity ...... 186
7.7 Pilots as frames for institutional change .......................................... 187
7.8 Role of the global team as institutional change agents ....................... 195
7.9 Pilots as options? ........................................................................ 197
7.10 Subsidiaries as loci of capability development .................................. 198
7.11 Piloting contrasted with experimentation ....................................... 199
7.12 Summary....................................................................................... 202

Chapter 8. Conclusions, limitations & further research ............................. 203
8.1 Conclusions .................................................................................. 203
8.2 Research limitations ....................................................................... 207
   8.2.1 Limitations of qualitative multiple case study approach ............. 207
   8.2.2 Limitations of quantitative study approach ................................ 211
8.3 Future research ............................................................................ 213
   8.3.1 Quantitative research topics ................................................... 213
   8.3.2 Qualitative research topics ....................................................... 214
8.4 Summary....................................................................................... 215

Chapter 9. Action perspectives for managers .......................................... 217
9.1 Bridging the rigor-relevance gap .................................................... 217
9.2 Format of these perspectives ........................................................ 219
9.3 Framework of piloting ................................................................... 221
   9.3.1 Main message ....................................................................... 222
   9.3.2 Pilot preparation ................................................................. 222
   9.3.3 Pilot implementation .............................................................. 235
   9.3.4 Strategic initiative rollout decision ........................................ 241
9.4 Summary....................................................................................... 246

References .......................................................................................... 247
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>Appendices</th>
<th>269</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix 1</td>
<td>269</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>299</td>
</tr>
<tr>
<td>Appendix 3</td>
<td>343</td>
</tr>
</tbody>
</table>
Résumé

La reproduction de modèles, qui sont des exemples de routines ou de pratiques organisationnelles, joue un rôle important dans le transfert de connaissances entre organisations. L'expérience a montré que l'utilisation de modèles améliore l'efficacité du transfert de connaissances et joue un rôle clé dans le transfert de meilleures pratiques et dans la reproduction de modèles économiques. On considère que les modèles ont le pouvoir de transférer les connaissances de façon efficace et efficiente en réduisant l'aspect récurrent du processus de transfert.

Cette étude de recherche exploratoire tente d'ouvrir la boîte noire de la création de modèles. Dans un premier temps, il s'agit de comprendre les caractéristiques des modèles qui influencent l'adoption rapide de nouvelles pratiques organisationnelles. Dans un deuxième temps, il s'agit de détailler les processus impliqués dans l'élaboration de modèles qui ont une incidence sur l'introduction de nouvelles routines organisationnelles.

Pour atteindre l'objectif de cette recherche, un contexte spécifique a été sélectionné : les multinationales dont le siège social tentait d'introduire de nouvelles pratiques mondiales en ayant d'abord recours à des pilotes pour créer des modèles avant de les faire déployer et adopter par chaque filiale. La question centrale que pose la recherche est : « Comment le pilotage influence-t-il l'adoption rapide de nouvelles pratiques mondiales issues d'initiatives stratégiques visées dans des multinationales ? », en considérant que l'adoption de nouvelles pratiques, conformément aux travaux des précédents chercheurs, est composée à la fois d'un engagement affectif envers le changement et d'une mise en œuvre de la nouvelle pratique. La création et la reproduction de matrice est particulièrement cruciale dans les multinationales car le siège cherche continuellement à dégager des économies d'échelle et de gamme en diffusant des connaissances intégrées dans des routines organisationnelles supérieures.

La recherche a eu recours à une approche séquentielle de méthodes mixtes. Dans la première partie, des études de cas multiples d'ordre qualitatif ont été menées sur dix initiatives stratégiques visées afin d'explorer le pilotage et la création de modèles de manière inductive. Ces initiatives provenaient de deux sociétés multinationales siégeant en Europe et fabriquant des produits industriels. Les comparaisons entre les initiatives au degré d'adoption le plus élevé et celles au degré d'adoption le moins élevé ont montré que trois caractéristiques ont influencé les réponses des responsables de filiales concernant l'adoption : la reproductibilité, la crédibilité et la faisabilité. La reproductibilité du pilote crée une matrice complète (ou plusieurs) qu'il est possible de transposer sur divers sites, ainsi qu'une méthodologie de cette transposition associée. La crédibilité du pilote joue un rôle dans le fait que les responsables de filiales reconnaissent que le site du pilote a les capacités et une portée commerciale suffisamment importante pour justifier l'initiative stratégique. La faisabilité du pilote démontre que la nouvelle pratique mondiale, sous la forme de routines, peut être intégrée dans des opérations fiables et donc, peut être mise en œuvre plus largement au sein de la
multinationale. Les résultats indiquent également que le nombre de pilotes a une influence modérée curviligne sur la relation entre le pilotage et l'adoption de l'initiative stratégique. Un examen plus approfondi de l'engagement affectif envers le changement et de la mise en œuvre suggère que l'engagement affectif agit comme un médiateur positif entre le pilotage et la mise en œuvre de l'initiative stratégique. En revanche, les résultats montrent que l'engagement de continuité est associé de façon négative avec des pilotes reproductibles, crédibles et réalisables et que cet engagement de continuité pourrait agir comme un médiateur négatif entre le pilotage et la mise en œuvre de l'initiative stratégique.

Une étude plus détaillée des données de l'analyse de cas qualitative a également permis un examen sectoriel à plusieurs niveaux des microprocessus de la création de modèles utilisant le pilotage. Celui-ci révèle qu'au début du processus de pilotage, dans tous les cas, les intérêts des pilotes sont alignés avec ceux du siège des entreprises. Une comparaison des initiatives dont le degré d'adoption était plus élevé avec celles dont le degré d'adoption était moins élevé montre que les décisions rapides cruciales prises par les dirigeants dès le début ont fortement influencé le résultat final du pilote. Il s'est avéré que le choix du site du pilote et la nature de la définition d'objectifs créaient un cercle vertueux parmi les différents niveaux et secteurs au sein du processus de pilotage. Si le choix s'était porté sur un pilote approprié avec des objectifs convenus fixes par les personnes concernées en fonction des commentaires sur la performance de l'utilisateur, alors l'équipe globale locale pouvait réaliser un pilote reproductible crédible et réalisable et le degré d'adoption rapide était plus élevé. Si le choix s'était porté sur un pilote inapproprié sans objectifs spécifiques (en excluant les considérations de temps et de budget) ou avec des objectifs surdimensionnés, il aboutissait à une spirale négative, avec un pilote incomplet, trop spécifiquement local, dont les problèmes non résolus étaient ensuite transmis aux autres filiales. Il a été démontré que le soutien continu de la haute direction dépendait de la faisabilité du pilote.

Dans la deuxième partie quantitative de la recherche, l'échantillon de responsables et d'initiatives stratégiques a été élargi afin de tester les hypothèses émergentes concernant le pilotage. En premier lieu, l'analyse factorielle confirmatoire a été utilisée pour évaluer si la reproductibilité, la crédibilité et la faisabilité pouvaient être identifiées comme des facteurs de pilotage distincts. Tandis que le modèle à trois facteurs était plus adapté par rapport à un modèle à un ou deux facteurs, il a été constaté que celui-ci avait une validité discriminante inférieure due à d'importantes corrélations entre les variables latentes. Deuxièmement, la modélisation par équation linéaire structurelle a été employée pour montrer que, comme prévu, le pilotage avait une relation positive avec la mise en œuvre, une relation positive avec l'engagement affectif et une relation négative avec l'engagement de continuité. Les résultats ont également soutenu l'hypothèse selon laquelle la mise en œuvre de nouvelles pratiques suite à un pilotage est partiellement véhiculée par l'engagement affectif envers le changement. Néanmoins, aucun lien n'a été démontré entre l'engagement de continuité et la mise en œuvre de l'initiative stratégique.
Dans le cadre de l’introduction d’une nouvelle pratique globale par le siège des entreprises, les résultats de cette recherche permettent de définir le pilotage comme « le processus de création de la matrice d’une nouvelle pratique organisationnelle applicable dans une ou plusieurs filiales reconnues d’une multinationale qui peut et est destinée à fonctionner sur d’autres sites. »

Cette recherche contribue à la théorie du transfert des connaissances en permettant de comprendre les propriétés des modèles qui entraînent une adoption rapide. Il a été observé que les modèles reproductibles, crédibles et réalisables des pilotes augmentaient l’efficacité de la reproduction en réduisant le degré de récurrence du transfert de connaissances potentiel futur. Pour obtenir ce résultat, il a fallu agir sur la motivation des filiales pour s’impliquer dans la nouvelle pratique, réduire l’ambiguïté occasionnelle et sélectionner au préalable des sources motivées. Cette recherche a également mis en évidence l’importance des modèles multiples et des modèles hybrides dans le transfert de connaissances. La compréhension sectorielle à plusieurs niveaux détaillée du processus de pilotage apporte une contribution supplémentaire en démontrant comment les décisions cruciales au sujet du site du pilote et de la définition d’objectifs, prises au niveau de la haute direction dès le début, influencent le degré d’adoption de la nouvelle pratique.

Il s’agit de l’une des premières études empiriques qui démontrent que les modèles ont le pouvoir d’agir comme des agents de persuasion ainsi que comme des références lors du transfert de connaissances. Après que des recherches ont été menées pour déterminer comment les pilotes sont utilisés pour créer des modèles, les résultats suggèrent qu’au début d’une initiative stratégique, une matrice peut être créée de façon habile et délibérée pour accroître la mise en œuvre.

Cette recherche contribue à la théorie institutionnelle en proposant que les pilotes soient considérés comme des cadres mobilisant les filiales pour qu’elles agissent dans le contexte complexe d’une multinationale subissant de multiples pressions institutionnelles conflictuelles. Le siège de l’entreprise a un faible niveau d'intégration au sein de l’environnement institutionnel local de ses filiales. Cela le place dans une bonne position pour reconnaître les opportunités d’introduction des nouvelles pratiques mondiales qui peuvent générer des économies d’échelle et de gamme à travers une standardisation et une centralisation accrues dans les multinationales. Cependant, ces propositions de changements de pratiques mondiales peuvent être sources de contradictions institutionnelles au sein des filiales à cause de conflits potentiels au sein de leurs propres environnements institutionnels locaux et avec leurs propres modes de travail traditionnels. Cela peut créer une certaine résistance initiale de la part des filiales vis-à-vis de la mise en œuvre des nouvelles pratiques. L’équipe internationale, en tant qu’agents de changement désignés par l’équipe dirigeante, a la possibilité de mobiliser des intérêts harmonisés avec des filiales fiables en les choisissant comme pilotes pour mettre en œuvre l’initiative. En élaborant des pilotes reproductibles, crédibles et réalisables, d’autres responsables de filiales sont capables d’observer d’une manière indépendante la nouvelle routine et de prendre une décision réfléchie concernant l’initiative.
Les pilotes peuvent être considérés comme des processus de simplification qui permettent aux individus, dans des situations incertaines, de donner du sens à une initiative stratégique mondiale en fournissant un autre cadre. Dans les multinationales, les pilotes incitent les responsables des filiales à reformuler un cadre qui s’éloigne du champ institutionnel local pour se rapprocher d’un champ de multinationale intra-organisationnel. Si les responsables de filiales considèrent le pilote comme reproductible, crédible et réalisable, alors cela justifie l'initiative et lui permet de transmettre une trajectoire mimétique à travers un engagement affectif plus solide envers le changement, pour un degré global d’adoption plus élevé. Toutefois, lorsque les pilotes ne peuvent pas être perçus comme reproductibles, crédibles et réalisables et que le nouveau cadre ne trouve pas écho auprès des responsables de filiales, le chemin vers l'adoption est contraint de suivre une trajectoire imposée menant à des degrés d’adoption moins élevés, à une mise en œuvre solennelle et, dans des cas extrêmes, à des actes de résistance. Cette vision de l'adoption représente l'image d'un changement de trajectoire multiple, simultané et redondant où les pratiques mondiales sont renouvelées par phases dans toute l'organisation puisque certaines modèles sont progressivement intégrées et d'autres rejetées.

En résumé, les découvertes présentées ci-dessus sont significatives, notamment parce que c'est la première fois que le rôle du pilotage est étudié dans l'adoption de nouvelles pratiques. Cela est surprenant sachant que la capacité des multinationales à reproduire efficacement de nouvelles pratiques dans le monde est fondamentale pour la poursuite de l'intégration mondiale et pour la génération d’un avantage concurrentiel. Cette recherche permet de souligner le double rôle du pilotage. Le pilotage est une capacité dynamique qui permet aux sièges des entreprises de rendre fonctionnelle une nouvelle pratique organisationnelle et en même temps de créer une matrice qui favorise l'adoption rapide.
Abstract

The replication of templates, which are working examples of organizational routines or practices, plays an important role in intraorganizational knowledge transfer. The use of templates has been shown empirically to enhance the effectiveness of knowledge transfer and to play a key role in best practice transfer and in business model replication. Templates are believed to have the power to transfer knowledge efficiently and effectively by reducing the “stickiness” of the transfer process.

This exploratory research study attempts to open up the black box of template creation. Firstly, to understand the characteristics of templates that influence the early adoption of new organizational practices. Secondly, to reveal the detailed processes involved in template formation that impact the introduction of new organizational routines.

To accomplish this research goal a specific context was selected; MNCs where the corporate center was attempting to introduce new global practices by first employing pilots to create templates before subsidiary by subsidiary rollout and adoption. The central research question addressed is, “How does piloting influence the early adoption of new global practices resulting from intended strategic initiatives in MNCs?” Where new practice adoption is viewed, in keeping with previous researchers, as consisting of both affective commitment to change and implementation of the new practice. Template creation and replication is particularly critical in MNCs because the corporate center is constantly seeking to leverage economies of scale and scope by diffusing knowledge embedded in superior organizational routines.

The research used a sequential mixed methods approach. In the first part qualitative multiple case studies were conducted on ten intended strategic initiatives to inductively explore piloting and template creation. These initiatives were drawn from two multinational companies headquartered in Europe producing industrial products. Comparisons of the more highly adopted and the less highly adopted initiatives showed that three characteristics influenced the adoption responses of subsidiary managers - pilot replicability, credibility and feasibility. Pilot replicability creates a complete template (s) which is transferable across locations and an associated transfer methodology. Pilot credibility plays a role in subsidiary managers recognizing that the location of the pilot has the capabilities and sufficient business coverage that legitimizes the strategic initiative. Pilot feasibility demonstrates that the new global practice, in the form of routines, can be put into reliable operation and hence can be implemented more widely in the MNC. The findings also indicated that the number of pilots has a curvilinear moderating influence on the relationship between piloting and strategic initiative adoption. A closer look at affective commitment to change and implementation suggested that affective commitment acts as a positive mediator between piloting and strategic initiative implementation. In contrast, results showed that continuance commitment is negatively associated with replicable-credible-feasible pilots and that continuance commitment might act as a negative mediator between piloting and strategic initiative implementation.
A more detailed investigation of data from the qualitative case analysis also allowed a multilevel, cross boundary examination of the micro-processes of template creation using piloting. This revealed that at the start of the piloting process, in all cases, the interests of the pilots were aligned with the interests of the corporate headquarters. A comparison of the more and less highly adopted initiatives showed that critical early decisions taken by senior managers at the outset strongly influenced the eventual outcome of the pilot. The selection of the pilot location and the nature of the goal setting were found to create a virtuous circle across multiple levels and boundaries within the piloting process. If an appropriate pilot was selected with agreed self-defined goals based on user performance feedback then the global-local team could complete a replicable-credible-feasible pilot and early adoption was higher. If an inappropriate pilot was selected without specific goals (excluding time and budget considerations) or with over-specified goals then this led to a negative spiral, resulting in an incomplete, overly locally adapted pilot where unresolved issues were subsequently rolled out to other subsidiaries. Continued senior management support was found to be contingent on the feasibility of the pilot.

In the second quantitative part of the research, the sample of managers and strategic initiatives was enlarged to test the emerging hypotheses about piloting. First, confirmatory factor analysis was used to test whether replicability, credibility, and feasibility can be identified a distinct piloting factors. While the 3-factor model gave a better fit in comparison to a one or two factor model, this model was found to have low discriminant validity due to strong correlations between the latent variables. Second, structural linear equation modelling was used to show that, as predicted, piloting has a positive relationship with implementation, a positive relationship with affective commitment and a negative relationship with continuance commitment. Support was also found for the hypothesis that the implementation of new practices following piloting is partially mediated by affective commitment to change. However, no link was found between continuance commitment and strategic initiative implementation.

In the context of corporate headquarters introducing a new global practice, the findings from this research allow piloting to be defined as “the process of creating a workable template of a new organizational practice in one or more recognized subsidiaries of an MNC that can and is intended to operate in other locations.”

This research contributes to knowledge transfer theory by providing insights into the properties of templates that lead to early adoption. Replicable-credible-feasible templates in the pilots were observed to increase the effectiveness of replication by reducing the degree of stickiness of future potential knowledge transfer. This was achieved by operating on the subsidiaries’ motivation for engaging in the new practice, by reducing casual ambiguity, and by pre-selecting motivated sources. This research also highlights the importance of multiple templates and hybrid templates in knowledge transfer. The detailed multilevel cross boundary understanding of the process of piloting makes a further contribution by demonstrating how the critical decisions of pilot location and goal setting, taken at senior management level at the outset, impacts the degree of new practice adoption.
This is one of the first empirical studies that demonstrate that templates have the power to act as persuaders as well as referents during knowledge transfer. By researching how pilots are used to create templates the findings suggest that at the start of a strategic initiative a template can be skilfully and deliberately created to increase implementation.

This research contributes to institutional theory by proposing that pilots can be viewed as frames that mobilize subsidiaries to take action within the complex contextual setting of an MNC with its multiple, conflicting institutional pressures. The corporate center has a low level of embeddedness within the local institutional environment relative to subsidiaries. This puts it in a good position to recognize opportunities for introducing new global practices that can generate economies of scale and scope through increased standardization and centralization across the MNC. However, these proposed global practice changes may cause institutional contradictions within the subsidiaries, resulting from potential conflicts within their own local institutional environments and with their own established ways of working. This may create initial subsidiary resistance to implementing the new practices. The global team, as TMT-appointed change agents, have the possibility to harness aligned interests with credible subsidiaries by selecting them as pilots to implement the initiative. By creating replicable-credible-feasible pilots, other subsidiary managers are able to independently observe the new routine and make an informed decision about the initiative.

Pilots can be seen as simplification processes in uncertain situations that allow individuals to make sense of a global strategic initiative by providing an alternative frame. In MNC’s pilots induce subsidiary managers to reframe away from the local institutional field towards the intra-organizational MNC field. If subsidiary managers view the pilot as replicable-credible-feasible then this legitimizes the initiative and allows it to pass along a mimetic trajectory through stronger affective commitment-to-change to a higher overall level of adoption. However, when pilots fail to be viewed as replicable-credible-feasibly and the new frame does not resonate with subsidiary managers then the pathway to adoption is forced to follow a coercive trajectory leading to lower levels of adoption, ceremonial implementation and, in extreme cases, to acts of defiance. This view of adoption paints a picture of multiple, simultaneous and overlapping ‘trajectory change’ where global practices are renewed in waves throughout the organization as some templates are progressively incorporated and others are rejected.

In summary, the findings outlined above are significant, not least because this is first time that the role of piloting has been studied in new practice adoption. This is surprising given that the ability of MNCs to efficiently replicate new practices around the world is essential for pursuing strategies of global integration and for generating competitive advantage. This research serves to highlight the dual role of piloting. Piloting is a dynamic capability that enables the corporate center to operationalize a new organizational practice and at the same time to create a template that encourages early adoption.
Preface

Researching and writing this dissertation has been for me a voyage of discovery of the social sciences. It has been a truly enjoyable experience to attempt to capture, measure and interpret the inherent messiness of human interactions within the setting of multinational companies. I have taken a great deal of pleasure in learning from the many researchers who have travelled this road before me.

Over the course of my journey I have received support and encouragement from a very special group of people without whom this research would not have been possible.

Firstly, thank you to Professor Gilbert Probst, who generously agreed to take me on as a student despite having misgivings that “people who have a job can never complete a dissertation”. You were absolutely right; it has not been an easy task. I have worked hard not to betray your trust. Thank you for being a role model through your support and your obvious passion for management science.

I owe my deepest gratitude to Bettina Büchel. As a co-researcher and friend we have shared our interest in this topic of piloting over the last years. Together we have spent long hours discussing the various aspects of this research and figuring out how to approach the topic. I remember some great debates, some fun trips where we met on skis at various mountain restaurants in the Porte du Soleil with our laptops, and a large number of late nights preparing various conference papers to meet deadlines. Thank you for your support and your contagious enthusiasm. If there were more people as energetic and positive as you then the world would be a richer place!

This research would not have been possible without gaining access to managers conducting strategic initiatives within multinational companies. Thank you to Alistair Davidson and Ralph Geiger at Tetra Pak and to Juho Malmberg and Massimo Beccarini at KONE for allowing me to collect data. Thank you also to Jean-Louis Gregoire and David Beckett from Canon Europe who also provided data for the exploratory part of the research. My profound thanks to the strategic project initiatives leaders who agreed to spend so much time patiently recounting their experiences and responding to all my questions and all the other people who were interviewed along the way. I can only hope that the findings from this research can help to improve the process of piloting global initiatives within your companies.

Thank you to the people who provided practical support to this research. Helen Whitehurst was my “second researcher” who read through all the interviews and my case study write-ups to check and validate my cause-effect interpretations. Thank you for performing your job so rigorously and for not hesitating to challenge me. It was great fun working with you. Thank you to Sophie Coughlan and Anouk Lavoie Orlick for assisting with part of the web survey data collection. Thank you to Debbie Brunettin and Pooja Pahwa who were involved in transcribing interview recordings. Thank you to Victoria Briones for assisting in the quantitative analysis. Thank you to Ben Voyles who helped to edit the
managerial version of this research that appeared in MIT Sloan Management Review in Autumn 2011.

I am indebted to Gordon Adler and Karsten Jonsson who were both in the process of completing dissertations at the time when I started on this research. Thank you for the moral support and for the time we spent wondering together about the mysteries of social science research. Your help and advice was invaluable.

A number of other researchers have provided me with feedback and encouragement along the way. Thank you to James Henderson, Cyril Bouquet, Steven Floyd, Richard Dunsford, Anand Narasimhan and to a number of anonymous reviewers from the Academy of Management and the Strategic Management Society. Thank you for invaluable feedback from my examiners Sebastian Raisch, Achim Schmitt and Emmanuel Josserand.

I am particularly grateful to Xavier Gilbert who first inspired me to get involved in action learning with managers and who as a consummate constructivist showed me the art of learning to learn.

I am also enormously indebted to Corey Billington; my friend, co-worker, mentor and guide. You are undoubtedly the most insightful senior executive and academic that I have ever met. I share with you my strong belief that management theory must be deeply relevant to the managers that practice it. Everything I have learned about processes I learned from you. And yes, even grieving is a process. Thank you for giving me the space to complete this dissertation (“get back to work”), despite the hectic challenges of setting up a new business together.

Finally I would like to thank my family. Thank you to my wonderful husband Graeme. You have put up with all the work that took place during the many weekends and holidays over the last few years. You have been more than patient. Thank you also for being my “manager in a test tube” by spending time explaining and discussing with me how managers think and act, and why. Without you I certainly would never have completed (or even started) this research. Finally, thank you to my children Lara and Eliot. My apologies for sometimes being over-absorbed in working on this project. You have both had to learn to be more self-sufficient as a result but please remember that this does not mean that you are any less loved.
Chapter 1. Introduction & Overview

1.1 Templates as vehicles of knowledge transfer

The replication of templates plays an important role in intraorganizational knowledge transfer and the use of templates has been shown empirically to enhance the effectiveness of knowledge transfer (Jensen & Szulanski, 2007), which is fundamental to realizing competitive advantage (Zander & Kogut, 1995).

Templates are working examples of organizational routines or practices (Nelson & Winter, 1982). They may consist of a single routine or a complex set of independent routines or subroutines or, in the context of franchising, an observable example of a complete business model (Winter & Szulanski, 2001). Templates contain both the critical and noncritical aspects of routines, providing the details and nuances of how the work gets done, in what sequence, and how various components and subroutines are interconnected (Jensen & Szulanski, 2007; p1717).

Templates have been recognized to play a key role in best practice transfer (e.g. Szulanski & Jensen, 2006) and in business model replication (e.g. Winter & Szulanski, 2001). During best practice transfer an existing recognized organizational practice employed at the source location is encapsulated in the form of a “working template” (Nelson & Winter, 1982). This template is then replicated in the recipient organization with the assistance of the source (Jensen, Szulanski & Casaburi, 2003; Jensen & Szulanski, 2004). Because the knowledge being transferred is frequently complex and causally ambiguous (Kogut & Zander, 1992), resolving problems that arise during such a transfer may involve frequent comparisons of the original template in the source with the replica being created (Nelson & Winter, 1982). The ability to transfer practices efficiently and effectively enables organizations to conduct programs such as total quality management (TQM), benchmarking, and business process reengineering (Szulanski, 1996). Business model replication can involve either the replication of templates or principles of operating or both (Baden-Fuller & Winter, 2007). In the case of template replication an initial template is created and refined (Winter & Szulanski, 2001) and then this serves as the working example for copying. Here the scope of knowledge transfer is necessarily broader than in best practice transfer and clarity of the key elements of the business model increases with each subsequent rollout ((Winter & Szulanski, 2001). With each replication the capabilities of the corporate center to replicate evolve as a result of learning and the corporate center accumulates dynamic capabilities (Winter & Szulanski, 2001).

Templates are believed to have the power to transfer knowledge efficiently and effectively by reducing the “stickiness” of the transfer process (Jensen et al., 2003; Jensen & Szulanski, 2004; 2007), where stickiness is defined as the perceived degree of difficulty in transferring knowledge in organizations (Jensen & Szulanski, 2004). Reducing stickiness is believed to diminish incidents of transfer failure. Attributes of a template that have been shown empirically to reduce stickiness include the nature of the knowledge embedded within the template including the degree of causal ambiguity, proveness and value
Adoption of intended strategic initiatives in MNCs: Role of piloting (Galbraith, 1990; Gupta & Govindarajan, 2000; Hansen, 1999; 2002; Szulanski, 1996; 2000), the degree of presumptive adaptation of the template during the transfer process (Jensen & Szulanski, 2004), and the degree of completeness of template reproduction (Jensen & Szulanski, 2007).

However, despite the acknowledged importance of templates for best practice transfer of organizational routines, practices, and the replication of business models, remarkably little is known about how templates are initially produced. Best practice research has focused purely on how existing templates are encapsulated and then replicated in the recipient organization with the help of the source (Jensen et al., 2003; Jensen & Szulanski, 2004) but has not touched upon how these practices were initially created. Business model replication has gone further by showing how replication evolves through two stages; an exploration phase followed by an exploitation phase (Winter & Szulanski, 2001). Exploration takes place as the business model is initially created and refined. Exploitation takes over as the business model is stabilized and leveraged through large-scale replication. However, little focus has been placed to date on the exploration phase when the first template(s) is created and refined to provide guiding examples for subsequent replication. In neither best practice transfer nor business model replication have researchers delved into the way in which the initial template was created or have identified the key attributes of templates that lead to the initial adoption within recipient organizations of a new organizational practice. And to date researchers have not investigated how actions taken during the creation of a template increase or decrease the likelihood of early strategic initiative adoption.

In this research I attempt to open up the black box of template creation. Firstly, I seek to understand how templates can be constructed to stimulate the early adoption of new organizational practices. Secondly, I elucidate the detailed process of how templates can be successfully deployed to introduce or change existing organizational routines in MNCs. This research responds to calls for more fine-grained investigations of the role of location and emotion in how routines are developed and deployed (Greve, 2008; Salvato & Rerup, 2011) and to calls for a greater understanding of the hard-to-define boundary between strategy formulation and implementation (Hutzschenreuter & Kleindienst, 2006).

1.2 Intended MNC strategic initiatives employing pilots

To accomplish this research goal I chose to select a specific context; MNCs where the corporate headquarters were attempting to introduce new global practices by first employing pilots to create templates before subsidiary by subsidiary rollout.

Template creation and replication is particularly critical in MNCs because the corporate headquarters is constantly seeking to leverage economies of scale and scope by diffusing knowledge embedded in superior organizational routines and practices throughout the organization (Kogut & Zander, 1993). An MNC has the possibility to improve its worldwide competitive position if the knowledge

---

1 An MNC is an organization that operates in two or more countries with multiple subunits linked through shared policies or strategy (Ghosal & Westney, 1993).
embedded in superior new practices is transferred among subsidiaries and leveraged across borders (Nelson & Winter, 1982).

In addition to facilitating existing best practice transfer, the corporate centre may also choose to initiate the creation and diffusion of new global organizational practices by employing intended strategic initiatives. Intended initiatives are the outcome of globally induced strategy processes, which leverage the organization’s current available capabilities to fully exploit opportunities within domains where the organization is already competing (Burgelman, 1991; Burgelman & Grove, 2007). These initiatives focus on existing customer products and services and on existing customer target groups. Through these intended initiatives, the corporate center has the possibility to accelerate the adoption of new global practices by the subsidiaries and this fulfills its role as an active creator and diffuser of knowledge (Gupta & Govindarajan, 2000).

These global initiatives are frequently coordinated by global teams located at corporate headquarters who act as “smart interveners” to facilitate co-operation and communications between headquarters and subsidiaries (Gupta & Govindarajan, 1994; Harvey & Novicevic, 2002).

However, when initiating the introduction of new global practices the corporate headquarters of MNCs face two fundamental challenges. The first challenge is that implementing strategic initiatives within an MNC leads to changes that are often hazardous and difficult to assess (Greve, 1998; Hannan, Polos & Carroll, 2004). By their very nature, new global practices, or innovations, involve a certain degree of cause-effect ambiguity and uncertainty (Mosakowski, 1997). The upside of correct decisions is very high but the downside of wrong ones can “lead to major disasters” (March, 2006: 205). There can be no guarantee that a new practice will be technically feasible within an MNC, even if it is already widely used in other MNCs.

The second challenge to introducing new global practices is that MNC subsidiaries display different responses to the adoption of new organizational practices (Kostova & Roth, 2002). Adoption responses vary along two dimensions: an attitudinal dimension, which measures the commitment to the new practice; and a behavioral dimension, which measures the extent to which the practice has been implemented (Kostova & Roth, 2002). When a new practice is mandated by the corporate center, even though the corporate center may have a high degree of formal authority over the subsidiary because of resource dependency (Bartlett & Ghoshal, 1989; Kostova, 1999; Martinez & Ricks, 1989; Pfeffer & Salancik, 1978; Prahalad & Doz, 1981), there is a risk of low commitment from MNC subsidiaries. This may be caused because the

---

2 Strategic initiatives are a deliberate effort by a firm to create or appropriate economic value from the environment (Lovas & Ghosal, 2000). Strategic initiatives may have a positive or a negative impact on firm performance.

3 Practice commitment refers to the relative strength of an individual’s identification with and involvement in a particular organizational practice. It is characterized by a strong belief in the practice’s goals, and a willingness to exert considerable effort for the implementation of the practice (Mowday, Steers & Porter, 1979).
Adoption of intended strategic initiatives in MNCs: Role of piloting

A subsidiary does not believe in the value of the strategic initiative within its local institutional environment (Nohria & Ghosal, 1997; Rosenzweig & Singh, 1991). Low commitment can result in either ceremonial adoption or limited implementation (Kostova & Roth, 2002; Meyer & Rowan, 1977). With ceremonial adoption, the practice is notionaly implemented but the subsidiary does not believe in its real value for the organization (Meyer & Rowan, 1977) and therefore does not actively use the practice. A lack of effort to adopt and champion a new practice may compromise the persistence and stability of a new practice over time (Tolbert & Zucker, 1983) and hence may also lead to strategic initiative failure. Alternatively, subsidiary managers may intentionally decide not to implement a particular practice, while reporting otherwise to headquarters; termed minimal adoption (Kostova, 1999). A final much more extreme active agency response is that subsidiaries with a strong power base may have the ability to defy or obstruct corporate headquarters and take independent action, resulting in their non-adoption of the new practice (Andersson & Forsgren, 1996; Mudambi, 1999; Oliver, 1991).

Looking at how a subsidiary may passively or more actively resist a corporate-mandated strategic initiative, it may be that obtaining an attitudinal commitment to the new practice is actually more important than the choice per se of a strategic initiative (Armenakis, Harris & Mossholder, 1993; Miller, Johnson & Grau, 1994). This would mean that developing an active agency commitment response to new practice adoption should start before implementation (Dooley, Fryxell & Judge, 2000; Guth & MacMillan, 1986; Wooldridge & Floyd, 1990).

In practice, to mitigate the risks of introducing a new global practice, corporate headquarters typically start an intended strategic initiative by employing pilots to operationalize the new practice in one or several country subsidiaries before adopting it more widely across the MNC. By “pilot,” I refer in the context of an MNC to the subsidiary location(s) where the new practice is first tested and where a template is created for subsequent subsidiary-by-subsidiary roll-out. For example, when Nestlé implemented the CHF3bn Global Business Excellence Program (GLOBE) to create a common set of business processes that would be used throughout company, the program was initiated with a pilot located in each of the main geographical regions of the company, before rapidly adopting these business processes in every subsidiary (Killing, 2005). The use of pilots to create templates protects the organization from costly and risky failures that might be incurred with the simultaneous implementation of an initiative in all subsidiaries.

The selection of the context of piloting in MNCs to investigate template creation is unusual. While a limited number of studies have looked at mandated best practice transfer in MNCs, the most notable being the study by Kostova and Roth (2002)4, there have been no studies that examine the role of piloting in first creating a new global practice template, followed by the rapid subsidiary by subsidiary replication of this template. Studies have not yet examined what constitutes a “good” pilot that creates a template(s) that influences the adoption

---

4 Kostova & Roth (2002) investigated the mandated transfer of a single existing best practice from the home country to MNC subsidiaries
of new practices. Yet the core of achieving a comparative advantage by MNCs stems from their ability to replicate knowledge and practice adoption throughout the organization.

The choice of piloting in MNCs as the organizational context also allows a discussion of the process of template creation and replication viewed through the lens of institutional theory. Institutional theory has been applied to MNCs primarily to surface the complex nature of institutional pressures experienced by subsidiary organizations. The basic tenet of institutional theory is that organizations gain legitimacy by adopting practices, procedures and templates for organizing that are institutionalized in a given society (Meyer & Rowan, 1977) and, as a result, become more similar, or “isomorphic” to one another. MNC subsidiaries, however, experience institutional pressures from at least two directions; known as duality. They are under pressure to adopt local organizational practices and become isomorphic with the local institutional environment, leading to local adaptation (Nohria & Ghosal, 1997; Rosenzweig & Singh, 1991). At the same time these subsidiaries are under pressure to utilize core competencies and capabilities from the parent organization. In this way the subsidiaries become more similar to one another and the whole organization can to benefit from important economies of scope and scale, resulting in global competitive advantage (Ghosal & Bartlett, 1988; Grant, 1996; Kogut, 1991; Nohria & Ghosal, 1997).

While this issue of duality has been extensively discussed, researchers have not yet illuminated detailed process examples of how the early stages of global institutional change led from the corporate headquarters takes place within an MNC. So as a second output from this research I use the opportunity provided by the research context to describe how the process of piloting is used during the semi-institutionalization phase to create global institutional change in an MNC. In keeping with previous research, my research also addresses the “paradox of embedded agency” (Seo & Creed; p226) where any proposed process needs to describe how and why actors embedded within institutional structures become motivated and enabled to promote change in those structures (e.g. Greenwood & Suddaby, 2006; Reay, Golden-Biddle & Germann, 2006). This part of the research responds to calls from researchers to further investigate the microsociological processual dimension of isomorphism (Heugens & Lander, 2009).

**1.3 Research question**

In summary the goal of this research is to uncover the attributes of templates that lead to the early adoption of new organizational practices and to unpack the process of template creation. The selected context is the piloting of strategic initiatives by the corporate center within MNCs. My central research question is, “How does piloting influence the early adoption of new global practices resulting from intended strategic initiatives in MNCs?”

This research uses a mixed methods research approach, conducted in two stages; a qualitative stage and a subsequent quantitative stage. The first phase of the study uses a multiple case study design with the intent of developing theory. I chose this approach because I was interested in looking at a rarely
Adoption of intended strategic initiatives in MNCs: Role of piloting

explored phenomenon for which existing theory did not appear to be useful. In such situations, a grounded theory-building approach is more likely to generate novel and accurate insights into the phenomenon under study than reliance on either past research or office-bound thought experiments (Brown & Eisenhardt, 1997; Glaser & Strauss, 1967). In the subsequent quantitative research stage the original sample of managers and strategic initiatives was enlarged to test emerging hypotheses that link piloting with different forms of commitment and with implementation.

1.4 Definitions and assumptions going into the research

Going into this exploratory research, it was important to carefully define the exact phenomena that I was seeking to understand.

In this study I use the term “intended strategic initiative” to describe the proactive global introduction of new practices by the corporate center. I focus on strategic initiatives that introduce innovations that are new to the organization but already in existence in the world of management practice, so falling midway between “state of the art” and “off the shelf” management innovations (Birkinshaw, Hamel & Mol, 2008: 829). Like Kostova and Roth (2002), I view new practice adoption as both commitment to and implementation of the new practice, whereby implementation is the integration and satisfactory use of the practice (Dean & Sharfman, 1996; Nutt, 2002; Szulanski, 1996).

Going into the study I defined “pilot” as the subsidiary location(s) where the new practice, associated with the intended initiative, is first implemented to create a template before subsequent subsidiary by subsidiary rollout. I defined “piloting” as the act of realizing the new practice at the pilot location(s) with the intention of mandating the adoption of the practice at other subsidiaries. Multiple pilots are defined as pilots that take place simultaneously in different subsidiary locations. As a result of the findings of this research I subsequently redefined these definitions (see section 7.3).

In keeping with Winter & Szulanski (2001) I define a template as a complex set of independent routines that is discovered, adjusted and fine-tuned by “doing” (Winter & Szulanski, 2001). By organizational practice I refer to the organization’s routine use of knowledge for conducting a particular function that has evolved over time under the influence of the organization’s history, people, interests, and actions (Kostova & Roth, 2002). By routines I refer to forms of mindfully and flexibly responding to recurrent situations in ways that are predictable and patterned (Feldman & Pentland, 2003).

In terms of adoption this research focuses predominantly on the early adoption of strategic initiatives. Early adoption is defined as the adoption of the new practice by the MNC subsidiaries that implement the template created in the pilot directly after this template has been created. Specifically it is restricted in this research to adoption of the new practice in the first five subsidiaries over a time frame of two years following the implementation of the pilot.

In this study I refer to piloting in the positive sense that piloting increases the adoption of the intended strategic initiative. This implies that the overall research question could also be termed as “How does good piloting influence the
adoption of new global practices resulting from intended strategic initiatives in MNCs?"

1.5 Importance of the research

The major contribution of this research to knowledge transfer theory is to uncover the attributes of templates that are associated with higher levels of early adoption of business practices. The findings also demonstrate the influence of different template variants and configurations on future replication. This research also highlights the detailed process of how firms can skillfully and deliberately create these template attributes at the start of an intended initiative. The findings demonstrate the diverse and critical roles played by managers located centrally and locally, and at different levels in the firm. Improving the understanding of knowledge transfer is valuable because the effectiveness of knowledge transfer is seen to be fundamental to realizing competitive advantage (Zander & Kogut, 1995).

These insights contribute to a greater understanding of a critical and commonly employed mechanism by which firms introduce new routines and replace existing routines. In this research I suggest that the capability to pilot can be regarded as a dynamic capability which operates as a higher level routine for adapting operational routines and capabilities to dynamic environments (Eisenhardt & Martin, 2000).

The major contribution of this research to institutional theory is to describe how piloting is used as a mechanism for the legitimization for new practices within the multiple and competing organizational fields found within an MNC. This provides empirical evidence of a different relationship between agency and embeddedness, one where embeddedness within a different, competing field can provide the basis for implementing change. The research also contributes to the structure versus agency debate. This research suggests that both agency and structure operates when pilots are employed within this organizational context. The degree to which agency appears to operate to either support or defy the intended initiative depends on the degree to which the new pilot frame resonates with subsidiary managers.

This research also contributes to international business theory by showing how the corporate center can use pilots to encourage subsidiaries to implement new global practices. The corporate center does this by using the capabilities in the pilots to create a status-driven halo effect for the initiatives. Within the context of MNCs the adoption of new practices and the transfer of associated knowledge is a critical topic in international business research. Knowledge transfer through an MNC network has been associated with multiple beneficial outcomes including attaining global competitive advantage (Gupta & Govindarajan, 2000) and increased MNC performance (Van Wijk, Jansen, & Lyles, 2008).

1.6 Summary and outline of the dissertation

This chapter has presented a brief introduction to the topic of the research. The goal of this research is to investigate the process of template creation and the attributes of templates that lead to the early adoption of new organizational
practices. The selected context is the piloting of strategic initiatives by the corporate center within MNCs. The central research question is, “How does (good) piloting influence the early adoption of new global practices resulting from intended strategic initiatives in MNCs?” Definitions and assumptions going into the research were outlined and the importance of the research was highlighted. The rest of the dissertation is organized as follows.

Chapter 2 reviews the conceptual background in the literature drawing primarily from knowledge transfer theory and institutional theory. This literature review generates insights that are relevant to the research question under investigation and forms a basis for later discussions in Chapter 7.

Chapter 3 describes the mixed methods research methodology including the research paradigm, approach and strategy as well as the research setting and program. It also covers the steps taken to ensure the reliability and validity of the research.

Chapter 4 reports the cause-effect findings from the qualitative exploratory case study analysis and introduces a theory that describes the characteristics of piloting that leads to higher levels of strategic initiative adoption.

Chapter 5 describes the findings from the point of view of examining the micro-processes of piloting that lead to adoption. This chapter also describes the role of the global team, the local team, and the members of the global steering committee.

Chapter 6 reports the hypotheses that were tested in the second quantitative phase of the research and the findings from the data.

Chapter 7 provides a discussion and interpretation of the major findings from the qualitative and quantitative research and relates this study’s results to the prior relevant literature.

Chapter 8 draws the conclusion to the research, provides a discussion of the associated methodological limitations, and makes suggestions for future research directions.

Chapter 9 describes how this research can be used by practicing managers.
Chapter 2. Literature Review

This section of the dissertation covers literature that is relevant for developing a theory for how piloting influences the adoption of intended strategic initiatives. In keeping with a mixed methods study that uses an initial exploratory approach, the literature did not attempt to guide and direct this study but instead forms a backdrop against which the findings from the qualitative research are introduced and discussed (Cresswell, 2003). As such, this literature review should be regarded as a theoretical orientation for the later development and extension of theory (Chapters 7 & 8).

In this chapter I firstly review the knowledge transfer literature on templates and show how templates have been described for best practice transfer and business model replication within the context of intrafirm transfer of knowledge within MNCs. Secondly, I introduce institutional theory and review how it has been applied to MNCs and then describe the essential features of institutional change models. Finally, I outline the evolving thinking about MNC subsidiaries as a locus of capability creation and knowledge transfer. All of this background theory is relevant to the discussion section in Chapter 7.

2.1 Templates as a mechanism for intrafirm knowledge transfer

A template is defined as a complex set of interdependent routines that is discovered, adjusted and fine-tuned by “doing” (Winter & Szulanski, 2001). A template contains critical aspects of the successful routine(s), providing the details and nuances of how the work gets done, in what sequence, and how the various subroutines are interconnected (Jensen et al., 2003). The key characteristics of a template is that it (i) involves an organizational practice that is currently in existence, (ii) observable in the sense that it actually exists in a particular location, (iii) composed of a single or connected set of processes, and (iv) consciously used in the replication process (Jensen et al., 2003; Jensen & Szulanski, 2007; Nelson & Winter, 1982). A template is an existing set of routines that serves as a working example and future reference point for the reuse of knowledge.

2.1.1 Templates as sets of routines that involve organizational practices

From the above definition, templates are composed of routines. Routines are viewed in the economic and management literature as either group-level recurrent patterns of activity or as cognitive regularities (Salvato & Rerup, 2011). The former view emphasizes the automatic behaviors of groups of individuals that are involved in regular information processing. Routines may range from simple discrete activities to more complex connected activities or meta-routines, such as an entire production process (Szulanski & Jensen, 2004). The later view emphasizes that routines involve standard operating rules that shape behavior (e.g. March & Simon, 1958).

Routines are seen as the building blocks of capabilities (Nelson & Winter, 1982) (see Figure 1). The capability view of the firm holds that competitive advantage
Adoption of intended strategic initiatives in MNCs: Role of piloting

is built through the use of unique capabilities, built on unique knowledge (Collis, 1994). Hence the ability to build competitive advantage depends upon a firm being able to i) create innovative combinations of existing routines or entirely new routines, ii) imitate and replicate successful routines more rapidly than competitors. The priority placed on certain routines and capabilities constitutes the firm's strategy and determines the idiosyncratic character of this strategy (Barney, 1997; Grant, 1991). Nelson & Winter (1982) argue that for a firm, their most critical knowledge assets are embedded in organizational routines. Situated above capabilities in the hierarchy are dynamic capabilities. These are higher level routines for adapting operational routines and capabilities to evolving environments (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997). They play a key role in enabling a firm to adapt to the dynamic environment.

Templates involve an organizational practice that is in existence. The distinction between routines and practices is subtle. One way to view the difference is that routines are strongly associated with structure, stability and rigidity, while practices encompass the role of human agency (Feldman & Orlikowski, 2011). Organizational practices often have a tacit component, embedded partly in individual skills and partly in collaborative arrangements (Kogut & Zander, 1992; Nelson & Winter, 1982). Organizational practices may also have a social meaning that is shaped by prevailing institutional contexts (Meyer & Rowan, 1977).

Templates, as composed of complex sets of observable routines, play a critical role in the transfer of organizational practices. They enable successful routines to be encoded and replicated. In addition, dynamic capabilities, given that they are also routines, can also be observed in working templates and can be encoded and transferred. Hence we can see that templates play an important role in changing capabilities that provide competitive advantage and in building dynamic capabilities that allow firms to maintain competitive advantage in dynamic environments.

---

5The term routine is often used interchangeably with the term organizational practice (Jensen & Szulanski, 2004; p519).
Routines are guided by individual decision making and it has been shown that organizational routines may be stored as distributed procedural memories (Squire & Kandel, 1999). Procedural memory involves individual competencies and routines, such as behavioral routines, procedures, tools, and information system programming (Cohen & Bacdayan, 1994; Pentland & Rueter, 1994). Research has shown that it may be hard to eliminate the procedural memories stored in routines and practices. For example, individuals have been shown to persist in using decisions routines, even when they are no longer optimal, and even when the individuals recognize that a different approach at the beginning of the task (Bröder & Schiffer, 2006). Practices remain stable not only because habit ingrains standard ways of doing things, but because the need to engage one another forces people to return to common structures (Swidler, 2001). The ability to breaking existing routines is critical if organizations are going to be able to change in response to a dynamic environment. Unlearning routines and practices allow organizations to avoid core rigidities which lead to an inevitable progressive loss of competitive advantage over time (Leonard-Barton, 1995).

A recent comprehensive review on existing research on routines suggests a number of fruitful areas of research (Salvato & Rerup, 2011). For instance, little is known about how contextual elements affect the performance of routines and capabilities (Salvato & Rerup, 2011); in particular the mechanisms for engaging the commitment of individuals in implementing routines and for unlearning existing routines and practices. In addition, research has not investigated how routines are performed and interpreted at different levels of the organizational hierarchy or how actors at different hierarchical levels impact a routine's performance and evolution.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Research to date on the use of templates for intraorganizational knowledge transfer has focused on two main areas; best practice transfer and business model replication.

2.1.2 Best practice transfer and use of templates

Intrafirm knowledge transfer literature takes a dyadic point of view that focuses on the behaviour of source units and recipients. At the dyadic level there are essentially two roles that a subsidiary may play in knowledge flows, termed “knowledge transfer” (Szulanski, 1996): i) Source – It is assumed that the source unit already possesses a “best practice” ready for transfer; ii) Recipient – The recipient unit is actively searching out “best practices” to transfer from source units into their own unit.

Intrafirm best practice transfer starts with the recognition of a need in the recipient. During the initiation stage this recognition triggers a search for potential solutions and which leads to the discovery of superior knowledge in another part of the organization such as another subsidiary (Szulanski, 1996). The search can be viewed as either searching for a solution to a current problem or as an opportunity to discover superior knowledge. Once the need and a potential solution to that need are identified their fit is explored and this leads to the decision to transfer (Szulanski, 1996). The recognized best practice employed in the source subsidiary is encapsulated in the form of a “working template” (Nelson & Winter, 1982), which is then replicated in the recipient subsidiary (Jensen et al., 2003; Jensen & Szulanski, 2004).

Templates, have an element of explicit knowledge but also of tacit knowledge. Tacit knowledge is embedded in individual experience and is difficult or impossible to communicate or transfer to others (Nonaka, 1991; 1994; Polanyi, 1966). Explicit knowledge is objective or codified or relatively easily transmissible. The general assumption is that tacit knowledge may be more valuable to transfer and hence more worthwhile to transfer (Hansen, 1999).

Szulanski (1996, 2000) elaborates the process of knowledge transfer during template implementation in the recipient unit. Template reproduction passes through several stages (Szulanski, 1996, 2000):-

- Initial implementation effort when the recipient receives knowledge from the source.
- Ramp-up to satisfactory performance when the recipient starts to use the knowledge.
- Integration which involves follow through and evaluation when the knowledge becomes routinized.

In this model the source plays a key role in the transfer process through providing resources and engaging in social ties through which tacit and explicit knowledge migrate. The advice of the source can enhance the effectiveness of the transfer by reducing or eliminating the need for costly efforts to rediscover the information and tacit knowledge that already exists (Szulanski, Cappetta, & Jensen, 2004). The source provides enabling mechanisms that aid in the actual transfer of knowledge and make the transfer possible (Jensen & Szulanski, 2009). Because the knowledge being transferred is frequently complex and causally ambiguous (Kogut & Zander, 1992), resolving problems that arise
during such a transfer may involve frequent comparisons of the original template in the source with the replica being created (Nelson & Winter, 1982). In other words the template in the source is used as a referent.

Because it is recognized that organizations often have difficulty getting recipient units to adopt best practices, it has been proposed that templates overcome resistance to change by demonstrating results and providing evidence that someone else in the organization has already implemented the practice (Armenakis & Harris, 2002; Jensen et al., 2003). Without a template recipients have to rely on faith rather than proof when making the decision to implement, which lowers the incentive to adopt a best practice (Jensen & Szulanski, 2007; p1727). This suggests that templates may also act as a persuader for adoption and as a mechanism which influences the recipients to initiate transfer (Jensen & Szulanski, 2009).

It is important to note that in the knowledge transfer literature the template is assumed to exist and hence there is no description on how this initial template is generated or developed over time. There is also no mention about how long the template has been in existence before transfer was attempted.

In evaluating the success of knowledge transfer the literature takes a “recipient focused” point of view: “for knowledge transfer to occur, learning must transpire in the mind of the recipient” (Sussman & Siegla, 2003; 48) where the recipient proactively pulls knowledge from the source.

The assumption in best practice knowledge transfer literature is that the source unit has some proven value in resolving the recognized problem and that transfer will provide competitive advantage in the recipient unit. Learning takes place through social learning where useful information is shared (Bandura, 1986; Kraatz, 1998; Rogers, 2003) and learning through the diffusion of information through networks of ongoing relationships is regarded as a central tenet (e.g. Hansen, 1999; Szulanski, 2000; Tsai, 2002).

It is also assumed that the source understands how the strategic organizational practice provides competitive advantage (Szulanski & Jensen, 2004).

### 2.1.3 Replication and use of templates

Knowledge transfer of a complete business model, such as during the growth of franchise networks or other networks with a consistent business model, can be regarded as a special form of best practice transfer. Examples of successful franchises include MacDonalds, Subway, IKEA. This phenomenon is referred to in the literature as “replication”. Replication involves the creation and operation of a large number of similar outlets that deliver a product or perform a service (Winter & Szulanski, 2001).

Replication is distinguished from best practice transfer by two characteristics; the broad scope of knowledge transfer and the attention to dynamic capabilities that accumulate at the organizational center (Winter & Szulanski, 2001). The scope of knowledge transfer is necessarily broader than in best practice transfer because the template comprises a whole business model rather than a partial set of routines (Winter & Szulanski, 2001). With each replication the capabilities of the corporate center to replicate evolve as a result of learning. The dynamic
Adoption of intended strategic initiatives in MNCs: Role of piloting
capabilities of the center reflect the replicator’s knowledge of the business model traits that must be reproduced at each outlet, of actions that can be taken to reproduce those traits, and of environments in which such traits have business value (Winter & Szulanski, 2001).

Winter and Szulanski (2001) proposed that replication is composed of an exploration phase followed by an exploitation phase. Exploration takes place as the business model for a franchise is created and refined. Clarity of the key elements of the business model increases with each subsequent “roll-out” of the model. Baden-Fuller and Winter (2007) argue that this increasing clarity may come in the form of either a template that forms the detailed working example or as a set of principles that describes the underlying logic of the business model.

Following the exploration phase, exploitation takes over as the business model is stabilized and leveraged through large-scale replication. Researchers are now starting to investigate the transition to the second stage of exploitative learning and to describe the processes whereby some international firms are revisiting, modifying and adjusting the original template to account for local institutional idiosyncrasies and changing market conditions (e.g. Jonsson & Foss, 2009).

“Arrow core” is an important term in business model transfer (Winter & Szulanski, 2001). The Arrow core refers to the knowledge of which attributes are replicable and worth replicating over time, together with the knowledge of how these attributes are create. It contains the answer to “what, how, and where should the replicator be trying to replicate?” (Winter & Szulanski, 2001:p733) At any point in time there is a successful outlet that can be regarded as the guiding example or template. The Arrow core is contained within this complex and causally ambiguous template and is acquired through learning from experience. Knowledge of the Arrow core cannot be known at the outset. The first template is only encoded once it is established that the initial business model is successful, otherwise this can lead to repeated failure at the other locations. Knowledge must be acquired by the corporate center through exploratory learning when the original template is created and then all of the subsequent templates.

In summary, in contrast to best practice transfer, research into replication acknowledges the exploratory phase of creating the initial business model template; however there are only limited descriptions about how this initial template is set up or the attributes of these initial templates. In addition, the template is only reused once it has been determined to be successful.

2.1.4 Antecedents of stickiness in intrafirm knowledge transfer

Research on the intrafirm transfer of best practices indicates that such transfers are often very difficult or sticky (Szulanski, 1996; Teece, 1997; von Hippel, 1994) with frequent incidents of transfer failure (Galbraith, 1990; Gupta & Govindarajan, 2000; Jensen & Szulanski, 2004). For instance, Galbraith (1990) reports that many firms find intra-firm knowledge transfer much more difficult than expected. Gupta & Govindarajan (2000) describe that the expectations of intra-firm knowledge transfer are often not met. Stickiness is defined as the degree of perceived difficulty in transferring knowledge in organizations (Jensen & Szulanski, 2004).
Stickiness or accelerators for knowledge transfer can have many origins. Knowledge transfer between MNC subsidiaries can be regarded as a communication process that involves the source, the recipient, a channel, and a message (Gupta & Govindarajan, 2000). Stickiness can take place related to any of these elements.

Stickiness during the implementation phase and ramp-up phase is common. Empirically, stickiness during these phases is measured by monitoring difficulties in communication and relationship between source and recipient, difficulties in assessing the requirements of the knowledge to be transferred and in assessing the expertise of the source, difficulties in implementing the template, the need to develop solutions to implementation problems, and the inability to meet project deadlines and budgets (Szulanski, 1996).

Table 1 provides a short literature review of the main findings on intra-firm knowledge transfer from empirical studies. Synthesizing the findings from these studies provides an overview of the factors which have been found empirically to increase or reduce the stickiness of knowledge transfer. These constructs are summarized in Figure 2.
Table 1: Empirical research on intrafirm knowledge transfer

<table>
<thead>
<tr>
<th>Study</th>
<th>Research Objective/Description</th>
<th>Research method</th>
<th>Sample</th>
<th>Level of analysis and form of transfer</th>
<th>Dependent variable</th>
<th>Key findings related to intrafirm knowledge transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zander &amp; Kogut (1995)</td>
<td>Relationship between the degree of codification of knowledge and the teachability of knowledge with the speed of knowledge transfer</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>44 manufacturing capability innovations in 20 firms in Sweden</td>
<td>Nodal</td>
<td>Time to transfer and time to imitation of the new product</td>
<td>• Time to imitation depends on the degree to which the innovations may be codified and taught, and also on the threat of market preemption</td>
</tr>
<tr>
<td>Szulanski (1996)</td>
<td>Internal stickiness in stages of knowledge transfer</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>271 observations of 122 best-practice transfer in eight companies</td>
<td>Unit Dyadic</td>
<td>Internal stickiness of knowledge transfer during different transfer stages</td>
<td>• Major barriers to internal knowledge barrier include the recipient’s lack of absorptive capacity, causal ambiguity and an arduous relationship between the source and the recipient</td>
</tr>
</tbody>
</table>
| Tsai & Ghosal, (1998)     | Relationship of social capital (structural, relational, and cognitive) with patterns of resource exchange and product innovation | Questionnaire surveys of managers and quantitative analysis | 15 business units in a large multinational electronics company           | Unit Dyadic                             | Flow of inter-unit resources (information, products, personnel, and support) Level of product innovation in | • Social interaction and trust were significantly related to the extent of inter-unit resource exchange  
  • Inter-unit resource exchange had a significant effect on product innovation |
<table>
<thead>
<tr>
<th>Hansen (1999)</th>
<th>New-product development projects</th>
<th>Interviews, questionnaires, archival information</th>
<th>120 new product development projects by 41 divisions in a large electronics company</th>
<th>Unit Dyadic</th>
<th>Project completion time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Weak inter-unit ties help a project team to search for useful knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Weak inter-unit ties speed up projects when the knowledge is not complex</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Weak inter-unit ties impede the transfer of complex knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Weak inter-unit ties slows down the transfer of complex knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Strong ties accelerate the transfer of complex knowledge</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gupta &amp; Govindarajan (2000)</th>
<th>To test an overarching theoretical framework of intra-corporate knowledge transfers within MNCs</th>
<th>Questionnaire surveys of MNC Presidents and secondary sources followed by quantitative analysis</th>
<th>374 subsidiaries belonging to 75 major MNCs headquartered in the US, Japan and Europe</th>
<th>Nodal</th>
<th>Extent of 7 different types of knowledge flows</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Knowledge out flows from a subsidiary depends on value of the subsidiary's knowledge stick and the richness of the transmission channels.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Knowledge inflows to a subsidiary depend on the richness of the transmission channels, motivational disposition to acquire knowledge, and the capacity to absorb the incoming knowledge.</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>Study</th>
<th>Nature of internal stickiness in different stages of knowledge transfer</th>
<th>Questionnaire surveys of managers and quantitative analysis</th>
<th>271 observations of 122 best-practice transfer in eight companies</th>
<th>Unit Dyadic</th>
<th>Internal stickiness of knowledge transfer during different transfer stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Szulanski (2000) (reinterpretation of data from 1996)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Study</th>
<th>Challenges that may compromise the functioning and effectiveness of the routines that transfer</th>
<th>Interviews and documentation</th>
<th>2 year longitudinal case study at Banc One investigating the transfer of</th>
<th>Unit Dyadic</th>
<th>Processes of knowledge transfer and performance of franchise operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Szulanski (2000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reference</td>
<td>Research Question/Methodology</td>
<td>Findings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Emergent nature of the bank’s replication strategy arising from incremental responses to the lack of uniformity of the replication process. |
| Tsai (2001)       | Impact of network position and absorptive capacity on business unit innovation and performance | Questionnaire surveys of managers and quantitative analysis                                                                             | 2 MNCs from the petrochemical and food manufacturing sectors with 24 and 36 BUs respectively. | Unit Nodal Innovation rates on new products and ROI relative to target rates for BUs                                                                 | • Unit’s innovative capability is significantly increased by its centrality in the intra-organizational network  
• Units with high absorptive capacity are more innovative  
• High absorptive capacity increases the impact of centrality on innovation  
• Units with higher absorptive capacity have higher performance  
• The link between higher absorptive capacity and performance is enhanced by network centrality |
| Hansen (2002)     | Investigate how knowledge networks impact why some business units are                         | Open-ended interviews, questionnaire surveys for relational data, 120 new product development projects in 41 business units of a large | Unit Dyadic Project completion time and the amount of knowledge                                                                 | Project teams obtained more existing knowledge from other units and completed their projects faster to the extent that they had short |
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>Study (Year)</th>
<th>Objective</th>
<th>Methodology</th>
<th>Setting</th>
<th>Findings</th>
</tr>
</thead>
</table>
| Tsai (2002)  | Impact of centralization and informal lateral relations on knowledge sharing among units | Questionnaire surveys of relational data between units and objective measures of dependent variables | MNC from the petrochemical with 24 BUs | - Centralization has a significant negative effect on knowledge sharing  
- Informal social relationships have a significant positive relationship on knowledge sharing among units that compete with each other for market share but not among units that compete with each other for internal resources |
<p>| Jensen, Szulanski, Casaburi (2003) | Factors enhancing the effectiveness of knowledge transfer for best practices | Interviews, direct observation, company documentation, company archives, a survey. | 8 year longitudinal case study in Rank Xerox in Europe covering 3 sequential transfer efforts in 15 western | - Use of templates enhances the effectiveness of knowledge transfer. |</p>
<table>
<thead>
<tr>
<th>Study</th>
<th>Research Question</th>
<th>Methodology</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenkasi &amp; Chesmore (2003)</td>
<td>Influence of strong ties on the implementation of planned organizational change involving SAP implementation</td>
<td>Questionnaire surveys of relational data between units and objective measures of dependent variables</td>
<td>Farm and construction equipment MNC – 8 divisions, 73 sites</td>
</tr>
<tr>
<td>Jensen &amp; Szulanski (2004)</td>
<td>Effect of presumptive adaptation on the transfer of best practices across borders</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>271 observations of 122 best-practice transfer in eight companies</td>
</tr>
<tr>
<td>Szulanski, Cappetta &amp; Jensen (2004)</td>
<td>Influence of trustworthiness on knowledge transfer</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>271 observations of 122 best-practice transfer in eight companies</td>
</tr>
<tr>
<td>Szulanski &amp; Jensen (2006)</td>
<td>Effect of presumptive adaptation on the transfer of</td>
<td>Interviews, survey with CEO</td>
<td>MBE franchise system in Israel</td>
</tr>
</tbody>
</table>

- Strong ties between change implementation networks and change recipient networks increases change use and successful change implementation
- Unit leader density of strong ties were significant predictors of change use.
- Recipient motivation has a negative effect on stickiness
- Presumptive adaptation has a negative effect on stickiness
- Institutional distance reduces recipient motivation
- Institutional distance increases stickiness
- Perceived trustworthiness of the source is positively related to accuracy of reproduction of the template
- The above relationship is moderated by the degree of causal ambiguity of the knowledge being transferred
- Presumptive adaptation reduces subsidiary performance
<table>
<thead>
<tr>
<th>Authors</th>
<th>Research Question</th>
<th>Methodology</th>
<th>Data Source</th>
<th>Unit</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winter, Szulanski, Ringov &amp; Jensen (2006)</td>
<td>Factors leading to failure rates of franchise units</td>
<td>Analysis of monthly indicators for all franchise outlets</td>
<td>11 years of data from 3,408 US units of a non-food franchise organization</td>
<td>Unit</td>
<td>Survival of the outlet</td>
</tr>
<tr>
<td></td>
<td>Higher percentage of revenue from non standard products significantly increased a unit's likelihood of exit</td>
<td></td>
<td></td>
<td></td>
<td>• Abstracted that the exploitation of a proven template for doing business by large-scale replication is more successful when the template is copied precisely.</td>
</tr>
<tr>
<td>Jensen &amp; Szulanski (2007)</td>
<td>Factors enhancing the effectiveness of knowledge transfer for best practices</td>
<td>Interviews, direct observation, company documentation, company archives, a survey.</td>
<td>8 year longitudinal case study in Rank Xerox in Europe covering 3 sequential transfer efforts in 15 western European countries</td>
<td>Unit</td>
<td>Increase in implementation of the routine and recipient unit performance</td>
</tr>
<tr>
<td></td>
<td>Use of templates enhances the effectiveness of knowledge transfer.</td>
<td></td>
<td></td>
<td></td>
<td>• Innovative performance is a curvilinear function of the international knowledge content used by a firm to innovate.</td>
</tr>
<tr>
<td>Kotabe, Dunlop-Hinkler, Parente &amp; Mishra (2007)</td>
<td>Investigate the determinants of international knowledge flow</td>
<td>Analysis of individual patents</td>
<td>56,027 US patents owned by 53 selected firms in the US-based pharmaceutical industry</td>
<td>Nodal</td>
<td>Extent of international knowledge lows and innovation performance</td>
</tr>
<tr>
<td></td>
<td>At low and moderate levels of international knowledge content, a firm's strategy to transfer international knowledge improves its</td>
<td></td>
<td></td>
<td></td>
<td>• At low and moderate levels of international knowledge content, a firm's strategy to transfer international knowledge improves its</td>
</tr>
</tbody>
</table>
## Chapter 2. Literature Review

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Research Question</th>
<th>Methodology</th>
<th>Data Collection</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Li, Barner-Rusmussen &amp; Bjorkman (2007)</td>
<td>Investigate the impact of the location of a subsidiary, in more or less highly developed countries, on the transfers of subsidiary knowledge within an MNC</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>164 Finnish and Chinese wholly-owned subsidiaries and majority-owned joint ventures of western corporations</td>
<td>Nodal transfer of subsidiary knowledge • Subsidiaries located in Finland tend to engage more actively in outward knowledge transfer than peer units located in China.</td>
</tr>
<tr>
<td>Szulanski &amp; Jensen (2008)</td>
<td>Impact of more exact template copying on franchise network growth</td>
<td>Analysis of franchise data</td>
<td>Data from a franchise with 23 different European countries</td>
<td>Unit Franchise network growth over time • Strategy of copying more exactly enhances network growth. • Benefits of more exact copying persist for several years.</td>
</tr>
<tr>
<td>Lee, Chen, Kim &amp; Johnson (2008)</td>
<td>Investigate the impact of knowledge and network strength on new product outcomes</td>
<td>Questionnaire surveys of managers and quantitative analysis</td>
<td>139 companies headquartered in the US with selected subsidiaries in Europe, Asia and Latin America</td>
<td>Unit Dyadic Degree to which MNC’s products are creative, differentiated and successfully introduced into the global market • Knowledge transfer impacts new product development outcomes • High levels of network strength reduces the positive impact of knowledge transfer on new product outcomes. • Global market turbulence attenuates the impact of...</td>
</tr>
</tbody>
</table>

Innovative performance. At higher levels of international knowledge content, there are diminishing marginal returns to transferring knowledge from overseas.
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>Study</th>
<th>Focus</th>
<th>Methodology</th>
<th>Sample Size/Context</th>
<th>Findings</th>
</tr>
</thead>
</table>
| Pérez-Nordvedt, Kedia, Datta & Rasheed (2008) | Impact of knowledge characteristics, recipient learning intent, source attractiveness, and relationship quality on the efficiency and effectiveness on cross-border knowledge transfer | Questionnaire surveys of managers and quantitative analysis                  | 102 US companies with international affiliates                                    | Recipient learning intent and source attractiveness impacts effectiveness of knowledge transfer  
• Recipient learning intent impacts efficiency of knowledge transfer  
• Quality of relationship strongly impacts both effectiveness and efficiency of knowledge transfer  
• Knowledge value positively associated with recipient learning intent  
• Knowledge value, rarity and non-substitutability influence source attractiveness  
• Recipient learning intent and source attractiveness partially mediates the relationship between knowledge characteristics and knowledge transfer |
| Salomen & Martin (2008)                   | Antecedents of the time it takes a firm to build and ramp up operations at a semiconductor plant | Quantitative analysis of publically available industry data                | 1630 semiconductor plant investments                                              | Time to build decreases with cumulative firm experience  
• Experience in the same foreign country is more impactful than is other |
<table>
<thead>
<tr>
<th>New manufacturing site through infra-firm knowledge transfer</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wong, Ho &amp; Lee (2008)</strong></td>
<td>Whether unit power affects inter-unit knowledge transfer</td>
</tr>
<tr>
<td>Interview and questionnaires followed by quantitative analysis</td>
<td>Insurance company and Marketing and Sales company in Singapore with departmental units</td>
</tr>
<tr>
<td>Unit Dyadic</td>
<td>Extent of knowledge transfer measured as each way transfer</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Knowledge criticality and non-substitutability impact the extent of knowledge transfer i.e. units with greater power receive more knowledge</td>
</tr>
<tr>
<td></td>
<td>- Units which are less central in the workflow have greater unit power on units that are more central</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

Figure 2: Sources of stickiness during knowledge transfer (compiled from literature review)

<table>
<thead>
<tr>
<th>Nature of knowledge in template</th>
<th>Source characteristics</th>
<th>Recipient characteristics</th>
<th>Communication channel characteristics</th>
<th>Organizational characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causal ambiguity</td>
<td>Source reliability</td>
<td>Recipient motivation</td>
<td>Number of network ties</td>
<td>Degree of centralization</td>
</tr>
<tr>
<td>Extent to which knowledge is proven</td>
<td>Source motivation</td>
<td>Absorptive capacity</td>
<td>Network centrality</td>
<td>Degree of formalization of integrative mechanisms</td>
</tr>
<tr>
<td>Value of knowledge</td>
<td>Source size &amp; age</td>
<td>Ability to unlearn old practices</td>
<td>Network tie strength</td>
<td>Organization context</td>
</tr>
</tbody>
</table>

Changes made during template transfer
- Presumptive adaptation
- Completeness

Timing during the transfer process
- Stage during transfer process
- Number of network ties
- Network centrality
- Network tie strength
- Richness of network ties
- Physical distance
- Similarity between source & recipient
- Cultural distance or Institutional distance

Nature of knowledge in template
Template attributes during best practice transfer that are already known to increase stickiness focus on the nature of the knowledge embedded in the routines.

Casual ambiguity - Concept of causal ambiguity was used originally by Lippman and Rumelt (1982) to describe the phenomena surrounding business actions and outcomes that make it difficult for competitors to copy strategies. It has been shown empirically to be significant during all phases of transfer, especially implementation phase (Galbraith, 1990; Hansen, 1999; 2002; Szulanski, 1996; 2000). Meta-analysis has shown it to be less detriment to transfer within organizations than between organizations (Van Wijk et al., 2008). It has been suggested but not shown empirically that causal ambiguity depends on the attributes of the template and that it increase with template size, knowledge complexity or difference from the recipient’s existing routines (Jensen et al., 2003).

Extent to which knowledge is proven - If the knowledge is not perceived as useful or does not have a proven track record of usefulness it has been suggested that it will also be difficult to motivate the recipient to transfer (Szulanski, 2000).

Value of knowledge - Knowledge can be viewed as valuable if it enables an organization to formulate strategies that enable effective and efficient outcomes and rare if it is possessed by a limited number of players (Barney, 1991). Valuable and rare knowledge is expected to increase the attractiveness of the source. Empirical evidence shows that the value of a subsidiary’s knowledge is
positively associated with outflows of knowledge from that subsidiary (Gupta & Govindarajan, 2000).

**Changes made during template transfer**
If the template is modified during transfer then this can increase the stickiness of transfer.

**Presumptive adaptation** - Empirical research has shown that transfer stickiness is increased by adapting the template to the needs of the subsidiary before the transfer takes place (known as “presumptive adaptation” 6) (Jensen & Szulanski, 2004; 513). An explanation given for negative impact of presumptive adaptation is that transferring a template to new environment is sticky because of the ambiguity of fit to the new environment. Even local, experienced managers are likely to incorrectly understand the relevant characteristics of the local environment and hence adaptation efforts will be misdirected, thereby increasing the stickiness rather than decreasing it (Jensen & Szulanski, 2004). This is of course, does not to preclude that local adaptation can safely take place once the template has been copied across (Jensen & Szulanski, 2004). It has also been shown empirically that firms can look for replication and adaptation at the same time, replicating the more discrete pieces of knowledge and adapting when the units possess a greater understanding of their knowledge. Both were found to lead to higher performance.

**Completeness of the template (rather than a collection of disparate sub-routines)** - Empirical studies have found that transferring a single observable template increases the effectiveness of knowledge transfer, in comparison to implementing a collection of sub-routines taken from several different places (Jensen & Szulanski, 2007).

**Source characteristics**
A number of characteristics of the source have been identified a causing stickiness.

**Source reliability** - When the source is not perceived to be reliable, trustworthy or knowledgeable then initiating a transfer from that source will be more difficult and its advice is likely to be challenged or rejected (Szulanski, 1996; 2000; Zander & Kogut, 1995). But if the recipient is trusting of the source then it is more likely to accept the advice of the source and change its behaviour (Andrews & Delahaye, 2000; Szulanski et al., 2004). Trust operates by increasing the amount of information exchanged (Tsai & Ghosal, 1998), decreasing the cost of exchange (Curall & Judge, 1995), and increasing cooperation (Dirks & Ferrin, 2001). However, empirical studies have shown that the relationship between trustworthiness and the degree of knowledge transfer is moderated by the casual ambiguity of the knowledge being transferred (Szulanski, et al., 2004). This finding suggests that trustworthiness increases the

---

6 Presumptive adaptation is defined as any adaptations involving two or more simultaneous changes that are sufficient magnitude to render the template site, or previously working version of the practice of little diagnostic value (Jensen & Szulanski, 2004).
Adoption of intended strategic initiatives in MNCs: Role of piloting

receptivity of the recipient but also lessens or inhibits the efforts of the recipient to validate the source’s advice in a timely manner.

**Source motivation** - Source motivation studies have covered a wide variety of potential ways in which sources may be encouraged to share knowledge e.g. intrinsic motivation, social ties (e.g. Hansen, 1999; Levin & Cross, 2004), incentive systems (e.g. Bock, Zmud, Kim & Lee, 2005) such as economic rewards (Gupta & Govindarajan, 2000) or career enhancement or enhanced reputation (Hall, 2002), knowledge sharing culture (e.g. Jarvenpaa & Staples, 2000). Sources must weigh the potential power or relative expertise loss or other costs such as the effort required to support the transfer against the potential benefits in status or possible reciprocation that they gain by sharing (McNamee & Levin, 2009). Interunit competition for resources has been shown to contribute to a reduction in knowledge sharing (Tsai, 2002). Not all studies have found that source motivation impacts knowledge transfer (Gupta & Govindarajan, 2000).

**Source size and age** - Studies assessing the effect of size on knowledge transfer find positive effects (Gupta & Govindarajan, 2000). Larger units may have more resources to devote to knowledge transfer (Gupta & Govindarajan, 2000) and may also have more diverse knowledge resources that enable absorption of new knowledge (Cohen & Levinthal, 1990). Older units appear to experience difficulties transferring knowledge within organizations (van Wijk et al., 2008).

**Recipient characteristics**

Recipient characteristics are also important.

**Recipient motivation** - One of the main sources of stickiness in MNC knowledge transfer is the recipient motivation, defined as the recipient subsidiary’s desire to implement the practice being transferred (Jensen & Szulanski, 2004; 513). Subsidiaries acquiring knowledge from other MNC subsidiaries may suffer from what is typically referred to as Not-invented-here syndrome (NIH) (Katz & Allen, 1982). Empirical studies show that recipient learning intent impacts both the efficiency and the effectiveness of knowledge transfer and that knowledge value is positively associated with recipient learning intent (Pérez et al., 2008). Empirical studies also show that institutional distance has a negative effect on recipient motivation making it more difficult to understand and correctly implement the intent of the practice (Jensen & Szulanski, 2004).

**Absorptive capacity** - Absorptive capacity refers to the ability to recognize, assimilate and apply new external knowledge (Cohen & Levinthal, 1990; Lane, Koka & Pathak, 2006; Zahra & George, 2002). Various empirical studies have found that absorptive capacity contributes to the amount of knowledge learned across units within firms (Gupta & Govindarajan, 2000; Szulanski, 1996; Van Wijk et al., 2008).

**Ability to unlearn former routines** - The recipient has to be able to abandon old practices in favor of new practices (Szulanski, 2000). Evidence from studies of innovation (Rogers, 2003), planned organizational change, and organizational learning (Argote, 1999) suggest that this can be challenging.
**Communication channel characteristics**

Many researchers have looked at the influence of network relationships on intraorganizational knowledge transfer.

**Number of network ties** - In a MNC a unit can access new knowledge through a network of interunit links (Hansen, 1999). Various studies have shown that a large number of relations to other units increase the likelihood that relevant knowledge can be accessed. Relations enhance information processing capacity which enables knowledge flows through these relationships (Gupta & Govindarajan, 2000; Hansen, 1999).

**Network centrality** - The degree to which a unit occupies central network positions has been shown to be related to the ability of that unit to produce more innovations (Tsai, 2001). Centrally located units are believed to be more able to access external information and knowledge.

**Network tie strength** - Tie strength which reflects the closeness of a relationship and increases with frequency of interaction and communication, leads to greater knowledge transfer (Hansen, 1999; Tsai, 2002). Strength of the tie between source and recipient is reflected in the ease of communication and in the “intimacy” of the overall relationship between the source and the recipient (Szulanski, 2000). Strong ties facilitate the flow of richer, detailed and redundant information and knowledge resources between individuals and groups (Granovetter, 1985; Hansen, 1999). The frequency of informal social relationships has a significant positive relationship on knowledge sharing among units that compete with each other for market share but not among units that compete with each other for internal resources (Tsai, 2002). Complex knowledge transfer requires a strong tie between two partners but building and maintaining these ties may only be justified if the knowledge being transferred is complex and not easily codified (Hansen, 2002). Strong ties between the change implementers and the change recipient network are significant predictors of change use as well as strong ties within the change recipient network (Tenkasi & Chesmore, 2003). Weak ties may be useful for searching and identifying new knowledge or best practices but these ties have been found empirically to not be robust enough for copying templates from source units, particularly when the knowledge being transferred is complex (Hansen, 1999). An arduous relationship between the source and the recipient may create additional hardship in transfer (Szulanski, 1996; 2000).

**Richness of network ties** - Richer transmission channels improve communication between transfer partners, resulting in great success in knowledge transfer, especially during knowledge implementation (Kwan & Cheung, 2006).

**Physical distance** - Physical distance between the parties may impact the effectiveness of their communication and also has been shown to be a determinant of successful transfer (Galbraith, 1990).

**Cultural distance or institutional distance** - Cultural distance may increase operational difficulties that emerge from a lack of understanding of the norms, values, and institutions and hinder knowledge exchange (Mowery, Oxley & Silverman, 1996). Meta-analysis of previous empirical work shows that cultural distance particularly hampers knowledge transfer across different units within
Adoption of intended strategic initiatives in MNCs: Role of piloting

There is empirical evidence to suggest that stickiness increases with institutional distance (Jensen & Szulanski, 2004). Similarity between source and recipient - Knowledge seekers tend to seek out partners with similar characteristics to transfer knowledge. For organizations one choice cited is similarity in business strategy (Darr & Kurtzberg, 2000). Shared vision, systems and values are important cognitive elements that promote a crucial bonding mechanism that helps different actors to integrate knowledge (Tsai & Ghosal, 1998).

Timing during the transfer process
Certain causes of stickiness have been shown empirically to be more important during different stages of the transfer process (Szulanski, 1996, 2000).

Stage of transfer process - Factors affecting the opportunity to transfer are more likely to predict difficulty during the initiation phase i.e. traits of the source unit such as motivation. Factors affecting the execution of the transfer are more likely to predict difficulty during the implementation phase i.e. traits of recipient unit such as absorptive capacity.

Organizational characteristics
A number of organizational characteristics have been found to impact intraorganizational knowledge transfer.

Degree of centralization - Formal hierarchical structure in the form of centralization has a significantly negative impact on knowledge sharing (Tsai, 2002). Units in a highly centralized organization are thought to be reluctant to share knowledge unless mandated by headquarters.

Degree of formalization of integrative mechanisms - Intra-MNC normative integration may facilitate knowledge transfer (Ghosal & Bartlett, 1988). When subsidiaries are more tightly integrated with the rest of the corporation through formal mechanisms then there are greater knowledge flows to peer subsidiaries (Gupta & Govindarajan, 2000)

Organizational context - Organizational context may affect the willingness and ability of organizational sub-units to complete transfer related tasks (Szulanski, 2000).

From this exhaustive review of antecedents of stickiness during knowledge transfer, it can be seen that plenty is known about antecedents that are important when a best practice which is already established is being replicated. But much less is known about attributes of the template that are important when the template is being formed and which are critical during the early stages of copying. To date the main attributes of the template itself that have been identified as important for stickiness include the nature of the knowledge included in the template in terms of casual ambiguity, provenness, and value.

2.1.4 Summary of literature gap in knowledge transfer theory
In summary, despite the acknowledged importance of templates for best practice transfer of organizational routines and the replication of business models, remarkably little is known about how templates are initially produced. Best practice research has focused purely on how existing templates are
encapsulated and then replicated in the recipient organization with the help of the source (Jensen et al., 2003; Jensen & Szulanski, 2004) but has not touched upon how these practices were initially created. Business model replication has gone further by showing how replication evolves through two stages; an exploration phase followed by an exploitation phase (Winter & Szulanski, 2001). Exploration takes place as the business model is initially created and refined. Exploitation takes over as the business model is stabilized and leveraged through large-scale replication. However, little focus has been placed to date on the exploration phase when the first template(s) is created and refined to provide guiding examples for subsequent replication. In neither best practice transfer nor business model replication have researchers delved into the way in which the initial template was created or, importantly, identified the key attributes of templates that lead to the initial adoption of a new organizational practice. And to date researchers have not investigated how actions taken during the creation of a template increase or decrease the likelihood of early strategic initiative adoption.

2.3 Institutional theory and global new practice adoption in MNCs

A major theme that emerged from the context selected for this exploratory research was that the adoption of a strategic initiative within an MNC following piloting involves a degree of imitation of the pilot location by other subsidiaries. Institutional theory and neo-institutional theory is a body of literature that attempts to explain the conditions under which organizations imitate each other. As the findings of the research became clearer, the relevance of concepts from institutional theory and institutional change theory as a way of interpreting some of the observed phenomena was strengthened to the point that I decided that institutional theory should be included as the central literature stream.

Neoinstitutional theory has been widely applied to many aspects of international business. Applications have focused on i) characteristics of national environments and the impact of these environments on the firm (e.g. Wright, Filatochev, Hoskisson & Peng, 2005), ii) intercompany transfer of practices and cross-border transfer of practices to explain cross-country differences and to examine conditions under which practices either diffuse or spread or converge (e.g. Duysters & Hagedoorn, 2001; Eden, Dacin & Wan, 2001; Gooderham, Nordhaug & Ringal, 1999; Guller, Guillen & Macpherson, 2002), iii) strategic behavior of firms in response to host country environments and local institutional environments for activities such as partner selection in international alliances, foreign expansion, strategic choices, environmental strategy, plant locations decisions (e.g. Child & Tsai, 2005; Guillen, 2002; Henisz & Delios, 2001; Hitt al., 2004; Peng, 2003; Yiu & Makino, 2002). From an intra-firm viewpoint, neo-institutional theory has been applied to the diffusion, adoption and institutionalization of practices within MNCs including across national and business unit borders (e.g. Kostova & Roth, 2002; Szulanski & Jensen, 2006) and has become a dominant framework in this stream of research (Kostova, Roth & Dacin, 2008).
In this section I start by introducing the major tenets of the neo-institutional perspective. Then I explain the complex institutional pressures experienced by MNC subsidiaries. Finally I describe institutional change models and explain three of the major themes or dilemmas that any institutional change model needs to elucidate when describing the institutionalization of a new practice.

2.3.1 Neo-institutional perspective

Current institutional work has largely employed the neo-institutional perspective (e.g. DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell & DiMaggio, 1991). Neoinstitutionalism aims at explaining stability and similarity among organizations. Fundamental to neo-institutionalism is the assumption of social determinism, particularly in granting organizations legitimacy. Legitimacy is the acceptance and approval of organization's actions by important constituents in order to have access to valuable resources and thereby ensure survival and success (DiMaggio & Powell, 1983). Organizations gain legitimacy by adopting practices, procedures and templates for organizing that are institutionalized in a given society (Meyer & Rowan, 1977) and, as a result, become more similar, or “isomorphic” to one another. Isomorphism is “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio & Powell, 1983: 149). Organizations that share the same environment or organizational field become more isomorphic over time because they are exposed to the same structural forces. Empirical evidence from meta-analytic studies has shown that the adoption of isomorphic templates of organizing increases both symbolic and substantive performance (Heugens & Lander, 2009).

Legitimacy-based behavior is frequently explained in terms of managerial cognitive processes (e.g. Dutton & Jackson, 1987; Hambrick & Mason, 1984). When environments are complex and dynamic, decision-makers have to deal with large amounts of ambiguous information. Managers use cognitive simplification processes to overcome uncertainty and to streamline information processing (Huff, 1990; Reger & Huff, 1993; Schwenk, 1984). Managers create cognitive categories composed of groups with relevant similarities and then identify their actions with others belonging to the same category or group (Porac, Thomas & Baden-Fuller, 1989). These categorizations influence “material decisions” (Porac & Thomas, 1990). Collective beliefs emerge from processes of repeated interactions between organizations and organizations behave in accordance with this socially constructed reality because to do so reduces ambiguity and uncertainty (Greenwood, Suddaby & Hinings, 2002).

Environmental isomorphism may come about through coercive, mimetic or normative pressures that lead organizations to adopt certain structures, programs, policies, and procedures (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1987).

Mimetic isomorphism takes place under conditions of uncertainty when organizations adopt the patterns of other successful organizations (Haunchild & Miner, 1997). When agents do not have all the information necessary to make decisions with certain outcomes then they seek to imitate other firms (Haunchild & Miner, 1997). The greater the uncertainty the more social comparison is used.
as a basis for making decisions (Festinger, 1954). Mimetic pressures stabilize social life by stimulating the further adoption of features that are already popular amongst contemporary organizations (DiMaggio, 1991; Heugens & Lander, 2009).

Coercive isomorphism occurs when organizational patterns are imposed on organizations by a more powerful authority on which they depend e.g. for critical resources, or governments with legislative powers (Bridges & Villermeze, 1991; Mezias, 1990). Coercive pressures regulate behaviors by setting rules, monitoring compliance, and sanctioning behavior (Fligstein, 1985; Heugens & Lander, 2009).

Normative isomorphism occurs when organizations adopt patterns considered appropriate in the environment as a result of credentializing institutions or via professional networks (Glickman & Hanbrick, 1997; Mezias, 1990). Normative pressures harmonize interpretations through issuing authoritative opinions (Heugens & Lander, 2009; Scott, 2001).

Researchers have emphasized that differentiating empirically between these isomorphic pressures may in practice be challenging (DiMaggio & Powell, 1983; Mizruchi & Fein, 1999).

Looking at factors that provoke mimetic isomorphism, research on interorganizational imitation distinguishes three distinct and independent modes of imitation (Haunschild & Miner, 1997):

- **Frequency-based imitation** defined as the imitation of practices that have already been adopted by large numbers of other organizations. Practices may be adopted for social reasons because that are increasingly “taken for granted” or frequency may be used as an indication that a practice has technical value (Abrahamson & Rosenkopf, 1993). Frequency-based imitation in international business theory is often referred to as the “bandwagon effect”.

- **Trait-based imitation** defined as the imitation of practices in use by some subset of organizations that stands out in terms of characteristics like successfulness or size. Organizations may also seek to acquire status by imitating higher status organizations (Fombrun & Shanley, 1990). This process can also be viewed as a form of social influence.

- **Outcome-based imitation** defined as the imitation of practices that have previously produced positive outcomes for others. This is seen as a form of social learning where companies can vicariously evaluate the outcomes peers have obtained and benefit from the lessons they have learned as a result of earlier adoption decisions. (Cyert & March, 1963). In this case organizations will only imitate when the responses of the early adopters appear beneficial and feasible (Bandura, 1986; Miner & Haunschild, 1995; Rogers, 2003) and will tend to learn most from prior adopting organizations that are similar (Kraatz, 1998). Learning is most likely to occur when performance falls below expectation levels (Levinthal & March, 1993).

Trait-based and frequency-based imitation are regarded as strong versions of mimetic isomorphism because these are both thought to be more firmly rooted in social mimicry processes. For instance, in frequency-based imitation the growing number of adopters may create increased uncertainty and a growing
Adoption of intended strategic initiatives in MNCs: Role of piloting

fear of lost legitimacy that impels the organization to change itself (Abrahamson & Rosenkopf, 1993; Kraatz, 1998). And in trait-based imitation organizations gather and process data on stable attributes of early adopters without knowledge about performance. However, in outcome-based imitation technical adaptation processes involving social learning may be relatively more important, given that strong network ties and stable network relationships have been found to be instrumental in providing channels for sharing useful information as well as for creating social influence (Kraatz, 1998). Trait and frequency-based imitation have been shown to be linked to post-decision regret and abandonment under conditions of uncertainty about the value of a behavior that is being replicated (Rao, Greve & David, 2001).

Higher levels of uncertainty have been found empirically to enhance frequency imitation (Haunschild & Miner, 1997). Outcomes with higher degrees of visibility (high saliency) have been found to enhance outcome-based imitation (Haunschild & Miner, 1997).

An important concept in institutional theory is “organizational field”. A field is defined as sets of organizations that, in the aggregate, constitute an area of institutional life (DiMaggio & Powell, 1983). These are organizations that directly interact with one another or are influenced by each other in a meaningful way (Porac, Thomas & Baden-Fuller, 1989). Fields are what determine the socially acceptable pattern of organizational structures and action and encompass both populations of competing organizations and inter-organizational relationships (Powell & DiMaggio, 1991). Every organizational field is characterized by a specific regulatory, cognitive and normative institutional context and so fields may be distinguished one from another by looking at these three elements (Kostova, 1999; Scott, 1995). Regulatory profile reflects the existing laws and rules in a given environment and hence has the power to exert strong coercive forces on a subsidiary (Kostova, 1999). Cognitive profile reflects the widely shared social knowledge used by people in a given environment (Markus & Zajonc, 1985). Normative profile reflects the values, beliefs, norms and assumptions about human nature and human behavior held by the individuals located in a given environment (Kostova & Roth, 2002). Differences between institutional environments and organizational fields create barriers to acceptance and implementation of transferred practices.

2.2.2 Conflicting isomorphic pressures in MNCs

Taking an intrafirm perspective, MNCs experience especially complex institutional pressures (Westney, 1993) resulting from possibly conflicting sets of external environments. MNC subsidiaries can be viewed as being located in multiple organizational fields or institutional environments. This multiplicity of organizational fields creates complex institutional pressures and potentially results in barriers to acceptance of new practices.

Firstly, MNC subsidiaries are rooted in the organizational field within a given country and hence experience pressures to adopt local organizational practices and become isomorphic with the local institutional context, leading to local adaptation (Kostova & Roth, 2002). Legitimacy in the local national environment is seen as an important way to help subsidiaries to overcome the liability of
foreignness (Hymer, 1976; Zaheer, 1995). This implies that if a subsidiary is going to adapt to a new practice coming from the parent company then this may involve giving up some degree of local legitimacy, if the institutional environment of the parent is very different from the institutional environment of the subsidiary. So an important concept in these discussions is the institutional distance between the parent and the subsidiary (Kostova, 1999).

Empirical research has found that the national institutional context (regulatory, cognitive and normative) impacts the commitment of subsidiaries to a new practice but that only the cognitive aspect of the institutional context influences the implementation of the new practice (Kostova & Roth, 2002). This finding is consistent with knowledge transfer research where it has been found that institutional distance increases the stickiness of knowledge transfer and reduces the motivation of the subsidiary to accept new practices (Jensen & Szulanski, 2004). In addition to institutional distance, transfer between subsidiaries is likely to be shaped by macro-level power relations between countries (Ferner, Almond & Colling, 2005). The term “dominance effects” have been coined to describe hierarchical relationships between national economies within the global economy (Smith & Meiksins, 1995) where firms from countries lower in the hierarchy perceive an interest in adopting practices from higher based economies.

Secondly, MNC subsidiaries all belong to the same intraorganizational field which is contained within the boundaries of the firm (Kotova, Roth & Dacin, 2008). So in addition to institutional pressures from the national environment, MNCs also experience pressure to utilize knowledge-based organizational core competencies and capabilities and to leverage practices on a worldwide basis, which forms an important source of global competitive advantage (Ghosal & Bartlett, 1988; Grant, 1996; Kogut, 1991; Nohria & Ghoshal, 1997).

The location of MNC subsidiaries within both the local national institutional environments and also the intraorganizational MNC environment creates an inherent tension between balancing the need for local adaptation and global integration (Rosenzweig & Singh, 1991; Westney, 1993). Local interests of subsidiaries may not always be aligned with those of headquarters or the MNC as a whole (Nohria & Ghoshal, 1994). It is acknowledged that becoming isomorphic with all environments is not possible (Kostova & Zaheer, 1999). This subsidiary dilemma is known as “institutional duality” (Kostova & Roth, 2002).

To add to the ideas of duality it has been further suggested that at a very high level of analysis MNCs as a specific type of organization form their own institutional field (Kostova et al., 2008). MNCs operate according to particular rules, logic and norms and that are subject to particular types of scrutiny and sanctions. For instance, MNCs might be expected to confirm to supra-national regional or global standards or regulations e.g. ISO standards, with respect to environmental standards, human rights issues and ethical labour practices (e.g. Christmann, 2004).

In comparing the relative strength of institutional pressures from the MNC intraorganizational field with the pressures from the multiplicity and ambiguity of national organizational fields at the meso level, it is argued by researchers that that the MNC organizational field has a stronger influence over its members
Adoption of intended strategic initiatives in MNCs: Role of piloting (Kostova et al., 2008). Legitimacy with the parent company is important to any subsidiary because subsidiaries rely on the support of the parent organization for providing major resources, including technology, capital and management experience (Bartlett & Ghoshal, 1989, 1998; Kostova, 1999; Martinez & Ricks, 1989; Pfeffer & Salancik, 1978; Prahalad & Doz, 1981) and also because of the degree of formal authority that the MNC has over any subsidiary. MNCs are likely to consciously create and strengthen their intraorganizational field with the goal of reinforcing and disseminating a shared business model (Kostova et al., 2008). This reduces ambiguity and provides a sense of direction, certainty and legitimacy to subsidiaries.

The strength of these legitimizing forces or isomorphic pressures and how they are interpreted and perceived is governed by and filtered through the relational context with the parent company (Kostova & Roth, 2002). For instance, it has been found empirically that inter-organizational trust (between the parent organization and the subsidiary organization) increases the level of commitment of a subsidiary to an intended initiative of a new organizational practice (Kostova & Roth, 2002; Tsai & Ghosal, 1998). It is suggested that under conditions of uncertainty and complexity trusting the parent increases the perception that the practice is valuable for the subsidiary and hence creates mimetic pressures rather than coercive pressures (Tsai & Ghosal, 1998). Identification with the parent organization has also been found to influence the implementation dimension of organizational practice adoption (Kostova & Roth, 2002).

Given the argument above that the MNC organizational field has a stronger influence over subsidiaries than the local organizational field, this suggests that once intended strategic initiatives are underway in an MNC there are limited opportunities for subsidiary choice owing to the relational context and dependence between the headquarters and the subsidiary (DiMaggio & Powell, 1983; Kostova, 1999; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). So under these conditions, and given intra-organizational competition with other subsidiaries, a recipient unit will comply with the wishes of headquarters to become internally socially legitimate. This implies that a corporate headquarters can – if it wishes – exercise strong coercive forces for isomorphism, especially under conditions of uncertainty when the value of a new organizational practice is as yet unknown. For instance, it has been found that the control of the parent over its subsidiaries' decisions is an important driver of the global standardization of various MNC activities such as advertising and human resource practices (Hannon, Huang & Jaw, 1995; Laroche, Kirpalani, Pons & Zhou, 2001).

---

7 Researchers in international business theory currently regard subsidiaries as semi-autonomous entities. Ambos, Andersson & Birkinshaw, 2010 p 1101 state:-

*We view subsidiary units as semi-autonomous entities that have some discretion over their actions. Subsidiaries according to this perspective are strongly influenced by headquarters, but they can also set their own strategic priorities, and they have the ability to influence the scope of their own operations as well as firm-wide strategy.*
However relying solely on coercive forces, rather than engaging mimetic behaviour as an optimal choice of active agency, may be inadvisable for the parent company because this could provoke active agency responses in opposition to the initiative and reduce the level of implementation (Nutt, 1986; Oliver, 1991). As discussed in the opening chapter, subsidiaries may respond using avoidance strategies. For instance, a subsidiary may only undertake ceremonial adoption where the new practice template is notionally implemented but the subsidiary is not committed because it does not believe in the economic benefits of the new practice within its local institutional environment (Kostova & Roth, 2002; Meyer & Rowan, 1977). Or subsidiary managers may intentionally decide not to implement a particular practice, while reporting otherwise to headquarters, situation termed as minimal adoption (Kostova, 1999).

A third active agency response in opposition to an initiative is that agents in subsidiaries may seek to modify routines coming from the parent organization. Local adaptation may take place during the process of reproducing the routine, and may focus on the social dimensions of routines (e.g. Brannen, Liker & Fruin, 1999; Edmondson, Bohmer & Pisano, 2001; Williams, 2007). This can be seen as an attempt to bargain between different local and headquarters constituents. Empirical research on process transfer within MNCs has shown that subsidiaries that have built up substantial capabilities and resources have more power to utilize political processes to negotiate with headquarters (Mudambi & Navarra, 2004).

A final much more extreme active agency response is that subsidiaries with a strong power base may have the ability to defy or obstruct corporate headquarters and take independent action, resulting in their non-adoption of the new practice (Andersson & Forsgren, 1996; Mudambi, 1999). Or smaller subsidiaries may band together in political coalitions and effectively force the corporate headquarters to suspend an initiative. Defiance is likely to occur when the norms and interests of the focal organizations diverge substantially from those attempting to impose requirements on them (Scott, 2001).

Looking at how a subsidiary may passively or more actively resist a corporate mandated strategic initiative it may be that engaging active agency to obtain an attitudinal commitment to the new practice is actually more important than the choice per se of a strategic initiative (Armenakis et al., 1993; Miller, Johnson & Grau, 1994). Consistent with strategy literature, this would mean that developing commitment to new practice adoption would start before implementation (Dooley et al., 2002; Guth & MacMillan, 1986; Wooldridge & Floyd, 1990). Kostova and Roth (2002) suggest that one of the main ways to overcome active agency responses from subsidiaries, such as avoidance or defiance, is by the parent maintaining an appropriate relational context with strong trust, dependence, and identification with the parent organization.

### 2.2.3 Institutional change models

Introducing a new global organizational practice by way of an intended strategic initiative can be regarded as an attempt by the corporate headquarters to exercise intra-organizational institutional pressures on subsidiaries. If these institutional pressures are successful then the subsidiary will move to
Adoption of intended strategic initiatives in MNCs: Role of piloting

institutionalize the new practices. If not, then the subsidiaries will retain their old ways of working. A critical part of the main research question in this dissertation is how pilots act to enable the early adoption of an intended strategic initiative. In other words, how pilots might operate as a mechanism for institutional change. Institutional change models have empirically described the introduction of new organizational practices in different organizational contexts; for example to regional health authorities (Reay, Golden-Biddle & Germann, 2006), to professional firms and associations (Greenwood, Suddaby & Hinnings, 2002, to radio broadcasting (Leblebici, Salancik, Copay & King, 1991), to law firms (Sherer & Lee, 2002). To date institutional change processes associated with piloting in MNCs have not been described. Here I outline the common features of institutional change models that describe the introduction of new organizational practices and some of the main areas of difference.

Starting in the late 1990s scholars started to become increasingly critical of research employing institutional theory (Reay et al., 2006; Seo & Creed, 2002). These criticisms opined that existing research focused too much on accounts of situations under which organizations became isomorphic, the performance effects of isomorphism, the empirical descriptions of the different stages of isomorphism, and the diffusion of practices (Barley & Tolbert, 1997; Clemens & Cook, 1999; Mizruchi & Fein, 1999; Oliver, 1991; Scott, 1991). The critics complained that there were few accounts of the motivations for isomorphism, how isomorphism comes about or how to make sense of the behavior of actors or organizations in the process.

Over the last years the dilemma of how change, such as introducing a new organizational practice, is initiated and how institutionalization takes place over time, is one that has received increasing attention. A growing focus on institutional change led a number of researchers to propose models that attempt to explain how institutionalization occurs (e.g. Barley & Tolbert, 1997, Greenwood & Hinnings, 1996, Greenwood et al., 2002; Hensmans, 2003; Seo & Creed, 2002). All of these models regard the institutionalization of practices as taking place in a number of stages:-

**De-institutionalization:** This stage starts with the disturbance of a socially constructed field by the introduction of new ideas and the possibility of change (Greenwood et al., 2002). Deinstitutionalization has also been described as the occurrence of a fundamental misalignment between the existing social arrangements and the interests and needs of actors who constitute and inhabit those very arrangements (Seo & Creed, 2002). Consistent within these models is that institutional change agents do emerge and that these actors then take a lead in creating the change that follows.

**Pre-institutionalization:** During this stage actors innovate independently, seeking technically viable solutions to locally perceived problems (Greenwood et al, 2002, Greenwood & Suddaby, 2006; Tolbert & Zucker, 1996). The theme here is that the disturbances in the previous stage lead to a search for alternatives and to mobilizing other actors for the reconstruction of alternative social arrangements (Seo & Creed, 2002). New practices are tried out in a few locations but there is few limited knowledge of the practice.
**Semi-institutionalization:** By this stage new practices are somewhat diffused with some degree of normative acceptance but the practice is not yet permanent and stable. Actors who adopt the new practices acknowledge they are doing things in the new way. This stage, where innovations move beyond pre-institutionalization toward full institutionalization, is the one where there is the least clarity (Tolbert & Zucker, 1996). Researchers have divided this stage into two sub-stages; theorization, which is the development and specification of abstract categories and the elaboration of chains of cause and effect (Stang & Meyer, 1993), and diffusion, which marks the transition from theoretical formulation to social movement and institutional imperative through achieving moral legitimacy (Suchman, 1995) or through asserting economic legitimacy (Greenwood et al., 2002).

**Full institutionalization:** Finally at this stage the practice has gained widespread acceptance and has become taken for granted by members of a social group (Barley & Tolbert, 1997). People no longer need to justify the use of the new practices and cease to talk about them or think about them (Green, 2004). The practice is now enforced by public opinion and becomes “the way we do things around here”. This notion reflects both the implementation and attitudinal dimension of adoption of the new practice. Shared social meaning is regarded to be complete.

This simplified outline of the process of institutional change glosses over many of the fierce debates and discrepancies between different models. Given that the piloting phase of an intended strategic initiative can be equated with the pre-institutionalization phase, I focus here on three of the main debates that have arisen in the literature concerning the stages from de-institutionalization through to the semi-institutionalization.

**Exogeneous or endogeneous sources of change**

Processul change models that employ institutional theory have taken one of two viewpoints; either change is initiated by exogenous factors or by endogenous factors. Exogenous factors create precipitating jolts (Meyer, Brooks & Goes, 1990) that destabilize established practices through events such as legislative reform, market pressures by the entry of new players into a field (Thornton, 1995), or the introduction of new technology (Barley, 1986). These jolts are described as causing an abrupt disruption of the existing social order through institutional crises (Benson, 1977). The effect of these external events is to disturb the field-level consensus by creating the institutional inconsistencies that are required to bring about the appearance of potential change agents. These change agents raise awareness of alternatives logics which in turn enables the possibility of change (Greenwood & Suddaby, 2006; Seo & Creed, 2002). Institutional change models with precipitating jolts offer a smaller role for human agency (Barley & Tolbert, 1997; DiMaggio, 1988; Fligstein, 1997; Hirsch & Lounsbury, 1997; Reay et al., 2006; Seo & Creed, 2002). It has been suggested by some researcher that some form of shock in the organization's field is a necessary, although not sufficient, impetus for institutional change (Fligstein, 1991).

When institutional change is shaped by endogeneous factors then the legitimacy of an institutionalized practice gradually erodes over time (Oliver, 1991).
could occur when a critical evaluation of current practices or institutional arrangements begins to conflict with economic criteria of efficiency and effectiveness (Kraatz & Zajav, 1996; Oliver, 1991; Roberts & Greenwood, 1997; Seo & Creed, 2002). Or it may occur through a subjective exposure to multiple, incompatible institutional arrangements that facilitate a gradual shift in consciousness such that the relative dominance of some institutional arrangements is no longer seen as inevitable (Clemens & Cook, 1999; Seo & Creed, 2002).

Seo & Creed (2002) in their dielectic model further suggest that the inability to engage in a critical evaluation of current practices, resulting in nonadaptability, leaves institutional arrangements increasingly vulnerable to external shocks by insulating them from critical information that exists beyond the institutional boundary (Seo & Creed, 2002; p235). Essentially the current institutional arrangements constrain actors thoughts and behaviors to such an extent that change agents are unable to arise or that any change agents that do arise are unable to create change, resulting in institutional inertia. It is only when a severe enough external jolt takes place that the current institutional arrangements become unstable and this leads to a radical shift in actors collective consciousness and to periods of strong upheaval (Hoffman, 1999).

Any institutional change model needs to be able to identify the triggers and the actors that initiate change and explain how and where these arose.

The paradox of embedded agency

One of the biggest debates in the development of institutional change models surrounds the relative strength of structure and agency as factors that shape the response to institutional pressures (DiMaggio & Powell, 1983). Structuralists argue that in the face of institutional pressures organizations have limited abilities to resist isomorphism. They argue that increased structuration of organizational fields imposes bounds on organizational agency, thereby reducing variation in policies and structures among organizations (Hoffman & Ventresca, 2004). So, as outlined above, if a parent company mandates that a new organizational practice must be used and applies coercive pressures (or other forms of isomorphic pressures) then the subsidiary will implement the initiative, even if they regard this practice as not having value in their country. If this view is taken to an extreme then actors are depicted as passive recipients of institutional frameworks, unconsciously enacting institutional scripts (Seo & Creed, 2002).

The active agency perspective stresses that social structures do not completely determine organizational behavior and may even be a source of deviance, entrepreneurship and improvisation (Hoffman, 1999; Washington & Ventresca, 2004; Oliver, 1991). Agency scholars propose, as also outlined above, that with strong isomorphic forces a field’s occupants can either choose to willingly comply or alternatively, if they don’t believe in the value of the change, they can organize themselves to protest against dogmatically ordained and upheld social norms (DiMaggio, 1988). Organizations are not always passive but respond to institutional pressures according to their resource dependencies (Oliver, 1991).

---

8 Also known as cognitive dopes
In this view actors are depicted as active, rationale opportunists ready to take any action for institutional change that will enhance their individual interests, unconstrained by existing institutional arrangements (Oliver, 1991).

Meta-analysis of 130 previous studies has shown evidence that structural forces do encourage organizations to respond to isomorphic pressure but that this influence is weak (Heugens & Lander, 2009). They have also found that the adoption of isomorphic templates improves both symbolic and substantive performance.

In response to these two extreme positions researchers have emphasized how structure versus agency creates a fundamental dilemma for institutional theorists. Seo and Creed (2002) referred to this dilemma as the “paradox of embedded agency”. Active agents are fundamentally constrained in creating institutional change because they are themselves embedded in the institutional arrangements and their interests, actions and even their rationality are themselves institutionally created and constrained (DiMaggio & Powell, 1991). So agency and institutional context should be seen as independent but also intertwined (Holm, 1995; Seo & Creed, 2002). New institutional practices must inevitably emerge through a combination of agency and institutional factors (Scott, 2001). Any model of institutional change has to be able to show how and why actors that are shaped and embedded within institutional structures become motivated and enabled to promote change in these structures (Greenwood & Suddaby, 2006; Holm, 1995; Seo & Creed, 2002). It also needs to reconcile stability created by institutional forces and the initiation of change as a result of the over constraining nature of these forces (Reay et al., 2006).

Two key dimensions have emerged from discussions of this dilemma and have been proposed as ways to address this dilemma within institutional change models; firstly, organizational field embeddedness and secondly, centrality within an organizational field.

Embeddedness is defined as the degree to which actors and their actions are linked to their social context (Baum & Dutton, 1996; Lee, Mitchell, Sablinsky, Buton & Erez, 2001; Powell, 1996; Reay et al., 2006). Embeddedness has been regarded as both an opportunity (Reay et al., 2006) and a constraint (Baum & Dutton, 1996; Dacin, Ventresca & Beal, 1999; Powell, 1996) to institutional change. The conventional thinking has been that high embeddedness severely constrains actors to take action within institutional environments because they have little desire to create change (Reay et al., 2006) or because they are unaware of alternatives, or not open to alternatives (Greenwood & Suddaby, 2006). In contrast, actors with low embeddedness are weakly constrained by the institutional environment and hence have more freedom to initiate change and are more likely to take on the role of change agents (Seo & Creed, 2002).

Centrality is defined as the network position of a given actor or organization within an institutional field. The conventional and prevailing thinking has been that change agents emerge at the margins of an organizational field because it is there that actors or organizations are less embedded, less privileged, and more exposed to institutional contradictions (Greenwood & Suddaby, 2006; p29). In contrast, resource-rich central actors which are embedded within their institutional context often fail to see beyond the existing institutional status quo.
It may be, as outlined above in the discussion of non-adaptability, that these are the very actors that are committed to existing technologies (Tushman & Anderson, 1986) or that have interests that are closely aligned with current practices.

Examples of low embeddedness combined with low centrality (taken from Reay et al., 2006) are new actors entering to an established organizational context who bring in new ways of working (e.g. Thornton, 1995), less embedded actors from the periphery of a field who develop new operating practices which spread to the core (e.g. Leblebici et al., 1991), and actors in new and emerging organizational fields with few rules or norms where actor or organizational centrality is not yet established (e.g. Maguire, Hardy & Lawrence, 2004).

Some researchers have found that high embeddedness and high centrality can, in certain contexts, also create an opportunity for institutional change. For instance, embedded actors can cultivate opportunities to introduce new ways of working through recognizing and celebrating small wins (Reay et al., 2006). New organizational practices are introduced through emergent initiatives where embedded actors acting as change agents are able to skillfully fit the new ways of working into established structures and systems and then prove their value to others (Reay et al., 2006). These actors use their strong knowledge of their organizational and institutional contexts as a prerequisite to determine what action to take as well as the appropriate time and place to take action.

Greenwood & Suddaby (2006) found that high centrality combined with low embeddedness can also give rise to organizations or actors who can develop awareness of alternatives and then adopt these alternatives, which then spread to the rest of the organization. In this study of the “Big Five” accounting firms, centralized organizations within the organizational field of accounting were found to be more likely to come into contact with contradictory logics. Institutional processes labeled “boundary bridging” or “boundary misalignment” exposes central actors to field-level contradictions through connections to different institutional logics from outside the immediate institutional field, in this context to the large corporate clients. By stimulating these actors to alternative possibilities this lowers their embeddedness in their present institutional arrangement and converts these central actors into change agents or institutional entrepreneurs.

These three different combinations of embeddedness and centrality are shown in Figure 3.

Adoption of intended strategic initiatives in MNCs: Role of piloting
Chapter 2. Literature Review

**Figure 3: Combinations of embeddedness and centrality leading to institution change**

<table>
<thead>
<tr>
<th>Degree of embeddedness</th>
<th>Degree of centrality</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Degree of embeddedness</th>
<th>Degree of centrality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Central change agents cultivate opportunities through recognizing and celebrating small wins e.g. Reay et al. 2006

Lower embeddedness provides peripheral with alternatives that then spread to the centre e.g. Leblecici et al., 1991

Exposure of central change agents to contradictory logics from other organizational fields lowers embeddedness e.g. Greenwood Suddaby, 2006

**Search for new possibilities and mobilizing actors**

One of the key issues during the semi-institutionalization phase of institutional change is that any change model needs to be able to identify the processes are used to, i) generate new alternative social arrangements and, ii) mobilize resources for political action in challenging existing structures and advocating and enacting new social arrangements (Seo & Creed, 2002; p236). These alternative arrangements are collectively termed as “frames”. Frames are interpretative schemata that allow actors to “locate, perceive, identify and label” social phenomena (Goffman, 1974; p21). Frames function to guide action by enabling actors to better process complex information (Seo & Creed, 2002) and have been variously labeled schemas, scripts, templates, and logics of action.

The dilemma frequently posed is how change agents manage to develop and deploy alternative logics and frames in a way that they can overcome the limits of the current institutionalization and effectively mobilize the commitment and resources of other participants for reconstruction (Seo & Creed, 2002). One suggestion has been that change agents accomplish this by creating, adopting, or customizing frames that are described as potent or resonant frames. These frames are sufficiently incompatible with existing institutional arrangements to generate a fundamental departure from the past but at the same time sufficiently resonant to mobilize substantial support and resources from other participants (Clemens & Cook, 1999; Seo & Creed, 2002; Snow & Benford, 1992).

If the frames succeed in resonating with actors that have political influence in the organization then resources will flow to support the new organizational practices. But if the alternative frames do not resonate then they will not develop the commitment required to create the collective response needed for widespread
adoption. This ability to create appropriate frames is described as a ‘complex and artful’ task (Fligstein, 1997).

In some cases, the frame that is adopted does not have the power to overcome misaligned interests in an acceptable way to all participants. For instance, if a new frame is introduced that does not entirely legitimize the change efforts with all politically active participants, then there is the risk of active agency responses, as previously described (Oliver, 1991; Suchman, 1995; Zimmerman & Zeitz, 2002).

2.2.4 Summary of literature gap in institutional theory

Existing empirical research on the intrafirm transfer of new organizational practices employing institutional theory has focused on semi-institutionalized practices emanating from the home country of the parent organization (e.g. Kostova & Roth, 2002). To date, researchers have not considered the role of pilots in creating isomorphic pressures for adoption of new organizational practices nor have they considered the institutionalization of practices that originate in subsidiaries outside the home country.

In addition, the process of institutional change where the corporate headquarters mandates the adoption of a new global organizational practice in an MNC has not been fully described. There have been no accounts to date which show how conflicts between competing institutional fields can be resolved to enable institutional change within a single organization i.e. an MNC. Any institutional change process needs to account for the trigger that starts the change process, to explain the paradox of agency by describing how and why actors that are shaped and embedded within institutional structures become motivated and enabled to promote change, and to identify the processes that generate new alternative social arrangements that challenge the status quo.

Further, researchers of institutional theory point out that the microsociological processual dimension of isomorphism – how organizations experience isomorphic pressures, interpret them, and learn to manage them over time – is rarely explored (Heugens & Lander, 2009; p76).

2.3 Role of MNC subsidiaries in capability creation and transfer

In this final section of the literature review, I provide a short summary of how the recognition of the subsidiary role in creating MNC capabilities has evolved over time. This topic is relevant because piloting involves the creation of innovative practices within the pilot that are new to the MNC and then the transfer of those new capabilities to other subsidiaries.

The recognition of the role of MNC subsidiaries in making knowledge embedded in capabilities and routines available to the rest of the MNC has evolved over time. Early conceptions of the MNC treated it as a collection of head office-directed, but semi-autonomous country operations. Models of MNC’s assumed that ownership-specific advantages were developed at corporate headquarters and leveraged overseas through the transfer of technology and knowledge to a network of foreign subsidiaries (Dunning 1981; Vernon, 1966). The focus was on
the dyadic headquarters-subsidiary relationship and the trade-offs between global integration and local responsiveness.

As MNC’s evolved in sophistication and as subsidiaries grew in size and evolved over time, it became apparent that corporate headquarters was no longer the sole source of knowledge and competitive advantage (Birkinshaw & Hood, 1998). Hierarchical models were unable to reflect the full complexity of the MNC. New models were developed to reflect the increasing importance of subsidiaries in creating competitive advantage. Heterarchy recognized that managerial capabilities and decision-making are dispersed throughout the organization rather than concentrated at the top (Birkinshaw & Morrison, 1995; Hedlund, 1986). This shift was closely followed with the proposition that MNCs be regarded as network-based structures (Deviney, Midgley & Veniak, 2000; Doz & Prahalad, 1984) and laid the base for the concept of the transnational organization (Bartlett & Ghosal, 1989). In turn the concept of the transnational organization introduced the concept that trade-offs between global integration and local responsiveness lead to differentiated roles among subsidiaries (Bartlett & Ghosal, 1989).

The acknowledgement that subsidiaries have differentiated roles led to a stream of research that focused on the nature of national subsidiaries (Bartlett & Hood, 1998; Enright & Subramanian, 2007). A major theme of these subsidiary typologies has been whether the unit is the locus of new capability development or whether it is the locus of implementation of the capabilities developed elsewhere in the MNC. Terms such as specialized contributor, strategic leaders, global innovator, world mandate, global leader, and active subsidiary have been used to refer to subsidiaries that contribute substantially to firm-specific advantage and possess specialized capabilities, including knowledge (Bartlett & Ghoshal, 1986; Birkinshaw, Hood & Jonsson, 1998; Birkinshaw & Morrison, 1995; Enright & Subramanian, 2007; Gupta & Govindarajan, 1991). Some researchers advocate that capability creation includes not just activities such as research and development, but also strategy setting and senior corporate management function (Enright & Subramanian, 2007).

One of the consequences of the growing attention to networks and the idea that certain subsidiaries have specialized roles was to define “subsidiary initiative” as the manifestation of dispersed entrepreneurship. Subsidiary initiatives take place when a subsidiary, independently of headquarters, undertakes entrepreneurial activities that allow that subsidiary to tap into new opportunities which may or may not benefit the entire organization (Ambos et al., 2010). Subsidiary initiative evolves over time through an interactive process between head office and subsidiaries involving a virtuous circle of increasing levels of resource specialization and visibility within the corporate system (e.g. Birkinshaw et al., 1998; Bouquet & Birkinshaw, 2008; Rugman & Verbeke, 2001). Subsidiary evolution is a result of an accumulation or depletion of capabilities over time coupled with an explicit change in the shared understanding between headquarters and the subsidiary about its scope of responsibilities (Birkinshaw & Hood, 1998).

This paints a different picture from earlier concepts of head office assignment where subsidiaries were assigned roles based on their perceived importance or
Adoption of intended strategic initiatives in MNCs: Role of piloting
growth prospects in the market (Bartlett & Ghosal, 1986). Subsidiaries gain attention from corporate headquarters based on the structural position that subsidiary units occupy within a corporate system and by attracting attention through profile building (Bouquet & Birkinshaw, 2008). Profile building takes place through subsidiary initiative and subsidiaries that have taken initiatives in the past are likely to receive more autonomy in decision-taking with respect to the corporate center (Taggart, 1997; Jarillo & Martinez, 1990; Ambos et al., 2010).

Centre of excellence have attracted a lot of research attention (e.g. Moore & Birkinshaw, 1998;) and are worthy of a brief mention as a mechanism by which MNCs identify, develop and leverage capabilities (including intangible resources such as knowledge and experience) within their dispersed network of subsidiaries. Centers of excellence are defined as an organizational unit that embodies a set of capabilities that has been explicitly recognized by the firms as an important source of value creation, with the intention that capabilities be leveraged by and/or disseminated to other parts of the firm (Frost, Birkinshaw & Ensign, 2002). These capabilities develop through evolutionary processes where subsidiary managers gradually build capabilities, which are recognized by an increasingly receptive headquarters whose investments allow the subsidiary to further develop their capabilities.

With the recognition that MNCs can be viewed as networks which create, access, integrate and apply knowledge, subsidiaries have become seen as key sources of knowledge, capabilities and ideas that can be harnessed for the strategic benefit of the entire organization (Tsai, 2001). For instance, Gupta & Govindarajan (2000) investigated empirically the relative flows of knowledge within an MNC and found that although the parent company was serving as the most active creator and diffuser of knowledge, foreign subsidiaries were also engaging in knowledge transfer with their parent and sister units (e.g. Gupta & Govindarajan, 2000). Knowledge was found to flow through the network of interunit links (Gresov & Stephens, 1993; Hansen, 1999).

At a nodal level, three roles have been identified that an individual subsidiary may play with respect to knowledge in an MNC (Ghosal & Bartlett, 1988): i) Creation – Subsidiaries develop and adopt new processes or administrative systems locally, using their own technical and managerial resources to respond to local circumstances (local adaptation); ii) Adoption – May be required to adopt innovations developed by the parent company or a central R&D facility or another national subsidiary of the company. Efficiency of subsidiaries in adopting such innovations plays a critical role in an MNC’s ability to pursue an integrated strategy; iii) Diffusion – Subsidiaries may also be required to diffuse their local innovations to the parent company or to other subsidiaries. This allows an MNC to exploit the scope economies of learning inherent in its geographically diversified operations.

By diffusing local innovations to other subsidiaries, a subsidiary becomes more influential and powerful within the MNC network and can build a strong power base with other subsidiaries. This power can also be used by the subsidiary to influence its relationship with the corporate center Andersson & Forsgren, 1996,
Young & Tavares, 2004) and to gain increased autonomy if the subsidiary gains headquarters attention in the process (Ambos et al., 2010).

This brief review of the role of subsidiaries shows that they create new capabilities through local entrepreneurship which leads to emergent initiatives that attract top management attention. Cases are not described where the corporate parent initiates an intended strategic initiative by requesting a subsidiary to pilot a new practice on behalf of the MNC.

2.4 Summary

The goal of this literature review was to provide a theoretical orientation for later development and extension of theory (see Chapters 7 & 8). In keeping with a mixed methods study that uses an initial exploratory approach, the literature did not attempt to guide and direct this study but instead forms a backdrop against which the findings from the qualitative research are introduced and discussed.

Despite the acknowledged importance of templates for best practice transfer of organizational routines and the replication of business models, remarkably little is known about how templates are initially produced. The knowledge transfer literature has not identified the key attributes of templates that lead to the initial adoption of a new organizational practice. And to date researchers have not investigated how actions taken during the creation of a template increase or decrease the likelihood of early strategic initiative adoption.

In terms of institutional theory, researchers have not considered the role of pilots in creating isomorphic pressures for adoption of new organizational practices in MNCs, nor have they considered the institutionalization of practices that originate in subsidiaries outside the home country. There have been no accounts to date which show how conflicts between competing institutional fields can be resolved to enable institutional change within an MNC.

Finally the chapter finished with a short review of the emerging recognition of the role of MNC subsidiaries in the creation and diffusion of capabilities within an MNC. However, international business theory has not described the process where the corporate parent initiates an intended strategic initiative by requesting a subsidiary to pilot a new practice on behalf of the MNC.
Adoption of intended strategic initiatives in MNCs: Role of piloting
Chapter 3. Research methodology

This chapter describes the methodology used in this dissertation to study the research question of how piloting influences the adoption of new global practices resulting from intended strategic initiatives in MNCs. The chapter starts by placing the study in a research perspective or paradigm and then introducing the research approach. Next I describe the research strategy employed, the research program, and the research setting, and sampling. This is followed by the strategies for collecting and analyzing data from the sampled intended strategic initiatives and the strategies used for finding meaning in that data. Finally the chapter concludes with a discussion of the steps taken to ensure validity and reliability.

3.1 Research paradigm

It is customary in dissertations to first divulge the philosophical assumptions on which the research is based. These philosophical assumptions give rise to paradigms which may be defined as worldviews or belief systems that guide researchers (Guba & Lincoln, 1994). Three main paradigms have been widely held as relevant to social and behavioural scientists; the post-positive paradigm, the constructivist paradigm, and the pragmatist paradigm (Tashakkori & Teddlie, 1998). Postpositivism and constructivism have survived long debates concerning their relative merits e.g. Guba & Lincoln, 1994. Today there is a recognition that research practices lie somewhere on a continuum between these two paradigms and between purely quantitative and purely qualitative approaches (e.g. Cresswell, 2003; Glaser & Strauss, 1967; Strauss & Corbin, 1990, Yin, 2003). Third paradigm has emerged known as pragmatism (Cresswell, 2003; Tashakkori & Teddlie, 1998). The pragmatic point of view has emerged relatively recently and rejects a forced choice between postpositivism and constructivism and instead embraces both points of view. Traditionally these paradigms are contrasted along a number of standard dimensions (Table 2) and employ different schools of thought or different beliefs about knowledge claims (Table 3) (Creswell, 2003).

Table 2: Dimensions of comparison for research paradigms (adapted from Tashakkori & Teddlie, 1998)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logic</td>
<td>Process of inference</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Assumptions about the grounds of knowledge and the relationship of the knower to the known</td>
</tr>
<tr>
<td>Axiology</td>
<td>Role of values in inquiry</td>
</tr>
<tr>
<td>Ontology</td>
<td>Assumptions about reality</td>
</tr>
<tr>
<td>Causal linkages</td>
<td>Whether or whether not causal linkages can be known</td>
</tr>
<tr>
<td>Methodologies</td>
<td>Nature of the research process</td>
</tr>
</tbody>
</table>
Table 3: Comparison of the post-positive and constructivist paradigms (drawn from Tashakkori and Teddlie, 1998; Table 2.1)

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Postpositivism</th>
<th>Constructivism</th>
<th>Pragmatism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logic</td>
<td>Primarily deductive</td>
<td>Inductive</td>
<td>Deductive &amp; inductive</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Modified dualism. Findings probably objectively “true”</td>
<td>Subjective point of view. Knower and known are inseparable.</td>
<td>Both objective and subjective</td>
</tr>
<tr>
<td>Axiology</td>
<td>Inquiry involves values but they may be controlled</td>
<td>Inquiry is value-bound</td>
<td>Vales play a role in interpreting results</td>
</tr>
<tr>
<td>Ontology</td>
<td>Critical or transcendental realism</td>
<td>Realitivism</td>
<td>Accepts external reality. Choose explanations that best produce desired results.</td>
</tr>
<tr>
<td>Causal linkages</td>
<td>There are some lawful, reasonably stable relationships among social phenomena. These may be known imperfectly. Causes are identifiable in a probabilistic sense that changes over time.</td>
<td>All entities simultaneously shaping each other. It’s impossible to distinguish causes from effects.</td>
<td>There may be casual relationships, but we will never be able to pin them down.</td>
</tr>
<tr>
<td>Methods</td>
<td>Primarily quantitative</td>
<td>Qualitative</td>
<td>Qualitative &amp; quantitative</td>
</tr>
</tbody>
</table>

This research utilizes sequential mixed methods. In the first phase of the research I employ qualitative methods in the form of a multiple case study design to build theory. In the second phase I employ quantitative methods to test theory. This research which attempts to build theory involving causal relationship employs the postpositive paradigm.

Multiple case studies are qualitative in nature and are used to build theory. They have been graphically described by Eisenhardt & Graebner, 2007 p. 25 (after Yin, 1994) as:-
Like a series of related laboratory experiments, multiple cases are discrete experiments that serve as replications, contrasts and extensions to emerging theory.

We can see from this quote that in terms of epistemology, when using multiple case studies, the researcher attempts to take an objective point of view and to stand apart from what is being studied, much in the same way that the scientific experimenter stands apart from his or her bench experiments. Reliability of the research is an important preoccupation where the researcher takes steps to ensure that the operations of the study can be repeated at a later date and would yield the same results, the same findings, and the same conclusions (Yin, 2003).

With respect to axiology, multiple case study researchers acknowledge that values play an important role in inquiry, but they also believe that it is possible to control the degree to which the values of the researcher influence results and interpretation. The researcher devotes considerable efforts to developing methods to enhance the internal (and external) validity of the results and conclusions. This includes paying particular attention to construct validity which establishes correct operational measures for the concepts being studied (Yin, 2003) and to internal validity which establishes cause-effect relationships. In using quantitative methods to test theory the researcher also attempts to divorce their own values from the research but acknowledges that this may not be 100% possible because of prior allegiances to certain theoretical positions (Tashakkori & Teddlie, 1998).

When considering ontology and causality, the case study researcher that attempts to build theory takes the postpositivist view that social phenomena exists in the objective world and that there are some “lawful reasonably stable relationships” among them (Miles & Huberman, 1994, p.429). Postpositivists are optimistic about our abilities to “know” these relationships, although acknowledge that this is never 100% possible (Tashakkori & Teddlie, 1998). There may be multiple explanations for the results of a study and some explanations may be better than others. This is very different from constructivists who believe that only multiple, subjective realities exist and that it is impossible to distinguish cause from effect. It is also slightly different from pragmatists who are more cautious about the ability of the researcher to find “the truth” and believe that there may be casual relationships but that we will never be able to pin them down.

For instance, Eisenhardt and Graebner (2007) commented:

According to this view (ref to Gephart, 2004 description of qualitative research), qualitative research is highly descriptive, emphasizes the social construction of reality, and focuses on revealing how extant theory operates in particular examples. This view is different in terms of research activities, goals, and epistemology from the more objective and positivist stance of theory building from cases as well as from other research strategies also termed “qualitative”. 
Adoption of intended strategic initiatives in MNCs: Role of piloting

From this quote we see that leading researchers involved in building theories from cases perceive their work as being more objective than other types of qualitative research and as taking a more positivist stance.

The use of quantitative methods to test theory the theory developed through the case studies also takes a post positivist stance. Knowledge is based on the careful numeric measurement of an objective reality and quantitative data is used to support or refute a developed theory (Cresswell, 2003). Objectivity is paramount and for this reason much attention is paid by the researcher to the reliability of the measures and to discriminant and convergent validity. Standards of reliability and validity used in statistical procedures can be independently quantified and hence can be considered to be largely divorced from the values of the researcher.

3.2 Research approach

A fundamental research decision between methodological approaches is whether to employ qualitative methods, quantitative methods or whether to use a mixed methods approach (Cresswell, 2003; Tashakkori & Teddlie, 1998). Another distinction is whether to employ data which is collected at one point in time or whether to seek to collect data at several points in time. In this research I selected to use a mixed methods approach with data collected at several intervals. The fundamental drivers of this choice were a combination of the specific research question, the lack of previous research on the topic, and the need to study a complex phenomenon over time. In the next sections I address the nature of this choice and its justification in more detail.

3.2.1 Mixed methods research

This research uses a mixed methods approach. Mixed methods studies are those that combine the qualitative and quantitative approaches into the research methodology of a single study or multi-phased study (Tashakkori & Teddlie, 1998). Although mixed methods are generally less well known than either quantitative or qualitative research approaches, the evolutionary process towards the use of mixed methods studies has been occurring at an ever increasing pace during the past 30 years. This growth is attributed to the development of new methodological tools, rapid development of technology, and the increase in communication across the social and behavioural sciences.

An important concept in mixed methods is the notion of triangulation. Mixed methods research evolved from the pioneering work of Campbell and Fiske (1959) who used the concept of triangulation to justify the use of more than one quantitative method to measure a psychological trait. The authors did this to assure that the variance in their research was accounted for by the trait under study and not by the method employed (Brewer & Hunter, 1989; Creswell, 1995). Triangulation recognizes that all methods have limitations. Researchers feel that by using mixed methods, biases inherent in any single method could neutralize or cancel the biases of other methods (Jick, 1979).

Triangulation is not the only purpose for using mixed methods design. For instance, Green, Caracelli and Graham (1989) have defined five purposes for using mixed methods designs including i) triangulation of results, ii)
complementarity or overlapping and different facets of the same phenomenon, iii) initiation or discovering paradoxes, iv) development or using methods sequentially, such that the results of the first method inform the use of the second method, v) expansion or mixed methods adding to the breadth or scope of a project.

As a result of the many different purposes for using a mixed methods approach there are a very wide variety of mixed methods research designs. Several authors have made attempts to create taxonomies (Creswell, 1995; Greene et al, 1989; Tashakkori & Teddlie, 1998). The justification of the specific choice of mixed methods research design is a consequence of the stated purpose or goal of using a mixed methods approach.

The primary goal of using a mixed methods approach in this research was to: i) firstly explore the under-studied concept of how piloting influences the adoption of intended strategic initiatives using an inductive qualitative research strategy and then, ii) secondly to confirm these findings using a deductive quantitative research strategy. As such this study reflects the research cycle or the cycle of scientific methodology (Tashakkori & Teddlie, 1998) (Figure 4). The first qualitative part of the research uses inductive reasoning based on observations, facts, and evidence to build theory and instruments that could be used to test the theory. Then the second quantitative part of the research goes ahead to test the predictions of the theory using deductive logic. In terms of Greene et al., (1989), (see above) the primary reasoning for using a mixed methods design is for development purposes.

**Figure 4: Cycle of scientific methodology**

In this research the qualitative part of the research was given a greater emphasis than the quantitative part of the research, reflecting the under-explored nature of this research topic on piloting. In terms of mixed methods research design this qualifies as a mixed model, dominant-less dominant design
Adoption of intended strategic initiatives in MNCs: Role of piloting using a sequential approach (Tashakkori & Teddlie, 1998; p43) or as a modified sequential exploratory approach\footnote{The sequential exploratory approach was modified to reflect that the qualitative data was only fully interpreted in light of a partial analysis of the quantitative data.} (Cresswell, 2003; p213) (Figure 5).

**Figure 5: Modified sequential exploratory design (adapted from Cresswell, 2003)**

3.2.2 Phase 1: qualitative research
The nature of qualitative inquiry has been characterized as i) emphasizing qualities of entities – the processes and meanings that occur naturally (Denzin & Lincoln, 2004), ii) studying phenomena in the environments in which they naturally occur and using social actors’ meanings to understand the phenomena (Denzin & Lincoln, 2004), iii) addressing questions about how social experience is created and given meaning, and producing representations of the world that make the world visible (Denzin & Lincoln, 2004), iv) being flexible and emergent in character (Van Maanen, 1998), v) being designed at the same time it is being done (Van Maanen, 1998), vi) requiring highly contextualized individual judgments where the researcher makes an interpretation of the data (Van Maanen, 1998), vii) being open to unanticipated events and offering holistic depictions of realities that cannot be reduced to a few variables.

The justification for leading this research with a qualitative approach is based on a review of existing literature related to piloting in intended strategic initiatives. Firstly, researchers have widely empirically examined the phenomena of experimentation in emergent of autonomous strategic initiatives (Brown & Eisenhardt, 1997; Burgelman, 1983, 1991; Burgelman & Grove, 2007; Eisenhardt & Tabrizi, 1995; Floyd & Wooldridge, 1997; Floyd & Lane, 2000; Govindarajan & Trimble, 2004; Noda & Bower, 1996) but as yet there has been little investigation into the phenomena of piloting in intended or induced strategic initiatives. Secondly, while empirical studies have looked at the adoption of new practices in MNC’s (e.g. Jensen & Szulanski, 2004; Kostova, 1999, Kostova & Roth, 2002, Szulanski, 1996; Szulanski & Jensen, 2006), these studies have focused on the transfer of practices which are already established within the
organization in at least one subsidiary, and on routines which are already internally regarded as best practice. Thirdly, only a limited number of studies have looked at mandated transfer of innovative practices, the most notable being the study by Kostova and Roth (2002) which investigated the transfer of an existing best practice from the home country to MNC subsidiaries. No empirical studies to date have looked at the mandated transfer of innovative practices from a subsidiary that lies outside the home country.

Given that there has been no attempt to establish a theory which explains the role of pilots in intended strategic initiative adoption, the primary aim of this research is to build a theory to describe how the selection and implementation of pilot leads to the adoption of strategic initiatives. Developing a theory involves obtaining a complex detailed understanding of the pilot selection process, pilot implementation, and the impact of the pilot on the adoption of the initiative by subsidiaries that will implement the strategic initiative next. This can only be established by talking directly with managers who were involved in the pilot selection and implementation and by examining the perceptions that these managers have of their own activities (Collis & Hussey, 2003; Cresswell, 2007).

The research also seeks to understand the context of the pilots because it is impossible to separate the perceptions of these managers about the piloting process and strategic initiative adoption from the context in which they were operating (Yin, 2003). The importance of qualitative research is that it provides insights that are difficult to produce with quantitative research because it can include detailed descriptions of actual actions in real-life contexts that recover and preserve the actual meanings that actors ascribe to these actions and settings (Gephart, 2004; 455). Qualitative research provides a basis for understanding the social processes that underlie management (Gephart, 2004; 455).

In summary, the use of an inductive approach using qualitative research for the first part of this research lies in the conviction that i) little is known about the phenomena, ii) theory building is best accomplished using qualitative methods where the researcher talks directly with the managers involved, iii) interpretation of the context is needed because the boundaries between the phenomenon and the context are unclear.

3.2.3 Why follow up with quantitative research?

The primary purpose of the second part of the study using quantitative research is to attempt to objectively test elements of the emerging theory resulting from the qualitative phase (Morgan, 1998). In this research I tested an instrument developed from the qualitative research for measuring piloting and I also tested some of the emerging theoretical relationships between the main research constructs. An emerging secondary use of the quantitative approach was to triangulate with the qualitative approach.

3.2.4 Researcher’s role in qualitative phase

Regardless of the above philosophical discussion, it is clear that when using qualitative research, the researcher is required to make an interpretation of the data. In interpreting the data, the researcher filters the data through a personal
Adoption of intended strategic initiatives in MNCs: Role of piloting

lens (Creswell, 2003). Inevitably the researcher introduces their own assumptions, biases, values, and personal interests into the research. This is not necessarily negative because the researcher's contributions can be useful and positive rather than detrimental (Locke, Spirduso & Silverman, 2000). With this in mind it is important for the researcher to identify these from the outset and to continue to be aware of these issues throughout the research process (Cresswell, 2003).

Before embarking on this research I had extensive exposure to managers working on intended strategic initiatives and on pilot design. During the previous seven years before starting this project I was employed at IMD, a business school based in Lausanne, Switzerland. My role at the business school was to construct action learning projects for teams of senior managers coming to the school to either work on specific strategic priorities or to construct larger “change management programs” to accelerate strategic change within companies. In the role I was highly experienced at working with senior managers to design strategic initiatives and to establish implementation plans. Many of these implementation plans involved the use of pilots before more widespread implementation across the MNC. Although I was not directly involved in the selection and implementation of pilots, I had the opportunity to watch these processes first hand.

Inevitably I have bought my own personal biases to this study but I would like to believe that I have not let these overly color my interpretation of the research data. For instance, there have been a large number of findings in this study that have greatly surprised me. Without getting into the detailed findings, the top three most surprising results that have made me rethink my incoming assumptions, even relative to existing research literature, are:-

- Relative lack of control that top management has on the success of a strategic initiative which introduces a new practice innovation. I had an initial bias to believing that steering members did have the power to fix issues as they emerge and that by advocating for the strategic initiative this would be enough (e.g. Klein, Konn & Sorra, 2001).
- The impact of cause-effect ambiguity and “unknown unknowns” on piloting. I had an initial bias to believing that successful piloting was all about being a well prepared project manager using sound project methodology. But even the most experienced and best prepared project leaders can be blindsided (e.g. Pich, Loch & De Meyer, 2002).
- The importance of the specific location selected for a pilot. Before starting the research this was not something that I had ever really considered or explored with managers.

Of course, at this point I need to acknowledge that it is still perfectly possible that personal biases have crept into the findings and interpretations of these findings. I believe that these biases have been mitigated as far as possible (see section 3.7).
3.3 Research strategy

This section outlines the specific methods that I selected for the qualitative and quantitative parts and provides a rationale for these choices.

3.3.1 Qualitative research strategy

Qualitative research techniques demand that the researcher choose between five broad possibilities; narrative, phenomenology, ethnography, case study and grounded theory (Cresswell, 2003). I selected to use a multiple case study design to investigate the stated research questions (Eisenhardt, 1989a; Yin, 2003). As quoted in section 3.1 multiple case studies can be seen as a series of related laboratory experiments that serve to replicate, contrast and extend emerging theory (Eisenhardt & Graebner, 2007).

Yin (2003) provides a clear statement of the circumstances under which case research is appropriate. He proposes 3 necessary conditions: i) the research question is of the “how?” and “why?” type, ii) the phenomena being studied is in the real-life context where the researcher has no control over the behavioral events, iii) the boundaries between phenomena and context are not distinct.

Eisenhardt (1989a) stresses the power for using case studies to build theory by creating theoretical constructs, propositions and/or midrange theory from case-based, empirical research. Theory is emergent in the sense that it is situated in and developed by recognizing patterns of relationships among constructs within and across cases and their underlying logical arguments (Eisenhardt & Graebner, 2007; 25). Eisenhardt & Graebner (2007) and Eisenhardt (1989a) go on to argue that theory building from cases is likely to produce theory that is novel, accurate, interesting, testable and empirically valid because it is deeply embedded in rich empirical data. To quote Eisenhardt (1989a; p546):-

Building theory…attempts to reconcile evidence across cases, types of data, and different investigators, and between cases and literature increase the likelihood of creative reframing into a new theoretical vision. Although a myth surrounding theory building from case studies is that the process is limited by the investigator’s preconceptions, in fact, just the opposite is true. This constant juxtapositioning of conflicting realities tends to “unfreeze” thinking, and so the process has the potential to generate theory with less researcher bias than theory built from incremental studies or armchair, axiomatic deduction.

Another advantage of the case study technique is that other forms of data such as reports and communications can be collected and used to corroborate interview data, increasing the internal validity of the research (Miles & Huberman, 1994; Yin, 2003).

Multiple cases studies are believed to provide a stronger base for theory building than single-case studies because resulting theory is better grounded, more accurate, more robust, and more generalizable (Eisenhardt & Graebner, 2007; Yin, 1994). Propositions are more deeply grounded in varied empirical evidence. The use of several cases clarifies whether an emergent finding is simply
Adoption of intended strategic initiatives in MNCs: Role of piloting

idiosyncratic to a single case or consistently replicated by several cases (Eisenhardt, 1991). It also enables broader exploration of research questions and theoretical elaboration. Finally, multiple cases tend to enable the creation of more simple parsimonious theories than single cases because multiple cases only retain the relationships which can be replicated across most or all the cases (Eisenhardt & Graebner, 2007).

However, case study research designs also have limitations. Yin (2003) states that the greatest concerns for case study research are i) lack of rigor and attention to considerations of reliability and validity, ii) that case studies provide little basis for scientific generalizations, iii) case studies take too long and result in massive, unreadable documents. Eisenhardt (1989a) adds that theory resulting from case studies can be i) overly complex, ii) narrow and idiosyncratic because the theorist is unable to raise the level of the generality of the theory.

Conscious that good case studies are difficult to achieve, I nonetheless selected a multiple case study design for the initial qualitative part of the research for several reasons. Firstly, there are no published theories about the role of piloting in the adoption of intended strategic initiatives and case studies are a good way to develop robust and generalizable theory. Secondly, the main research question involves the “how” question of “how piloting promotes the adoption of new practices resulting from intended strategic initiatives in MNCs”. Thirdly, given that adoption is a construct which involves both commitment and implementation (Kostova & Roth, 2002), this research question demands the investigation and analysis of the emotional commitment of managers to the strategic initiatives under investigation and not just the mechanical implementation of those initiatives. The generation of emotional commitment is likely to involve complex social processes where there is no clear distinction between the phenomenon and the context (Miles & Huberman, 1994; Strauss & Corbin, 1990; Yin, 2003). Finally, using a case study approach allowed investigation of the phenomena from multiple viewpoints using numerous and highly knowledgeable informants who view the focal phenomenon from diverse perspectives – global steering committee members who were responsible and accountable to the CEO for the overall strategic initiative adoption, global project leaders who were leading the strategic initiative implementation, global team members who were assisting the implementation of the strategic initiative, local pilot managers who were implementing the pilot in the location(s) selected for the first adoption of the strategic initiative, and subsidiary managers who were adopting the strategic initiative in the country locations where the initiative was implemented directly after the pilot. This helps to mitigate claims that any theory developed is purely based on retrospective sensemaking because it is unlikely that informants will engage in convergent retrospective sensemaking (Eisenhardt, 1989a). Use of multiple informants also leads to a richer and more elaborated model (Schwenk, 1995).

Having stated that the research design was best suited to multiple case studies, it must be said this research design only became finally clear once all the data was collected and analyzed. This is entirely consistent with the nature of qualitative research (Cresswell, 2003; Rossman & Rallis, 1998). Before this point I also strongly considered grounded theory, for instance using Gioia
methodology (Gioia & Chittipeddi, 1991; Gioia & Thomas, 1996). But later I rejected this technique in favour of the multiple case study design\(^\text{10}\).

### 3.3.2 Unit of case analysis

Given the research goal required an examination of intended strategic initiatives in the form of distinct organizational practices mandated by corporate MNCs and first using pilots, the unit of case analysis which I selected was an individual intended strategic initiative. This unit of analysis appeared to be both logical and practical (Yin, 2003). This approach is consistent with previous research on strategic initiatives and responds to calls to use this unit (e.g. Burgelman, 1991; Floyd & Wooldridge, 2000; Lovas & Ghosal, 2000). For instance, Floyd and Wooldridge (2000; p142) stated:

> Researchers should consider adopting the “strategic initiative” as the primary unit of analysis. In doing so, researchers can focus their efforts around “telling the story” behind the development of a particular initiative. This approach has the advantage of focusing attention on a particular event in the firm’s history and of providing relatively clear beginning and end points. In addition, the use of this approach creates the possibility that a single organization can provide the setting for multiple, comparative case studies.

It is also consistent with research in the field of strategic decision-making which takes individual strategic decisions as the unit of investigation (e.g. Dean & Sharfman, 1996; Elbanna & Child, 2007; Hough & While, 2003; Nutt, 2002).

### 3.3.3 Quantitative research strategy

Based on the initial results of the qualitative study I proposed a multidimensional construct for the piloting of intended strategic initiatives and developed a measurement instrument to attempt to measure the emerging dimensions. I also proposed a number of hypothesis linking piloting and strategic initiative adoption (see section 6.1). These hypotheses were tested on data collected through a quantitative survey using confirmatory factor analysis (CFA) and structural equation modelling.

### 3.3.4 Overall research design

The details of the research design are shown in Figure 6.

---

\(^{10}\) The logic of using multiple case studies instead of Gioia analysis was that during the analysis it was found that the case studies could be ranked from the least high adopted to the most highly adopted and hence there was a chance for a more internally valid analysis of the factors leading to strategic initiative adoption.
3.4 Research setting

A number of different companies were approached to ask if they would be interested in joining the research study on the role of piloting. The companies that were approached were a function of my personal contacts at these various organizations. While several companies indicated a strong interest in the research, only two organizational settings were selected. Selecting two companies had the research benefit of quickly getting access to a greater number of strategic initiatives to study. In selecting more than one company I was conscious of not selecting settings which would introduce a large amount of additional contextual variance into the research.

The selection of these two organizational settings from the volunteering companies was made using six criteria. First, I wanted to select companies from similar industries so as the control somewhat for the variance in the types of industry where the piloting would take place. Second, I was looking for companies with headquarters based in Europe which would easy to visit. Thirdly, I was looking for companies with a comparable geographical spread of market subsidiaries from which pilots would be selected. SMEs were not selected as these companies generally so not have a widespread geographical network of subsidiaries. Fourthly, I was looking for an MNC where English was the business language so that all interviewees would feel comfortable in expressing their experiences in a known language. Fifthly, I was looking for companies that were of an approximately similar size in terms of revenues and employees. Finally, I

---

11 An additional reason that I chose to select more than one company because I was interested in developing a theory that would not only be applicable to a single company.
was looking for companies which were managing centralized portfolios of strategic initiatives with a similar approach.

It was unfortunately not possible to select companies from exactly the same industry because I did not have any personal contacts with senior management within competitors firms and I could not be sure that, even if I did, the competitor companies were using a similar centralized approach to strategic initiative implementation.

Additional organizational settings could have been used, had I encountered other firms that met the above six selection criteria. However, I was also conscious that adding an additional research setting might increase the probability of introducing systematic firm biases that would compromise the validity of the research.

The two MNCs selected produce industrial products and are headquartered in European countries. Each had turnover in excess of €4 billion, at least 40 country subsidiaries around the world, and more than 5,000 employees (Table 4).

Table 4: Research setting comparison

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Company A</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of HQ</td>
<td>Helsinki, Finland</td>
<td>Lausanne, Switzerland</td>
</tr>
<tr>
<td>Nature of business</td>
<td>Elevators, escalators and people movement solutions</td>
<td>Food processing and packaging solutions</td>
</tr>
<tr>
<td>Number of major markets</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>Revenues 2009 €</td>
<td>4,700m</td>
<td>8,900 m</td>
</tr>
<tr>
<td>No of employees</td>
<td>34,000</td>
<td>21,000</td>
</tr>
</tbody>
</table>

These companies had a number of common elements for the process by which they managed global strategic initiatives that indicated that the two organizational contexts would be not too dissimilar. These elements included:

- Both companies maintained a large portfolio of centrally led (corporate) strategic initiatives with between 12 and 41 implementation sites for each initiative and an investment of at least €1 million for each initiative.
- In both companies these portfolios were managed by an official Project Office with a Director who could provide access to appropriate centrally managed strategic initiatives.

12 I had personal contacts with both organizations. Senior executives from Company A had attended a series of programs at IMD to elaborate and work on key strategic priorities. I taught and coached on this program and knew some of the managers quite well. Company B was introduced to the study through my brother-in-law who was employed as the CFO.
Adoption of intended strategic initiatives in MNCs: Role of piloting

- In both companies initiatives went through five distinct stages, starting with the initial strategic initiative intent and going through to implementation.
- Both companies were using a stage-gate approach where approval was granted by the global steering committee for the pilot to start and approval was required from the global steering committee following the pilot for progressive implementation in the remaining subsidiaries.
- All strategic initiatives employed at least one pilot, with some initiatives having up to three pilots.

Using two research settings rather than one might be expected to introduce systematic biases in the research findings. For instance, if the strategic initiatives in one research setting were more highly adopted than the strategic initiatives from the other research setting then the level of adoption could be construed to be related to contextual company elements rather than from elements related to the piloting of the specific strategic initiative. At the time of data collection this could not be determined. However, later analysis on the adoption rate of initiatives from each company could find no appreciable detectable bias created by using cases from two settings rather than one (see section 3.7).

3.5 Case sampling

3.5.1 Sample size

Five strategic initiatives were initially sampled from Company A and five from Company B (Table 5 & 6). These strategic initiatives formed the basis of ten case studies. It is conventional that the number of cases should be defined on the basis of redundancy; that is, cases should be added incrementally until little additional learning is forthcoming because the researchers are observing phenomena seen before (Eisenhardt, 1989a; Glaser & Strauss, 1967; Parkhe, 1993; Yin, 2003). In this research this convention raised some problems because the degree of adoption (dependent variable) of each of the strategic initiatives was not known ex-ante but only ex-post during Stage 2. So it was also not known at what point redundancy would be reached. In addition, it was not known whether the theoretical sampling of the ten initiatives would yield a spectrum of more and less highly adopted initiatives or whether all of the cases would yield highly adopted strategic initiatives. In this situation the initial sample was based on the principle of taking an equivalent number of strategic initiatives from each organizational setting and also based on the volume of work that could be realistically undertaken by a single researcher. This capped the number of initiatives at five from each company (Eisenhardt, 1989a). Ex-post this sampling was adequate from a point of view of redundancy and even allowed for two cases to be dropped during the cross-case comparison phase of analysis (see section 3.7.2). In addition, ex-post it was found that the initial sample did include a number of more and less highly adopted initiatives and so a further sample was not taken.
Table 5: Case overview qualitative phase (1)

<table>
<thead>
<tr>
<th>Strategic initiative</th>
<th>Company</th>
<th>Type of strategic initiative</th>
<th>No of functions</th>
<th>No of subsidiary sites</th>
<th>No of pilots</th>
<th>Size of initiative (€m)</th>
<th>Duration (months)</th>
<th>Pilot duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>A</td>
<td>Shared service center</td>
<td>6 functions and all BUs</td>
<td>10</td>
<td>1</td>
<td>1.4</td>
<td>35</td>
<td>2</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>System for customer tracking</td>
<td>4 functions and all BUs</td>
<td>36</td>
<td>3</td>
<td>1.5</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>Design process</td>
<td>4 functions and all BUs</td>
<td>31</td>
<td>1</td>
<td>6.0</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Transaction outsourcing</td>
<td>5 functions and all BUs</td>
<td>30</td>
<td>1</td>
<td>1.5</td>
<td>38</td>
<td>11</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>Telecommunications system</td>
<td>4 functions and all BUs</td>
<td>12</td>
<td>1</td>
<td>6.1</td>
<td>41</td>
<td>3</td>
</tr>
<tr>
<td>ITX</td>
<td>B</td>
<td>IT processes</td>
<td>4 functions and all BUs</td>
<td>30</td>
<td>2</td>
<td>8.5</td>
<td>30</td>
<td>7</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>Interactive customer website</td>
<td>4 functions and all BUs</td>
<td>41</td>
<td>3</td>
<td>1.3</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>Maintenance process</td>
<td>5 functions and all BUs</td>
<td>31</td>
<td>1</td>
<td>1.1</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td>PTX</td>
<td>B</td>
<td>Purchase to pay process</td>
<td>4 functions and all BUs</td>
<td>30</td>
<td>2</td>
<td>1.0</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>SPX</td>
<td>A</td>
<td>Project management process</td>
<td>6 functions and all BUs</td>
<td>15</td>
<td>1</td>
<td>1.6</td>
<td>39</td>
<td>6</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

Table 6: Case overview qualitative phase (2)

<table>
<thead>
<tr>
<th>Strategic initiative</th>
<th>Urgency of strategic initiative</th>
<th>Novelty of strategic initiative</th>
<th>Customer involvement</th>
<th>Existing local experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>High: Urgency created by obsolescence of local accounting systems</td>
<td>High: First time that so many transaction types had been put into shared service centre.</td>
<td>Low: Only through sales order processing</td>
<td>Some countries already running SAP and so would only transition into shared service centre</td>
</tr>
<tr>
<td>CRX</td>
<td>High: Part of Customer Focus strategic priority</td>
<td>High: First truly global initiative for company</td>
<td>Medium: Requires change in behaviour of sales force</td>
<td>Some countries moving from local CRM systems (not pilots)</td>
</tr>
<tr>
<td>EDX</td>
<td>High: Part of strategic priority with additional urgency created by previous failed pilot.</td>
<td>High: First time trying to install a global tool for this process.</td>
<td>High: New system was processing and retaining customer product designs</td>
<td>Some local versions of the system already existing at various factories</td>
</tr>
<tr>
<td>FTX</td>
<td>High: Part of strategic priority to reduce SG&amp;A costs</td>
<td>High: First time that company outsourced financial transactions.</td>
<td>Low: Not involved</td>
<td>Internal shared service centre in UK supporting European operations</td>
</tr>
<tr>
<td>ITX</td>
<td>High: Part of strategic priority to reduce SG&amp;A costs</td>
<td>High: First global IT initiative for company</td>
<td>Low: Not involved</td>
<td>Some countries had locally reduced IT costs through consolidation</td>
</tr>
<tr>
<td>KCX</td>
<td>High: Urgency created by obsolescence of local telecom systems</td>
<td>High: First time company had installed a centralized regional network for customer calls.</td>
<td>Medium: Cutting over to the new system could impact customers</td>
<td>Countries had existing local systems</td>
</tr>
<tr>
<td>Strategic initiative (cont.)</td>
<td>Urgency of strategic initiative (cont.)</td>
<td>Novelty of strategic initiative (cont.)</td>
<td>Customer involvement (cont.)</td>
<td>Existing local experience (cont.)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>NKX</td>
<td>High: Part of E-business leader strategic priority. Many local websites urgently needed updating to match competition.</td>
<td>High: First global initiative to have a truly global internet presence</td>
<td>High: Website designed for customer and success measured by customer traffic</td>
<td>Most countries had an existing local web presence</td>
</tr>
<tr>
<td>OFX</td>
<td>High: Part of strategic priority of World Class Ambition in manufacturing</td>
<td>High: First global maintenance initiative on SAP</td>
<td>Low: Not involved</td>
<td>All countries were using a local system (including basic spreadsheets)</td>
</tr>
<tr>
<td>PTX</td>
<td>High: Part of strategic priority to reduce SG&amp;A costs</td>
<td>High: First time the company had looked at this process in a rigorous global manner.</td>
<td>Low: Not involved</td>
<td>Some countries had worked already on this process locally</td>
</tr>
<tr>
<td>SPX</td>
<td>High: Part of Operational Excellence strategic priority. Key competitor had implemented SI</td>
<td>High: First global project which impacted every function</td>
<td>Medium: Customers involved in sales and delivery parts of process</td>
<td>Many countries had implemented local versions with high degree of localization</td>
</tr>
</tbody>
</table>
3.5.2 Sample selection
Using theoretical sampling, the ten strategic initiatives were selected in areas where cross-functional organizational members were working to introduce a new organizational practice (Klein et al., 2001) and which employed pilots. As already described, pilots were defined as field tests of strategic initiatives in a limited part of the company (less than 10% of the MNC’s revenues), and the resulting organizational routines would be implemented in other subsidiaries.

All of the ten strategic initiative cases selected to study had similar starting conditions (Table 5 & 6):

- All initiatives were considered by the TMT to be urgent and were clearly linked to the strategic priorities of the companies and all involved major implementation uncertainties (Julian & Ofori-Dankwa, 2007).
- The strategic initiatives all consisted of a set of innovations that were novel to the organization and included business practices which had an impact on process changes and included an IT component.
- In all cases there were some existing local versions of the process that was undergoing innovative re-design but in all cases there was no existing global version of the process.
- All of the strategic initiatives involved organizational members from at least four major functions working together to introduce a new practice within the organization for the first time, regardless of whether other organizations had previously used the practice (Klein et al. 2001).
- Each involved a significant IT systems changes, which in turn required users to change their ways of working.
- The pilot locations were all in subsidiaries outside the home country location, apart from for one strategic initiative with multiple pilots. This context is different from other adoption settings in that the practice is not being transferred directly from the home institutional context but rather via the global team from outside the MNC’s home country (e.g. Kostova & Roth, 2002).
- Following the implementation of the pilot, the global team took this initial implementation practice and worked with local teams from each of the subsidiaries to reproduce the practice locally in the subsidiaries.
- The implementation of each initiative was overseen by a global steering team of senior managers, involving at least one member of the TMT.

The strategic initiatives sampled differed in several ways:

- Number of pilots employed varied between one and three.
- The size of the centralized budget for the initiative varied between €1.0m - €8.5m.
- The number of subsidiary sites for the final implementation varied between 10-41.
- The strategic initiative duration varied between 18-60 months and the pilot duration between 2-12 months.
All strategic initiatives were currently underway within the organization. I selected strategic initiatives where events had taken place on average less than eight months prior to the initial data collection. This allowed the study to incorporate both retrospective and real-time data, creating greater depth of understanding of how events evolved over time (Leonard-Barton, 1990).

In selecting to use two organizational settings and ten strategic initiatives there were some clear trade-offs. At one extreme I could have selected to use ten organizational settings but to sample the same type of strategic initiative from each setting e.g. shared service center initiatives only. Alternatively I could have selected all ten strategic initiatives from just one setting with the risk that this increased the diversity of the strategic initiatives under investigation. The option of sampling the same type of strategic initiative from just one setting did not exist. The trade-off was clear, was it more important to develop a generalizable theory for piloting which would cover a wide range of initiatives but risk that this theory would only be insightful for a narrow range of organizational contexts or vice versa? My goal in this research was to produce piloting insights that, in addition to contributing to the body of research on strategic initiatives, would be relevant for managers no matter what strategic initiatives they were implementing. So the decision was taken to sample more widely across different initiatives as a first step with the goal of later generalizing to further organizational contexts.

3.6 Research program

The overall research program is outlined in Figure 7 and will now be described in some detail.
3.6.1 Introductory stage

This stage consisted of ten interviews conducted by telephone with ten global project leaders involved in piloting global strategic initiatives within four different MNCs. This phase was used to identify an interesting research phenomenon and develop a set of research questions. The focus on piloting in intended strategic initiatives grew out of this short study. These cases made apparent that there was a link between the selection and outcome of the pilot and the overall adoption of the strategic initiative. The results of this study made it possible to identify the research questions central to the thesis and to define an interview protocol. In addition, it became apparent during these exploratory interviews that each strategic initiative pilot and subsequent implementation in further subsidiaries involved a number of different actors who would have different perspectives and perceptions of the piloting process and pilot performance. This led to the insight that any research on piloting would be best served by employing a case study approach which sampled different viewpoints from the different stakeholders involved in the strategic initiative. This study will not be described further in this dissertation.

3.6.2 Stage 1

Stage 1 (T=1) consisted of collecting qualitative case study data, primarily through interviews, on the ten selected strategic initiatives in two MNCs. The interviews were timed to take place following the pilot and ideally during or just following the implementation of the strategic initiative within the first three
subsidiaries that implemented the initiative directly after the pilot. This stage of the research was accompanied by a grounded theory analysis of the case data.

**Data collection (stage 1)**

Qualitative data were collected through semi-structured interviews. I used a purposive sampling strategy to obtain perceptions of each strategic initiative from multiple viewpoints (Miles & Huberman, 1994; Tashakkori & Teddlie, 1998). My initial contact at each company was the Director of the Project Office 13 who introduced me to the global project leaders and informed them of the study by email, accompanied by a letter written by myself (Appendix 1.1-1.3). For each initiative I interviewed the global project leader and then, with his or her assistance, I asked for the contact details of additional informants directly involved in the strategic initiative (Figure 8) (Appendix 1.4). For each strategic initiative I interviewed two senior managers who were part of the global steering committee of the strategic initiative (one of whom was also a TMT member), one or two global team members of the initiative, one senior manager involved in the pilot location of the initiative and a senior manager closely involved in the implementation of the initiatives in each of the three subsidiaries that implemented the strategic initiative following the pilot. These interviewees were middle to senior managers, aged 30-48, both male and female and ranged from functional managers, e.g. Director of Sales, to Country Managing Directors and also included a member of the companies’ TMT, engaged as one of the project steering committee members. In the opinion of the global project leader all the interviewees were considered to be highly knowledgeable informants. In one initiative, EDX, the original global project leader had left the company but one of the subsidiary managers had also been part of the global team and his interview covered both sets of interview questions and seemed to largely cover the subject matter. The total number of interviews was 90 (Table 7).

---

13 This person oversaw the portfolio of strategic initiatives within each company.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Figure 8: Interview informants

<table>
<thead>
<tr>
<th>Management adoption</th>
<th>Global steering committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Approve the start of the pilot</td>
</tr>
<tr>
<td></td>
<td>• Approve rollout</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Global project leader and global team members</th>
<th>Assigned to implement the strategic initiative by first piloting and then rollout to other subsidiaries</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Pilot managers</th>
<th>Work with the global team to realize the strategic initiative</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Subsidiary managers (next 3-5 rollouts)</th>
<th>Work with the global team to replicate new practice from pilot</th>
</tr>
</thead>
</table>

Table 7: Interviewed Individuals at T=1

<table>
<thead>
<tr>
<th>Strategic Initiatives</th>
<th>Role in initiative</th>
<th>Locations</th>
<th>Number of interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX - Company A</td>
<td>Global steering member/ TMT</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Global project team*</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Pilot manager</td>
<td>Thailand</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Subsidiary managers</td>
<td>Hong Kong, Singapore, Malaysia</td>
<td>3</td>
</tr>
<tr>
<td>CRX – Company A</td>
<td>Global steering member/ TMT</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Global project team*</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Pilot managers</td>
<td>USA, Holland</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Subsidiary manager</td>
<td>France, Italy, Finland</td>
<td>3</td>
</tr>
<tr>
<td>EDX – Company B**</td>
<td>Global steering member/ TMT</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Global project team</td>
<td>Corporate</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Pilot manager</td>
<td>Sweden</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Subsidiary managers</td>
<td>Italy, Spain</td>
<td>3</td>
</tr>
<tr>
<td>FTX – Company B</td>
<td>Global steering member/ TMT</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Global project</td>
<td>Corporate</td>
<td>2</td>
</tr>
<tr>
<td>Company</td>
<td>Global steering member/ TMT</td>
<td>Subsidiary managers</td>
<td>Pilot managers</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------</td>
<td>---------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>ITX – Company B</td>
<td>Corporate</td>
<td>Northern, Southern &amp; Central Europe</td>
<td>US 2</td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>China, Northern, Central &amp; Southern Europe</td>
<td>US 2</td>
</tr>
<tr>
<td>KCX – Company A</td>
<td>Corporate</td>
<td>Germany 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>UK, Sweden, Holland 3</td>
<td></td>
</tr>
<tr>
<td>NKX – Company A</td>
<td>Corporate</td>
<td>US, Finland, France 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>UK, Germany, Holland 3</td>
<td></td>
</tr>
<tr>
<td>OFX – Company B</td>
<td>Corporate</td>
<td>Brazil 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>Mexico, Hungary 2</td>
<td></td>
</tr>
<tr>
<td>PTX – Company B</td>
<td>Corporate</td>
<td>Italy, Spain 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>Northern &amp; Central Europe, Centralized Technical Services 4</td>
<td></td>
</tr>
<tr>
<td>SPX – Company A</td>
<td>Corporate</td>
<td>Holland 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>France, Belgium, Finland 3</td>
<td></td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

*project leader and team member(s)
**includes managers involved in re-piloting

Interview questions were initially developed for the global project leader based on a comprehensive literature review of innovation adoption, knowledge transfer, and strategic implementation (Appendix 1.6). These questions were combined with questions about the background to the initiative and about the selection and implementation of the pilot(s) and the following subsidiaries (Figure 9). The interview protocol was defined and yet it also allowed for flexibility to explore the phenomenon (Strauss & Corbin, 1990). This initial questionnaire was tested during the Introductory Stage in ten interviews conducted by telephone with global project leaders from four different organizations. It moved through several iterations before it was fixed as the standard interview protocol to increase the internal reliability of data collection (Yin, 2003). By reevaluating the questions several times I tried to ensure that they were developed so as not to lead the interviewees. The questionnaire for the global project leaders was then adapted to capture the different perspectives of the additional interviewees and to triangulate findings (Appendix 1.7-1.10). These questionnaires also moved through several iterations before being fixed as the standard interview protocol.

**Figure 9: Overview of data collection from interviews for each case**

### Intended strategic initiative
- Initiative goal and success measures
- Initiative characteristics
  - Importance
  - Urgency
  - Size/scope
  - Uncertainty/ambiguity
  - ...etc

### Pilot selection
- Pilot goal and success measures
- Process
- Selection rationale

### Pilot implementation
- Global team
- Local team
- Planning & Methodology
- Review
- Resources
- Senior mgmt support
- Implementation practises
- Learning

### Initiative implementation in subsidiaries
- Communication with pilot
- Global support & learning transfer
- Pilot feedback
- Pilot similarity
- Implementation constraints
- Implementation accelerators

Before starting each interview, the rationale for the research was explained to the interviewee together with a statement about the confidentiality of the discussion. Interview respondents were asked if they had any questions before
starting with the interview questions.\textsuperscript{14} In preparing for each interview I reviewed my notes from prior interviews from the same case. However, in order to protect the anonymity of the informants and to encourage candor, information from prior interviews was not shared with subsequent informants (Graebner, 2004). Interviews lasted between 40 and 90 minutes. All interviews were recorded and professionally transcribed, checked and then complemented by a reflective note taking. Only one interview was not recorded because of a technical failure of the tape recorder. Additional data were gathered from other sources where possible; such as internal project plans and reports, and external documents. Follow-up questions were asked via phone or e-mail when clarification was required.

\textbf{Data analysis (stage 1)}
First, shortly after the interviews were completed, I began by writing individual case histories of each strategic initiative including quotes and numerical data taken from multiple informants (Eisenhardt, 1989a; Yin, 2003). The cases were around 20-30 single-spaced pages in length and include narrative, selected quotes from key informants (Appendix 2 – for an example). This process allowed unique the patterns of each case to emerge before pushing to generalized patterns across the cases (Eisenhardt, 1989a). A second researcher\textsuperscript{15} read through all of the original interview transcripts and then carefully reviewed the detailed case studies. She made detailed notes where she felt information was missing from the case and worked together to discuss and revise the cases as appropriate. In some rare cases it was acknowledged that the interview respondents simply held several different points of views and these were duly noted in the case. Writing these cases took approximately 6 months.

At the same time, using a software program for qualitative data analysis (NVIVO), I sorted the transcribed data into the major categories based on the core themes in the interview protocol. Then I developed subcategories by identifying recurring themes within each category. This allowed the development of generalizable constructs about the piloting. The coded data allowed both within-case analysis and a rapid comparison across cases. At this point within-case analysis focused on looking at cause-effect relationships between the emerging contrasts. These cause-effect relationship hypotheses were added to each of the case histories. The second researcher independently developed her own interpretations of cause-effect and we compared the two versions. Where we found differences we discussed and resolved these to come to a common position. In a very small number of cases there was not enough data to resolve some differences of opinion.

\textsuperscript{14} In some cases I already knew some of the managers being interviewed. Some of them had attended programs at IMD where I was teaching and working with them on action learning projects. Some of them lived in the nearby region and I had met them socially. It is my considered opinion that the majority of the interviewees spoke openly about their experiences. Many of them expressed their feelings about the specific initiative and their frustrations about processes related to piloting and strategic initiative implementation.

\textsuperscript{15} Experienced research analyst
3.6.3 Stages 2 & 3
Stage 2 of the research involved collecting quantitative survey data from subsidiary managers and global steering members in eight out of the ten cases plus an additional three cases. This allowed me to assess the degree of adoption of the strategic initiative and to test emerging hypotheses about the nature of piloting leading to strategic initiative adoption. The surveys were timed to take place between 12-18 months after the implementation of the pilot. This stage of the research was accompanied by cross-case analysis of the case data.

In stage 3 TMT members who were also serving as global steering members were interviewed to assess the overall strategic initiative adoption and surveyed one more time. The interviews were timed to take place 18-24 months after the implementation of the pilot.

Data collection (stage 2 & 3)
Following the interview data gathering, the two multinational companies provided access to eight of the ten original initiatives for quantitative surveys of strategic initiative adoption – five initiatives from Company A and three from Company B. The remaining two initiatives from Company B were considered to be unsuccessful within the company and therefore the corporate headquarters were reluctant to seek feedback from the major stakeholders on the basis that it would “stir up an already difficult situation”. An additional three initiatives were also subsequently added to the sample from Company A. Table 8 provides a case overview of the strategic initiatives included in the quantitative analysis.

Table 8: Case overview for quantitative phase

<table>
<thead>
<tr>
<th>Strategic initiative</th>
<th>Company</th>
<th>Type of strategic initiative</th>
<th>No of roll-out sites</th>
<th>No of pilots</th>
<th>Size (€m)</th>
<th>Duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>A</td>
<td>Shared service center</td>
<td>10</td>
<td>1</td>
<td>1.4</td>
<td>35</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>System for customer tracking</td>
<td>36</td>
<td>3</td>
<td>1.5</td>
<td>18</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>Design process</td>
<td>31</td>
<td>1</td>
<td>6.0</td>
<td>50</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Transaction outsourcing</td>
<td>30</td>
<td>1</td>
<td>1.5</td>
<td>38</td>
</tr>
<tr>
<td>HOX</td>
<td>A</td>
<td>Automated invoicing</td>
<td>20</td>
<td>1</td>
<td>0.5</td>
<td>53</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>Telecommunications system</td>
<td>12</td>
<td>1</td>
<td>6.1</td>
<td>41</td>
</tr>
<tr>
<td>ITX</td>
<td>B</td>
<td>IT processes</td>
<td>30</td>
<td>1</td>
<td>8.5</td>
<td>30</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>Interactive customer website</td>
<td>41</td>
<td>3</td>
<td>1.3</td>
<td>20</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>Maintenance process</td>
<td>31</td>
<td>1</td>
<td>1.1</td>
<td>60</td>
</tr>
</tbody>
</table>
For each of the total of eleven strategic initiatives, I surveyed subsidiary managers in three to five locations immediately following the pilot(s), covering a total of 44 locations. The sample was a purposeful sample and the names and contact details of survey participants were supplied by a combination of the global project leader, subsidiary managers interviewed, and contacts in the subsidiaries supplied by the global project leader. The survey took place using a web survey. The participants were initially advised that they would take part in the survey through an email from the Director of the project office (Appendix 3.1). I subsequently wrote to each participant with the web survey link (Appendix 3.2). All respondents were assured full confidentiality. The total number of subsidiary manager respondents was 113 and the response rate was 82% (Table 9). These questionnaires were timed to take place approximately 12-18 months following the implementation of the pilot.

Table 9: Surveyed individuals

<table>
<thead>
<tr>
<th>Strategic initiatives</th>
<th>Company</th>
<th>No of pilots</th>
<th>No of subsidiaries</th>
<th>No of subsidiary managers survey respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>A</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>3</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>HOX</td>
<td>A</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>ITX</td>
<td>B</td>
<td>1</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>1</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>3</td>
<td>5</td>
<td>13</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFX</td>
<td>B</td>
<td>1</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>PTO</td>
<td>A</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>PTX</td>
<td>B</td>
<td>2</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>SAX</td>
<td>A</td>
<td>1</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>SPX</td>
<td>A</td>
<td>1</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11</td>
<td>16</td>
<td>44</td>
</tr>
</tbody>
</table>

Grey area = Not included in quantitative study

Measures for the dependent variable
The adoption measure selected, consistent with previous researchers (e.g. Kostova & Roth, 2002) consisted of two dimensions; commitment to change and implementation (Appendix 3.3).

**Strategic initiative implementation:** Implementation within the subsidiaries immediately following the pilot was measured by looking at three items and employing a five-point Likert scale for each: (a) degree of implementation within organization’s operations, taken from Nutt (2002) and Dooley et al. (2000); (b) success in achieving the desired initial results of the initiative, adapted from Dean and Sharfman (1996); and (c) satisfaction with the implementation of the strategic initiative, adapted from Bryson and Bromiley (1993), Miller, Wilson and Hickson, (2004), and Szulanski (1996).

These items for implementation were selected following an exhaustive review of strategic decision making literature, strategic implementation literature, and best practice transfer literature. Objective measures, while desirable, was not possible in this research for three reasons i) the diversity of strategic initiatives in the sample which meant that there was no way to compare objective measures such as cost reduction, sales increase etc, ii) difficulty of attributing financial outcomes to a particular strategic initiative, iii) reluctance of the companies to provide objective data. So, in keeping with research designs in the above literature streams, I employed subjective measures. Note that perceptual performance measures have been shown to have a high correlation with objective performance measures (e.g. Dess & Robinson, 1994; Hart & Banbury, 1994).

**Commitment to change:** Commitment to change in the subsidiaries was measured using Herscovitch and Meyer’s (2002) organizational behavior construct “commitment to change” and a nine-item version was developed for the purposes of this study.

Generating commitment to change – the attitudinal dimension of adoption – refers to a mindset that binds an affected stakeholder to a course of action deemed necessary for the successful implementation of a change initiative (Herscovitch & Meyer, 2002). Investigating the role played by social-psychological commitment in explaining employee support for change, Herscovitch and Meyer (2002) developed a model of commitment to an

---

16 Viewed by the researcher as being the most relevant literature streams
organizational change. The authors proposed three different forms of commitment to change: (a) a desire to provide support for the change based on a belief in its inherent benefits (affective commitment to change); (b) a recognition that there are costs associated with failure to provide support for the change (continuance commitment to change); and (c) a sense of obligation to provide support for the change (normative commitment to change).

Measures for the independent variable
Piloting subconstructs were developed from data collected from the interviews. Given that the focus of the initial exploratory research was to investigate a previously under-investigated topic, it was decided to create new constructs for the independent variable based on interview data rather than from any existing constructs that might compromise the construct validity.

Pilot replicability. I developed a three-item measure for pilot replicability (Appendix 3.4). The rating scale for this measure was anchored at 1, “strongly disagree,” and 5, “strongly agree.” Pilot credibility. I developed a three-item measure for assessing the credibility of the pilot. Items were designed to measure the extent to which respondents perceived the site as exhibiting certain characteristics related to credibility (Appendix 3.4). The rating scale for this measure was anchored at 1, “strongly disagree,” and 5, “strongly agree.” Pilot feasibility. I developed a two-item measure for identifying the workability of the practice (Appendix 3.4). The rating scale for this measure was anchored at 1, “strongly disagree,” and 5, “strongly agree.”

When implementation of the initiatives had progressed further to 18-24 months after the pilot (T=3), a knowledgeable TMT member from each company was interviewed and asked to judge the extent of strategic initiative implementation for each initiative. These managers were also surveyed on strategic initiative implementation using the same quantitative measures used in the surveys.

Qualitative data analysis (stage 2 & 3)
During the second stage of data analysis the cross-case analysis continued. The third stage of analysis looked in detail at the relationship between piloting and the adoption of the strategic initiatives. The goal of this research was to develop a theory for the role of piloting in strategic initiative adoption. Given that the dependent variable for this research is the degree of adoption of strategic initiatives it was decided to select a sub-set of more highly adopted initiatives and a subset of less highly adopted initiatives and compare and contrast piloting in these two groups of initiatives. The goal was to identify the factors for piloting which leads to higher strategic initiative adoption as opposed to factors which lead to any form of strategic initiative adoption. This research design was used to enhance the validity of the research.

Using the qualitative data from the interviews and the quantitative data from the surveys the cases were rank ordered by the degree of initiative adoption (See Chapter 4 findings for the results table). In this analysis I defined the degree of adoption of the strategic initiative as the multiplicative product of the average degree of affective commitment to change reported by the subsidiary managers following the pilot(s) (T2) and the average degree of implementation evaluated by subsidiary managers following the pilots (T2) and by the TMT members at a
Adoption of intended strategic initiatives in MNCs: Role of piloting

Later stage (T3)\textsuperscript{17}. This multiplicative index was employed because adoption requires both commitment and implementation (Kostova & Roth, 2002) and is consistent with other constructs which require an organization to pursue two disparate things at the same time (e.g. Gibson & Birkinshaw, 2004). As a second method I also looked at the qualitative data from the interviews for all ten cases which confirmed the same rank ordering, with the two for which I did not have quantitative data falling at the bottom of the ranking.

Using the rank ordering of the strategic initiative adoption I classified the four most highly adopted cases and the four least highly adopted cases. For the purposes of this classification, as is customary in similar research designs, I eliminated the two middle cases to avoid drawing an arbitrary distinction between the two groups (e.g. Brown & Eisenhardt, 1997; Edmondson et al., 2001). The second researcher was also asked to rank order the cases based on the same data and independently generated the same result.\textsuperscript{18}

Next I conducted a cross-case analysis, relying on methods suggested by Miles and Huberman (1984), Eisenhardt (1989a) and Eisenhardt and Graebner (2007). I compared the four more successful cases with the four least successful cases to identify similarities and differences and to allow the constructs and theoretical logic to emerge. I created many tables to facilitate comparison across the cases. Comparison tables were also created along the time dimension of the adoption of the strategic initiative using a process model of piloting which emerged from the individual case writing. As the analysis evolved, I raised the level of abstraction and returned to the interviews to ensure that my ideas were consistent with the base data. As constructs emerged I compared these to existing constructs within the literature to explore which constructs do not yet appear. Finally I assigned theoretical labels to constructs where I could find no precedent.

Quantitative data analysis (stage 3)

Confirmatory factor analysis (CFA) was used to evaluate whether piloting could be conceptualized as a higher-order construct. CFA verifies the number of

\textsuperscript{17} While all three forms of commitment to change were measured, affective commitment was selected to rank the case studies. Empirical studies linking the different forms of commitment to behavioral outcomes has demonstrated that particularly affective commitment to change is linked to an individual’s willingness to sell the change to others and to perform the extra efforts to make the change work (Herscovitch & Meyer, 2002; Meyer, Srinivas, Lal & Topolnytsky, 2007). In contrast, individuals with high continuance commitment to change are more likely to restrict their behavior to what is absolutely required. Considering which forms of commitment to change piloting is likely to engender in subsidiary managers following the pilot, I would argue that only affective commitment to change has the ability to go beyond the exercise of coercive isomorphic pressures. Initial measurements of continuance commitment to change appeared, even at this stage of qualitative analysis to be associated with the initiatives where TMT interviewees indicated that adoption was lower and hence was not used. Normative commitment to change was also not used as it appeared to have no association with adoption.

\textsuperscript{18} Note that there was no perceptible difference between the strategic initiatives from Company A and Company B in this ranking
underlying dimensions of the proposed instrument (factors) and the pattern of the item-factor relationship (factor loadings). The results of CFA can provide compelling evidence of the convergent and discriminant validity of theoretical constructs (Brown, 2003). Convergent validity is indicated by evidence that different indicators of theoretically similar or overlapping constructs are interrelated. Discriminant validity is indicated by results showing that indicators of theoretically distinct constructs are not highly inter-correlated. CFA is regarded as superior to exploratory factor analysis (EFA) as methods effects can be specified as part of the error theory of the measurement model.

Additional structural equation modelling was used to investigate the emerging hypotheses regarding piloting and strategic initiative adoption. More information is provided in section 6.2.

### 3.7 Steps taken to ensure reliability and validity in qualitative research

Inductive research has frequently been criticized for its lack of methodological rigor. The intention in this study was to follow carefully the suggestions of Eisenhardt (1989a), Miles and Huberman (1984) and Yin (2003), all of whom have proposed way of enhancing the quality of a given qualitative research design. Four tests have been commonly used to establish the quality of any empirical social research; reliability, construct validity, internal validity and external validity (Kidder & Judd, 1986). The objective of this section is to summarize the methodology described above in terms of reliability and the different forms of validity.

#### 3.7.1 Reliability

Reliability indicates that the operations of this study could be repeated at a later date and would yield the same results, the same findings, and conclusions (Yin, 2003). The goal of reliability is to minimize the errors and biases in a study. This was achieved in several ways during data collection and analysis. Firstly it was achieved through case study protocol which produced reliable documentation. The research protocol was established from the start of the research. Interview questionnaires were employed and adhered to. All interviews were taped and professionally transcribed and then checked word by word by myself for any perceivable errors. Secondly, careful records were made of all interviews planned and conducted and documents from interviews were stored in an organized manner. In addition a data-base of materials specific to each initiative was put together. Thirdly, during data analysis, the process of analysis was clearly explained to a second researcher and was able to be followed by this researcher.

#### 3.7.2 Validity

Construct validity involves establishing a correct operational measures for the concepts being studied (Yin, 2003). This test can be especially problematic for case study research because the researcher cannot become divorced from the object of study and hence may use subjective judgments to collect data. A number of steps were taken specifically to ensure that construct validity was
Adoption of intended strategic initiatives in MNCs: Role of piloting

maximized. Firstly, even before the Introductory stage of the research the interview protocol was tested on two experiences senior managers to check that it had some empirical validity. Secondly, during the Introductory stage when the interview protocol was being established the strategic initiative leaders being interviewed were specifically asked whether some aspects of piloting had been overlooked or whether they felt that questions were missing from the interview protocol which would increase the empirical validity of the constructs under study. Thirdly, multiple interview respondents were used for a single strategic initiatives and multiple sources of data were employed i.e. interviews and documents, in order to triangulate data (Jick, 1979). Fourthly, I have maintained a “chain of evidence” during case study analysis through producing detailed case studies.

One popular way of increasing the construct validity of any piece of qualitative case research is to send the completed case studies back to managers from the company to review. I deliberately decided not to do this. My reasoning here was two-fold. Firstly, it would void the promise of confidentiality to the interview respondents and hence could be construed as unethical behavior and secondly, the case studies were deliberately written up to capture the different viewpoints of the different stakeholders in the strategic initiative and I wished to maintain these viewpoints rather than opening up a debate with managers from the company on whether these viewpoints were “right or wrong”.

Internal validity is concerned with establishing causal relationships between constructs. This test is especially relevant to this research as it sets about to establish theory involving causal relationships between piloting and the adoption of intended strategic initiatives. It is also particularly challenging for case study research because inferences are being made based on interview data and documentation without the researcher being actually present at the scene of the action. Three major techniques were used in this study. Firstly, internal validity was prioritized through using a research design involving cross case comparison between the cases where the strategic initiatives were more highly adopted and less highly adopted. This comparison reduced the chances of erroneous cause-effect inferences and enhances causal inference about the importance of factors leading to higher levels of strategic initiative adoption. Secondly, “explanation building” was used extensively.

The goal of explanation building is to analyze the individual case data by progressively building an explanation about the case which “explains” the phenomenon by stipulating a presumed set of causal links and at the same time rules out alternative hypotheses (Yin, 2003). This was undertaken during Stage 1 when writing up and revising the individual cases. During this time I held extensive detailed discussions with the second researcher about causality and how this causality arose. Finally, logic models were used for the individual case studies which stipulated interrelated cause-effect sequences of events over time. These logic models were also extensively discussed with the second researcher and compared with rival theories.

External validity in this dissertation refers to the generalizability of the findings. Although this research only considered two organizational settings and ten strategic initiatives involving pilots, the research was conducted in such a way as
to maximize its generalizability. Firstly, the characteristics of the original sample were fully described to permit adequate comparisons with other samples (Miles & Huberman, 1994). Secondly, the theoretical sampling of the strategic initiatives was conducted to include essentially ten different types of strategic initiatives and it is hoped that this sampling was theoretically diverse enough to offer broader applicability. This said, the generalizability of this research will only become clear over time. Table 10 summarizes the discussion above in terms of the main procedures followed.

See Section 8.2 for further discussion of the limitation of this research.

Table 10: Steps taken to enhance reliability and validity of qualitative research

<table>
<thead>
<tr>
<th>Tests</th>
<th>Research design</th>
<th>Data collection</th>
<th>Data analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>• Definition of research protocol; contact protocol with interviewees, interview question protocol</td>
<td>• Careful attention and following of protocol; taped, transcribed, checked interviews note taking</td>
<td>• Use of second researcher to replicate the analysis process for individual cases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of case database</td>
<td></td>
</tr>
<tr>
<td>Construct validity</td>
<td>• Testing of the interview questionnaires during the Introductory stage</td>
<td>• Multiple respondents interviewed for each case</td>
<td>• Maintaining chain of evidence in detailed case study write-ups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Multiple sources of data for adoption measured at T2 for subsidiary managers and T* for global steering members</td>
<td></td>
</tr>
<tr>
<td>Internal validity</td>
<td>• Uses cross case comparison of more and less highly adopted strategic initiatives</td>
<td></td>
<td>• Use of explanation building and discussions with second researcher</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Use of logic models and discussions with second researcher</td>
</tr>
<tr>
<td>External</td>
<td>• Full description of</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3.8 Steps during data collection in quantitative research

A number of steps were taken during quantitative data collection to ensure the validity and reliability of the research.

Firstly, the survey instrument was piloted with three managers to test for ease of understanding of the survey questions. Any questions that were not well understood or that were unclear or ambiguous were modified and re-tested.

Secondly, respondents were assured of the anonymity and confidentiality of the study and that there were no right or wrong answers.

Thirdly, managers were carefully selected as being well-informed about the initiative.

Fourthly, some survey items were expressed in a negative frame.

Unfortunately the quantitative research suffered from a number of limitations during the data collection phase.

Firstly, only a small number of respondents were surveyed from each subsidiary. For around half of the initiatives only a small number of people (around five) in the subsidiary were considered by the strategic initiative leader to be highly knowledgeable. As a result the overall sample size for the quantitative analysis was relatively small. (See Section 8.2).

Secondly, the quantitative study collected data from largely the same set of strategic initiatives that were used for the qualitative theory development. This limits the external validity of this quantitative research.

Thirdly and most seriously, there is a possibility of common methods variance (Campbell & Fiske, 1959; Podsakoff & Organ, 1986) in the part of the quantitative analysis that investigated the relationship of piloting to strategic initiative adoption (NB: But not the CFA analysis). Subsidiary managers answered survey questions that related to both the dependent variables in the study (i.e. commitment to change and strategic initiative implementation) and the independent variables (i.e. pilot replicability, credibility, and feasibility). This introduces the problem of spurious systematic correlations between the two measures which generate both Type 1 and Type 2 errors (Chang, van Witteloostuijn & Eden, 2010). While the problems of common methods variance have only been recognized in international business research in the recent past (since 2009), it is now the opinion of reputable journals such as the Journal of International Business Studies that international business scholars should avoid common methods variance as much as possible through improved research design (Chang et al., 2010).
Excluding the likelihood of common methods variance was only dealt with in one way during data collection and this was through the ex-ante measures taken with the questionnaire that have just been outlined. In retrospect this issue might have been dealt with by collecting data on the dependent variable from the local TMT members in the subsidiaries. Additional post data collection measures are described in section 6.2 and 8.2.

In retrospect, if a large enough sample of subsidiary managers could have been accessed, it would have been desirable to divide this sample of into two groups and to ask one group to assess the dependent variable and another group to assess the independent variable.

Validity and reliability controls during the data analysis are described in section 6.2.

### 3.9 Summary

The paradigm of choice for this study, in keeping with other mixed methods studies, was postpositivism. The primary goal of using a mixed methods approach in this research was to firstly explore the under-studied concept of how piloting influences the adoption of intended strategic initiatives using an inductive qualitative research strategy. The second goal was to confirm these findings using a deductive quantitative research strategy. The overall research approach was one of confirmatory exploratory analysis with a strong emphasis on the initial qualitative phase of the study.

The selection of the research design for the qualitative phase of the study was a multiple case study design with a unit of analysis of a single intended strategic initiative. These case studies were investigated using a research design that allowed for real-time data collection at several points in time. The quantitative phase of the research was designed to test the emerging multidimensional construct of piloting and the relationship between piloting and strategic initiative adoption.

The research setting selected was two industrial companies from which ten case studies were selected. An additional three cases were added for the quantitative research phase. Data collection and data analysis strategies were described in detail across the introductory and three following steps of the research program. The multiple case study analysis involved first building detailed case analyses and allowing recurring themes to emerge and then comparing cross cases. Finally the cases were ranked in terms of adoption using both qualitative and quantitative data, and then the four more highly adopted cases were compared with the four least highly adopted cases. Quantitative data analysis was used to assess the validity of emerging theory.

Notwithstanding the inductive nature of the first phase of the research, great care was taken to meet the criteria of validity and reliability that are indicative of a rigorous methodology. In the case of the quantitative data collection, there were several flaws in the research design that jeopardized the results validity of some of the tested hypotheses.
Adoption of intended strategic initiatives in MNCs: Role of piloting
Chapter 4. Findings about piloting

In this chapter the findings from the case study analysis are introduced. These findings focus on the characteristics of the completed pilots that were associated with higher strategic initiative adoption. The case analysis described in Chapter 3 allowed the development of a construct that describes piloting in the positive sense of a pilot that brings about higher levels of strategic initiative adoption. As such, this analysis emulates other qualitative research that uses case studies to develop cause-effect relationships (e.g. Anand, Gardner & Morris, 2007 (first half); Bourgeois & Eisenhardt, 1988; Eisenhardt, 1989b).

In Chapter 5 further analysis is conducted to describe the creation of these characteristics of the completed pilots within the overall piloting process.

Consistent with reporting results in multiple case studies, references to existing literature are used sparingly and only largely for definitions of constructs (e.g. Brown & Eisenhardt, 1997; Edmondson et al., 2001; Eisenhardt, 1989b; Graebner, 2004, 2009).

4.1 Piloting characteristics

As was explained in Chapter 3 (section 3.6.3) the cases were rank ordered by degree of strategic initiative adoption using the qualitative data from the interviews and the quantitative data from the surveys (Table 11). The two middle ranked cases were eliminated and then comparisons were made between the four more highly adopted cases and the four less highly adopted initiatives (see section 3.6.3 for more details).

Insights from the data emerged that linked higher strategic initiative adoption with both the characteristics of the pilot location and the results of pilot implementation process. In attempting to understand these differences, I found three pilot characteristics emerged which were associated with higher strategic initiative adoption; pilot replicability, pilot credibility, and pilot feasibility. In the next sections I elaborate on these insights and describe their grounding in the data.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Table 11: Adoption ranking of strategic initiatives (SI)

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Affective Commitment to change (ACTC)</th>
<th>Average SI implementation (IMPL)</th>
<th>Adoption from surveys (ACTC x IMPL)</th>
<th>Qualitative feedback on degree of implementation</th>
<th>Representative comment from global steering member</th>
<th>Rank order</th>
<th>Adoption success group</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>3.9</td>
<td>4.5</td>
<td>20.0</td>
<td>No implementation issues</td>
<td>It has got all the ingredients to be successful.</td>
<td>1</td>
<td>High</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>3.5</td>
<td>4.3</td>
<td>20.0</td>
<td>No implementation issues</td>
<td>It is going extremely well.</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>3.5</td>
<td>3.7</td>
<td>17.2</td>
<td>No major implementation issues but some delays</td>
<td>It looks pretty good.</td>
<td>3</td>
<td>High</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>3.4</td>
<td>3.7</td>
<td>15.9</td>
<td>No implementation issues</td>
<td>It is going very, very smoothly.</td>
<td>4</td>
<td>High</td>
</tr>
<tr>
<td>SPX</td>
<td>A</td>
<td>3.5</td>
<td>3.3</td>
<td>15.0</td>
<td>Scope greatly reduced and lack of perceived benefits</td>
<td>Some of the Front lines did not see the real benefit.</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>PTX</td>
<td>B</td>
<td>3.0</td>
<td>3.3</td>
<td>13.7</td>
<td>Global team stopped further subsidiary implementations to offer more support to subsidiaries that had already implemented</td>
<td>I think we haven’t optimized the solution yet.</td>
<td>6</td>
<td>-</td>
</tr>
</tbody>
</table>
## Chapter 4. Findings about piloting

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Affective Commitment to change (ACTC)(^1) (cont.)</th>
<th>Average SI implementation (IMPL)(^2) (cont.)</th>
<th>Adoption from surveys (ACTC x IMPL) (cont.)</th>
<th>Qualitative feedback on degree of implementation (cont.)</th>
<th>Representative comment from global steering member (cont.)</th>
<th>Rank order (cont.)</th>
<th>Adoption success group (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCX</td>
<td>A</td>
<td>3.0</td>
<td>3.2</td>
<td>13.5</td>
<td>Implementation in subsidiaries substantially delayed until pilot completed</td>
<td>too much resources, and too slow implementation.</td>
<td>7</td>
<td>Low</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>3.2</td>
<td>3.6</td>
<td>12.6</td>
<td>Implementation issues and initiative late and over budget</td>
<td>It has pretty much been a top-down initiative.</td>
<td>8</td>
<td>Low</td>
</tr>
<tr>
<td>FTX(^3)</td>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td>Scope drastically reduced after 5 implementations</td>
<td>The motivation is not really there.</td>
<td>9</td>
<td>Low</td>
</tr>
<tr>
<td>EDX(^3)</td>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td>Re-piloted after 5 implementations</td>
<td>It is just a mess. People got very, very frustrated and lost interest.</td>
<td>10</td>
<td>Low</td>
</tr>
</tbody>
</table>

\(^1\) Evaluated by subsidiary managers following the pilots at T2.  
\(^2\) Average degree of implementation evaluated by subsidiaries at T2 and by TMT on steering committee at T3.  
\(^3\) Not surveyed because strategic initiative deemed a failure by company.
4.1.1 Replicability of the practice through a template

The data from the cases shows that in piloting there was no pre-existing working template. The intention of these intended initiatives was to design and implement a “global” template, in the sense that the routines implemented during the pilot could then be replicated or copied in additional subsidiaries (Table 12). This intention was the same for all the cases investigated. Managers used phrases such as, “to have one common tool with a common methodology”, “to globalize and harmonize”, “centralization and standardization”, “a single brand and a single set of tools.” Replication, defined as making a copy, was a key theme in describing further implementation beyond the pilot. As the FTX global team member said,

..so really testing our strategy and making sure that we were doing something that would actually fit with the other clusters – Global team member

Or as an OFX global team member said:-

It is more setting that one up and we need to have, let’s say, our standard approach for the configuration of that model and how it should work and what is included and not, the whole scoping and so forth. And then you basically take that and you copy-paste across the rest of the 35 factories. – Global team member

So the process of piloting was to create a working template that could be copied progressively to additional subsidiaries, leading to the adoption of the new practice.

Table 12 – Intention to replicate in strategic initiatives

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Representative comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX B</td>
<td>It is a process organization specifically for information technology; and we are doing that through implementing common processes and common tools. – Global project leader</td>
<td></td>
</tr>
<tr>
<td>OFX B</td>
<td>Nowadays Tetra Pak has reinforced very much this standardization of platforms and systems and applications all over. – Global project leader</td>
<td></td>
</tr>
<tr>
<td>CRX A</td>
<td>For CRM we have been able to implement CRM everywhere. And so in that sense, this is also new, that concept of global solution, without any customization, any front-line within each country. – Global project leader</td>
<td></td>
</tr>
<tr>
<td>NKX A</td>
<td>It was basically to have a single platform for websites across KONE and to have a… and that was both a technical platform but also processes; to have it updated, have it maintained; a single branding and a single set of tools for updating the website, so the content management system. – Global project leader</td>
<td></td>
</tr>
<tr>
<td>SPX</td>
<td>A</td>
<td>It is a common and harmonized tool for scheduling and controlling orders within the delivery process. – Global project leader</td>
</tr>
<tr>
<td>------</td>
<td>---</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PTX</td>
<td>B</td>
<td>So what we saw was, starting to focus on SC&amp;A and reducing costs, we saw a clear benefit of having a full purchasing process we could standardize the way we purchase and so… - Global project leader</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>And basically the conclusion I came to pretty quickly was that it didn’t matter if you were small or big; you still followed the same sort of processes – at least in KONE, anyway. The only difference is the volume of transactions; you know, and maybe some differences like legislation, or tax reasons, stock differences. – Global project leader</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>So basically my understanding is that with this initiative we are going to replace a bunch of different solutions supported by different vendors in different countries. And these solutions are all of different generations. So basically we are going to globalize and harmonize the call centre infrastructure and the call handling in our call centre. – Global steering member</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Centralization, standardization, for lower cost. – Global steering member</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>And so what is Easy Design now today is based on, “OK, how do we take what they are doing locally and make it a part of our global working methods? And do it in a way that... with an IT system underneath that would support, using this on the global level?” – Global steering member</td>
</tr>
</tbody>
</table>

In contrast to best practice transfer, the working template in the pilot had not yet reached the routinization stage (Szulanski, 1996; 2000) where the template was fully embedded and the new practice was taken for granted by the users. Data showed that the typical pilot duration was only 2-12 months (Table 7). As soon as the new routines were more or less operational and had, to a greater or lesser extent, met the pilot expectations set out during the pre-pilot initiation stage, the global team immediately started to copy the template to other subsidiaries. Transfer started between one and four months after the formal end to the pilot. Speed during piloting was seen as an important goal in most of the cases. As the CRM global project leader said:-

*You know, we did not have two years to implement that CRM solution. We had to do that in around less than one year. And that was the reason why, to be successful, due to all the change management issues in our company, we have decided in the CRM team to move like that, to really shorten the pilot. ..So, yes, we have rolled out very fast.* – Global project leader
Adoption of intended strategic initiatives in MNCs: Role of piloting

This strongly suggest that at this time of transfer, the knowledge embedded in each of the piloting templates could, at best, be described as “immature” versus a best practice template.\textsuperscript{19} As one of the FTX subsidiary managers commented:

\begin{quote}
\underline{But these kind of best practice processes and the security that you really have the best practice there is, I think is not there yet. So it is something would like to have to actually convince the staff. – Subsidiary manager}
\end{quote}

In the four cases where the strategic initiative was more highly adopted I found that replicability was achieved in three main ways, summarized in Table 13 from comments made by the global project leader, global team members and global steering members.

\textsuperscript{19} There was limited or almost no evidence that at the time of transfer the pilot had “superior knowledge” in the sense that the results of the pilot could be benchmarked against other internal practices or against external practices.
### Table 13: Pilot replicability

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Degree of template completion</th>
<th>Degree of adaptation</th>
<th>Degree of preparation of an implementation methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>Complete</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>this is our first effort and we want to get it right</em> – Global project leader</td>
<td>to make sure that we have the right organizational approach – Global project leader</td>
<td></td>
</tr>
<tr>
<td>OFX</td>
<td>A</td>
<td>Complete but with some technical issues</td>
<td>High but confined to defined parts of the template</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>before you do a global rollout, you want to make sure that you have the solution in place</em> – Global team member</td>
<td><em>Because with one thing it took us like three months to convince them</em> – Global project leader</td>
<td></td>
</tr>
<tr>
<td>CRX</td>
<td>B</td>
<td>Complete</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>but then the application has been frozen when we have started to roll out</em> – Global project leader</td>
<td><em>we have avoided to open too much flexibility of the CRM solution</em> – Global project leader</td>
<td></td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>Complete</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>so we have a template and all the front line needs to do is fill in the template</em> – Global team member</td>
<td><em>they can localize the content – whether they translate or adjust the content based on that</em> – Global team member</td>
<td></td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>Incomplete</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>I think that we are still trying to make a silk purse out of a sow’s ear</em> – Subsidiary manager</td>
<td><em>they tend to have lots of ‘specials’ – ‘special this’ and ‘special that‘</em> – Global project leader</td>
<td></td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Degree of template completion (cont.)</th>
<th>Degree of adaptation (cont.)</th>
<th>Degree of preparation of an implementation methodology (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCX</td>
<td>A</td>
<td>Mostly complete</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>at this point we can’t quote it yet cause it (pilot) is not finished – Global team member</td>
<td>we have listened a little bit more carefully to Germany and their special little requests – Global team member</td>
<td></td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Incomplete</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We said, ‘OK, we will go live with this and we will fix it later – Pilot manager</td>
<td>I don’t think we understood how non-standard the activities in US and Canada actually were – Global team member</td>
<td></td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>Incomplete</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Of course that the system was not finished.– Global team member</td>
<td>So really they could not check the functionality of the tool. – Subsidiary manager</td>
<td></td>
</tr>
</tbody>
</table>
First, the strategic initiative template was complete and largely fixed at the time of the adoption decision, i.e. the point at which the global steering committee authorized the start of the implementation in the other subsidiaries. This meant that further major changes to the template were not required in subsidiaries where the template would be implemented next.

For example, the CRX global project leader said:

> but then the application has been frozen when we have started to roll out. – Global project leader

In the OFX case the template was not completely finished at the time of the adoption decision but because of the internal resource allocation process to fund further implementation, the rollouts had to wait for the following calendar year. This gave the global team four months to fine tune in the pilot before rollout started. One of the global team members commented:

> When it comes to the documentation and the training material, we had all the feedback and have really improved the quality of all our documentation and also looked at how we did the implementation...And all that was prepared during and directly after the pilot. – Global team member

Second, in the more highly adopted cases the template was not heavily localized to the local environment at the pilot location. So, for instance, in the case of CRX the template that was implemented was designed to be a global template with little local customization. As the global project leader said:

> We don't have a local customization, which means that it will be very easy to maintain the solution, to upgrade it. – Global project leader

The project leader also attributed the success of the initiative to this lack of local adaptation. As he said:

> And I would say that that was one of the reasons for the success...Before this customer focus initiative, one of the challenges was that we have customized a lot and at the end we have lost a little bit of control of the consistency and the, you know, the global solution. – Global project leader

Or alternatively, in one of the cases (NKX) I found that if there was extensive tailoring to the pilot location then the part of the template that was localized was clearly delineated and isolated from the global part of the template. For instance, in NKX certain elements of the global template could be localized. As the global team member said:

> We have this blueprint site, which has the global content that is copied for other countries, and they can either localize the master content or add their content. – Global team member

In the case of OFX there was evidence to suggest that despite the best intentions of the global team, the pilot team did manage to make some local
Adoption of intended strategic initiatives in MNCs: Role of piloting

adaptations that were not endorsed by the global team. For instance, the global project leader said:

_Brazil wanted to do things differently; we allowed them in some cases because, OK, we knew that they had also the knowledge. We were not a hundred percent sure it was the correct way and they did it their own way, in some cases. And other ones we fought like hell._ – Global project leader

And yet at the same time the global team worked hard before the rollout to improve the template from the pilot and to adapt these changes. As one of the global team members said:

_When I look back at the result, the quality of the solution after the pilot...we really learned from our mistakes in Brazil, and we corrected that before we rolled out. So the quality of the solution._ – Global team member

In this way the global team created a more replicable template for further implementation.

Third, in addition to creating the template, the global team also created a replicable methodology for implementing the initiative in the subsidiaries. As the ITX global project leader said:

_It has become an industrialized process now, when we roll it out._ – Global project leader

In NKX there was a methodology for rollout but one of the global team members acknowledged that way of capturing information was not initially optimal and that this was improved over time. As she said:

_In the beginning we were just asking them, “OK, we need this and this information’, but we were not sure in what format. But now we know exactly in what format; so we have a template, and all the frontline needs to do is fill in the template._ – Global team member

In contrast, in the cases where the strategic initiative was not highly adopted the template was incomplete at the time of the adoption decision. For instance, as the ASX global steering member said of the situation in the pilot immediately following implementation:

_A big bang in a small country, we effectively put them on their knees; ...the business is still on its knees._ – Steering member

This indicates that the practice was not working at this location and so the original template was not complete. The consequences of implementing an incomplete template in the subsidiaries that followed behind the pilot were to take unresolved template issues into these subsidiaries.

As the EDX global steering member said:

_We immediately went with our problems to the next one while trying to build in the background._ – Steering member
In FTX this situation was aggravated by the contractual arrangement with the outsourcing agent where if the rollouts had not gone ahead then the company would have been in breach of the contract. One FTX steering member said:

> It was only under ... a major adverse situation that we would be allowed to just call up the outsourcer and say “we are not going ahead”. So it was driven by the contract to a large extent. – Steering member

Pilot managers openly acknowledged that the pilot was not complete at the time of the rollout. One FTX pilot manager commented:

> So rather than pulling out and having that being seen clearly as a sign of failure or bad planning globally, we said, “well, OK, we will live with this and we will fix it later”. And we did that in the interest of credibility and time, globally, rather than anything else. – Pilot manager

This also shows that global was frightened that the overall initiative would lose credibility if the original deadlines were not met.

Second, in the less highly adopted cases the template was more highly localized to meet the needs of the pilot location. For example, a global team member from ASX said:

> The fact that they have a lot of "special deals" with the customers – so things like the marketing invoice of the year mustn't have a date on it. – Global team member

Or for instance, a FTX global steering member said:

> On the pilot in the US we underestimated completely the archaic banking system that is in place in comparison with what we are used to seeing in Europe. – Steering member

In the case of KCX, the global team only agreed to accommodate the local changes because the pilot project was so far behind schedule. One of the global team members commented:

> I think maybe one of the mistakes that we made from the pilot, for instance, because there was a significant overrun, I think we listened more to Germany's, let's say, local requirements; and as this is a global project, local requirements can only be, let's say, kill your scope. – Global team member

In contrast, for EDX, there was limited evidence of local adaptation. However, in this case the lack of local adaptation was driven by the low market complexity and hence the relatively simple needs of the pilot location. One global team member said:

> It's a simple market from a complexity point of view. And not so huge in terms of process... I mean process complexity is not so high. – Global team member

So this case proved to be the one exception.

Thirdly, there was little or no evidence of the global team having a replicable methodology for template implementation in the subsidiaries. For instance for
EDX, the increased complexity of the first rollout in comparison to the pilot meant that the team needed to use a completely different methodology and so the methodology from the pilot could not be repeated. A global team member commented:

*The next step was to extend the system more or less to a different cluster. So this was a new complexity for the system. And a new set of gaps. So more functionalities for the system to be able to fulfill the needs from the end users.* – Global project manager

### 4.1.2 Credibility of the pilot location

The data in this study indicates that early adoption was at least partially connected to reputation or status-based processes. Global project leaders reported that it was not possible to demonstrate or to measure economic benefits e.g. revenue increases, cost decreases or efficiency improvements during the short duration of the pilot (2-12 months – see Table 7) because these results would take longer to generate than the planned pilot duration. As the CRM global project leader said:

*At the beginning of the pilot some people want to measure if you get business benefit. But this is not possible in one year because introducing the CRM may put the organization under stress and so it might have another effect to decrease the sales before increasing the sales. If you want to measure the benefit then you have to take 2 years.* – Global project leader

For this reason I use the term credibility, defined as the reputation or knowledge of the attributes of the pilot location within the MNC, rather than the term trustworthiness which is used in the knowledge transfer literature. The distinction in the definition is important. Trustworthiness, as defined in the knowledge management literature, signifies that the results of the new practice are visible, stable and measurable in the source (Jensen et al, 2006). Credibility refers to a perception or belief that the location selected for the pilot has the capability to create an appropriate template that will eventually yield economic benefits.

In comparing the more highly adopted cases with the less highly adopted cases I found that in the more highly adopted initiatives global team and steering members selected locations which they perceived as having high credibility in the organization (Table 14).
## Table 14: Pilot credibility

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Capabilities</th>
<th>Business coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>High</td>
<td>and really, really experienced companies with experienced people – Pilot manager</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>High</td>
<td>and they had obviously people who had the knowledge – Steering manager</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>High</td>
<td>I was very happy that the US was part of it, because they are much more advanced – Pilot manager</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>High</td>
<td>we have many services that others don’t have. And therefore is very good to test with our customers – Pilot manager</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>Low</td>
<td>they are kind of really relaxed and happy people, but they don’t like to work in a very disciplined way. – Global project leader</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>High</td>
<td>But in this particular case it was very clear we wanted Germany, because they are… they have the best know-how there. – Global project leader</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Low</td>
<td>I think it would have been easier if we had gone for the countries who had already been in a shared service environment - Global project leader</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>SI</th>
<th>Com</th>
<th>Capabilities (cont.)</th>
<th>Business coverage (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>i.e. knowledge, skills and experience, track record for best practice in functions related to strategic initiative</td>
<td>i.e. number of business units, product and service offerings, geographic spread or functional complexity, IT systems in use</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>the users were not skilled and so no comparison – Subsidiary manager</em></td>
<td><em>it’s a simple market from a complexity point of view…So in case of a really big client it’s not so dangerous from a business perspective – Global team member</em></td>
</tr>
</tbody>
</table>
Selecting locations with higher credibility was reflected in two ways. Firstly, locations were selected with a high level of capabilities in the functional areas relevant to the specific strategic initiative versus other subsidiaries. Capabilities are defined here as the ability of the subsidiary to combine efficiently a number of resources to engage in productive activity and a certain objective (Amit & Shoemaker, 1993; Dutta, Narasimhan & Rajiv, 2005). Capabilities were coded in the data analysis as references to knowledge, skills and experience in the subsidiary, as well as reputation for best practice in the functional areas relevant to the specific strategic initiative versus other subsidiaries. Recurring phrases are, “people who had the knowledge”, “leading all this best practice”, “very good expertise.” For example, in the OPX initiative the global project leader said about the pilot in Brazil:

*They were the ones that were leading all the best practice experience among our factories themselves.* – Global project leader

Or the global CRX steering member and pilot manager said about the pilot in the US:

*Well the US, it was absolutely a pocket. In fact, that culture was probably the complete opposite from the traditional KONE culture, where the culture was highly sales-oriented and less so on R&D and technology.* - Steering member & Pilot Manager

Interview data from the subsidiary managers indicated that they were paying careful attention to the skills, experience, and best practice track record of the selected pilot location and had strong opinions about the pilot locations selected. For instance, an ITX subsidiary manager said:

*Here was a good pilot, absolutely, because they are in the forefront when it comes to IT, such as the US. So that seems to be a good pilot.* – Subsidiary manager

In addition there was evidence from several of the initiatives that subsidiary managers were also paying attention to other status-related features of the pilot locations, such as revenue size, growth rates, market share, and profitability. For instance, one of the steering members for CRX said:

*Netherlands was chosen because it is a very strong European country for KONE; we are market leader there.* – Steering member

Secondly, pilot location credibility in terms of the extent of business coverage was an important consideration, defined as the number of business units, number of products and services, geographic spread, or functional complexity. For instance, the OFX global project leader explained:

*..because one of the Brazilian ones had not only one type of production but it had also different types of production. And including the straw*
Adoption of intended strategic initiatives in MNCs: Role of piloting

"production which we don't have in all the factories." – Global project leader

Again, this is consistent with status-driven processes.

Evidence from the subsidiary managers was that they were also evaluating the selected pilot location to judge how alike the location was to their own subsidiary in terms of business coverage. For instance, a subsidiary manager from ITX said:-

As I said it (the pilot location) is a big organization already for IT, so if they managed to drive through these central initiatives with quite a lot of people, it should have been possible for us to do the same, as we have many less people already on IT. – Subsidiary manager

So it can be seen that comparisons of likeness in business coverage also included whether or not the pilot location was using the same IT systems. Likeness was also related to geographic location and cultural considerations. For instance, a NKX subsidiary manager commented:-

But for the European countries we think a bit differently; we interacted very differently with our websites – so that is one reason that it is very good to have European countries as the pilot sites.- Subsidiary manager

Given that likeness was an important consideration, not all subsidiary managers held the same point of view about a given pilot location. For instance, although many European subsidiary managers were positive about the pilot being located in France, one manager from Germany said:-

Our business (as compared to the pilot location) is very different. If you compare the elevator business with the door business, the customers are so different and the product information is so different, and also the requests for high-value content are so different. – Subsidiary manager

This reinforces that perceptions of the template from the different viewpoints of business coverage were important.

In contrast, in the initiatives with lower adoption these two factors were mostly absent in the selected pilot locations. Firstly, concerning the capabilities in the pilot locations, for instance, the ASX steering member commented:-

We underestimated the lack of depth of management skills and recognized qualifications inside their company. – Steering member

And in FTX, one of the global team members acknowledged that when they selected US and Canada they actually did not realize how far away these organizations were from conforming to the best practice processes that were being used in the subsidiaries in Europe.

I don’t think actually we understood just how, if you like, non-standard the activities that we were going on in the US and Canada actually were. – Global team member
Chapter 4. Findings about piloting

Subsidiary managers were also aware of this lack of capabilities of the selected location for these initiatives. For instance, an FTX subsidiary manager commented:

*I thought it would have been somewhere in Europe, who were already working with Manchester (shared service centre, so I was a little surprised that US and Canada were chosen. I thought it should have been one of the cluster in Europe, actually, that should pilot this setup. And we were used to the routines.* – Subsidiary manager

Secondly, business coverage in some of these pilot locations was perceived as overly limited. For instance, one of the subsidiary managers complained about the location selected for the EDX initiative:

*In comparison, the Nordic was really a more simple organization. So we went from nothing to a new system. So no benchmark, no comparison between the two. And cluster south has really a huge complexity in terms of business, in terms of number of designs to be managed in the system. And so, in comparison with the existing systems. So, more or less we had a lot of complaints from the end users saying this functionality was in the previous system and now it’s not there anymore.*

– Global team member & Subsidiary manager

The complaint in this case was that the Nordic organization was not really adequate to pilot the initiative and that the template created in the pilot was “too small” or did not cover enough of the business activities to be relevant to subsidiaries already running quite complex local systems.

The only exception to this lack of credibility was KCX where the pilot location was highly credible. For instance the global project leader said:

*And on the other hand, we were lucky to have the best possible location of the pilot and very knowledgeable people there, so we get all the necessary feedback from that location. It obviously makes a difference if it is one country or another.* – Global project leader

But at the time of collecting the case data the pilot was nearly a year late in delivery and still incomplete, and hence did not meet the feasibility criteria (see section 4.1.3). One of the drivers of the incompleteness of the pilot may well have been the level of complexity of the business coverage, where Germany was the most experienced country because it was using the highest level of functionality of the system.

4.1.3 Feasibility of the new practice

All global teams had the intention of demonstrating that the pilot was feasible. This is defined as the pilot putting the initiative into effect in the sense that it was “implementable” or put into reliable operation rather than the sense of delivering economic benefits (Table 15). Managers used phrases such as “Check it actually works in real life”, “Prove the processes are going to work”, “Get the whole thing working in a reliable manner”. For instance, the KCX global team member said:
Table 15: Intention to demonstrate pilot feasibility

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Pilot intentions related to feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>Testing the processes and making sure that we have the processes in place – Global project leader</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>Validate that it worked – Global project leader</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>Test if solution is technically working well – Global project leader</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>Get a few quick wins so that we could show internally that it is working and implemented in a short time – Global project leader</td>
</tr>
<tr>
<td>SPX</td>
<td>A</td>
<td>Demonstrate to your own organization that it is working – Global project leader</td>
</tr>
<tr>
<td>PTX</td>
<td>B</td>
<td>Make sure that it fits the business and it actually viable – Global steering member</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>Prove that the processes that we map would work OK – Global project leader</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>Get the whole thing working in a reliable manner – Global steering member</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Validate that we could change the way of working and change the processes – Global project leader</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>Check if solution is stable enough – Global steering member</td>
</tr>
</tbody>
</table>

In all the cases global initiative leaders, global team members and global steering members stressed that demonstrating feasibility in the pilot would engage the subsidiary managers and increase their level of commitment to the strategic initiative. For instance, the FTX global project leader said:

> And the success of the pilot also makes it clearer for other companies that this works – it validates it so “OK, we will go into this”. – Global project leader

The analysis suggested that there were three main components of feasibility where differences could be recognized between the two sets of cases (Table 16). Firstly, for the highly adopted initiatives global steering members reported that the pilot had largely met the goal aspirations laid out before the pilot started. An aspiration level in individual decision making is the result of a boundedly rational decision maker trying to simplify evaluation by transforming a continuous
measure of performance into discrete measure of success or failure (March & Simon, 1958; March 1988). Words such as “met criteria, “positive feedback”, “well done” were all common. For instance, the ITX global steering member said:-

First of all they got the project go-ahead; and then they got the project models in place; and project implementation allowed for all of the key criteria to actually be met. – Steering member

And a NKX steering member reported on the multiple pilots:-

US pilot was extremely successful and the launch went well from the content view “the site was in a pretty good condition.” France and Finland have been quite successful. – Steering member

More will be reported on the nature of these aspiration levels in Section 5.1.3 and Section 5.2.3.
### Table 16: Pilot feasibility

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Pilot aspirations met in steering committee*</th>
<th>Global team capability to manage the scope of the project within pilot duration</th>
<th>Strategic initiative endorsement by pilot managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>4.0 project implementation allowed for all of the key criteria to actually be met</td>
<td>High we wanted to restrict the scope of the project – Global project leader</td>
<td>Strong yes we got visits from all the market companies within the cluster; we gave an open invite</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>4.5 what we have seen is that all the criteria of the project to move forward have been met</td>
<td>Med-High we thought that this was a simple solution, but we underestimated the effort – Global project leader</td>
<td>Strong and we supported them through conference calls or through face-to-face visits here in the site</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>4.3 the feedback in general it was very, very positive</td>
<td>High we have purposely focused the scope of the pilot. – Global project leader</td>
<td>Strong so as were able to say ‘OK it worked well and we don’t have an issue’</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>3.5 But in my opinion we managed to do them quite well…but the end result was good</td>
<td>High now it is more stabilized, although we have some difficulties; but we have learned and we know the system. – Global team member</td>
<td>Strong we held the E-Business summit and I had the Americans (plot country) give a presentation about their website</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>2.3 I have to say now that I have a very reserved opinion that it was successful</td>
<td>Low to be honest, I can say honestly I underestimated how complicated it was going to be. – Global project leader</td>
<td>Only informal feedback -</td>
</tr>
</tbody>
</table>
## Findings about piloting

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Pilot aspirations met in steering committee* (cont.)</th>
<th>Global team capability to manage the scope of the project within pilot duration (cont.)</th>
<th>Strategic initiative endorsement by pilot managers (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCX</td>
<td>A</td>
<td>3.0 <strong>it is not successful yet, but showing some promise</strong></td>
<td><strong>Low</strong> I think that is the kind of very big learning – because the scope was just so much bigger than we could ever anticipate I think – Global steering member</td>
<td>Only informal feedback -</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>2.3 <strong>if I actually look at it against the criteria we set in terms of success, you know, we are closer to a 2</strong></td>
<td><strong>Low</strong> we made the mistake of being too ambitious on the overall project, both in terms of scope and in terms of speed - Global steering member</td>
<td>Only informal feedback -</td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>1.5 <strong>it was not a success. On a pure design point of view, designing the solution was a mess</strong></td>
<td><strong>Low</strong> the project leader saw and learned stuff every day... which meant that we had never-ending overruns and never-ending additional scope.– Global steering member</td>
<td>Only informal feedback -</td>
</tr>
</tbody>
</table>

* Average assessment of the extent to which the pilot was successful by 2-3 steering members using 1-5 scale where 1=to no extent, and 5=to a great extent
Adoption of intended strategic initiatives in MNCs: Role of piloting

The second component of feasibility which could be recognized for the more highly adopted cases was that the scope of the pilot was kept under control during implementation and hence completing the pilot was feasible within the pilot duration. For instance, the CRX global project leader commented:

> You see what I mean? It was really a sort of a focused implementation, discipline, meeting the feedback of the pilot country to design a solution which is useful for the sales people. But a strong discipline to avoid that in each step of the implementation we get a failure because a country might say “OK, I don't want that solution”; and you know, a country could still, at that time, block the project. – Global project leader

Even though some countries wanted more features in the new tool, additional functionalities were only added to the CRM tool during a second and third implementation phase.

Thirdly, pilot managers in the more highly adopted initiatives talked about how they personally endorsed the strategic initiative through a series of formal actions such as holding conference calls about the initiative with the subsidiary managers, hosting pilot visits, visiting the subsidiaries to share their learnings, and talking openly about their experiences at internal organizational conferences. The OFX pilot manager told us:

> We shared with them the time schedules, the structures, the scope of the project, the… I mean lessons learned during the process – to make this learning go more stable in… not to repeat the same problems we had here, in other sites. – Pilot manager

And a NKX pilot manager said:

> When I was at the E-Business Summit, they had a lot of questions; so when we were eating lunch and outside of the actual presentations, they had a lot of questions for us in regards to how the pilot went, you know, what we thought could have been different, or if it went well – those types of questions. So they were interested. – Pilot manager

In contrast in the less highly adopted initiatives, steering members were less positive about the pilots meeting pre-defined expectations. For instance, a global steering member from EDX said:

> It was not a success. On a pure design point of view, designing the solution was a mess. – Steering member

And in FTX a steering member said:

> But if I actually look at it against the criteria that we set in terms of success, you know, we are closer to a 2 (out of 5). – Steering member

One exception to this was in the KCX case where the steering members felt that they could not yet judge the feasibility of the pilot because it was not yet complete. But one steering member did comment:
I’m giving it low marks because even if it delivers what is required it is way over budget and so far behind. – Steering member

This indicates that it running behind schedule was also having a negative impact on feasibility assessments of the pilot.

The scope of the pilot ran out of control during implementation. For instance, the FTX global team member commented:

Yes, I think… yes we made the mistake of being too ambitious on the overall project, both in terms of scope and in terms of speed… And then don’t get too ambitious on the first step and the overall scope. – Steering member

Or as a KCX steering member said:

So the whole project for me, didn’t give me the confidence that it was a structured project with a clear end goal. It was like a moving target. – Steering member

There were no cases mentioned of pilots actively endorsing the pilot. In fact the opposite: for instance, one FTX pilot manager described the pilot as:

It was a year in hell. – Pilot manager

And went on to say that he was prepared to provide this feedback to others:

Everybody wanted to know how it was going…The informal networks were hopping—how is it going? – it was a cause for concern, for some people. It wasn’t going good. – Pilot manager

4.1.4 Proposition development for piloting characteristics

In summary I found that three dimensions of piloting resulted in higher levels of adoption of strategic initiatives. First, I found that pilot replicability creates a complete template(s) which is transferable across locations and an associated transfer methodology. Second, pilot credibility plays a role in subsidiary managers recognizing that the location of the pilot has the capabilities, status and sufficient business coverage that legitimizes the strategic initiative. Third, pilot feasibility demonstrates that the new global practice, in the form of routines, can be put into reliable operation and hence can be implemented more widely in the MNC.

Hence I propose that:

**Proposition 1:** Piloting is a multidimensional construct consisting of pilot replicability, pilot credibility and pilot feasibility

It should also be noted that in some cases it was clear that there were trade-offs between selecting a credible pilot but also ensuring that the template created would also be replicable and feasible.
Adoption of intended strategic initiatives in MNCs: Role of piloting

For instance, in CRX the global project leader explained:

*The French organization is fairly critical and things take a bit of time with the French. So we kind of said, ‘OK if we want to have a quick and successful pilot, don’t choose France’ – Global project leader*

This suggests that the pilot would have questionable feasibility within the pre-assigned pilot duration if France had been selected, even though France was a highly credible country in the sense that they were using advanced sales processes.

In addition, it was also suggested by one subsidiary manager that credible countries should not be selected if they would demand to increase the scope of the template to an extent that would reduce the feasibility of implementing the pilot:

*... maybe we chose the pilots where it would be easy to pilot and finish the pilot and roll out; rather than go to a country which would say "No, I want this, this, this, this" – and make the pilot in terms of a huge Herculean test". ..This would have happened in Italy and France. – Subsidiary manager*

Another example where credibility was traded off against feasibility was in ASX where the global project leader said:

*Australia is quite a big company in KONE, so to move in, if we get them first, it probably would have been a bad thing. I think that I probably wouldn’t have been allowed back in the country, because they are huge and we don’t want to mess them up. And the last thing we want to do is mess up the business. – Global project leader*

So while it was important to select a country with high credibility in the sense of having a high degree of business coverage, the risk of failure to demonstrate pilot feasibility would also be higher.

In addition, the global team was also keen to avoid pilot locations that demanded many changes to fit an idiosyncratic local environment. For instance, a FTX global team member commented:

*I don’t think that we understood how non-standard the activities in US and Canada actually were before we started. – Global team member*

The sentiment was that if they had known beforehand then they would not have selected this pilot as the high need for local adaptation was leading to a template that would have low replicability.

### 4.2 Multiple pilots as a moderator of strategic initiative adoption

I found that the use of multiple simultaneous pilots acted on all three piloting dimensions i.e. replicability, credibility, and feasibility.
4.2.1 Enhancing replicability

I found that when multiple pilots were used, project leaders cited that this helped to enhance the replicability of the template. For instance the CRX global project leader said:-

So, to manage to get a global solution, we believe that with three different countries working together, we would have been able to reach that level of, you know, global view. – Global project leader

So by working together, the multiple pilot teams could define a global template that would be more suitable for replication and less idiosyncratic to any one location.

Using multiple pilots also allowed an easier distinction between the elements that needed to be included as part of the global template and copied exactly and the parts of the template which could be localized without fear of increasing the difficulty of knowledge transfer. For instance, in NKX in which there were three pilots it was found that certain elements of the template could be localized without creating issues. As the global team member said:-

We have this blueprint site, which has the global content that is copied for other countries, and they can either localize the master content or add their content. – Global team member

The CRX global project leader explained how the CRM template created in the pilots needed to be adjusted to fit to countries using different IT systems:-

As I explained to you, we have chosen two SAP countries and one non-SAP country, because we have implemented CRM in both countries - SAP and non-SAP countries. – Global project leader

The global project leader from PTX (one of the cases dropped for comparison purposes) also explained that the intention of using two pilots was to design different template versions, one for a production company and one for a market company which were the two types of organizational set ups in the company:-

We had two pilots, one in Italy and one in Spain. And one was production site and the other one was the market company; so it looked a little different on the both sites...I think first of all, having two sites, I mean that was because there was a slightly different setup in our operational units and in the marketing company – so we wanted to kind of see how this was implemented in both sites. – Global project leader

This evidence shows that using multiple pilots allowed the possibility of designing different versions of the template to fit broad categories of differences between subsidiaries.

However, global project leaders also acknowledging that it was a challenge to keep multiple pilots aligned. As the NKX global project leader said:-
Adoption of intended strategic initiatives in MNCs: Role of piloting

There is also a danger as well, because you know, you have got three pilot countries, all of them tweaking, unless you invest a lot of time for them not to tweak. – Global project leader

So, too many pilots could lead to each country locally adapting the template for their own use and to a loss of control over the global template.

4.2.2 Enhancing credibility

In the two cases with multiple pilots, informants specifically mentioned that more than one pilot was chosen to increase the degree of acceptance of the strategic initiative. For instance, the CRM global project leader said:-

We have chosen three countries because at that time we have really different situations in terms of countries, in terms of ways of running the business; so we didn't want to take the risk to choose one country, which would have been easier for us in terms of methodology - but with the risk, that after the other countries would say "Ah yes, but the business in that country is completely different from the business in our country". So if we have chosen three pilot countries, it is to make sure after that the solution will be more accepted by the other countries; which was a sort of a political decision. – Global project leader

So the evidence suggests that informants felt that pilot credibility could also be obtained through subsidiaries recognizing the “likeness” of their subsidiary to one of the pilot locations. Evidence for this was reinforced by subsidiary managers, who when asked about implementing the initiative would frequently describe how their location was similar or different from the pilot location. For instance, an ASX subsidiary manager said:-

I think Thailand was also like Malaysia – they were not on SAP before, prior to the pilot. – Subsidiary manager

Or a NKX subsidiary manager said:-

That is not easy because our business is very different (as compared to the pilot in France). – Subsidiary manager

And one subsidiary manager even commented that more pilots could have been selected to create different templates that would appeal to different subsidiaries:-

Basically I think it was good to choose countries from different continents, different cultures; that is very important. ...Maybe there should have also been a country from Asia in it; I don't know. But it is definitely good to have countries from different continents. – Subsidiary manager

The implication of this is that when multiple pilots were selected this had the power to increase the overall credibility of the initiative because more subsidiary managers would recognize the likeness in terms of business coverage of the pilot location to their own subsidiary organization.
4.2.3 Enhancing feasibility

In the two cases, multiple pilots were implemented in parallel (i.e. CRX and NKX). The CRX global project leader commented:

“So that is why we have in some cases had more than one pilot country - really to a little bit overcome that issue that you can't say "Yes, yes, yes, it worked in Poland but it doesn't work anywhere else". If you pilot in US, Ireland the Netherlands, it gets much harder to say "OK, in those three countries it will work but not in France", for instance. So that is the value of doing multi-country pilots.” – Global project leader

The data suggests that global project leaders decided to implement more than one pilot because this would increase the perception of subsidiary managers of the feasibility of the strategic initiative.

Feasibility might also be increased by enhanced planning before implementation which allowed the teams to better understand and mitigate potential implementation issues.

For example, before the pilot, we have run what we call the “acceptance test” where we have reviewed with the three pilot countries that what we have mapped in terms of fielding the application seems to be OK through some business scenarios. So there were some steps that make the pilot more focus on, you know, some key issues. – Global project leader

Interestingly with multiple pilots it was not necessary for all the pilots to be equally successful for the steering members to assess that the pilots had achieved their level of expectation. For instance in the CRX case, the pilot in the Netherlands was not judged as nearly as successful as the pilot in the US and yet the steering members still rated the overall success as high. And in the NKX case the pilots in France and Finland were judged as less successful than the pilot in the US and yet the pilots were collectively rated as successful. This suggests that steering members were not looking at the average pilot success but rather the success of the most successful pilot.

At the same time global project leaders acknowledged that implementing too many pilots can have a negative impact on feasibility within the defined duration of the pilot. For example, the CRX global project leader said:-

“…and we did not want to start to put around the table more than three countries, because within the short period of time we had from April 'til end of June to design the solution, if you start to have six or seven countries, OK, it starts to be a mess at the end and within two months you cannot move – you will need five months!” – Global project leader

This suggests that using multiple pilots may also reduce feasibility by increasing the need for coordination between the different pilot managers and the global team to produce and implement the template.
4.2.4 Proposition development for multiple pilots

Given the above evidence it appears that multiple pilots have the power to increase the credibility of the pilot(s) by increasing perceptions of likeness of at least one of the pilots with the other subsidiaries.

Multiple pilots have the power to increase the replicability of the template by better defining a more global template and by allowing the careful delineation of the global and the local parts of the template. However, unless closely controlled by the global team, as the number of pilots increases the chances that a pilot subsidiary may be able to covertly make local changes to the template also increases.

Multiple pilots have the power to increase the feasibility of the template by allowing more effective preparation. However, as the number of pilots increases the workload for the global team and the number of coordination issues also increases and this reduces the feasibility of reaching the pilot expectations.

In light of this, I propose that the number of pilots has a moderating effect between piloting and the adoption of strategic initiatives but in a curvilinear manner. So as the number of pilot locations increases this can be expected to have a positive moderating effect on adoption but once the number of pilots exceeds a certain number then this effect starts to decrease.

**Proposition 2:** The number of pilots moderates the relationship between piloting and the adoption of the strategic initiative in subsidiaries immediately following the pilot(s) in a curvilinear manner

4.3 Commitment to change as a mediator

The adoption measure for the strategic initiatives, consistent with previous research (Klein & Sorra, 1996; Kostova & Roth, 2002), consisted of commitment to change AND implementation. After identifying the characteristics of initiatives that were more highly adopted I then went back to the case studies to investigate whether I could identify a pattern between the more highly adopted initiatives and the less highly adopted initiatives on these two dimensions of adoption. Commitment to change was measured using the Herscovitch and Meyer (2002) affective commitment to change construct. Affective commitment is the desire to provide support for the change based on a belief in its inherent benefits (Herscovitch & Meyer, 2002). Behavior that demonstrates affective commitment is typified by cooperation and championing of the change initiative and a willingness to go beyond minimum requirements, even if it demands some sacrifices (Herscovitch & Meyer, 2002; Meyer et al, 2007).

The link between piloting and affective commitment to change was highlighted by comments taken from the cases. For instance, the global team and steering members suggested that one of the purposes of the pilots was to create commitment to change in the subsidiary managers. For instance, the OFX global project leader said:-
I mentioned to you, very curious and they were a committed organization and to try to... but something that happened in many other projects is it is always good to have a very committed pilot and also one that you can, based on their statistics and features, say “OK, if it works here, it will work for sure in the other eighty-five/ninety percent of our factories”. – Global project leader

Subsidiary managers from the more highly adopted initiatives mostly all talked openly about their support for the concept of the new global practice and were willing to dedicate the resources needed to implement. For instance, one of the NNX global team members commented:-

In XXXX we have a lot of projects going on, global projects going on, and our frontlines are implementing new thoughts and processes all the time. So there is some resistance in the frontline – you know, they have doubts like “Why do we have to do this? Why do we have to change the way...?” - things like that. However, in planning the XXXX.com project, all the frontline was very positive about the project, so they were willing to give the required – although limited - I mean, not like two or three people, but one dedicated person to do this job. But they are really positive and they are willing to start this project. – Global team member

There was only one exception to this positive attitude where one of the CRX subsidiary managers felt that implementing the initiative was not appealing:-

There were times when questions were put to me like “Can you tell us the benefit of CRM? What is the benefit of CRM?”...you were having to explain this to them. But people could not see it, because all they could see in the pilot was this electronic agenda. – Subsidiary manager

The reason he cited for lack of confidence in the new global process was that the new process would be replacing a superior existing local practice.

In contrast in the less highly adopted initiatives the subsidiary managers were much less cautious about expressing their optimism. As a subsidiary manager from FTX said:-

There was some friction you know because the group opinion which was by the “top management” was not necessarily the same as the operational units. – Subsidiary manager

And an ASX subsidiary manager commented:-

I’m not that keen, to be honest... We have yet to see some of the negative repercussions of underestimating the impact and rushing in. – Subsidiary manager

Of course, it is always possible that these levels of commitment were pre-existing before the pilots but I would suggest that this is unlikely, given the number of cases that were examined in detail.

Given these comments I propose that:-
Proposition 3: The higher the piloting (i.e. the more credible-replicable-feasible the pilot(s)) then the higher the affective commitment to change of the subsidiary managers.

The link between piloting and implementation was also highlighted by comments from the cases. In the more highly adopted cases the pilot managers, as explained previously, were happy to share their experiences and learnings from the pilot with subsidiary managers to help them with implementation. For instance, one of the OPX pilot managers explained:

> And we supported them through conference calls or through face-to-face visits here in the site, discussing this implementation, sharing with them the time schedules, the structures, the scope of the project, the... I mean lessons learned during the process – to make this learning go more stable in... not to repeat the same problems we had here, in other sites. - Pilot manager

This suggests that the ability to share and transfer good practices between the pilot managers and the subsidiary managers of the more credible-replicable-feasible initiatives was increasing the implementation of the rollout.

Given these comments I propose that:

Proposition 4: The higher the piloting (i.e. the more credible-replicable-feasible the pilot(s)) then the higher the implementation of the initiative in the subsidiaries following on after the pilot.

In addition, I also found evidence in the more highly adopted initiatives that the subsidiary managers passed through a stage of stronger affective commitment to change before implementation. For instance, a NKX subsidiary manager commented about meeting the pilot managers before implementing the initiative:

> I got to talk to them at the E-Business Summit about issues we may encounter and how they found the experience. But like I say, that was pretty much right at the beginning of the project, but not before the project actually. That was sort of at the kick-off. Yes, it was really helpful. Yes I think it really helped me because it sort of made me aware of what to expect, what hurdles I might have to cross and how they have got around things in the past, and what to expect really.- Subsidiary manager

And a NKX steering member said:

> But also I really valued how our other frontlines who saw that "this is possible, this can be done"; and really that this looks as good as it looks.
> – Steering member
The global project leader for CRX also commented about how once the pilots were able to confirm the feasibility of the strategic initiative then this would create success stories that would attract other subsidiaries to implement the initiative:

*So as it was a success, it was sort of, yes, good communication track, because the front-lines where we have succeeded the rollout, were able to say to the other front-line, “OK, you know, it worked well and we don’t have an issue.” And we also started to get some kind of key success stories. .. And after we got the kind of critical mass – so US, France, Italy, Belgium – we knew that we have a kind of tipping point and that everybody else had to follow. – Global project leader*

In contrast in the less highly adopted initiatives there was strong evidence that a lack of affective commitment to change to the initiatives was leading to attempts to either defy the initiative or to bargain with the global team to re-negotiate the format of the template. For instance, the EDX subsidiary manager in Germany said:

*Yes, I mean we were not so enthusiastic because we heard a lot of complaints from the other sites, and as we knew we were the last site to go live within Europe, yes we were a bit afraid whether it will be… whether we will have problems with the system and if it works all fine and so on. Because we knew that there were a lot of problems during the latest rollout. – Subsidiary manager*

As a result of these problems Germany refused to implement the initiative until the problem had been resolved:

*I think the first… or the major problem was the performance – so the system was really slow; and the upload of big files, of big design files, took hours sometimes because there are so big data in it. And so yes, we were afraid that the whole work flow will be slow with Easy Design….. And this is what was also the major reason why we delayed the go-live in Germany; because the prerequisite was that we roll out to the customers. And we knew that the other markets stopped to do that because the performance was too bad; we had big demands to the team that they improve the system in a way that customers can work with it. – Subsidiary manager*

Following Germany’s refusal to implement, the initiative was put on hold until it could be re-piloted in another small country (Serbia) before further rollout.

Given the above evidence I propose that:

**Proposition 5**: Affective commitment to change by subsidiary managers positively mediates the relationship between piloting and the implementation of the strategic initiative within the subsidiaries following the pilot.
Adoption of intended strategic initiatives in MNCs: Role of piloting

In the less highly adopted initiatives managers commented that there was a strong expectation from the corporate center that the initiative would be implemented in all the relevant subsidiaries. Managers used the terms “have to”, “must” and “expectation”. For instance, in the ASX initiative, one of the subsidiary managers commented:

*I do not see that Hong Kong, by implementing, or by going to this now, is in any way disadvantaged for this. It is … we probably have to do it… and I don’t think it is going to make any difference if we are going to do it later.* - Subsidiary manager

There was a sense for this subsidiary manager of inevitability and lack of choice. In these cases the lack of a replicable-credible-feasible-pilot was associated with pressure from the corporate headquarters to implement an initiative even if there were limited benefits for their local operations. For instance, an FTX subsidiary manager from Europe said:

*And by that you got then the feeling that it’s not really welcome to really very openly discuss some of the things… So at this stage it does not look as though we have much choice.* – Subsidiary manager

So this subsidiary manager felt that speaking out against the initiative might have a negative personal impact.

These types of comments and the sentiment of being expected to implement were largely absent from the more highly adopted cases who were almost uniformly much more positive and engaged.

Herscovitch and Meyer (2002) describe continuance commitment as the recognition that there are costs associated with failure to provide support for the change. Behaviors that are associated with higher levels of continuance commitment are a willingness to do what is minimally required by the organization to implement change but to restrict this behavior to what is absolutely required (Herscovitch & Meyer, 2002; Meyer et al., 2007). Affective commitment to change and continuance commitment to change have been found to be inversely correlated.

Given these comments I propose that:

**Proposition 6:** The higher the piloting (i.e. the more credible-replicable-feasible the pilot(s)) then the lower the continuance commitment to change of the subsidiary managers.

In the FTX initiative negative feedback from the pilot led to major discontentment among subsidiary managers. One manager commented, *'The patient is dead but the operation was successful.'* to signify that although the pilot was completed, the outcome did not meet expectations. As a result of the problems, the whole scope of the initiative was scaled back from the initial worldwide ambition to only include a limited number of subsidiaries.

I propose that compliance commitment to change (i.e. pressure from the corporate headquarters) acts as a mediator between piloting and strategic
initiative implementation in the subsidiaries but in the negative sense. So if the 
pilot has low credibility-replicability-feasibility then this leads to higher levels of 
continuance commitment to change i.e. the subsidiaries feel more pressure from 
corporate headquarters to implement the initiative, and this pressure results in 
minimal efforts from managers and results in lower implementation. 
Specifically this relationship is expressed as:-

**Proposition 7:** Continuance commitment to change by subsidiary managers 
egatively mediates the relationship between piloting and the implementation of 
the strategic initiative within the subsidiaries following the pilot.

### 4.4 Towards a theory of piloting in the adoption of intended strategic initiatives

The following list is a summary of the propositions formulated above:-

**Proposition 1:** Piloting is a multidimensional construct consisting of pilot 
replicability, pilot credibility and pilot feasibility. 

**Proposition 2:** The number of pilots moderates the relationship between piloting 
and the adoption of the strategic initiative in subsidiaries immediately following 
the pilot(s) in a curvilinear manner. 

**Proposition 3:** The higher the piloting (i.e. the more credible-replicable-feasible 
the pilot(s)) then the higher the affective commitment to change of the subsidiary 
managers. 

**Proposition 4:** The higher the piloting (i.e. the more credible-replicable-feasible 
the pilot(s)) then the higher the implementation of the initiative in the subsidiaries 
following on after the pilot. 

**Proposition 5:** Affective commitment to change positively mediates the 
relationship between piloting and strategic initiative implementation. 

**Proposition 6:** The higher the piloting (i.e. the more credible-replicable-feasible 
the pilot(s)) then the lower the continuance commitment to change of the 
subsidiary managers. 

**Proposition 7:** Continuance commitment to change by subsidiary managers 
egatively mediates the relationship between piloting and the implementation of 
the strategic initiative within the subsidiaries following the pilot.

These propositions are depicted in Figure 10, 11 & 12. Piloting plays three roles 
in strategic initiative adoption (Proposition 1). Pilot replicability creates a 
complete template(s) with limited or confined local adaptation, which is 
transferable across locations and an associated repeatable transfer 
methodology. Pilot credibility plays a role in subsidiary managers recognizing 
that the location of the pilot(s) has the capabilities, status and sufficient business
Adoption of intended strategic initiatives in MNCs: Role of piloting

coverage that legitimizes the strategic initiative. Pilot feasibility demonstrates that the new global practice, in the form of routines, can be put into reliable operation and hence can be implemented more widely in the MNC.

**Figure 10: Theoretical model for piloting intended strategic initiatives in MNCs**

The use of multiple pilot locations improves the replicability, credibility and feasibility of the template through a variety of mechanisms to a certain degree (Proposition 2). These mechanisms improve the quality of fit of the template to other subsidiaries (replicability), the quality of the template in terms of being implementable (feasibility), and the degree of legitimacy of the strategic initiative (credibility). However, further increasing the number of pilots acts to reduce the effect of piloting on adoption because it reduces the ability of the global team to create a replicable and feasible template.
Finally, piloting acts to increase adoption of strategic initiatives by operating to increase the affective commitment to change dimension which leads to implementation (Propositions 3, 4 & 5) and by operating to reduce the continuance commitment to change dimension which also leads to implementation (Proposition 6 & 7).
4.5 **Summary**

The findings from comparing the more highly adopted initiatives and the less highly adopted initiatives show that there are three characteristics of pilots that led to higher levels of adoption; replicability of the template creating in the pilot, the credibility of the pilot location in terms of capabilities relevant for the initiative and the degree of business coverage of the template, and the feasibility of the pilot in terms of achieving the performance aspirations that were outlined at the outset. Multiple pilots were found to have a moderating effect between piloting and affective commitment to change. A closer examination of the adoption construct indicated that affective commitment to change acted as a mediator between piloting and strategic initiative implementation. Piloting was indicated to be negatively linked to continuance commitment. Continuance commitment is proposed to negatively mediate the relationship between piloting and implementation. In the next chapter I focus more closely on the piloting process that was identified that led to these interrelationships.
Chapter 5. Findings about the piloting process

In chapter 4 I focused on the characteristics of the completed pilots that were associated with higher strategic initiative adoption. In this chapter I concentrate on the piloting process itself. This analysis emulates other well-known qualitative multiple case study research that describes micro-processes (e.g. Anand et al., 2007; Edmondson et al., 2001; Graebner, 2009; Reay et al., 2006). The analysis is conducted in two sections. The first section focuses on a multi-level description of the template creation process. This section highlights the different roles of the TMT/ global steering committee, global team, local TMT/local steering team, local pilot team, and the subsidiary managers. In the second section I focus in much more detail on the characteristics of this multi-level process that were found to lead to differences in the levels of early adoption. This analysis allows a window into the multi-level micro-processes that create templates that lead to higher (or lower) levels of early strategic initiative adoption.

Similar to the previous chapter references are only used sparingly for the definitions of constructs (e.g. Brown & Eisenhardt, 1997; Edmondson et al., 2001; Eisenhardt, 1989; Graebner, 2004, 2009).

5.1 Overall process of template creation

In this section I describe the generic process of how the template was created at the pilot location(s) using a multilevel approach. This involves a synthesis of all 10 cases and summarizes the elements of the process that was found to be the same for all cases. Figure 13 summarizes the dynamics of the initiation of the strategic initiative through to the decision to rollout and early adoption by subsidiaries following the pilot(s).
Adoption of intended strategic initiatives in MNCs: Role of piloting

Figure 13: Overview of the process of template creation and early adoption of new global practice
5.1.1 Formal global strategic initiative initiation

An investigation into the purposes of the strategic initiatives revealed that the most commonly cited goal was a combination of process improvement and boundary spanning opportunities (Table 17). Process improvement was expected through introducing new global MNC practices that increased the efficiency and effectiveness of existing local routines. As a global project leader reported,

> And we will get some savings on headcount, like I said; but we will get process improvement and process efficiency. – Global project leader

Boundary spanning opportunities are defined as possibilities to achieve economies of scale and scope within the global organization. Achieving increasing levels of scale and scope is the typical response of global companies towards industry pressures for ever increasing efficiencies (Doz, 1985; Porter, 1986).

There were three main sources of these economies of scale and scope:

- **Centralizing infrastructure and assets** – For instance KCX, ITX, and ASX involved creating a centralized shared service center where it was expected to increase regional economies of scale and scope through headcount reduction.

- **Purchasing one set of global supporting IT software that could be used in all country subsidiaries or functional centers** – For instance, CRX involved using the same CRM software and sales processes in all local subsidiaries.

- **Outsourcing all transactions to a third party supplier** – For instance, FTX involved outsourcing financial transaction processes to another company, who it was believed could perform this task at a lower cost.

In two cases (CRX and OPX) a third reason that was cited for introducing the global initiative was benchmarking. By introducing more standardized global processes it would then become possible to compare the efficiency and effectiveness of these processes between subsidiary locations. For instance the OFX global project leader said,

> When you have a lot of the same coding and the same procedures you can benchmark how much do you spend on one machine, as compared to the other one if you have the same machine. – Global project leader

This in turn would open up the possibility to be able to transfer best practices from one location to another.

Table 17: Nature and goals of strategic initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Primary nature of global initiative</th>
<th>Specific Goal</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>Process improvement</td>
<td>Introduce regional financial transaction</td>
<td>And we will get some savings on the headcount, like I said;</td>
</tr>
<tr>
<td>MNC</td>
<td>Boundary spanning opportunity &amp; Process improvement</td>
<td>Processing to increase regional economies of scale and scope and improve processes</td>
<td>But we will get process improvement and process efficiency. – global project leader</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CRX</td>
<td>Process improvement &amp; Boundary spanning opportunity &amp; Enable benchmarking</td>
<td>Create globally standardized and more efficient and effective sales processes through introduction of global CRM system. Enable benchmarking to facilitate improvement.</td>
<td>We wanted to create some efficiencies in sales administration. We wanted to create better visibility of our sales pipeline thereby making our sales management more efficient. – global steering member</td>
</tr>
<tr>
<td>EDX</td>
<td>Boundary spanning opportunity</td>
<td>Create a centralized design management process to enable improved customer service and greater manufacturing flexibility</td>
<td>So in a nutshell, everything online, centralized, with the ability for each and every one of our factories eventually and market companies to have access to the designs. – global project leader</td>
</tr>
<tr>
<td>FTX</td>
<td>Boundary spanning opportunity &amp; Process improvement</td>
<td>Standardize and outsource financial transaction processing to one global service centre to reduce cost</td>
<td>We wanted to outsource on a more global basis to outsource it to a cheaper environment that could perform just as well. - global steering member</td>
</tr>
<tr>
<td>ITX</td>
<td>Boundary spanning opportunity &amp; Process improvement</td>
<td>Standardize processes and tools and create economies of scale by creating shared IT service centres</td>
<td>The measure of success is that we both reduce costs and also improve the service level. And in order to do that we are essentially creating shared service centres and rebalancing the work that is done centrally and locally. – global project leader</td>
</tr>
<tr>
<td>KCX</td>
<td>Boundary spanning opportunity &amp; Process improvement</td>
<td>Centralize data servers into one European location leading to reduced costs and a simpler customers service process</td>
<td>Actually it would be much cheaper to have kind of one centralized service center where the data comes, and all the countries would have access to that. – global steering member</td>
</tr>
<tr>
<td>NKX</td>
<td>Boundary spanning opportunity &amp; Process</td>
<td>Develop one global website with possibility for local adaptation and also introduce online</td>
<td>It was basically to have a single platform for websites...that was both a technical platform but also processes and a single branding and a single set of</td>
</tr>
</tbody>
</table>
### Findings about the piloting process

<table>
<thead>
<tr>
<th>Process Improvement &amp; Boundary Spanning Opportunity</th>
<th>Tools for Updating the Website. – Global Project Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFX Process Improvement &amp; Boundary Spanning Opportunity &amp; Enable Benchmarking</td>
<td>Introduce globally standardized plant maintenance processes using one IT system and then benchmark production plants. Enable benchmarking to facilitate improvement.</td>
</tr>
<tr>
<td>PTX Process Improvement</td>
<td>Introduce a globally standardized purchasing processes for indirect purchases. But we realized some three years ago maybe that we were missing a purchase-to-pay process for all the stuff that we buy that is not belonging to the core process system: basically saying everything but not direct material. – Global Steering Member</td>
</tr>
<tr>
<td>SPX Boundary Spanning Opportunity &amp; Process Improvement</td>
<td>Improve the order to shipping process and provide a globally harmonized tool for scheduling and controlling orders. “So to say it in the right wording, it is a common and harmonized tool for scheduling and controlling orders within the delivery process. – Global Project Leader</td>
</tr>
</tbody>
</table>

Once the new global practice opportunities were identified the TMT followed the steps of the organizational corporate strategic decision-making process and decided, in principle, to commit the organization to implementing the new global practice by initiating the pilot. The rollout decision of the strategic initiative was contingent upon the completion of the pilot.

The global project leader and global team were typically, but not always, assigned to work on the initiative before the TMT decision of the intention to adopt the initiative. When assigned before the decision then the global team played a major role in assembling and presenting the economic and strategic analysis which led to the intention to adopt.

The global steering team was either already assigned by this point or just afterwards. The global steering team consisted of relevant senior global (or regional) functional managers e.g. Head of Global Marketing for NKX, and always included at least one member of the TMT. A local TMT member from the pilot location was added to the team once the pilot was formally named.
5.1.2 Global-local bargaining to select pilot

In the second process step, the global project leader considered which subsidiaries to select as pilot location(s). Based on the willingness of the different candidate subsidiaries, pilot location(s) were proposed to the global steering team either by the global project leader in consultation with the global team or by individual global steering team members.

Bargaining commenced between the corporate center and the subsidiaries to assess which of these subsidiaries were willing to take on the pilot role. Headquarters-subsidiary bargaining in an MNC results from dispersed power structures in which top management’s authority does not necessarily result in hierarchical power being the ultimate control mechanism (Ghosal & Bartlett, 1990; Hedlund, 1986).

For instance, in the SPX case Holland bargained with corporate center than if they agreed to be the pilot then the global team would include other process upgrades within the pilot that were particular to the that location because they were working on an older version of SAP. The SPX global project leader commented:

I think that this was part of the selling to Holland…to go to their organization to say, “Hey, these are all the deliverables which are included in this S-Plan.” – Global project leader

One of the most striking findings from the case studies was the extent to which pilot selection leveraged the alignment of interests between the corporate center (represented by the global team) and the subsidiary (represented by the local TMT at the pilot locations). In each case there was a basis for alignment (Table 18). As an example, in KCX the global team was charged with introducing a centralized service system for Europe. This aligned with the interest of Germany who urgently needed a new IT system for emergency service response. The pilot manager said,

There was no choice I would say, because of this expired contract of gateway software from this emergency environment. – Pilot manager

The global team were enthusiastic to take on Germany as the pilot because the local subsidiary had a high level of expertise in this area. As the global pilot leader said,

But in this particular case it was very clear we wanted Germany, because they are…they have the best know-how there. – Global project leader

So in each case there was a clear rationale from the global level and a corresponding complementary rationale from the local level to be selected as the pilot location.
<table>
<thead>
<tr>
<th>SI</th>
<th>Basis for alignment</th>
<th>Quote from global</th>
<th>Quote from local</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>Pilot urgently needed a new IT system which aligned with global team goal of launching regional shared service centre for financial transaction processing</td>
<td>Thailand’s systems were crashing and they had a problem. I went to Thailand and saw actually that they needed it. – Global project leader</td>
<td>I said that Thailand would make a good case, because they needed to really go with the big bang of changing our processes and the IT platform that we use – Pilot manager</td>
</tr>
<tr>
<td>CRX</td>
<td>Lead pilot team was planning to introduce a local CRM tool which aligned with global team introducing a global tool</td>
<td>Our sales people in the US have been very actively asking for a CRM tool and the feeling in the US was that KONE is quite far behind best practice. – Global steering member</td>
<td>We had locally agreed that we needed some form of CRM tool, and had already begun discussions of what was available. – Pilot manager</td>
</tr>
<tr>
<td>EDX</td>
<td>Global team and local pilot team felt that the geographical proximity of the technical development team to the pilot location would mean good technical support for the pilot</td>
<td>The Swedish development team sitting basically across the street from the Swedish customer who is going to work with it. So language barriers and proximity were a big benefit. – Global steering member</td>
<td>Reason 1 - First of all we are very close to HQ, which makes the project easier. – Pilot manager</td>
</tr>
<tr>
<td>FTX</td>
<td>Local pilot team was next in line to migrate into internal shared service and felt that migrating to an outside supplier would be equivalent which aligned with global team goals</td>
<td>Going to somewhere where it had not been standardized, where we could challenge (the outsourcer). – Global project leader</td>
<td>We are going through this transition anyway so might as well step up and take this one for the group, if you will. – Pilot manager</td>
</tr>
<tr>
<td>ITX</td>
<td>Local pilot team was already considering centralization as a way to reduce IT costs which aligned with global team goals</td>
<td>It was seen as where we could get a substantial cost reduction. – Global steering member</td>
<td>I would say that it was a win-win because like I said we were going down that path. – Pilot manager</td>
</tr>
<tr>
<td>KCX</td>
<td>Pilot urgently needed a new IT system which aligned with global team goal of</td>
<td>But in this particular case it was very clear we wanted Germany, because they are…</td>
<td>There was no choice I would say, because of this expired contract of gateway software from</td>
</tr>
</tbody>
</table>
### Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>MNC</th>
<th>Intended Strategic Initiative</th>
<th>Role of Piloting</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>NKX</td>
<td>Introducing centralized service system</td>
<td>They have the best know-how there. – Global project leader</td>
<td>We were expressing our concerns and how much we felt that KONE.com needed to be updated and refreshed and how important it was for us to be the pilot for that. – Pilot manager</td>
</tr>
<tr>
<td>OFX</td>
<td>Lead pilot was pushing hard for an improved local website which aligned with global team’s goal to introduce new global website</td>
<td>Well the US, it is easy to say – they were advanced and they wanted to use it in their marketing as quickly as possible. – Global steering member</td>
<td></td>
</tr>
<tr>
<td>PTX</td>
<td>Pilot priority to improve the factory maintenance processes aligned with global goal of standardizing and improving these processes</td>
<td>They are committed, they were involved, they were the ones that raised the issue – so it makes sense to make a very good pilot. – Global project leader</td>
<td>Without that integration it makes a lot of our daily activities very difficult. – Pilot manager</td>
</tr>
<tr>
<td>SPX</td>
<td>Recent improvements of indirect purchasing processes at pilot location aligned with global interest to improve these processes</td>
<td>One reason for choosing Italy was because they were quite mature. – Global project leader</td>
<td>It was a logical consequence of what we had been doing and cooperating and working together in designing the process. – Pilot manager</td>
</tr>
</tbody>
</table>

In all ten cases the management at the pilot location(s) volunteered to take on the role of the pilot and to support the implementation of the initiative by going first (Table 19). There were several reasons provided by pilot managers for offering to pilot. The most common reasons given were:

- Ability to “influence the template design” in the sense that the pilot managers could make suggestions about how to configure the new processes and what functionality to include in the working template.
- Recognition of the pilot managers that their own pilot location possessed the capabilities, relative to other subsidiaries, to design a high quality template.
Subsidiaries were keen to realize the economic and strategic benefits of the initiative as soon as possible and were not willing to wait.

- Support from the global team.
- Increased personal visibility at the corporate center, leading to potential promotion to global roles.

No pattern was found between the reasons supplied and the more or less highly adopted initiatives.

In making the decision to volunteer the pilot managers reported that they were weighing up the benefits of piloting against the risks and costs of volunteering. There was three main risks of volunteering to pilot that were cited. Firstly piloting ran the risk of disillusioning users who are forced to struggle with technical problems. Secondly, managers complained about the lack of resources for implementation, including additional cost and time required in comparison to implementing the initiative after the piloting phase. Managers estimated that piloting required between two and three times the budget and time duration in comparison to being in the rollout. Thirdly, managers recognized the risk of pilot failure.

### 5.1.3 Preparation to implement

This step involved a number of discrete activities:

- **Pilot formally named and project kicked-off**
  Following bargaining with the local TMTs at potential pilot locations and cross-level discussion, the final pilot location(s) was formally approved by the TMT/global steering team. The strategic initiative was introduced to the pilot(s) organization by the global team with the support of senior management from the corporate center/global steering committee and from senior management from the pilot subsidiary. A team of local pilot managers was selected by the local TMT to work together with the global team.

- **Theoretical template construction**
  The first task of the global team was to design the theoretical template that would be transformed into a working template in the pilot. This involved a greater or lesser degree of participation by subsidiary managers outside the pilot. Here I define participation as a process which allows subsidiary managers to share and implement task-relevant knowledge (Latham, Winters & Locke, 1994). Theoretical template design started in some cases before the pilot was formally named.

  In tandem with designing the theoretical template the global team also investigated the specific IT system which would be used to embed the new routines encapsulated in the template. This involved critical decisions about whether to use and adapt existing systems already running within the firm, to use a new system that could be sourced “off-the-shelf” or to take a more
Adoption of intended strategic initiatives in MNCs: Role of piloting

customized approach. In most cases basic feasibility tests under laboratory-type experimental conditions were conducted at corporate headquarters.

**Pilot aspirations set**

Goals for the pilots were set at the outset. In all cases these goals included completing the pilot on budget and to a certain deadline. In addition other goals were also set (see Section 5.2.3).

**Subsidiary managers assess selected pilot location(s)**

There was evidence from the interviews that as soon as the strategic initiatives were started and the pilot was named, the subsidiary managers were assessing the credibility of the pilot locations. For instance, a FTX subsidiary manager said:

> I thought it would have been somewhere in Europe, who were already working together with Manchester, so I was surprised when the US and Canada were chosen. I thought it should have been one of the European clusters, actually, that should pilot this setup. And we were used to the routines, having Manchester as the service provider for invoices. – Subsidiary manager

Comments showed that subsidiary managers were already forming an opinion of the initiative based on the selection of the specific pilot location. I will say more about what constituted credible locations in Section 5.2.1.

**5.1.4 Template implementation**

During this process step different activities were taking place at different organizational levels:

**Local pilot implementation**

The theoretical template was implemented at the pilot(s) locations by the global and local team working together to produce a working version of the strategic initiative template. The duration of the pilot implementation was defined at the start of the pilot and implementation took place through a series of smaller sub-stages:

- Gaps between the current template-in-use and the theoretical template were assessed and a work plan was designed to close these gaps through implementing the theoretical template.
- Further design work was completed on the theoretical template to make it ready and fit-for-purpose for implementation in the pilot(s).
- Template was implemented by the global and local pilot teams and new routines were created and tested within IT systems.
- Users in the pilot(s) who would change their ways of working were trained in the new routines. User support and assistance was provided. In addition, there was frequent communication
which reiterated the reasons for implementing the new technology. Collectively these types of actions which increase the skill and knowledge level of the users and increase their comfort levels with the new practice innovation are referred to as implementation practices (Klein & Sorra, 1996; Klein et al., 2001).

During this time the global team was also involved in:-

- Resolving emerging informational inadequacies that were not foreseen at the start of the pilot. Informational inadequacy can arise both from project ambiguity and project complexity (Pich, Loch & Meyer, 2002). This involved a greater or lesser degree of global and local team joint learning.
- Exercising a greater or lesser degree of control over the specific routines that were implemented as part of the template.

More about this in Section 5.2.

Global and local steering team support

During the implementation of the template the global steering team and local steering team/ TMT intervened to:-

- Provide additional resources (if required).
- Monitor progress versus the pilot goal aspirations through performance reviews with the global project leader.
- Intervene where necessary with other stakeholders.
- Provide more or less visibility to the overall initiative within the larger organization.

More about this in Section 5.2.

Subsidiary managers assess performance feedback

I found that subsidiary managers were receiving both informal and formal performance feedback from the pilots and assessing this feedback. Performance feedback is the incremental knowledge that is generated from using a new practice that allows them to make a positive or negative assessment of the results of the new practice (Edmondson et al., 2001; Greve & Taylor, 2000). Subsidiary managers were actively seeking out informal performance feedback using their social networks, from the pilot managers (Table 19) who were actually using the new practice. 89% of subsidiary managers interviewed said that they heard informal performance feedback from the pilot in addition to the formal feedback provided by the global team. For instance, one of the FTX pilot managers reported:-

*But you know, the way (this company) works is clear. I had my counterparts calling me from time to time just asking for updates, if you will and general status. But that was completely informal and not planned, I would say. - Pilot manager*
The cases showed that subsidiary managers were activating ties in their professional networks to obtain feedback, although it was not clear if these were weak ties or strong ties (Burt, 1982; Rogers, 2003). As a KCX subsidiary manager said:

*Also we have some very good contacts with Germany. So what we understand – not from the formal side but from the informal side – is that the project in Germany was not going as planned; they had some delays.* - Subsidiary manager

In addition subsidiary managers reported that they preferred to get this feedback verbally from pilot managers rather than from global team members. As a subsidiary manager from the ITX initiative said:

*It does not matter how much communication you have from a project team, it’s always good to hear from your colleagues and your peer… To have a success story to tell is quite important and much more trustable if it’s directly from the person and not in written form.* – Subsidiary manager

The reasoning for seeking out feedback from pilot managers rather than global team members was that the managers recognized that the global team members might not provide feedback which would be the same as the pilot managers actually using the new working practice. One subsidiary manager said:

*Propaganda is used all the time so they are quite used to that….I think ok, this is now the propaganda. But if I really want to know, I contact people on site, to know the truth so to say….That’s usually not the problem to find the real story. I sometimes wonder why people want to use this propaganda….I can understand that it is also important to tell the success stories. But that’s ok. But the propaganda is not.* - Subsidiary manager

So managers were suggested that global teams have a tendency to provide more positive feedback than the pilot managers were experiencing.

This indicates that even though the economic benefits of the new practice were not measurable at this point in time subsidiary managers were able to vicariously evaluate the outcome of the pilots in the sense of being able to determine that the new routines were feasible.

### Table 19: Subsidiary manager-initiated performance feedback

<table>
<thead>
<tr>
<th>Case</th>
<th>Informal pilot manager feedback¹</th>
<th>Subsidiary managers seeking out pilot sources for performance feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>2/2</td>
<td><em>I talked to Emilio who has the same responsibility as me in South Europe (pilot). And he was generally positive.</em> - Subsidiary manager</td>
</tr>
</tbody>
</table>
## 5.1.5 Decision to rollout

The decision to formally adopt the strategic initiative was taken in the global steering team, often in conjunction with the TMT. During the adoption decision the TMT/ global steering team used feedback based on the initial pilot goals to establish whether or not the pilot was completed.

In parallel, the global team continued to define the implementation order of the rollout with the remaining subsidiaries and in some cases started working with one or more of these subsidiaries by completing some early engagement steps.

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPX 2/2</td>
<td>I visited the pilots for training and had an opportunity to ask questions. - Subsidiary manager</td>
<td>Pilot manager</td>
</tr>
<tr>
<td>CRX 2/3</td>
<td>I know that many of them, they were interested how it was going. - Pilot manager</td>
<td></td>
</tr>
<tr>
<td>NKX 2/3</td>
<td>When I was at the E-business summit, they had lots of questions...so they were really interested. - Pilot manager</td>
<td></td>
</tr>
<tr>
<td>SPX 3/3</td>
<td>“Well, from the Netherlands we in fact heard that it took them about three months… three months or four months before going live. - Subsidiary manager</td>
<td>Pilot manager</td>
</tr>
<tr>
<td>PTX 4/4</td>
<td>As this would come later to the rest of the markets, we discussed informally, you know, how it is going and so on but not reporting formally. - Pilot manager</td>
<td></td>
</tr>
<tr>
<td>ASX 3/3</td>
<td>I think the reason why they are quite interested is because I think at least the management teams, they understand that this shared service centre concept is coming then to practically all the countries. - Pilot manager</td>
<td>Pilot manager</td>
</tr>
<tr>
<td>KCX 2/3</td>
<td>Also we have some very good contacts with Germany. So what we understand – not from the formal side but from the informal side – is that the project in Germany was not going as planned; they had some delays. - Subsidiary manager</td>
<td>Subsidiary manager</td>
</tr>
<tr>
<td>FTX 3/3</td>
<td>But you know, the way (this company) works is clear. I had my counterparts calling me from time to time just asking for updates, if you will and general status. But that was completely informal and not planned, I would say. - Pilot manager</td>
<td>Pilot manager</td>
</tr>
<tr>
<td>EDX 2/2</td>
<td>No comments</td>
<td></td>
</tr>
</tbody>
</table>

1 – Number of subsidiary managers seeking informal feedback/ total number of subsidiary managers interviewed
5.1.6 Start of strategic initiative adoption
In the final step the order of the subsidiaries in the implementation of the rollout is confirmed. These rollouts were completed in batches of 3-5 countries with the global team progressively engaging with each individual subsidiary. At the time of the first rollouts the new practices had only been in use for between one to four months. This strongly suggest that at this time of transfer of the knowledge embedded in each of the piloting templates could at best be described as “immature” versus a best practice template. This step is out of scope of this exploratory analysis.

5.2 Piloting process leading to early adoption of new global practices
Following a description of the generic process used for creating templates implemented in the pilot, I will now describe the key characteristics of this process which led to a higher (and lower) incidence of early adoption of the new global practices. This analysis builds on the analysis in Section 4.2 which shows that the research cases could be separated into a group of four more highly adopted initiatives and a group of four less highly adopted initiatives, at an early stage of implementation.

Figure 14 & 15 shows a multilevel process model of the dynamics of template creation that lead to both higher and lower levels of adoption. The following results draw on these diagrams. In the next sections I introduce each of the characteristics of the process.
Figure 14: Multilevel process model of the dynamics of piloting leading to higher levels of strategic initiative adoption
Adoption of intended strategic initiatives in MNCs: Role of piloting

Figure 15: Multilevel process model of the dynamics of piloting leading to lower levels of strategic initiative adoption
5.2.1 Selection of credible and potentially feasible & replicable pilot(s)

I found that in the more highly adopted initiatives the global steering team, under the guidance of the global team, selected locations which they perceived as having high credibility in the organization and also locations that provided a higher potential of creating a template that was both feasible and replicable.

**Credibility of pilot**

The pilot selection criteria used to create a credible template was reflected in two ways. Firstly, locations were selected with a high level of capabilities in the functional areas relevant to the specific strategic initiative versus other subsidiaries. Capabilities are defined here as the ability of the subsidiary to combine efficiently a number of resources to engage in productive activity and a certain objective (Amit & Shoemaker, 1993; Dutta, Narasimhan & Rajiv, 2005). Capabilities were coded in the data analysis as references to knowledge, skills and experience in the subsidiary, as well as reputation for best practice in the functional areas relevant to the specific strategic initiative versus other subsidiaries. Recurring phrases are, “people who had the knowledge”, “leading all this best practice”, “very good expertise.” For example, in the OPX initiative the global project leader said about the pilot in Brazil:

> They were the ones that were leading all the best practice experience among our factories themselves. – Global project leader

Or the global CRX steering member and pilot manager said about the pilot in the US:

> Well the US, it was absolutely a pocket. In fact, that culture was probably the complete opposite from the traditional KONE culture, where the culture was highly sales-oriented and less so on R&D and technology. - Steering member & Pilot Manager

Secondly, pilot location credibility in terms of the extent of business coverage was an important consideration, defined as the number of business units, number of products and services, geographic spread, or functional complexity. The business coverage determines the size of the template produced in the pilot. For instance, the OFX global project leader explained:

> ..because one of the Brazilian ones had not only one type of production but it had also different types of production. And including the straw production which we don’t have in all the factories.” – Global project leader

In contrast, in the initiatives with lower adoption these two factors were mostly absent in the selected pilot locations. Firstly, concerning the capabilities in the pilot locations, for instance, the ASX steering member commented:

> We underestimated the lack of depth of management skills and recognized qualifications inside their company. – Steering member
And in FTX, one of the global team members acknowledged that when they selected US and Canada they actually did not realize how far away these organizations were from conforming to the best practice processes that were being used in the subsidiaries in Europe.

_I don’t think actually we understood just how, if you like, non-standard the activities that we were going on in the US and Canada actually were._

– Global team member

The only exception to this lack of credibility was KCX where the pilot location was highly credible, but at the time of collecting the case data the pilot was still incomplete and hence did not meet the feasibility criteria

**Immediate impact of credibility on subsidiary managers**

Interview data from the subsidiary managers indicated that they were paying careful attention to the skills, experience, and best practice track record of the selected pilot location and had strong opinions about the pilot locations selected. For instance, an ITX subsidiary manager said:-

_Here was a good pilot, absolutely, because they are in the forefront when it comes to IT, such as the US. So that seems to be a good pilot._

– Subsidiary manager

In addition there was evidence from several of the initiatives that subsidiary managers were also paying attention to other status-related features of the pilot locations, such as revenue size, growth rates, market share, and profitability. For instance, one of the steering members for CRX said:-

_Netherlands was chosen because it is a very strong European country for KONE; we are market leader there._

– Steering member

Evidence from the subsidiary managers was that they were also evaluating the selected pilot location to judge how alike the location was to their own subsidiary in terms of business coverage. For instance, a subsidiary manager from ITX said:-

_As I said it (the pilot location) is a big organization already for IT, so if they managed to drive through these central initiatives with quite a lot of people, it should have been possible for us to do the same, as we have many less people already on IT._

– Subsidiary manager

Comparisons of likeness in business coverage also included whether or not the pilot location was using the same IT systems.

In the CRX case where multiple pilots were employed the interviews showed that subsidiary managers identified more with one of the pilot locations than with the others. A subsidiary manager from France commented,
Chapter 5. Findings about the piloting process

Our operation is much more similar to the Netherlands than the US, and so it was reassuring that there was a European pilot. – Subsidiary manager

The implication of this is that when multiple pilots were selected this had the power to increase the overall credibility of the initiative because more subsidiary managers would recognize the likeness in terms of business coverage of the pilot location to their own subsidiary organization.

Subsidiary managers were also aware of the lack of capabilities of the selected pilot location(s) for the less highly adopted initiatives. For instance, an FTX subsidiary manager commented:-

I thought it would have been somewhere in Europe, who were already working with Manchester (shared service centre, so I was a little surprised that US and Canada were chosen. I thought it should have been one of the cluster in Europe, actually, that should pilot this setup. And we were used to the routines. – Subsidiary manager

Secondly, business coverage in some of these pilot locations was perceived as overly limited. For instance, one of the subsidiary managers complained about the location selected for the EDX initiative:-

In comparison, the Nordic was really a more simple organization. So we went from nothing to a new system. So no benchmark, no comparison between the two. And cluster south has really a huge complexity in terms of business, in terms of number of designs to be managed in the system. And so, in comparison with the existing systems. So, more or less we had a lot of complaints from the end users saying this functionality was in the previous system and now it’s not there anymore. – Global team member & Subsidiary manager

The complaint in this case was that the Nordic organization was not really adequate to pilot the initiative and that the template created in the pilot was “too small” or did not cover enough of the business activities to be relevant to subsidiaries already running quite complex local systems.

Trade-offs with feasibility and replicability

During the selection process there was evidence that the global project leaders and steering members were making some trade-offs between credibility and considerations feasibility and replicability.

For instance, in CRX the global project leader explained:-

The French organization is fairly critical and things take a bit of time with the French. So we kind of said, ‘OK if we want to have a quick and successful pilot, don’t choose France’ – Global project leader

This suggests that the pilot would have questionable feasibility within the pre-assigned pilot duration if France had been selected, even though France was a highly credible country in the sense that they were using advanced sales processes.
Another example where credibility was traded off against feasibility was in ASX where the global project leader said:

*Australia is quite a big company in KONE, so to move in, if we get them first, it probably would have been a bad thing. I think that I probably wouldn’t have been allowed back in the country, because they are huge and we don’t want to mess them up. And the last thing we want to do is mess up the business.* – Global project leader

So while it was important to select a country with high credibility in the sense of having a high degree of business coverage, the risk of failure to demonstrate pilot feasibility would also be higher.

In addition, the global team was also keen to avoid pilot locations that demanded many changes to fit an idiosyncratic local environment. For instance, a FTX global team member commented:

*I don’t think that we understood how non-standard the activities in US and Canada actually were before we started.* – Global team member

The sentiment was that if they had known beforehand then they would not have selected this pilot as the high need for local adaptation was leading to a template that would have low replicability.

### 5.2.2 Involvement of subsidiaries in the theoretical template development

For the more highly adopted cases, during the preparations to implement the pilot, the global team orchestrated widespread participation by subsidiary managers in the design of the theoretical template. Participation is defined as a process which allows subsidiary managers to share and implement task-relevant knowledge (Latham, Winters & Locke, 1994). One of the CRX subsidiary managers explained his involvement as follows:

*I was part of the reference group when it was planned, so it was… because we had already a CRM; I was really invited to share thoughts in the reference group, so it was I think one year earlier or something before it was started.* – Subsidiary manager

In the case of ITX, two years previous to the strategic initiative, the TMT of Company B had considered outsourcing all global IT activities. At this point in time there had been a widespread consultative process with subsidiary managers in order to create a tender process for potential suppliers.

In the case of OFX, the global team formed a reference group before pilot implementation.

*So I created something we call here the EC reference group; so I invited like nine or ten maintenance managers or people with maintenance knowledge from different parts of the world to sit during two/three days to discuss what is needed, do we have a process flow, do we have KPIs, what do we need when it comes to reporting and statistics.* – Global project leader
For the less highly adopted cases there was little evidence of a consultative process involving the other subsidiaries before the pilot implementation phase started.

**Impact of pilot selection on subsidiary participation in theoretical template design**

There was evidence that the selection of the pilot impacted the commitment of the subsidiary managers to the process of the theoretical template design. An OFX subsidiary manager commenting on this said:

> Yes, I was involved in the reference group and I was reassured to know that Brazil (pilot) was also strongly involved because they have some of our leading production sites, even outside our own organization. – Subsidiary manager

**5.2.3 Clearly communicated, user-focused goal setting**

Evidence from all ten cases on pilot goal setting revealed a variety of different strategies for goal setting (Table 20).

In the cases where the initiatives were more highly adopted, two of the global project leaders cited that it was particularly important to carefully communicate the goal aspirations of the pilot to the global steering team and the pilot managers/ local TMT upfront before the pilot got underway. For instance, the CRX global project leader commented:

> If you don’t provide clear rules of what should be the expectation of this pilot and what are the deliverables you risk that you cannot draw a clear conclusion or that your pilot will continue indefinitely. – Global project leader

In other words this global project leader was saying that it would be hard for the global steering team to judge the feasibility of the CRX pilot without agreed and commonly understood goals.

Or as the ITX global project leader said:

> I think that one of the smart things we did as well was, we put the right metric in place for this particular one to measure after we did the go-live. And we have continued to follow those metrics. – Pilot manager
**Table 20: Pilot goal setting**

<table>
<thead>
<tr>
<th>SI</th>
<th>Nature of goal setting</th>
<th>Specific goals employed</th>
<th>Explicit target levels set for goals (Y/N)</th>
<th>Quotes on performance goals</th>
<th>Basis for numerical goal setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>Process-specific goals, user adoption or satisfaction goals, pilot project completion</td>
<td>Solve rates, response time, satisfaction surveys, on time &amp; on budget</td>
<td>Y</td>
<td>“Success measures were established when we went in. Without them the pilot would not participate” – Global project leader</td>
<td>Inter-company benchmarking</td>
</tr>
<tr>
<td>OPX</td>
<td>Pilot project completion</td>
<td>On time &amp; on budget</td>
<td>N</td>
<td>“After the pilot we defined what KPIs we should measure and how they should be measured” – Global team member</td>
<td>na</td>
</tr>
<tr>
<td>CRM</td>
<td>User adoption or satisfaction goals, pilot project completion</td>
<td>% of people logged in each week, on time &amp; on budget</td>
<td>N – only trends</td>
<td>“In two months you cannot really measure anything” – Global project leader</td>
<td>Tentative self-calculated targets informed by other industry experience</td>
</tr>
<tr>
<td>NKX</td>
<td>Pilot project completion</td>
<td>On time &amp; on budget</td>
<td>N</td>
<td>“We did it afterwards, not that we haven’t known that we needed them” – Global project leader</td>
<td>na</td>
</tr>
<tr>
<td>SPX</td>
<td>User adoption or satisfaction goals, pilot project completion</td>
<td>Systems usage, on time &amp; on budget</td>
<td>N – only trends</td>
<td>“It was too short a timeframe to have any kind of credible measure of the operational improvement” – Global steering member</td>
<td>na</td>
</tr>
</tbody>
</table>
### Findings about the piloting process

<table>
<thead>
<tr>
<th>SI</th>
<th>Nature of goal setting (cont.)</th>
<th>Specific goals employed (cont.)</th>
<th>Explicit target levels set for goals (Y/N)</th>
<th>Quotes on performance goals (cont.)</th>
<th>Basis for numerical goal setting (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTX</td>
<td>Process-specific goals, pilot project completion</td>
<td>% of purchase order, average payment terms, on-time payments, on-time &amp; on budget</td>
<td>N</td>
<td>“We had KPIs but these were changing during the pilot because we saw that they didn’t give us the focus that we wanted” – Global project leader</td>
<td>na</td>
</tr>
<tr>
<td>ASX</td>
<td>Economic performance goals, process-specific goals, pilot project completion</td>
<td>Headcount reduction, no of days to close accounts, no of invoiced processed per day, on time &amp; on budget</td>
<td>Y but only for headcount</td>
<td>“We tried to work it out as best we could” – Global project leader</td>
<td>Tentative self-calculated targets informed by other industry experience</td>
</tr>
<tr>
<td>KCX</td>
<td>Process-specific goals, user adoption or satisfaction goals, pilot project completion</td>
<td>System reliability, on time &amp; on budget</td>
<td>Y</td>
<td>“They were the types of criteria that allowed us to say that at this certain point in time the system was working reliability enough.” – Global project leader</td>
<td>Historical measures</td>
</tr>
<tr>
<td>FTX</td>
<td>Economic performance goals, process-specific goals, pilot project completion</td>
<td>Headcount reduction, supplier relationship goals, supplier efficiency goals</td>
<td>Y</td>
<td>“I think that we did (set performance goals) although not as formally as for the project overall.” – Global team member</td>
<td>Inter-company benchmarking</td>
</tr>
<tr>
<td>EDX</td>
<td>Process-specific goals, pilot project completion</td>
<td>Process completion, on-time &amp; on budget</td>
<td>N</td>
<td>“There was not a performance-measurable output” – Global steering member</td>
<td>na</td>
</tr>
</tbody>
</table>
Data from the cases suggests that managing and communicating pilot aspirations during the pilot preparation phase is critical because the feasibility of the pilot will be judged by the global steering team based on those aspirations. If aspirational goals are not clearly set then steering committee members and subsidiary managers will create their own individual aspirations determined by their own mental models of the strategic initiative. It is also consistent with project management literature where clear realistic objectives are commonly regarded as a key success factor (Fortune & White, 2006).

In addition setting short-term, non-economic pilot outcomes, based on user adoption rates or user satisfaction measures, allowed the global team to manage aspirations about the nature of the positive performance feedback. The CRX global project leader said,

*But at the same time we did not commit to economic goals which were not achievable in the timeframe, instead preferring to set clear non-economic outcomes.* - Global project leader

In the case of CRX the goals were not based on attaining specific measures but only on improvement trends. The global project leader said:-

*What we wanted to measure is much more the trend, to see if more and more people among the 130 users were using the tool day-by-day, or if it was stable, or decreasing.* – Global project leader

This was important because global project leaders explained that it was not possible to demonstrate economic benefits of the pilot during the planned pilot duration e.g. revenue increases or cost decreases or efficiency improvements, because these results would take longer to generate than the planned pilot duration. As the CRX global project leader explained:-

*At the beginning of the pilot some people want to measure if you get business benefit. But this is not possible in one year because introducing the CRM may put the organization under stress and so it might have another effect to decrease the sales before increasing the sales. If you want to measure the benefit then you have to take 2 years.*

- Global project leader

It was these user-focused goals that were then used by the global steering team in their decision to rollout the initiative (see Section 5.2.6).

In three of the cases of the less highly adopted initiatives, the global teams set goals which incorporated targets for process-specific improvement or economic improvements. Some of these goals were either not measurable during the short duration of the pilot or not attainable or were replaced at a late stage in the pilot by other measures. Also in two of these cases these goals were not used as a basis of the adoption decision (FTX ASC) and in the other case the pilot was not...
completed at the time of the case data collection (KCX). As a result it is unclear how the feasibility of these pilots could be judged (see Section 5.2.6).

In the fourth case (EDX), it was acknowledged that there were no specific pilot process performance goals other than just making sure that the routines could be implemented. One of the EDX steering members commented:

*I think… the way I would answer… not in a performance-measurable output, which I believe was a problem – there was expectation on "Can we execute the flow? Can we do all of the steps in there?" And if and only when we go all the way through the flow, it would be considered successful. .... But the adoption rate of anything like that, as far as I know, was never taken into the KPIs for measurement. It was more "Yes, this is the way we want to work, this must be a value – let's make it work". And the whole effort was around getting it to work, end-to-end.*

– Steering member

In this case there was also evidence for a lack of goal consensus at the level of the global steering team from the outset of the initiative:

*There was not an alignment with the stakeholder about what should be the criteria to judge the project...so sales management were saying that this is a key customer tool, and supply chain were saying that this is a cost optimization or reduction tool.*

– Steering member

5.2.4 Resolution of informational inadequacies during the duration of the pilot

During the case analysis informational inadequacy experienced by the global team during the pilot emerged as an important construct. Here I define information inadequacy as “learning surprises” during the pilot where the global team received new information on which they recognized there was a necessity to act, whether or not they were able to actually take affective action because of project complexity.

Informational inadequacy can arise both from project ambiguity and project complexity (Pich et al., 2002). Project ambiguity is a lack of awareness of the project team about certain states of the world or causal relationships. Causal ambiguity refers to a lack of awareness of the project team about certain states of the world or casual relationships (Schrader, Riggs & Smith, 1993). The organizational information environment is ambiguous when there are low amounts of information with low or high ambiguity or high amounts of information with high ambiguity (Forbes, 2007). The causal ambiguity encountered by the global team may have been knowable before piloting was underway (Type 4 causal ambiguity – see Mozakowski, 1997) but overlooked because not all decision makers possessed a complete picture of the causal relationships and inputs before the pilot was started. Or causal ambiguity may have occurred because causal relationships were simply unknowable before the pilot started or even after the pilot was completed (Types 1-3 causal ambiguity – see Mozakowski, 1997). Project complexity means that many different actions and states of the world parameters interact so the effect of actions is difficult to assess (Simon, 1969).
Case evidence showed that information inadequacy experienced by the global team had three different origins (Table 21). It could be pilot location-specific (e.g. language, culture, regulatory) or it could be pilot-organization-specific related to the nature of the local subsidiary organization (e.g. skills of employees, local management, organization structures, pilot relationships) or it could be template-specific, related to the routines embedded in the template and global interrelationships (e.g. technical issues, functional co-ordination issues at a global level).
### Table 21: Recorded incidents of informational inadequacy during pilot(s)

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Informational inadequacy encountered during pilot by global team</th>
<th>Pilot location-specific</th>
<th>Pilot organization-specific</th>
<th>Template-specific</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ITX</td>
<td>B</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td></td>
<td>-</td>
<td>Some difficulties in convincing pilot to accept global template</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Need to use standard equipment trees across factories</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Need for more cross-functional collaboration</td>
<td></td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td></td>
<td></td>
<td>Organizational structure and roles in pilot in Holland</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td></td>
<td></td>
<td>-</td>
<td>Technical issues for website system</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Need for more cross-functional collaboration</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>Language issues</td>
<td></td>
<td>Lack of local mgmt support</td>
<td>Process integration issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local tax issues</td>
<td></td>
<td>Lack of capabilities in local team</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lack of local HR engagement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cultural &amp; language issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Special localized deals</td>
<td></td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>Local laws and regulations</td>
<td></td>
<td>Difficult relationship with local telecom service provider</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Insistence of pilot for localization of template</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Major technical issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Need for technical upgrades</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Software installation requiring site visits</td>
<td></td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Informational inadequacy encountered during pilot by global team</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Pilot location-specific</strong></td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>• <em>Local banking system</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDX</td>
<td>B</td>
<td>• <em>Local banking system</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Italics*=information inadequacy leading to replicability issues  *Plain text*= information inadequacy leading to feasibility issues
In the cases of the more highly adopted initiatives the incidents of informational inadequacy were fewer in number and the global team was able to act to resolve these incidents during the duration of the pilot. For instance, the OFX global project leader said:

_We thought that this was a simple solution, but we underestimated the effort that it takes to get all the integration in place with other functions. That is of course the main process. That was a struggle. Otherwise I mean, we stuck to our deadlines, even if we spent a lot of time in overtime and extra work more than normal._ - Global project leader

The ability to resolve the informational inadequacies when they did occur was linked to the learning speed of the combined global and local team, given that the pilots all had a predetermined duration. For instance, the ITX global project leader said:

_But you know we start off with something, then we review it, then we improve it, then we review it, then we improve it – so what you are seeing is the result of having worked together and met a few challenges and discussed them, and, you know, come up with way, better way, of doing it._ – Global project leader

In the cases of the less highly adopted initiatives the incidents of informational inadequacy were much higher in number. These incidents threatened the feasibility of the project. For instance, one of the FTX pilot managers explained that they discovered during the pilot that the order of the global initiatives was wrong and that another strategic initiative should have been completed in the pilot before FTX started:

_So you know the ordering here was bad. You needed XXX before you have FTX and we didn't have this. ...If we had done those in the right order._ – Pilot manager

In addition, the global team was unable to resolve these incidents of informational inadequacy during the duration of the pilot. For instance, the FTX pilot manager said:

_We got to the point where it was pretty obvious to us – probably three or four months before we even went live – that this was going to be an issue...it wasn't something that we were going to do in three or four months._ - Pilot manager

In many cases the global team maintained that some of these issues could not have been foreseen during the planning phase. For instance, one of the FTX global team members commented:

_One of the big learnings was actually that, you know, you can do as much pre preparation and questionnaires as you like, but until you get_
Adoption of intended strategic initiatives in MNCs: Role of piloting

there actually hands-on, you aren’t actually going to see the realities of what is happening. – Global team member

As a result of the global teams’ inability to deal with the informational inadequacy the scope of the templates in these initiatives ran out of control. The global teams were unable to demonstrate the feasibility of the pilot during the pre-determined pilot duration. As an EDX steering member said:-

Because they didn’t know exactly how to do it in the beginning; and the project leader saw and learned stuff every day and tried to build it into the solution as we went. Which meant that we had never-ending overruns and never-ending additional scope. – Steering member

As another example, a KCX global steering member commented:-

I think that is the very big learning – because the scope was just so much bigger than we could ever anticipate, I think. – Steering member

Impact of pilot selection on informational inadequacies

Significantly in the more highly adopted cases, I also found that relatively few of these incidents were pilot-location specific or pilot-organization specific (see Table 21) but were largely confined to information inadequacy related to developing the global template. For instance, in the case of ITX, the only two areas of learning during the pilot implementation was related to i) transferring specific local staff with certain job functions into the global functional organization, ii) expanding the scope of the pilot to cover additional types of IT equipment. Neither of these were particularly specific local issues. So, in other words, the global team experienced relatively few distractions in building the template from issues related to the country location or the pilot organization.

In the less highly adopted cases, some of the incidents of informational inadequacy that related to the pilot location or pilot organization created issues that impacted the replicability of the template. For instance, the ASX global team member commented:-

The fact that they have a lot of “special deals” with the customers – so things like the marketing invoice of the year mustn’t have a date on it. So yes, we came up with quite a few surprises along the way! – Global team member

While it is hard to judge as an outsider, it seems that some of these issues might have been knowable by the global team before the initiative and might have been avoided by selecting a different pilot location with fewer local eccentricities.

Impact of subsidiary involvement in theoretical template design on resolving informal inadequacies

There was anecdotal evidence that participation in the initial creation of the theoretical template created a more detailed theoretical template design with an
increased degree of richness of task-related detail for the new practice implementation. For instance, a global team member said:

_We conducted eight different sessions where we all met and thrashed out what the new processes would look like._– Global team member

This explanation would concur with participation studies which have shown that participation in decision-making may be especially helpful on complex tasks where the selected task strategy can have a powerful effect on performance (Locke & Latham, 1990). Also, widespread discussions with subsidiary managers may have enabled the global team to reach a better understanding of cause-effect ambiguity during pilot implementation.

### 5.2.5 Exercise of template control

In the more highly adopted cases the template there is evidence to suggest that the global team was exercising a high degree of control over the template. Template control is defined as the actions taken by the global team to ensure that changes were not taken to excessively adapt global sections of the template to the local environment in the pilot(s) subsidiary.

In all the cases the need for template control by the global team was certainly evident, given that in eight out of the ten cases one of the prime motivators for volunteering to act as the pilot was for the local pilot managers to attempt exercise an ability to shape the template design. For instance, as the FTX pilot manager commented:

_You know, I think that before we started along the process, I think we liked that (piloting) because when you are the first one, you can try to influence some things._– Pilot manager

The more highly adopted cases demonstrated several ways in which the global teams retained template control. First, the global team retained control by convincing the pilot managers of the need for a certain global template design that maintained higher replicability (and incidentally higher feasibility). As the OPX global team member said:

_It was, I mean, quite a struggle, I can tell you; because with one thing it took us like three months to convince them that it didn't... well, it was some small details, but small details that could affect it later on. And it took us three months to convince them which way to go. And then they accepted._– Global team member

Second, the global team clearly delineated the areas of the template that would remain global and the areas that could be localized. As the NKX global team member said:

_We have this blueprint site, which has the global content that is copied for other countries, and they can either localize the master content or add their content._– Global team member
Adoption of intended strategic initiatives in MNCs: Role of piloting

Third, one of the actions that the global team took to exercise template control was by simply refusing to make changes requested by pilot managers. As a CRX steering member explained,

_So the project leader said to them, 'I am not listening to you because this has already been decided; and I am willing to take your feedback and comments after you have used the tool for six months.'_ – Steering member

Fourth, two of the global project leaders of the highly adopted initiatives explained that the secret to maintaining the replicability of the template was to hold out on important template features that absolutely needed to be kept the same across location but to be willing to compromise on less important ones. The NKX global leader said:-

_There are some things where you can give the illusion of a bit more freedom…and there are some things where you might think ‘Oh, it doesn't matter that much', and then actually it does matter, later on, if you try to replicate that. So we try to avoid the latter._ – Global project leader

Finally, in one of the cases, OPX, the global team did not succeed completely in convincing the local pilot team of the template format during the pilot, this resulted in more local adaptation than the team felt was ideal. The OPX global project leader acknowledged that they had lost control of the global template during pilot implementation:-

_There were some of the decisions that they took during the pilot were different from our recommendations._ – Global project leader

But the global team managed to take back control at the end of the pilot and made corrections to the global template before further rollout in other subsidiaries. As the OPX global project leader said:-

_When I am looking back at the result, the quality of the solution…we really learned from our mistakes in Brazil, and we corrected before we rolled out._ – Global project leader

In the less highly adopted cases the template was much more heavily localized to the local environment at the pilot location. In these cases there is evidence to suggest that the global team lost some control over the template. For instance, in the KCX initiative the global team member said:-

_I think maybe one of the mistakes that we made from the pilot, for instance, because there was a significant overrun, I think we listened more to Germany's, let's say, local requirements; and as this is a global project, local requirements can only be, let's say, kill your scope._ – Global team member
Impact of pilot selection on need for template control

As mentioned in Section 5.1.2, the global team was also keen to avoid pilot locations that demanded many changes to the template to fit an idiosyncratic local environment. In the less highly adopted cases of ASX and FTX the data shows that this need to adapt the template to the highly idiosyncratic environments nearly overwhelmed the global team. For instance, the global project leader commented:

\[\text{Anyhow, because this part of the world has these funny practices going on, you had to have a feel for how these things sort of worked. So the specials and also the taxes that they use in Thailand are a little different from anywhere else, so we had to understand that issue. – Global project leader}\]

In the ASX pilot (in Thailand) proved to be so hard that one of the global team members severely questioned this choice of location:

\[\text{I really don’t know why they chose Thailand actually…. I am… it is hard to answer that question actually. I think there was an element of that we were making it up as we go along, to be honest. – Global team member}\]

Where multiple pilot locations were selected this allowed the global team to create different versions of templates and so there was no need to control only one version. For instance, the global project leader from PTX (one of the cases dropped for comparison purposes) explained that the intention of using two pilots was to design different template versions, one for a production company and one for a market company which were the two types of organizational set up in the company:

\[\text{We had two pilots, one in Italy and one in Spain. And one was production site and the other one was the market company; so it looked a little different on the both sites…I think first of all, having two sites, I mean that was because there was a slightly different setup in our operational units and in the marketing company – so we wanted to kind of see how this was implemented in both sites. – Global project leader}\]

This evidence shows that using multiple pilots allowed the possibility of designing different versions of the template to fit broad categories of differences between subsidiaries. So in these cases template control was exercised for each version of the template.

Using multiple pilots also had its challenges for maintaining template control. As the NKX global project leader stated:

\[\text{There is also a danger as well, because you know, you have got three pilot countries, all of them tweaking, unless you invest a lot of time for them not to tweak. – Global project leader}\]

Co-creating the pilot template with more than one subsidiary also allowed a much clearer delineation of the global and the local parts of the template. As the NKX global team member commented:
Adoption of intended strategic initiatives in MNCs: Role of piloting

Working together with the multiple pilot locations enabled us to decide which parts of the website would be common to all countries and which parts each country could create their own content for. – Global team member

Impact of subsidiary involvement in theoretical template design on template control

There was evidence that broad involvement in mapping out the initial theoretical template may have allowed the global team, in some cases, to retain tighter template control. For instance in CRX, where the theoretical development was particularly detailed, the CRX global project leader stressed that the template had been designed from the outset to be a global template with little local customization. As the global project leader said:

We don't have a local customization, which means that it will be very easy to maintain the solution, to upgrade it. – Global project leader

Impact of template control on subsidiary managers

Subsidiary managers did not comment directly about the global team controlling the template but they did comment indirectly about the results of template control. For instance, in the case of CRX, the subsidiary managers were aware that the global template was similar for everyone and saw this in a positive light. A CRX subsidiary manager commented:

We were all constrained to implement the CRM system in the same way. This way we can be compared to other subsidiaries and we can learn from them. – Subsidiary manager

I found that most of the subsidiary managers did not question the use of a common template. However, in one case where the subsidiary already had a local CRM system in operation then this was not entirely seen as a good thing. The CRX subsidiary manager from Italy commented,

Yes, it’s ok, it’s nice, it’s great but you know it doesn’t do this, it doesn’t create offers, it doesn’t create orders. There are always a hundred things to count which it doesn’t do. Apart from that it does some things which it never did before. – Subsidiary manager

This demonstrates the diversity of reactions of subsidiary managers caused by new practice introduction was also based on the existing local context and practice in use.

5.2.6 Template completed at time of rollout decision

In three out of the four cases where the initiative was more highly adopted the global project leader requested that the global steering team take the decision to rollout the template to other subsidiaries at a point in time when the new practice was already in use at the pilot location i.e. working template was established and complete (Table 22). In the fourth case, implementation in the next subsidiary was due to start in four months’ time (owing to budgetary constraints) and so the
global team had adequate time to complete the pilot before the start of the rollout. So in these four cases further major changes to the template were not required in subsidiaries where the template would be implemented next. For example, the CRX global project leader said:

*but then the application has been frozen when we have started to roll out.* – *Global project leader*

In addition, in the two of the more highly adopted case this rollout decision was heavily based on feedback from users...

**Table 22: Adoption decision in global steering committee**

<table>
<thead>
<tr>
<th>SI</th>
<th>Co</th>
<th>Degree of formality of adoption decision</th>
<th>Timing relative to pilot</th>
<th>Criteria on which adoption decision was based</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITX</td>
<td>B</td>
<td>Informal – Decision left to highly experienced and credible global project leader</td>
<td>End of pilot</td>
<td>Feedback from Finance director in pilot and positive performance feedback from users on new global service arrangements</td>
</tr>
<tr>
<td>OFX</td>
<td>B</td>
<td>Formal – Presentation to Process Management Committee</td>
<td>Before end of pilot</td>
<td>Global team meeting implementation milestones and on track for completion</td>
</tr>
<tr>
<td>CRX</td>
<td>A</td>
<td>Formal -Presentation to global steering and TMT</td>
<td>End of pilot</td>
<td>Feedback survey from users demonstrating positive trend of i) user adoption, ii) satisfaction with CRX tool and, iii) perceived benefits of using tool</td>
</tr>
<tr>
<td>NKX</td>
<td>A</td>
<td>Formal – Presentation to global steering</td>
<td>End of pilot</td>
<td>New website up and running and content complete</td>
</tr>
<tr>
<td>ASX</td>
<td>A</td>
<td>Informal – Discussion in global steering</td>
<td>Before end of pilot</td>
<td>Global team meeting implementation milestones. Demonstrated headcount reduction but not established that processes were working effectively.</td>
</tr>
<tr>
<td>KCX</td>
<td>A</td>
<td>Formal – Presentation to global steering expected</td>
<td>Scheduled for end of pilot</td>
<td>Full completion of the pilot will be required because of all the pilot implementation issues</td>
</tr>
<tr>
<td>FTX</td>
<td>B</td>
<td>Formal – Presentation to global steering</td>
<td>Middle of pilot</td>
<td>Not based on feedback from pilot (not completed). Decided on basis of legal contract with outsourcer</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<table>
<thead>
<tr>
<th>EDX</th>
<th>B</th>
<th>Formal – Presentation to global steering</th>
<th>Before end of pilot</th>
<th>Global team meeting implementation milestones. Steering committee reluctant to hold back adoption decision because behind schedule (1 yr) and over budget</th>
</tr>
</thead>
</table>

Adoption decision not taken at time of interviews as pilot not completed

In addition to creating the template, the global team in these cases also created a replicable methodology for implementing the initiative in the subsidiaries. As the ITX global project leader said:-

*It has become an industrialized process now, when we roll it out.* – Global project leader

In contrast, in the three of the four less highly adopted cases the global project leader requested the rollout decision from the global steering committee before the end of the pilot i.e. before the new working practice was operational. In the fourth case (KCX) the pilot was far from completion and so the decision to formally adopt the initiative was not taken during the time of this research investigation. In the three cases mentioned, this decision to formally adopt the initiative by the steering committee led the global team to immediately start the rollout of the initiative to the next subsidiaries, despite the pilot not being completed. For instance, as the ASX global steering member said of the situation in the pilot immediately following implementation:-

*A big bang in a small country, we effectively put them on their knees; the business is still on its knees.* – Steering member

The consequences of implementing an incomplete template in the subsidiaries that followed behind the pilot were to take unresolved template issues into these subsidiaries. As the EDX global steering member said:-

*We immediately went with our problems to the next one while trying to build in the background.* – Steering member

In other words replicating an incomplete template did not lead to immediately feasible routines in the subsidiaries following on from the pilot.

And it was acknowledged that this approach to template creation was not effective. EDX steering members commented:-

*And my belief was that the project as a whole has taken longer and has been more expensive because of the tremendous push to go fast.* – Steering member

*Otherwise the tendency is to "Well, we can fix that as the next part; and if we take a little bit of the money we have that we were going to use here, we can probably make it up again and, you know, at another point in time". And suddenly you fool yourself into the idea that the first*
Chapter 5. Findings about the piloting process

release was just the first release and everything else comes after. And you maybe compromise yourselves. – Steering member

**Impact of clearly communicated, non-economic goals on template completion**

As mentioned in Section 5.2.3, in two of the more highly adopted cases, goal setting involved clearly agreed and largely non-economic goals involving user satisfaction and user adoption. In a third case it was relatively easy for the global steering committee to check that the new practice was working because the innovation was an upgrade of the company website and so steering members checked directly. So judging the completeness of the new routines was possible because the initial goals had been clearly agreed and unambiguously set before the start of the pilots and it was possible to measure progress towards these goals.

In contrast in the less highly adopted initiatives, given the nature of the goal setting, there was evidence that it was much harder to determine whether the template was truly complete at the time of the rollout decision.

**Impact of resolving informational inadequacies on template completion**

In the less highly adopted cases there were many more cases of informational inadequacy arising from project ambiguity and complexity, leading to the project scope running out of control. In all of these cases these incidents contributed to the global team being unable to complete the template during the duration of the pilot. As mentioned above, in three of the cases the rollout decision went ahead despite the templates not being complete.

**5.2.7 Positive performance feedback from pilot managers**

Pilot managers in the more highly adopted initiatives talked about how they personally endorsed the strategic initiative through a series of formal actions such as holding conference calls about the initiative with the subsidiary managers, hosting pilot visits, visiting the subsidiaries to share their learnings, and talking openly about their experiences at internal organizational conferences. The OFX pilot manager told us:

_We shared with them the time schedules, the structures, the scope of the project, the… I mean lessons learned during the process – to make this learning go more stable in… not to repeat the same problems we had here, in other sites. – Pilot manager_

**Impact of template completion on positive performance feedback from pilot managers**

Pilot managers were sensitive to whether the initiative had been completed and whether the template was operational at their subsidiary location. In all the highly adopted cases the template was complete at the time of the rollout and the pilot managers were happy to discuss and promote the initiative with other subsidiary managers. For instance a NXX pilot manager said:-
Adoption of intended strategic initiatives in MNCs: Role of piloting

The hits on our website since we have launched it have been fantastic and the overall look and feel is much better. - Pilot manager

And then the same pilot manager also commented on how they contributed to spreading performance feedback to subsidiary managers at a conference:-

When I was at the E-Business Summit, they had a lot of questions; so when we were eating lunch and outside of the actual presentations, they had a lot of questions for us in regards to how the pilot went, you know, what we thought could have been different, or if it went well – those types of questions. So they were interested. – Pilot manager

Or a CRX pilot manager said:-

So we were able to say “OK it worked well” and we don’t have an issue. – Pilot manager

Global steering members were also very aware about the need for the pilot managers to provide positive performance feedback. For instance, one steering member said:-

Yes. If you don’t get success in your pilots and they are not… I don’t mean a positive spin from a UK political perspective or a UK newspaper perspective – but I mean if it doesn’t have… if it has got a success story that you can get people from the different countries to champion, to stand up and tell everyone else about, then you have got to say that the pilot has been a failure. – Steering member

In contrast in the less highly adopted initiatives the pilot managers were much less enthusiastic about the completion of the pilot. For instance, a FTX pilot manager commented:-

It was a major disaster going through it. Cap Gemini wasn’t ready for it. They didn’t have enough people hired to handle the volume of work that was coming their way. Let’s see, overall cost and savings – we have not seen that. In fact overall our costs are higher in the structure than before. …I wouldn’t give it high marks at all. – Pilot manager

And as a result he was sharing negative performance feedback with subsidiary managers. He went on to say:-

Everybody wanted to know how it was going…The informal networks were hopping– how is it going? – it was a cause for concern, for some people. It wasn’t going good. There were delays in the rollouts until things could stabilize somewhat. – Pilot manager

Impact of positive performance feedback on subsidiary managers

As described in Section 5.1.4 all the subsidiary managers were very curious to get formal and informal feedback from the pilot managers.

In the more highly adopted cases positive performance feedback enhanced the confidence of the subsidiary managers that the new global practice could be implemented at their location.
Chapter 5. Findings about the piloting process

For instance, a NKX subsidiary manager commented about meeting the pilot managers before implementing the initiative:

> I got to talk to them at the E-Business Summit about issues we may encounter and how they found the experience. But like I say, that was pretty much right at the beginning of the project, but not before the project actually. That was sort of at the kick-off. Yes, it was really helpful. Yes I think it really helped me because it sort of made me aware of what to expect, what hurdles I might have to cross and how they have got around things in the past, and what to expect really.

– Subsidiary manager

And a NKX steering member said:

> But also I really valued how our other frontlines who saw that "this is possible, this can be done"; and really that this looks as good as it looks.

– Steering member

In contrast, in the less highly adopted initiatives, subsidiary managers were hearing more negative performance feedback from the pilot managers. For instance, in ASX one subsidiary manager said:

> Ah, that is what I heard… I heard that firstly they had language barriers and that these people did not know how to do certain functions before they went live. And it seems like they were not adequately trained; or rather they do not understand, and now they have to retrain them after they had gone live.

– Subsidiary manager

And one of the steering team members commented about the risks of negative performance feedback:

> I think there is a risk of bad news travelling faster than good news. …We have got two countries where we have gone live: Malaysia is very recently, so it is too early to tell there yet, but the initial indicators are not great. It won't take long for the management of those companies to start to have a… although they understand that part of the issue is theirs, but also the way that we are doing this, I would be surprised if they don't start to share information amongst the management of these different companies. So we have got to be careful – be very afraid!

– Steering member

So performance feedback from pilot managers was influencing the subsidiary managers’ opinions about the feasibility of implementing the template created in the pilot at their own locations.

In the case of EDX, negative performance feedback from the pilot and the initial rollouts led the local TMT in one subsidiary (Germany) to refuse to rollout out the initiative. As one of the EDX subsidiary managers said:

> And this is what was also the major reason why we delayed the go-live in Germany; because the prerequisite was that we roll out to the
Adoption of intended strategic initiatives in MNCs: Role of piloting

Customers. And we knew that the other markets stopped to do that because the performance was too bad, we had big demands to the team that they improve the system in a way that customers can work with it. – Subsidiary manager

5.2.8 Continued senior management support for the initiative

Literature on strategy implementation, organizational change and project management stress the importance of senior management support (Armenakis & Bedeian, 1999; Klein et al., 2001; Fortune & White, 2006). I define senior management support as the TMT and global steering members actively pushing the initiative and stressing its importance.

Interestingly, from the interviews I found that the level of senior management support was changing with the level of perceived success of the pilot. For instance, in KCX which was one of the less highly adopted initiatives, one of the global team members talked about how senior management support was reducing with the number of unresolved issue in the pilot:

Certainly in the beginning of the project there was strong backing, and I think there still is at the moment. I think the only backing, let's say, it is a little bit more weak now because the pilot is running so late, I think senior management is really eager to see the successful full completion of the pilot before they provide new budget to roll out new countries. – Global team member

And in the OFX case, which was one of the more highly adopted initiatives, senior management was not providing much support to the initiative until the pilot was shown to be successful. One of the global team members made the following comment about management support:

So a lot of the decisions were driven by the project by me and Enrique. Now, after almost two years they are really involved and taking ownership and decisions; but they should really be on board from the start. But I think, again, the central organization and these initiatives from the central were a little bit lagging behind. – Global team member

Impact of template completion on senior management support

When the template was not complete then senior management were much more negative about the strategic initiative and more conscious of the unresolved issues. As an EDX steering manager said:

This is not a success, Easy Design. It was not a success Easy Design. And SAP made a lot of promises on this, and they never delivered. So the project was always on the run; it was not on time, and we were overspending money. So it was a big mess on the first year – on a pure design point of view; designing the solution was a mess. And I think we overspent, I don't know, double in some budgets. The original budget was probably, yes, 2 million and we overspent 3.5 or 4 at the end of the day. So in that respect it was a disaster. – Steering member
5.2.9 Facilitation of positive performance feedback and management support by the global team

In the more highly adopted cases the global teams were facilitating communication between senior managers, including TMT members, and the rest of the organization by using them to tell success stories. The media used by senior managers were regular organizational coordinating mechanisms such as meetings, speeches, company magazine articles etc.

In global team was also facilitating positive performance feedback from the pilot managers to the subsidiary managers (Table 23). Some examples of facilitation techniques included inviting subsidiary managers to visit the pilot, organizing testimonials from pilot managers at company conferences, and through visits from pilot managers to subsidiary organizations. These interactions also provided an opportunity for the subsidiary managers to engage in the exchange of tacit knowledge about how to implement the strategic initiative.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Table 23: Global team performance feedback facilitation tactics

<table>
<thead>
<tr>
<th></th>
<th>ITX</th>
<th>OPX</th>
<th>CRX</th>
<th>NKX</th>
<th>ASX</th>
<th>KCX</th>
<th>EDX</th>
<th>FTX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicate progress through organizational coordinating mechanisms e.g. formal email newsletters &amp; intranet</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Facilitate communication by senior managers through organizational coordinating mechanisms e.g. success stories told by TMT</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organize pilot visits or visits from pilots</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Evidence of passively preventing negative performance feedback from pilot</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicating known causes of negative performance feedback and contingency plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Evidence of actively preventing negative performance feedback from pilot</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>
In two of the less highly adopted cases the global team either did not pass on this information or tried to make the feedback from the pilot sound more positive than the perceptions of the pilot managers suggested. As the pilot manager of FTX said:

They (global team) were trying not to make it sound as difficult as we were feeling it here because they didn’t want everyone to get discouraged about it. The press sounded more favorable than things really were. – Pilot manager

And a KCX subsidiary manager said:

I have not really heard anything really. And to be honest I know that they tested part of it. But seems to have run into some problems and I am not even sure if it was stopped or still moving. – Subsidiary manager

This suggests that when the pilot feedback was negative then the global team were either trying to prevent this feedback from reaching the subsidiary managers or were trying to lessen the impact of the negative feedback.

5.3 Summary

In summary, the findings of the cases enabled the description of a generic process of template creation at the pilot location(s) including a multilevel analysis of the roles of managers from the global headquarters and from the local subsidiaries.

In a second step a comparison of the more highly and less highly adopted initiatives allowed a multilevel description of the key characteristics of this process which led to differences in adoption level. The findings showed that at the TMT level selecting credible and potentially replicable and feasible pilots with aligned interests was critical process step as well as employing clearly communicated and user-focused goals. At the global team level involving the subsidiaries in theoretical template formulation, resolving informational inadequacies, exercising template control, and completing the template before seeking the rollout decisions were critical process steps. All of these steps contributed to positive performance feedback from the pilot managers and continued senior management support for the initiative. Positive performance feedback from the pilot managers and support from senior management could then be proactively communicated by the global team to the subsidiary managers. Over the course of this process subsidiary managers experienced increasing degrees of confidence that the new global practice could be implemented within their own subsidiary.
Chapter 6. Quantitative study and findings

In Chapter 4 the findings from the qualitative research were reported and a theory was developed of the characteristics of pilots that led to higher levels of adoption of intended strategic initiatives (Figure 10, 11 & 12). Following on from this qualitative research study, the existing sample of strategic initiatives was expanded and a quantitative study was conducted with the goal of confirming this theory of piloting (see section 3.6). This chapter reports the hypotheses that were tested in this quantitative study and the findings from the data.

6.1 Piloting as a multidimensional construct

6.1.1 Theory development
One of the key findings from the qualitative study was that piloting consists of creating a replicable, credible and feasible template. First, pilot replicability creates a complete template(s) which is transferable across locations and an associated transfer methodology. Second, pilot credibility plays a role in subsidiary managers recognizing that the location of the pilot has the capabilities and sufficient business coverage that legitimizes the strategic initiative. Third, pilot feasibility demonstrates that the new global practice, in the form of routines, can be put into reliable operation and hence can be implemented more widely in the MNC. As a result of these findings I hypothesized that piloting in the positive sense, consists of a multidimensional construct consisting of replicability, credibility and feasibility (see section 4.1). In this next step of the research I tested whether piloting can be operationalized as a formative construct (Burke, Javis, MacKenzie & Podsakoff, 2003) where pilot replicability-credibility-feasibility can be used as indicators of the phenomena (Figure 16).
6.1.2 Operationalization of the piloting construct and methodology

Based on the qualitative study, the findings about the completed templates were used to develop a formative measurement instrument of piloting, in the positive sense. The links between the indicators and the construct are therefore casual. These indicators had to cover the entire domain of the construct. For further information see Appendix 3.

See Section 3.6.3 for further details of the methodology, including sample, data collection, measurement as well as steps to prevent reliability and validity issues during data collection.

6.1.3 Results

Before reporting the results it should be mentioned that the data set contained a small number of missing data points. Specifically there were ten missing data points for one of the reliability items and nine missing data points for the implementation items. Missing data was dealt with first by assessing whether the pattern of the missing data was missing completely at random (MCAR) by using Little’s MCAR test (Little, 1988). Results indicated that the pattern was not missing completely at random, $\chi^2 (54) = 74.95, p = .031$. Per Tabachnick and Fidell (2007), separate variance t-tests were conducted to determine whether missingness was significantly related to Continuance Commitment R. Given that the pattern of missingness was not MCAR, a multiple imputation (MI) procedure was conducted to fill in the missing values (since this procedure is not contingent on missing data being random; Tabachnick & Fidell, 2007). Three samples were requested and used in the confirmatory factor analysis.
Confirmatory factor analysis (CFA) was performed using AMOS statistical package. The proposed measurement model was tested with the three different samples. The path coefficients and standard errors from Piloting to Credibility, Replicability, and Feasibility were similar across samples (i.e., differed only by a few hundredths). In addition, the factor loadings and standard errors from the indicator variables to their respective factors were similar across samples. Since the values of the fit indices for the model generated using the second sample data fell between the values of the fit indices for the models generated by the first and third sample data, the second sample data set was used in subsequent procedures.

In reporting the findings, Kline's (2005: 134) recommendation was followed in reporting a minimal set of fit indexes that included: (1) the model chi-square, (2) the Steiger-Lind rootmean-square-error of approximation (RMSEA) (Steiger 1990), (3) the Bentler comparative fit index (CFI) (Bentler, 1990), and the standardized root mean square residual (SRMR).

**Proposed piloting measurement model.** The proposed higher-order, three-factor measurement model fit the data adequately \[\chi^2 (17) = 32.04, p = .015; CFI = .97; RMSEA = .09, with a 90% CI of .04 to .14; and SRMR = .05\]. The results for the three-factor model of Piloting are summarized in Table 24. Each item loaded significantly to its respective factors; except for the standardized loading of the LAP item. All other standardized loadings were above .50 (as recommended by Hair, Black, Babin, Anderson & Tatham, 2010).

The composite reliabilities for the three factors were all above the acceptable criterion of .70 (Hair, et al., 2010). Further, the average variance extracted values were also above the acceptable criterion of .50 (Hair, et al., 2010). Thus, all constructs were reliable.

**Table 24: Results for the Second-Order Three Factor Model for Piloting**

<table>
<thead>
<tr>
<th>Constructs and Indicators</th>
<th>Standardized Loading</th>
<th>t</th>
<th>Composite Reliability (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPR</td>
<td>.70</td>
<td></td>
<td>.88 (.84)</td>
</tr>
<tr>
<td>SPCK</td>
<td>.94</td>
<td>9.13***</td>
<td></td>
</tr>
<tr>
<td>SPCE</td>
<td>.89</td>
<td>8.81***</td>
<td></td>
</tr>
<tr>
<td>Reputability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAP</td>
<td>.42</td>
<td></td>
<td>.76 (.70)</td>
</tr>
<tr>
<td>SPP</td>
<td>.93</td>
<td>4.53***</td>
<td></td>
</tr>
<tr>
<td>SPC</td>
<td>.75</td>
<td>4.31***</td>
<td></td>
</tr>
<tr>
<td>Feasibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPC</td>
<td>.76</td>
<td>9.11***</td>
<td>.81 (.83)</td>
</tr>
<tr>
<td>SPB</td>
<td>.89</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As shown in Table 26, however, the discriminant validity of two factors was mediocre. Discriminant validity was assessed by comparing the absolute value of the correlations between the constructs and the square root of the AVE of a construct. When the correlations are lower than the square root of the AVE of a construct, constructs are said to have discriminant validity (Fornell & Larcker, 1981). The findings in Table 25 reveal that the Replicability factor did not have discriminant validity and the Feasibility factor barely demonstrated discriminant validity. Thus, two-factor and single-factor models of piloting were tested.

Table 25: Discriminant Validity Results for the Second-Order Three Factor Measurement Model of Piloting

<table>
<thead>
<tr>
<th>Construct</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Credibility</td>
<td>.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Replicability</td>
<td></td>
<td>.84</td>
<td>.83</td>
</tr>
<tr>
<td>3 Feasibility</td>
<td>.75</td>
<td>.89</td>
<td>.91</td>
</tr>
</tbody>
</table>

Note. The values of the square root of the average variance extracted are on the diagonal; all other entries are the correlations.

The two-factor model (i.e., Credibility and Replicability-Feasibility) fit the data adequately \([\chi^2 (19) = 41.27, p = .002; \text{CFI} = .96; \text{RMSEA} = .10, \text{with a } 90\% \text{ CI of .06 to .15}; \text{and SRMR} = .05]\). Although the factors demonstrated reliability, the discriminant validity of the Credibility construct was minimal (i.e., the square root of its AVE was .85 but its correlation with Replicability-Feasibility was .84).

The single-factor model fit the data less well \([\chi^2 (20) = 86.97, p = .001; \text{CFI} = .88; \text{RMSEA} = .17, \text{with a } 90\% \text{ CI of .14 to .21}; \text{and SRMR} = .06]\).

So while the three-factor model gave a better fit in comparison to the one or two factor model, it was found to have low discriminant validity. This means that, based on this data set, piloting could not be confirmed as consisting of three separate and distinct components i.e. lack of any single dimension of piloting runs the risk of reducing "good" piloting to zero.

This finding might be attributed to a number of different reasons. Firstly, it may be related to the specific sample data set i.e. data taken from other companies may possibly exhibit lower correlations between the latent variables. Secondly, it may be that the subconstructs were not adequately operationalized. Thirdly, and probably most likely, piloting cannot be viewed as an entirely multidimensional construct.
6.2 Impact of piloting on strategic initiative adoption

In the second step I tested the theoretical model generated that related piloting as a construct to affective commitment, continuance commitment, and implementation (Figure 17). These propositions from the qualitative analysis now become hypotheses to be tested using quantitative analysis.

Figure 17: Theoretical model for piloting intended strategic initiatives in MNCs

6.2.1 Piloting construct

After conducting the CFA on piloting and finding the low discriminant validity between the proposed components a single factor piloting model was constructed. Two items from the previously tested single factor model (i.e., RLAP and FSPC) were deleted because their standardized loadings were below .70 (i.e., the ideal standard per Hair, et al., 2010).

Using a single-factor construct also had the impact of reducing the number of latent variables which is helpful when working with a small sample size as it increases the statistical power of the results.
6.2.2 Results

**Results for the proposed measurement model**
The proposed measurement model fit the data adequately \[\chi^2 (98) = 174.08, p = .000; \text{CFI} = .91; \text{RMSEA} = .08, \text{with a 90\% CI of .06 to .10; and SRMR} = .07\]. The results for the measurement model are summarized in Table 26. All item indicators loaded significantly to their respective factors; further, all other standardized loadings were above .50 (as recommended by Hair et al., 2010). Except for the Continuance Commitment factor, the composite reliabilities of all the constructs exceeded the acceptable criterion of .70 (Hair, et al., 2010). Further, the average variance extracted (AVE) values were also above the acceptable criterion of .50 (Hair, et al., 2010).

**Table 26: Results of Measurement Model for Implementation**

<table>
<thead>
<tr>
<th>Constructs and Indicators</th>
<th>Standardized Loading</th>
<th>Z</th>
<th>Composite Reliability (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piloting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credibility SPCE</td>
<td>.86</td>
<td>--</td>
<td>.88 (SD=.44)</td>
</tr>
<tr>
<td>Credibility SPR</td>
<td>.89</td>
<td>12.56***</td>
<td></td>
</tr>
<tr>
<td>Credibility SPCK</td>
<td>.72</td>
<td>8.80***</td>
<td></td>
</tr>
<tr>
<td>Replicability SPC</td>
<td>.73</td>
<td>8.98***</td>
<td></td>
</tr>
<tr>
<td>Replicability SPP</td>
<td>.85</td>
<td>11.43***</td>
<td></td>
</tr>
<tr>
<td>Feasibility SPB</td>
<td>.75</td>
<td>9.33***</td>
<td></td>
</tr>
<tr>
<td>Continuance commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCCR</td>
<td>.75</td>
<td>--</td>
<td>.67 (SD=.63)</td>
</tr>
<tr>
<td>OCCS</td>
<td>.59</td>
<td>4.06***</td>
<td></td>
</tr>
<tr>
<td>OCCP</td>
<td>.55</td>
<td>3.96***</td>
<td></td>
</tr>
<tr>
<td>Affective commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCAB</td>
<td>.78</td>
<td>--</td>
<td>.86 (SD=.78)</td>
</tr>
<tr>
<td>OCAM (reverse-coded)</td>
<td>.84</td>
<td>8.75***</td>
<td></td>
</tr>
<tr>
<td>OCAU (reverse-coded)</td>
<td>.78</td>
<td>8.19***</td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISSUC</td>
<td>.74</td>
<td>--</td>
<td>.80 (SD=.75)</td>
</tr>
<tr>
<td>USSAT</td>
<td>.79</td>
<td>6.66***</td>
<td></td>
</tr>
<tr>
<td>ISI</td>
<td>.73</td>
<td>6.51***</td>
<td></td>
</tr>
</tbody>
</table>

*Note. AVE is average variance extracted.*
*p < .05. **p < .01. ***p < .001.*

Discriminant validity was assessed by comparing the absolute value of the correlations between the constructs and the square root of the AVE of a construct. When the correlations are lower than the square root of the AVE of a
Adoption of intended strategic initiatives in MNCs: Role of piloting

constructs are said to have discriminant validity (Fornell & Larcker, 1981). The findings in Table 27 reveal that all the constructs had discriminant validity.

Table 27: Discriminant validity results for the measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Piloting</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Continuance commitment</td>
<td>-.20</td>
<td>.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Affective commitment</td>
<td>-.06</td>
<td>.32</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>4 Implementation</td>
<td>-.40</td>
<td>.25</td>
<td>.32</td>
<td>.80</td>
</tr>
</tbody>
</table>

*Note.* The values of the square root of the average variance extracted are on the diagonal; all other entries are the correlations.

Results for the Structural Model of Implementation

The structural model depicted in Figure 14 fit the data adequately [$\chi^2$ (99) = 174.81, $p = .000$; CFI = .91; RMSEA = .08, with a 90% CI of .06 to .10; and SRMR = .07].

As shown in Table 28 and Figure 18, piloting did positively predict affective commitment ($\beta = .26$, $p = .015$) – Hypothesis 3. Further, piloting positively predicted implementation ($\beta = .29$, $p = .019$) – Hypothesis 4. In addition, piloting negatively predicted continuance commitment ($\beta = -.39$, $p = .001$) – Hypothesis 6.

Affective commitment positively predicted implementation ($\beta = .27$, $p = .021$). In contrast continuance commitment did not predict implementation ($\beta = .11$, $p = .421$).

These findings thus reveal that piloting has both a direct and indirect effect on implementation. Affective commitment is a partial mediator of the relationship between piloting and implementation – Hypothesis 5 but continuance commitment does not act as a mediator – Hypothesis 7.
### Table 28: Path coefficients between piloting, commitment, and implementation

<table>
<thead>
<tr>
<th>Path</th>
<th>( B )</th>
<th>( SE )</th>
<th>( \beta )</th>
<th>( Z )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piloting to affective commitment</td>
<td>.18</td>
<td>.08</td>
<td>.26</td>
<td>2.43</td>
</tr>
<tr>
<td>Piloting to continuance commitment</td>
<td>-.45</td>
<td>.13</td>
<td>-.39</td>
<td>-3.33</td>
</tr>
<tr>
<td>Piloting to implementation</td>
<td>.26</td>
<td>.11</td>
<td>.29</td>
<td>2.36</td>
</tr>
<tr>
<td>Affective commitment to implementation</td>
<td>.33</td>
<td>.14</td>
<td>.29</td>
<td>2.31</td>
</tr>
<tr>
<td>Continuance commitment to implementation</td>
<td>.09</td>
<td>.11</td>
<td>.11</td>
<td>.81</td>
</tr>
</tbody>
</table>

*p < .05. **p < .01. ***p < .001.*

### Figure 18: Standardized path coefficients for the implementation model

---

**Controlling for Common Method Variance**

Two ex-post procedures were conducted to test for the possibility of common methods variance among the survey variables that was inflating the correlations between constructs.

A Harman’s single factor test (Podsakoff, MacKenzie, Lee & Podsakoff, 2003) was conducted that estimated a CFA model in which all survey items for the constructs were loaded onto a common method factor. The exploratory factor
analysis procedure (using PCA) yielded five factors. The first unrotated factor explained only 31.23% of the variance.

The CFA marker technique (espoused by Williams, Edwards, & Vandenberg, 2003) was also used. This technique did not yield valid results because the first CFA (where the marker construct's coefficients were freely estimated) yielded a non-positive definite matrix. Note also, that most of the item loadings onto the marker construct were not statistically significant.

In addition, as mentioned in Chapter 3, common methods variance was also minimized through ex-ante measures taken with the questionnaire. And given the level of complexity in the theoretical model (involving mediation effects), it is unlikely that respondents would have been able to hypothesize these interactions.

6.3 Summary

A quantitative survey was conducted to test the theory emerging from the qualitative phase of the research study using data taken from an enlarged sample of strategic initiatives and subsidiary managers.

CFA of the data did not empirically substantiate the multidimensional nature of the piloting construct as consisting of replicability, credibility and feasibility. Although a 3-factor model exhibited a better fit than a two or one factor model, the 3-factor model exhibited low discriminant validity and all three factors were found to be highly correlated.

Using piloting as a single factor construct, structural equation modeling showed that piloting operates positively on affective commitment-to-change and on implementation. In contrast, piloting operates negatively on continuance commitment-to change. No relationship was found between continuance commitment-to change and implementation. The findings indicated that piloting has both a direct and indirect effect on implementation and that affective commitment to change is a partial mediator in this relationship.
Chapter 7. Discussion

The objective of this research was to examine how templates can be constructed to influence the early adoption of new organizational practices. To accomplish this research goal I chose to select a specific context; MNCs where the corporate headquarters was launching intended strategic initiatives to introduce new global practices by first employing pilots to construct templates before subsidiary by subsidiary rollout. The research was conducted using a multiple methods approach. Firstly, a qualitative multiple case study analysis was conducted based on a sample of ten strategic initiatives to build theory. Findings from the case studies were summarized by describing the characteristics of completed pilots that led to higher levels of strategic initiative adoption (Chapter 4). In addition the cases were then used to describe a generic multilevel process of template creation and the key characteristics of this process which led to differences in the adoption level of the intended strategic initiatives (Chapter 5). Secondly, the sample was enlarged and then a quantitative study was conducted to partially test the emerging theory (Chapter 6).

In this chapter I outline the significant findings from this research and discuss these findings in light of existing research studies.

7.1 Summary of significant findings

Insights from the qualitative data emerged that linked higher strategic adoption with three characteristics of the pilots. First, I found that pilot replicability creates a complete template(s) which is transferable across locations and includes an associated transfer methodology. Second, pilot credibility plays a role in subsidiary managers recognizing that the location of the pilot has the capabilities and sufficient business coverage that legitimizes the strategic initiative. Third, pilot feasibility demonstrates that the new global practice, in the form of routines, can be put into reliable operation and hence can be implemented more widely in the MNC.

In addition, the qualitative findings suggest that increasing the number of pilots magnifies the effects of these three dimensions and hence can be viewed as a moderating variable that facilitates strategic initiative adoption. In all of the cases employing multiple pilots, global teams were creating several template variants; one template variant within each pilot. The purpose of this was to increase all three dimensions of replicability-credibility-feasibility by offering templates that could be recognized by individual subsidiaries as suitable for reproduction in their own local context. However, increasing the number of pilots past a certain number also has the effect of reducing the replicability and feasibility of the template through increasing coordination challenges and loss of template control. Hence, it was hypothesized that the number of pilots has a curvilinear moderating influence on the relationship between piloting and strategic initiative adoption.

Consistent with previous researchers, adoption of a strategic initiative was treated as consisting of both affective commitment to change and implementation (Klein & Sorra, 1996; Kostova & Roth, 2002). A closer look at
Adoption of intended strategic initiatives in MNCs: Role of piloting

these two dimensions of adoption revealed that affective commitment to change, which consists of a strong belief in the value of the initiative, acts as a mediator between piloting and strategic initiative implementation i.e. when pilots are replicable-credible-feasible then affective commitment is higher and in turn implementation is higher. On the other hand, when pilots are not replicable-credible-feasible then continuance commitment to change, which consists of fears of the costs of not supporting the initiative, is higher. I hypothesized that higher continuance commitment might be associated with lower levels of implementation. To summarize my findings I constructed theoretical models which describe how piloting influences the adoption of intended strategic initiatives (Figures 10, 11 & 12).

In the quantitative part of the research I first tested whether piloting (in the positive sense) consists of a multidimensional construct comprising replicability, credibility and feasibility. While the three-factor model gave a better fit in comparison to the one or two factor model, this model was found to have low discriminant validity due to strong correlations between the latent variables. So piloting could not be confirmed as consisting of three separate and distinct components.

In a second step I used a single-factor piloting construct to test the hypothesized relationships between piloting, affective commitment, continuance commitment and implementation. The results show that piloting operates on the affective commitment to change dimension of adoption as well as on the implementation dimension of adoption. There was support that the implementation of new practices in MNCs following piloting is partially mediated by affective commitment to change. In other words replicable-credible-feasible pilots directly impact implementation and indirectly impact implementation through higher levels of affective commitment. The quantitative research also showed that piloting is strongly negatively associated with continuance commitment to change. However, no relationship was found between continuance commitment and implementation.

Data from the qualitative case analysis allowed the construction of a generic multilevel piloting process which detailed the roles of the TMT/global steering team, the global team, the local team, the local TMT, and the subsidiary managers in the rollouts directly after the pilot. A comparison of the more highly adopted with the less highly adopted cases, enabled the identification of the characteristics of the piloting process that led to higher (and lower) levels of adoption were also identified (Figures 14 & 15).

7.2 Examining alternative theories for piloting characteristics

Following the qualitative research I went back and considered if there were any other competing theories that might account for the characteristics of pilots that led to higher degrees of strategic initiative adoption. The interview guide had allowed for a wide discussion of many other potential contributing factors that warranted further attention. In addition, I considered other factors mentioned in
the literature that have been found or hypothesized to impact the stickiness of knowledge transfer.

For instance, one theory could be that the pilot organizations selected were larger in size for the more highly adopted cases than for the less highly adopted cases (Cohen & Levinthal, 1990; Gupta & Govindarajan, 2000). An examination showed that this was not the case. For instance, the lead pilot for CRX (US) was not a particularly large subsidiary in the MNC network. Also larger subsidiaries appeared among the more highly adopted initiatives as well as the less highly adopted initiatives e.g. France for NNX with Company A and US for FTX with Company B.

Another theory to consider is that if pilots are more distant from other subsidiaries then this might negatively impact the effectiveness of knowledge transfer during rollout (Galbraith, 1990). An examination showed that this was not the case. For instance, for OFX (Brazil) the pilot was situated at a significant distance to the subsidiaries in the rollout that were mostly located in Europe but this strategic initiative was included in the more highly adopted group.

Another theory worth considering is whether the more highly adopted initiatives simply had better access to resources. But a closer examination showed that for the most part, all of the initiatives had good access to resources at the start of the pilot and resources only became an issue as a result of learning surprises during implementation.

Another theory to consider might be that transfer was impacted by the nature of the strategic initiative itself. A closer examination showed that this was not the case. For instance, initiatives involving establishment of centralized service units appeared among the more highly adopted initiatives as well as the less highly adopted initiatives e.g. ITX involved setting up centralized services but so did ASX. Or initiatives involving establishment of centralized infrastructure also appeared in both groups e.g. NNX and KCX. Or initiatives involving introducing new global processes also appeared in both groups e.g. CRX and EDX.

In summary, no competing theories could be readily found to explain the data from the case studies.

That been said, some possible competing theories could not be tested using the data that was gathered from the cases. For instance, I did not collect data on the existence of personal networks between the managers at the pilot locations, the global team members, and the global steering team members. And so any theory that would seek to explain the level of adoption as being related to personal relationships could not be tested. Also, I did not collect data on the level of centrality of the subsidiaries within the MNC network or the nature of the relationship of the pilot location to the corporate center. So, not all competing theories could be excluded.

### 7.3 Piloting as the creation of replicable-credible-feasible templates

The findings of the research allowed me to define piloting of an intended strategic initiative of as “the process of creating a workable template of a new global practice in a recognized subsidiary of an MNC that can and is intended to
operate in other locations.” This definition requires some comments and discussion. The research confirmed that piloting is about creating templates for replication. A pilot meets all four criteria set out in the definition of a template (Jensen et al., 2003; Jensen & Szulanski, 2007; Winter & Szulanski, 2001). It involves an organizational practice that is in existence in the sense that the practice is operational at the pilot location at the time that transfer is initiated to other subsidiaries. The pilot is observable in the sense that others can see the physical existence of the new set of routines at the pilot location and these routines have been “put into effect”. The pilot template is composed of a connected set of interconnected processes which are in use by employees within the subsidiary and embedded in IT infrastructure. Finally the template constructed in the pilot is consciously used in the replication process by the global team as they reproduce the same routines in other subsidiaries around the world.

7.3.1 Comparison with best practice transfer

Given that piloting involves the creation of templates, it is important to show how piloting is similar to or differs from best practice transfer and replication; the other main bodies of research where templates are employed (see section 2.1).

I found that piloting differs from best practice transfer in some significant ways. Firstly, piloting consists of initially encapsulating the new global practice within a working template in the form of an embedded routine and then this template is replicated within MNC subsidiaries through sequential subsidiary-by-subsidiary adoption. The template and associated implementation methodology contains the knowledge that is needed by the organization to leverage economies of scale and scope across the MNC through the introduction of the new practice. In contrast, best practice transfer consists only of the replication of an existing routine i.e. does not speak about template creation (e.g. Nelson & Winter, 1982; Jensen et al., 2003; Jensen & Szulanski, 2007; Szulanski et al., 2004; Szulanski, 1996). In addition, in best practice transfer the template only refers to the routine itself and there is no mention of the methodology. In piloting the methodology is an essential piece of the template as this provides the information needed for replication.

Secondly, I found that the relationships between the knowledge source (i.e. the pilot) and the subsidiaries are also different from those found in best practice transfer. The data showed that subsidiaries are not judging the worth of the pilot based on the trustworthiness of the source to complete the transfer of proven knowledge to the subsidiaries or in the sense that the results of the new practice are visible, stable and measurable (Szulanski, 1996; Szulanski et al., 2004; Zander & Kogut, 1995). Rather subsidiaries are looking at the attributes of the pilot location in terms of the capabilities of the people in the functional domain of the new practice and business coverage. I have termed this the “credibility” of the source to differentiate it from the concept of trustworthiness. Credibility here refers to a perception or belief that the location selected for the pilot has the capability to create an appropriate template that will eventually yield economic benefits. I suggest that because during the early adoption phase of intended
strategic initiatives there is only limited evidence of performance benefits, the subsidiary managers gather and process data on the attributes of the pilot location instead. If managers in the subsidiaries see that the pilot(s) has been conducted in a credible location(s), they are more likely to be positively disposed to the strategic initiative.

This suggests that at least part of the adoption decision is based on status-driven processes where organizations gather and process data on the stable attributes of early adopters and will imitate large or prestigious peers to cope with environmental uncertainty (Fombrun & Shanley, 1990). This is consistent with descriptions of trait-based imitation as a factor that can provoke mimetic isomorphism (DiMaggio & Powell, 1983; Miner & Haunschild, 1995).

Thirdly, rather than creating a “proven” template in the sense that there are concrete and visible performance results (Nelson & Winter, 1982; Szulanski, 1996), my data show that piloting only has to demonstrate that the template is feasible or workable. Feasibility is not an important concept in best practice transfer because of the assumption of the pre-existence of a single template that embodies a set of routines that is deemed superior to internal alternative practice and known alternatives outside the company (Kogut & Zander, 1992; Nelson & Winter, 1982; Szulanski, 1996). In contrast, in piloting I found that there was only limited evidence of the performance benefits of the new practice at the point in time when the decision was taken to roll out the initiative to further subsidiaries. In a sense the template created in the pilot could be termed to be “immature” in the sense that it was only in existence for a very limited amount of time before replication took place and was not fully institutionalized. Using the terminology of Szulanski (2000) the template had only really reached a state of satisfactory performance where the pilot location could start to use the knowledge. It had not yet reached a point of complete integration where the knowledge was entirely routinized.

It is also interesting to compare these findings to social learning theories (e.g. Bandura, 1986; Rogers, 2003) and observational learning theories (e.g. Greve, 1995). Social learning suggests that organizations can do more than just observe the responses of network peers, they can also vicariously evaluate the outcomes peers have obtained and benefit from the lessons they have learned. On-going relationships provide channels for sharing useful information and a heightened motivation for doing so (Kraatz, 1998). As describer in Chapter 2, this view of learning through the diffusion of information through networks is regarded as a central tenet of knowledge transfer theory (e.g. Hansen, 1999; Szulanski, 2000; Tsai, 2002). It is also consistent with outcome-based imitation modes described in institutional theory where mimetic isomorphism takes place in response to imitation of practices that have previously produced positive outcomes for others (Miner & Haunschild, 1995).

In the observational learning perspective information is not exchanged directly between adopters or the sources of information are diffuse (Greve, 1995). In these models, contact between organizations is unnecessary for imitation to occur and decisions to adopt depend more on organizations considering and emulating firms in a similar strategic group (Greve, 1998). Organizations seek to learn from the experiences of salient others by imitating their visible actions
Adoption of intended strategic initiatives in MNCs: Role of piloting

(Levitt & March, 1988; March, 1991). Imitation can result from the bandwagon effect where with a growing number of adopters, adoption is indiscriminate and based on fear of lost legitimacy (Abrahamson & Rosentopf, 1993; Tolbert & Zucker, 1983). In institutional theory this is equivalent to status-based imitation (DiMaggio & Powell, 1983; Miner & Haunschild, 1995).

The above findings suggest that in piloting although trait-based imitation and observational learning is important there is also a dimension of social learning taking place. Subsidiary managers can form an opinion on the performance of the new practice, even if this is only based on feasibility rather than economic performance, allowing for a mild form of outcome-based imitation. Additionally, in social learning, organizations tend to learn most from prior adopting organizations that are similar (Kraatz, 1998)\textsuperscript{21}. This was also a clear theme in the cases where subsidiary managers were carefully evaluating the likeness of their subsidiary to other subsidiaries in terms of elements such as organizational structure, IT systems, and business coverage. So piloting also partially has a dimension of social learning and outcome-based imitation leading to mimetic isomorphism (Miner & Haunschild, 1995).

Fourthly, I found a difference in the roles of key actors in piloting in comparison to best practice transfer. In best practice transfer the source is expected to play a major role through providing resources and engaging in social ties through which tacit and explicit knowledge migrate (Szulanski, 1996; 2000). Examples of activities include planning the transfer, documenting the practice for transfer, implementing systems for transfer, training the personnel, helping with troubleshooting and unexpected problems and lending skilled personnel (Szulanski, 1996; Szulanski et al., 2004). This is one of the reasons for which source motivation is an important factor in reducing the stickiness of knowledge transfer.

In contrast in piloting, the managers in the pilot played a much smaller role in transmitting the knowledge contained in the template to the subsidiaries during replication because of the existence of the global team. In piloting I found that the global team play a very significant role in knowledge transfer. This included many of the items mentioned above such as codifying the new processes and practices from the pilot, being on site to help with the implementation in the subsidiary (which is the equivalent of providing trained personnel), providing assistance to answer questions, and troubleshooting emerging issues. The global team, as mentioned above, also put together a complete implementation methodology. This included elements such training methodologies and communication plans and materials to engage stakeholders. Although pilot managers were regularly contacted through informal networks to find out how the initiative was going and also for unofficial advice, the majority of formal piloting knowledge transfer took place through the global team.

Finally, although not empirically proved in this study, it appears that the process of piloting and rollout across subsidiaries is a faster process than best practice

\textsuperscript{21} Psychological research shows that similarity between actors and models they observe plays an important role in determining whether observed behaviour will be adopted, even if a new practice has not yet amply demonstrated results (Bandura, 1986; Rogers, 2003).
establishment and transfer. In piloting, senior managers did not wait for proof of economic performance in the pilots or for complete institutionalization or routinization of the practice but immediately started rollout to other subsidiaries. This suggests an element of implementation speed. The adoption speed of strategic initiatives is important because fast strategic decisions improve performance (Baum & Wally, 2003), particularly under high velocity environments (Bourgeois & Eisenhardt, 1988; Eisenhardt, 1989b; Judge & Miller, 1991). However, speed in piloting and rollout can have a downside for the organization if economic performance does not materialize following adoption.

In summary, piloting and initiative rollout can be seen to be distinct from best practice transfer in terms of the nature of the template, the role of the source, and the speed of transfer. Strategic initiative adoption following piloting exhibits dimensions of both status-driven and outcome-driven imitation.

7.3.2 Comparison with replication

As outlined in the literature review (section 2.2) replication differs from knowledge transfer by being much broader in scope i.e. usually applied to whole business model reproduction and with strong attention paid to accumulating dynamic capabilities at the corporate center with each replication (Nelson & Szulanski, 2000; Winter & Szulanski, 2001). A comparison of replication and piloting revealed more similarities than with best practice transfer. Firstly, an important term in replication is “arrow core”. The arrow core contains everything that is needed for replication including the knowledge of how replication can be achieved (Winter & Szulanksi, 2001). In piloting the methodology for reproducing the set of routines also forms part of the template.

Secondly, in replication dynamic capabilities are created at the corporate center. In an analogous way in piloting, the capabilities required to implement a specific intended strategic initiative are built up in the global team based at the corporate center and so are also accumulated in the headquarters.

Thirdly, it has been mentioned in Chapter 2 that replication involves an exploratory phase where the business model for a franchise is created followed by an exploitation phase when the business model becomes increasingly clarified and stabilized (Baden-Fuller & Winter, 2007; Winter & Szulanksi, 2001). Piloting proceeding strategic initiative implementation is similar with the piloting phase as the exploratory phase and the rollout phase as the exploitatory phase.

A major difference between replication and piloting is that the scope of the arrow core versus the pilot template is different. In piloting the scope of the template is much smaller than that of the arrow core and consists of only certain routines taken from the overall business model. The template in piloting can be viewed more as a “partial arrow-core”.

Another difference is the time duration and the level of proof of concept attained before replication. In replication the initial base business model(s) for a franchise operation is usually built up over several years and demonstrates a robust economic model. Indeed this is what is used to attract franchise partners e.g. MacDonalds, Subway, UPS, Dunkin’ Donuts etc. By contrast in piloting the template or partial arrow core is quickly rolled out to other MNC subsidiaries before there is ample proof of the economic benefits of the new practice.
In summary, although piloting is theoretically closer to replication than best practice transfer, it is still theoretically distinct.

7.3.3 Piloting as a way to reduce future potential stickiness

Looked at through the lens of knowledge transfer theory it can be seen that piloting operates by reducing the stickiness of knowledge transfer (Szulanski, 1996; Teece, 1977; von Hippel, 1994). The important point here is that piloting operates by reducing the future potential stickiness of knowledge transfer. Setting up a replicable-credible-feasible pilot can be seen as a way to preempt issues related to stickiness during the subsequent knowledge transfer to the other subsidiaries.

Firstly, piloting reduces the potential of future stickiness by increasing the recipient's (in this case the subsidiaries) motivation or affective commitment for engaging in the adoption of the new practice. Affective commitment is induced in subsidiaries by creating a replicable-credible-feasible pilot before implementation starts. This finding is the first empirical evidence of the use of templates as persuaders as well as referents (Jensen & Szulanski, 2007).

Secondly, piloting may also reduce casual ambiguity or the difficulty of template replication. Evidence from knowledge transfer theory suggests that copy-exact transfer methodologies followed by later local adaptation are more efficient than presumptive adaptation of the template to meet local needs (Jensen & Szulanski, 2004; Szulanski & Jensen, 2006). An explanation given for the negative impact of presumptive adaptation is that transferring a template to new environment is sticky because of the ambiguity of fit to the new environment. Even local, experienced managers are likely to incorrectly understand the relevant characteristics of the local environment and hence adaptation efforts will be misdirected, thereby increasing the stickiness rather than decreasing it (Jensen & Szulanski, 2004). This is of course, does not preclude that local adaptation can safely take place once the template has been copied across (Jensen & Szulanski, 2004). This implies that best practice transfer templates always contain an element of local adaptation that has been established over time to fit the routines to the idiosyncrasies of the local environment of the source. In this case I argue if the transfer of the template takes place relatively rapidly after global template construction and initial implementation, then there is less chance that the practice has been over-localized to completely fit the local pilot environment. Hence copying the template will be more straightforward when it takes place relatively rapidly after the establishment of the working practice. This proposition obviously needs to be tested.

Finally, from the interviews it could be seen that that the global team actively sought out pilot locations where management volunteered to be the pilot. This reduces the stickiness of transfer by pre-selecting a more highly motivated source that is more likely to “talk up” the initiative if the pilot proves to be feasible and to provide assistance to the global team and other subsidiaries during the transfer process.

In addition there were three interesting findings about the link between pilot templates and stickiness that have received less attention in the literature:-
Multiple templates
The findings showed that the number of pilots is a curvilinear moderator between piloting and strategic initiative adoption. Multiple templates, in the sense that there are several template variants, may also have the potential to reduce stickiness. The argument relates to the finding that stickiness increases with the difference between the recipient’s existing routines and the source routine (Jensen, et al., 2003). In this research I found that when global initiative leaders were selecting different pilot locations, they were at least partly selecting them based on the important differences between the subsidiaries in terms of implementation approaches e.g. different IT systems, different organizational structures leading to differences in roles and responsibilities etc. I suggest that creating several variants increases the chances that at least one of the templates will be closer to a subsidiary’s existing routines and hence will reduce causal ambiguity during transfer. Reduced causal ambiguity should be associated with reduced stickiness (Galbraith, 1990; Hansen, 1999; 2002; Szulanski, 1996; 2000).

Another argument that multiple templates reduce stickiness comes from social learning theory where it has been shown that organizations tend to learn most from organizations that are similar (Kraatz, 1998). Multiple templates offer the other subsidiaries a higher chance of similarity to their own subsidiary and hence boosts more widespread affective commitment to change.

Hybrid templates
One of the more interesting cases was NKX which contained clear global elements of the template that all subsidiaries were expected to adopt and clear local areas of the template where the subsidiaries were allowed to locally adapt from the beginning. I term this type of template as a “hybrid template” owing to the distinct global and local elements.

Researchers have already recognized that hybridization occurs when practices are implemented in a subsidiary through international transfer (Boyer, Charron, Jürgens & Tolliday, 1998). Hybridization refers to the way in which firms attempt to make practices drawn from one social and economic space compatible with the constraints and opportunities of the host environment. This requires significant reshaping or recontextualization of parts of practices to fit the different national, legal or institutional systems, political contexts, labour markets and infrastructures. It has been found empirically that parts of routines related to social processes have a higher chance of being re-contextualized during knowledge transfer (Brannen et al., 1999). Williams (2007) has shown that companies can look for replication and adaptation at the same time, replicating the more discrete pieces of knowledge and adapting when subsidiaries possess a greater understanding of their knowledge, and that both choices lead to higher performance.

The finding in this research introduces the possibility that hybrid templates with clear global-local delineations may also help to reduce stickiness during transfer and potentially increase the performance of the new practice. I propose that this is possible by making it clear to managers in the receiving organizations which elements can be adapted presumptively and recontextualized without risk of
increasing stickiness and which parts of the routines should be left unchanged and replicated globally. This idea is worthy of further research.

Template size

It is interesting to speculate on the ideal size of a template(s) that is created with the intention of replication. By template size I refer to the business coverage of the template(s) in terms of number business units or product and service line offerings or functional complexity or geographical spread (see section 4.1.2). Previous research has suggested a link exists between template size and stickiness during knowledge transfer (Jensen et al., 2003), implying that larger templates incur more stickiness. The findings in this research hint that there are important trade-offs to be made in template size during piloting. On one hand the findings here indicate that a template needs to be of a sufficient size to have credibility with the subsidiary managers but on the other hand it still has to be feasible for implementation (see section 5.2).

It was not clear from this research where and how this trade-off was made or how it impacts adoption. In one case (KCX) the template was required to have the maximum possible size because this was what determined the specifications of the IT system required to handle the new routines. This suggests that strategic initiatives that require larger templates may be intrinsically harder to pilot. This is another topic that is worthy of further investigation.

7.4 Piloting as a multilevel global-local self-reinforcing process

The comparison of the piloting process between the more highly adopted and less highly adopted initiatives uncovered some interesting findings (Figure 10 & 11).

At the start of the process, no matter the eventual level of early adoption of the new global practices, the local TMT from pilots possessed aligned interests to implement the initiative (at least locally) with the corporate headquarters. Aligned interests did not mean that the global headquarters and the local subsidiaries had the same motives. Pilot goals at the local level were essentially self-interested rather than altruistic; i) designing a more effective template for their own local context, ii) preventing another less capable subsidiary design the template and then being forced to accept that template, iii) realizing performance benefits earlier, iv) raising personal and subsidiary visibility with the corporate headquarters. Headquarter goals were focused the performance of all subsidiaries and the transparency of that performance; i) improving the performance of specific organizational practices in all subsidiaries, ii) gaining performance transparency through benchmarking, iii) realizing economies of scale and scope across subsidiaries. This finding is consistent with the view that the relationship between headquarters and a subsidiary is a mixed-motive dyad in which the two parties have somewhat different objectives (Ambos et al., 2010; Ghosal & Nohria, 1989). It however also shows that while the headquarters and the pilot subsidiary may not be aligned in terms of underlying motives, in certain cases they may be able to find sufficient alignment of interests to test a new practice.
After this starting point, the process for the more highly and less highly adopted initiatives diverged. The location of the pilot selected, in the cases, had arguably the single greatest impact on the level of early adoption. Selecting an appropriate location impacted early adoption by i) directly influencing the subsidiary managers through the location’s credibility but also by, ii) influencing the level of engagement of subsidiary location in template creation, by, iii) influencing the ease at which the global team could resolve local template-related information inadequacies, and iv) the ease by which the global team could control the emerging global template. All of these factors contributed in turn to whether or not the template was completed within the duration of the pilot and hence whether or not the pilot managers were prepared to endorse the initiative with the subsidiary managers.

The goal setting process for the pilot also had a major impact on the ability of the global-local team to complete the pilot and on the TMT perception of the performance of the pilot at the time of the decision to rollout the initiative to other subsidiaries. In these cases, the investigated organizations had limited history of prior experiences with the new practice and no global experience. Additionally, in the majority of these cases, there was limited experience within the same industry. The only tentative goals that were available were from other industries or in the form of advice given by technology providers and consultants. So instead, self-defined goals were used based on user performance feedback. The outcome of the pilot was judged as positive when the initial results matched or exceeded these goals.

The use of self-defined aspiration levels is contrary to prevailing theories in the organizational learning literature. Researchers suggest that when organizations initiate change, risk taking is oriented towards goals (Staw et al., 1981; Millikan & Lant, 1991). Goals are set as aspiration levels for performance (March 1988; March & Shapira, 1992) that are determined in one of two ways; i) with reference to social aspiration levels i.e. in comparison with recent performance of other organizations in the market (Festinger, 1954; Cyert & March, 1963); ii) with reference to historical aspiration levels i.e. in comparison to the organization’s own performance history (Cyert & March, 1963; Levinthal & March, 1981).

This suggests that in the context of piloting and the creation of templates of new practices, performance relative to social or historical aspiration levels are not always the primary determinants of adoption. This finding provides empirical support for the suggestion of Greve (1998), that social and historical aspiration levels are not the only goals but that upward-striving goals can also be activated, leading to higher risk taking, even for organizations that are doing better than their peers (Greve, 1998: p82).

The role of the pilot in developing continued management support for the initiative is also interesting. Literature on strategy implementation, organizational change and project management (e.g. Klein et al., 2001; Armenakis & Bedeian, 1999; Tan, 1996) has all stressed the importance of management support. Management support is defined as the TMT and senior managements of the organization actively pushing the initiative and stressing its importance. Much of this support comes through high-level, multi-channel communications (Schweiger & DeNisi, 1991). However, the cases showed that at the beginning
Adoption of intended strategic initiatives in MNCs: Role of piloting

of the pilots, all of these strategic initiatives were approved and supported by top management at the highest level as a prerequisite for starting the pilots. However, the findings show that in the cases where the pilots started to encounter problems then senior management distanced themselves from these initiatives and were not proactively supporting them (e.g. FTX, EDX, ASX, KCX). And in other cases which started with limited proactive support, as the initiative started to gain some positive momentum, senior management began to take more of a proactive interest (e.g. OFX). The cases suggest that while management support is an input to the piloting processes, continued management support is also an output of the global-local teams creating feasible pilots. This finding is consistent with theories of retrospective sense-making which hold that meaning is imposed after the fact and only after elapsed action are available for review (Weik, 1979).

So within the multilevel piloting process, the global steering team/ TMT take the key piloting decisions which consist of formalizing the pilot location decision and setting the goal aspiration. These decisions had the power to set up a virtuous circle across multiple levels and boundaries within the piloting process. If an appropriate pilot was selected and clear, user-focused goals were set then the global-local team could complete a replicable-credible-feasible pilot and early adoption was higher. If an inappropriate pilot was selected with no goals (apart from time and budget) or highly specific goals then this led to a negative spiral, resulting in an incomplete, overly locally adapted pilot where unresolved issues were subsequently rolled out to other subsidiaries.

The global team can influence these decisions but once taken, the tone of the initiative is already set and their role is now project completion within the pre-assigned duration, while at the same time maintaining the affective commitment of pilot managers and users. During implementation the global team and the local team have the dilemma of cooperating to complete the pilot and at the same time finding a compromise for the degree of localization of the template. Subsidiary managers are essentially onlookers who are forming opinions as the pilot unfolds.

7.5 Pilots as template persuaders

At the end of the template creation process, the cases showed that pilot managers were willing to actively endorse the strategic initiative. At this point we see that end of the piloting process converges with the start of the best practice transfer process (except that in piloting the template was not yet a completely embedded routine). Examples of similar activities that were found in the piloting cases and which are also cited in best practice transfer literature, include holding conferences to share learning, conducting visits to observe the template, development of implementation recommendations (e.g. Darr, Argote, & Epple, 1995, O’Dell & Grayson 1998). In both piloting and best practice transfer managers are using these activities to increase the motivation to initiate the transfer of knowledge.

By researching how pilots are used to create templates we can see how at the start of an initiative a template can be skillfully and deliberately created to engender affective commitment in subsidiary managers and to increase this
motivation. Meyer et al., (2007) found that affective commitment led to behavioral support for change initiatives such as a willingness to embrace the change, willingness to sell it to others, and going above and beyond what is formally required to ensure the success of the change. The finding that affective commitment mediates the link between piloting and early implementation, further supports the theory that pilots, as templates, act as a persuasion mechanism for knowledge transfer.

If the pilots are not replicable-credible-feasible then, as expected, this creates lower affective commitment and hence lowers implementation. At the same time continuance commitment is engaged. Continuance commitment is strongly linked to restricting actions to what is absolutely required for there to be no personal costs associated with implementing the initiative (Herscovitch & Meyer, 2002; Meyer et al., 2007). This is consistent with minimal implementation but implementation nevertheless.

Interestingly there was no link found between continuance commitment and implementation. This suggests that even when continuance commitment is engaged then implementation is still taking place, even though the managers are may not be personally committed or believe in the value of the initiative. One reason for this finding could be that the subsidiary managers felt personally threatened if they did not implement, e.g. job loss, demotion, reduced bonuses, and so implementation took place anyway in these initiatives. It is interesting to note that I was not allowed to include the strategic initiatives with the lowest levels of adoption (i.e. FTX and EDX), where acts of defiance were found, because of the strong feelings of dissatisfaction of the subsidiary managers. Perhaps if these cases had been included then the findings might have been different.

One theory that could be explored further is that managers may have a certain tolerance limit for being asked to implement initiatives that they may not be entirely committed to. This level of tolerance might be influenced by additional factors such as the level of resource dependency of the subsidiary (Bartlett & Ghoshal, 1989, 1998; Kostova, 1999; Martinez & Ricks, 1989; Pfeffer & Salancik, 1978; Prahalad & Doz, 1981), the level of potential business disruption caused by the initiative, the power of the subsidiary in the MNC network (Andersson & Forsgren, 1996; Mudambi, 1999) or the ability to form coalitions with other like-minded subsidiaries. Once this tolerance limit is breached it could be envisaged that all forms of commitment evaporate and subsidiary managers would organize themselves to engage in acts of defiance.

Another theory could be that for some of the initiatives subsidiary managers were experiencing high levels of affective commitment and higher levels of continuance commitment simultaneously. In other words, they were enthusiastic to implement and champion but at the same time were aware that the corporate headquarters would not tolerate acts of defiance. However, if this was the case then this would tend to refute previous findings that have shown that affective commitment and continuance commitment are negatively correlated (Meyer et al., 2007).

Data was not collected on the degree of implementation at a later date and so it is unknown whether these new practice persisted more or less over time when
continuance commitment was high. It could be an interesting future research topic to investigate this link in cases where the pilot was regarded as an abject failure.

In summary, this research is one of the first empirical studies which demonstrates the hypothesis that templates have the power to acts as persuaders (Jensen & Szulanski, 2009).

7.6 **Piloting as a dynamic capability to increase firm absorptive capacity**

Dynamic capabilities help a firm to systematically and reliably adapt lower level routines and existing capabilities to dynamic environments (Teece et al., 1997; Zollo & Winter, 2002). Business model replication is viewed a dynamic capability (Eisenhardt & Martin, 2000). In replication the central organization houses the dynamic capabilities required to mobilize and transfer the Arrow core across new location and units (Winter & Szulanski, 2001). These dynamic capabilities are improved through learning each time there is a replication, which leads to improvements in terms of fit with local environments, and in the efficiency and reliability of the replication process.

I would argue that piloting of new organizational practices combined with replication is also a dynamic capability that operates at two distinct levels. At the first level, piloting builds the capabilities to implement a specific initiative. Firms tend to develop capabilities as directed by their firm strategy and by its strategic choices. In the case of these two firms global cost efficiency was a clear strategic priority as well as the sharing of superior processes for gaining and retaining customers. The piloting process enabled these two companies to pursue these strategic priorities on a repeatable basis, one intended strategic initiative at a time. For each strategic initiative the global teams were progressively building their learning on how to improve the template(s) and how to implement the initiative more effectively in the following rollouts.

In addition, at a second higher level, the interviews showed that the corporate headquarters and the pilot subsidiaries were learning piloting capabilities and were building these piloting capabilities over time. Corporate headquarters was developing a cadre of global projects leaders with piloting and replication competencies that could be assigned to new strategic initiatives. Steering members /TMT were developing their competencies in championing and sponsoring initiatives. At the same time, the subsidiaries were developing their piloting capability and creating a track record that would lead to further piloting requests.

It can be seen that the capability of piloting provides firms with the opportunity to break existing routines and to rebuild these routines or introduce new routines on a regular basis. It allows organizations to adjust in response to a dynamic environment. Unlearning routines allows organizations to avoid core rigidities which lead to an inevitable progressive loss of competitive advantage over time (Leonard-Barton, 1995). New routines only persist to the extent that the strategic initiatives are viewed as contributing to firm performance over time. As the
piloting and replication capability grows then this can assist a firm to change its capabilities at a greater speed (Collis, 1994).

I would argue that the capability to pilot and replicate is a way to increase the absorptive capacity of a firm where absorptive capacity is defined as “the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends (Cohen & Levinthal, 1990; p 128).” Firms with high absorptive capacity demonstrate stronger ability to bring in and exploit knowledge (Zahra & George, 2002). However, as Eisenhardt and Martin (2000) pointed out, the only way dynamic capabilities can become a source of competitive advantage is if they are applied “sooner, more astutely, and more fortuitously” than competition to create resource configurations. So only if a firm can learn to pilot and then replicate superior processes, quicker and more efficiently than their competitors, can piloting become a source of competitive advantage.

The multilevel cross-boundary analysis used in this research showed that piloting, as a dynamic capability composed of a set of routines is not located in one place but is dispersed throughout the MNC. It is partially located at the decision-making level of steering team /TMT who decide which initiatives to pilot, which pilots to select, and which goal to set and use for template evaluation. It is partially located in the competencies of the global teams who work with the local teams and to build a high enough learning speed to overcome the causal ambiguity inherent in each initiative. It is partially located in the capabilities of the pilot subsidiaries and their willingness to volunteer.

### 7.7 Pilots as frames for institutional change

Looking through the lens of institutional change, piloting can be viewed as an important legitimizing mechanism for the new global practice (Figure 19).

As outlined in the literature review (see section 2.2), subsidiaries are exposed to institutional pressures from the local institutional field as well as from the intraorganizational field, which is contained within the boundaries of the MNC (Rosenzweig & Singh, 1991; Westney, 1993). As a result subsidiary managers are expected to act on behalf of both the corporate center and the subsidiary (Bartlett & Ghosal, 1998). In contrast, the TMT located at the corporate center are much less compromised by these competing institutional pressures. TMT members occupy a role that spans all national environments and so I argue that these actors are less embedded in any one national environment than subsidiary managers and are more embedded in the intraorganizational MNC field. TMT members are also more exposed to the metaorganizational field containing all MNCs through exposure to benchmarking studies conducted by consultants.

**Endogeneous trigger for change at the corporate center**

Unlike many other accounts of institutional change, the piloting of new global practices does not rely on an external jolt to start an institutional crisis that precipitates the emergence of change agents (Barley & Tolbert, 1997; Benson, 1977; DiMaggio, 1988; Meyer et al., 1990; Fliqstein, 1997; Greenwood & Suddaby, 2006; Seo & Creed, 2002). It was found in these cases that the trigger
Adoption of intended strategic initiatives in MNCs: Role of piloting

for change was primarily endogenous (Kraatz & Zajav, 1996; Oliver, 1991; Roberts & Greenwood, 1997; Seo & Creed, 2002) and was initiated at the TMT level. I argue that opportunities for improving global economies of scale and scope through global process standardization and through the centralization of resources are more visible to members of the corporate TMT than to subsidiary managers. The trigger stemmed from the recognition by the corporate TMT that the organization was falling behind in efficiency and effectiveness in these practices relative to MNC’s in the metainstitutional field (Kostova et al., 2008). For instance, in several of the cases (e.g. CRX, PTX, ITX, FTX) the company had benchmarked the existing processes against a large number of other MNCs rather than purely against global competitors.
Chapter 7. Discussion

Figure 19: Institutional change model for the piloting of intended strategic initiatives in an MNC

**Corporate centre**
- More embedded in intra-organizational field
- Exposed to MNC organizational field

**Local subsidiaries**
- More embedded in local institutional fields
- Partially embedded in intra-organizational field

**Institutional contradictions**

- TMT recognizes opportunities for introducing new global practice
- Subsidiary managers using old, locally embedded ways of working

- Global team appointed as change agents
- Pilot location selected with aligned interest selected to introduce new global practice
- New global practice legitimized by subsidiary managers through performance feedback

- Global-local team create replicable-credible-feasible pilot that acts as a frame for institutional change
- Strategic initiatives adopted in subsidiaries following pilot

- Corporate centre
- Local subsidiaries
Adoption of intended strategic initiatives in MNCs: Role of piloting

Overcoming the paradox of embedded agency

The attractiveness of the intraorganizational opportunities identified by the TMT was not necessarily shared by managers in all the subsidiaries. Although I did not measure affective commitment to change both before and after implementation, there was plenty of evidence from the interviews that many of subsidiary managers did not exactly embrace these initiatives with open arms. There were many reasons cited for this. For instance, in some cases subsidiaries had their own local routines that already met their local needs and these were heavily locally adapted. As an example, in the CRX initiative France already had its own local CRM system. This is consistent with predictions from institutional theory that patterns of work can become established and taken-for-granted to an extent that people become resistant to change (Zucker, 1987). In a similar way in other cases, subsidiary managers talked about the impending cost and disruption of adopting the initiative e.g. in ASX the subsidiary manager from Hong Kong was not looking forward to migrating the local processes into the shared service center based in Malaysia, and was not convinced of the cost savings. Faced with the duality of the institutional environment the roles that subsidiary managers choose to play also depend of the level of identification that an individual has with the MNC. Managers with low levels of identification with the MNC and high levels of identification with the subsidiary are more likely to be assertive about the needs of the subsidiary in the face of corporate pressures (Vora & Kostova, 2007).

Faced with contradictions and misaligned interests between the national and intraorganizational fields, the corporate center faces a dilemma. How can the TMT engage the subsidiaries in implementing the initiative without using coercive forces that risks active agency which could compromise initiative adoption? From the cases we see that the first step the TMT takes is to appoint the global team to act as agents on their behalf. I argue that this global team becomes the global change agents that emerge because of the potential inter-institutional incompatibilities between the local institutional arrangements and the global institutional arrangements. It is up to the global team, through the act of piloting, to drive the organization towards a reflective shift in consciousness that results in the collective implementation of the strategic initiative (Seo & Creed, 2002).

The global team recommends credible pilot locations with aligned interests to implement the strategic initiative. Once the pilot is formally named then the global team leverages the subsidiary’s interest in going first \(^{22}\) and forms a coalition with the local TMT and the local pilot managers.

What we see in this institutional change process is that the actors that emerge as change agents are not more or less embedded in the prevailing organizational field, as in previous studies of institutional change (e.g. Baum & Dutton, 1996; Greenwood & Suddaby, 2006; Lee et al., 2001; Powell, 1996; Reay et al, 2006). Instead the change agents (the global team) can emerge as a

---

\(^{22}\) This can also be interpreted as a form of active agency where actors (or entities) may respond to institutional pressures by attempting to co-opt, influence or control the environment (Oliver, 1991: p157).
force for institutional change because they are embedded in an alternative competing institutional field i.e. the intraorganizational field of the MNC. This MNC field is influenced by and responds to different mimetic pressures than the local institutional fields, in which the subsidiary managers are more embedded. This difference in organizational field embeddedness allows the global team to create alternative frames to influence and engage the subsidiary managers. Subsidiary managers then can reframe to the possibility of becoming more embedded in the intraorganizational field through changing to the new global practices.

In the same way as for embeddedness, field centrality or periphery has no meaning in this case of multiple competing institutional fields (e.g. Leblecic et al., 1991; Greenwood & Suddaby, 2006; Thornton, 1995). The important point is not the embeddedness within any one organizational field but rather the embeddedness in different fields. It is this difference in embeddedness in the different fields that overcomes the paradox of embedded agency.

**Search for new possibilities and mobilizing actors**

The global team then works with the local pilot team to implement the pilot. If the global team selects a credible pilot location, if the global and local teams together manage to produce a global template that is recognized as replicable, and if the pilot is declared to be feasible then this pilot has the power to influence other subsidiary managers. If the global team is successful in its mission, then the local pilot managers are also transformed to become change agents and are willing to advocate and enact the new social arrangements. One engaged, the local pilot managers are more effective and powerful change agents than the global team because of their credibility with other subsidiary managers.

I suggest that the pilot in this situation acts as a form of “resonant frame” (Seo & Creed, 2001; Snow & Benford, 1992). Institutional theory argues that in settings with high degrees of uncertainty, actors use frames or models to reduce complexity and allow for cognitive simplifications that enable actors to take action (Seo & Creed, 2002). Frames are interpretative schemata that locate, perceive, identify and label social phenomenon (Goffman, 1974) and guide action. I argue that attempting to introduce new global practices into the complex contextual setting of an MNC with multiple, conflicting institutional pressures (Kostova & Roth, 2002; Kostova & Zaheer, 1999; Rosenzweig & Singh, 1991) is a setting with a high degree of uncertainty where there is no guarantee that the new practice can be globally operationalized. Hence the use of frames is important to mobilize subsidiary managers. I suggest that piloting is an example of creating such a frame.

As frames, pilots can therefore be seen as simplification processes in uncertain situations that allow individuals to make sense of an initiative by providing an alternative frame (Reger & Huff, 1993; Schwenk, 1984). Looking at the case studies I found that pilots offer three sources of simplification: (1) positive performance feedback from the pilot location, (2) a completed template of how it could work, and (3) through the communication and labeling adopted by others. Simplification can be inferred from the feedback of the pilot location itself – therefore credibility of location is part of the frame used to make an adoption
Adoption of intended strategic initiatives in MNCs: Role of piloting

decision. Subsidiary managers infer the likely outcome of the strategic initiative at least partially based on the pilot's location. Simplification can also be inferred from the ability to see how it could work in my location – therefore having a working template and a methodology in place that allows others to replicate the practice leads to a frame that positively induces the adoption decision. Subsidiary managers infer this from discussions with pilot managers and the global team. Simplification is further derived from feedback from key actors about the practice; the greater the collective agreement on the positive labeling of the results of the pilot, the higher the likelihood of adoption. Subsidiary managers infer the feasibility of the practice from pilot managers, the global team, and the steering committee. Multiple pilots provide multiple frames for simplification purposes. Hybrid frames provide clear expectations of the parts of the template that can be locally recontextualized.

*Mimetic and coercive change adoption trajectories*

The findings from the cases showed that when piloting creates a replicable-credible-feasible outcome the subsidiaries managers pass through stronger affective commitment and before, during, and after implementation in the subsidiaries following the pilot. If the working template is seen as legitimate and the frame resonates (Seo & Creed, 2001; Snow & Benford, 1992) with the subsidiary managers then they can reframe away from existing social arrangements around their current local practice towards the new global practice. The initiative follows a mimetic adoption trajectory (mimetic trajectory - Figure 16). I suggest that it is this affective commitment to change in the subsidiaries that helps to create the collective shift in consciousness needed for widespread implementation. Subsidiaries engage willingly in pull-based knowledge transfer and converge isomorphically around the increasingly taken-for-granted templates (DiMaggio & Powell, 1983). This can be termed as “trajectory change” based on the movement through commitment-implementation space. In these cases the perceived coercive pressure from the corporate centre are lower, shown by the negative relationship with continuance commitment to change because the subsidiary managers are personally convinced of the value of the initiative. The piloting process engages the active agency of the subsidiary manager to want to engage in the institutional change.

But when pilots do not meet these criteria then the pathway to adoption is much less certain (coercive trajectory - Figure 20). The pilot is less capable of legitimizing and mobilizing change efforts towards the adoption of the strategic initiative because the new frame does not resonate with the global steering committee members or subsidiary managers. As a result there is a higher a likelihood of active agency on behalf of the subsidiaries to resist adoption through bargaining, ceremonial adoption, and defiance (Oliver, 1991). And a higher likelihood that the global team will result to using coercive pressures to push for implementation, hence the higher levels of continuance commitment to change, or attempt to use propaganda to encourage subsidiaries to adopt. This leads to lower levels of adoption.
As previously described, one interesting finding in the quantitative research was that there was no relationship found between continuance commitment to change and implementation. As previously hypothesized (see Section 7.5) this could be because in the modified sample of initiatives managers used for quantitative analysis were below the tolerance limit required to generate acts of defiance. Hence although managers in the less highly adopted cases had lower levels of affective commitment and higher levels of continuance commitment, this did not materially impact implementation.

This finding informs on the debate of the relative strengths of structure versus agency as factors that shape the response to institutional pressures in MNCs (DiMaggio & Powell, 1983) – see Section 2.2.3. Structuralists argue that in the face of institutional pressures organizations have limited abilities to resist isomorphism. They argue that increased structuration of organizational fields imposes bounds on organizational agency, thereby reducing variation in policies and structures among organizations (Hoffman & Ventresca, 2004). So, as outlined above, if a parent company mandates that a new organizational practice
must be used and applies coercive pressures (or other forms of isomorphic pressures) then the subsidiary will implement the initiative, even if they regard this practice as not having value in their country. If this view is taken to an extreme then actors are depicted as passive recipients of institutional frameworks, unconsciously enacting institutional scripts (Seo & Creed, 2002).

The active agency perspective stresses that social structures do not completely determine organizational behavior and may even be a source of deviance, entrepreneurship and improvisation (Hoffman, 1999; Washington & Ventresca, 2004; Oliver, 1991). Agency scholars propose, as also outlined above, that with strong isomorphic forces a field’s occupants can either choose to willingly comply or alternatively, if they don’t believe in the value of the change, they can organize themselves to protest against dogmatically ordained and upheld social norms (DiMaggio, 1988). Organizations are not always passive but respond to institutional pressures according to their resource dependencies (Oliver, 1991). In this view actors are depicted as active, rationale opportunists ready to take any action for institutional change that will enhance their individual interests, unconstrained by existing institutional arrangements (Oliver, 1991).

In these cases we see a slightly nuanced view which highlights both the role of active agency and the strength of structural forces. When conflict occurs at the boundaries between the different institutional contexts in an MNC, I suggest that this places a spotlight on the possibility for institutional change. In these cases conflict emerged over whether the new global practice is more or less valid than the existing local practices and whether the new practice has the potential to generate improved performance, including increased economic returns.

Change agents, such as the global team, are orchestrated by the corporate TMT to provide alternative frames, such as pilots, around which actors can coalesce. In these cases the proposed frames are intraorganizational frames that expose subsidiary managers to isomorphic pressure from the intraorganizational field. If the frames succeed in resonating with managers that have political influence in the local subsidiary organizations then shared meanings emerge regarding the initiative and resources naturally flow locally to support the introduction of the new organizational practices in the other subsidiaries (Seo & Creed, 2002). The pilots engage the active agency of the subsidiary managers to adopt the initiative.

However, active agency to adopt the initiative can be engaged to a greater or lesser extent depending on the degree to which the pilot frame resonates with the subsidiary managers. When the pilot frames strongly resonates then affective commitment is engaged, leading to a high level of active agency to implement. But when the pilot frame does not resonate so well then continuance commitment is engaged and, as long as the tolerance limit for acts of defiance is not breached, the subsidiary managers will perform what is minimally needed to implement. So in these cases where continuance commitment is engaged, structural forces appear to predominate because subsidiary managers for reasons of self-interest choose not defy implementation, even if they do not completely believe in the value of the initiative.
7.8 Role of the global team as institutional change agents

One of the surprising findings in this research was the strong role of the global team in stimulating the organization to embrace new global practices. The global team plays an essential role in creating a replicable-credible-feasible pilot(s). They accomplish this through a number of actions:

- Influencing the selection of credible pilots with aligned interests – The global team bargains with potential pilot locations and proposing locations for approval by the steering committee.
- Engaging subsidiary participation in theoretical template design – The global team starts the institutional change motion through participant engagement.
- Proposing pilot aspiration levels – The global team suggests performance expectations to the global steering committee that the pilot can unequivocally achieve.
- Exercising template control over the emerging global template – The global team prevents the pilot location from hijacking the template for their own ends.
- Resolving information inadequacies in the pilot – The global team together with the local pilot team learns relentlessly in the face of uncertainties and cause-effect ambiguity to create a workable template.
- Completing template at pilot location before seeking decision for rollout – The global team ensures that the template is complete and encoded with the implementation methodology for use by the next subsidiary.
- Transmitting pilot performance feedback to the subsidiary manager – The global team uses the pilot managers to engineer affective commitment to the initiative.
- Supporting replication – The global team, rather than the local pilot team, play a substantial role in transmitting the template to the subsidiaries.

In these actions we see the role of the global team as acting as an agent for the TMT to introduce the new global practice. In an ideal situation, when the global team selects and implements a credible, replicable and feasible pilot then the mimetic trajectory is followed and the subsidiaries actively adopt the new practice because they believe in its value (Figure 21 – top right hand corner). However, in cases where the affective commitment may be high but the subsidiaries may experience problems during implementation (Figure 21 – top left hand corner), the global teams act as mediators. Here the team transmits pilot performance feedback and also acts to facilitate knowledge exchange between the pilot and subsidiaries with the goal of accelerating implementation. Acting as a mediator involves becoming a communication channel for knowledge transfer by proposing the new co-operative and technical solutions that have been legitimized by the pilot (Grant, 1996). In these cases the legitimacy for the institutional change comes from the pilot rather than from the global team itself.
When there is negative performance feedback from the pilot or when the affective commitment for an intended initiative is low, perhaps because the initiative involves making unpopular organizational changes, the global team acts to legitimize the initiative (Figure 21 – bottom right hand corner). The global team may do this by engaging in issue selling as part of the change process (Dutton et al., 2001), by bargaining over the form of the new template, or even by attempting to suppress feedback information. By influencing affective commitment in the subsidiaries, the global team can help avoid ceremonial adoption – a context of implementation with little motivation by users (Kostova & Roth, 2002). This is consistent with the idea that a global team can provide a practice or routine with sufficient legitimacy that this team facilitates the subsidiaries to undertake mimetic behavior as an optimal choice (Harvey & Novicevic, 2002).

However, if not careful, when advocating for the initiative even when there is negative performance feedback, the global team can create “legitimacy traps”
where others view their behaviour as self-interested (Garud, Jain & Kumaraswamy, 2002). These legitimacy traps are relatively easy for the subsidiary managers to uncover because information about the initiative liberally flows from the pilot managers to subsidiary managers through formal and informal networks.

This research was based on only two organizational settings and so the role of the global team may be contingent on the nature of the MNC organization (see Section 8.2 for a discussion of limitations). However, it suggests that isomorphism is not a fatality but relies heavily on the social skills and capabilities of the global team, as change agents, to sufficiently engage the organization (Fligstein, 1997).

### 7.9 Pilots as options?

There is an argument to be made that pilots are a form of option. If a pilot is "successful" then the knowledge embedded in the routines is diffused across the MNC. If a pilot does not work then the initiative is simply cancelled and further resources are not invested. Options are seen as an important mechanism through which firms reduce the strategic risk of making commitments, and at the same time provide an opportunity for learning (McGrath & Nerkar, 2004).

The image that emerges from this research is much more nuanced. From the cases I found that disastrous pilots followed by disastrous early rollouts led to active agency to defy the initiative on the part of the subsidiaries. This included vociferous protests about the value of the initiative, leading to the scaling back of the initiative or to re-piloting. When this happened, I found that TMT members added their voices to the subsidiary dissent by vocally disagreeing with the implementation of the initiative and essentially disowning it.

However, that said, evidence about the ability to abandon inappropriate new global practices showed that this decision was constrained in at least four ways. Firstly, evidence of the economic performance outcome of the initiative would only be available long after the pilot was completed and the initiative already rolled out. Secondly, pilot goal aspirations were not always clearly set and often only revolved around completing the pilot “on time and on budget”; two meaningless measures in terms of the effectiveness, efficiency and long term stability of the new routines. This means that failure was difficult to define and abandonment decisions were not clear; hence the initiatives continued into the rollout. Thirdly, halting the initiative for re-piloting required active agency on behalf of the subsidiaries to defy implementation and as previously discussed, if the tolerance limit is not breached, then subsidiary managers may implement initiatives to which they are not entirely committed. The overall impact of these constraints is that pilots may indeed lead to inappropriate practices being rolled out across an MNC. These findings are consistent with arguments advanced by Adner & Levinthal (2004), that the applicability of real option theory to the firm is limited.
7.10 Subsidiaries as loci of capability development

It is interesting to compare the role of subsidiaries involved in piloting with previous research on subsidiary roles. Ghosal and Bartlett (1998) identified three roles or subsidiaries with respect to knowledge within an MNC; i) creation of new processes locally, ii) adoption of innovations developed by the parent, and iii) diffusion of local innovations to the parent company or other subsidiaries. Looking at the pilot subsidiaries I suggest that these locations do not play any of these roles as they have been defined. Pilots create new local processes but the processes created are defined initially by a theoretical global template that has frequently been developed in agreement with other subsidiaries. As such, this template is not really “local” in the sense that it is developed exclusively to fit to the idiosyncrasies of the local context. Pilots also are involved in diffusing their knowledge to other subsidiaries but the global team plays a much greater role and the pilot’s actual role in diffusion was found to be rather limited. In summary, the piloting subsidiary role is somewhat different.

As described in Chapter 2, other researchers have used terms such as specialized contributor, strategic leader, global innovator, world mandate, global leader or active subsidiary (Bartlett & Ghoshal, 1986; Birkinshaw & Morrison, 1995; Birkinshaw et al., 1998; Enright & Subramanian, 2007; Gupta & Govindarajan, 1991) to describe subsidiaries that contribute substantially to firm-specific advantage and possess specialized capabilities. These accounts describe the buildup of capabilities through local entrepreneurship and evolutionary strategy processes to a point at which subsidiaries are recognized by an increasingly receptive headquarters (e.g. Frost et al., 2002). Capability development in these cases is related to emergent initiatives rather than to intended initiatives.

The picture that emerges from piloting is one in which the corporate center leverages the existing capabilities built up over time in such subsidiaries through distributed entrepreneurship. Headquarters uses the pilot subsidiary as a “capable and cooperative test driver” for intended strategic initiatives that the TMT wants to introduce to increase global economies of scale and scope within the MNC. The corporate center essentially piggybacks on the subsidiary’s reputation and capabilities. In return the subsidiary receives a chance to shape the initiative going forward and an opportunity to add to their store of capabilities. In addition, undertaking to pilot an initiative on behalf of the other subsidiaries increases the dependence of the other subsidiaries on the pilot subsidiary and strengthens the position of the subsidiary within the MNC network (Bouquet & Birkinshaw, 2008). This in turn creates even more head office attention and helps to assure the long-term success of the subsidiary and associated managers within the MNC (Birkinshaw et al., 1998).

This insight adds to existing models of subsidiary influence and autonomy which characterizes the subsidiary-headquarters relationship as a mixed-motive dyad where headquarters regards entrepreneurial subsidiary initiatives with ambivalence (e.g. Ambos et al., 2008). This research shows how the corporate center can also create common objectives with influential subsidiaries and at the same time actively promote a form of subsidiary initiative. By piloting an intended initiative, the subsidiary can increase its influence over other units in
the MNC network and attract headquarters attention. At the same time, by piloting the initiative in a credible subsidiary the corporate center can increase its control on all of the units within the network by implementing global practices and can also increase its ability to monitor subsidiaries through the ability to benchmark these global practices.

One interesting question is whether this form of piloting is perhaps only restricted to certain forms of MNC. For instance, in transnational companies there is a moderate degree of centralization between corporate and the subsidiaries, subsidiaries are relatively independent, there is equality among all units, and there are moderate degrees of subsidiary differentiation (Bartlett & Ghoshal (1989;1998). So in these MNCs, it could well be imagined that piloting would take place outside the home country. In contrast, in multinational MNCs that are highly decentralized maybe piloting and rollout of global initiatives is highly unusual because the corporate headquarters does not seek economies of scale and scope. Also, in internationals MNCs or global MNCs that are highly centralized and headquarters-centric perhaps most of the piloting takes place in the home country units. This is a topic that is worthy of further research.

7.11 Piloting contrasted with strategic experimentation

Piloting of intended initiatives can be contrasted with strategic experimentation associated with emergent initiatives. Emergent strategic initiatives originate deep within the organization as middle managers seek to find new ways to sustain their business (Burgelman, 1991; Floyd & Lane, 2000; Floyd & Wooldridge, 1997). These initiatives are generated “bottom up” in the organization. Emergent initiatives challenge the formal strategy by exploring new opportunities with new technology, creating new customer products and services, and addressing new customer target groups (Burgelman, 1991; Noda & Bower, 1996).

Strategic experimentation associated with emergent initiatives has been variously described in the literature as: experimentation and selection which requires making small bets (Burgelman, 1983, 1991, 1996; Burgelman & Grove, 2007), low cost probes with a high degree of variety (Brown & Eisenhardt, 1997), fast adaptation through flexible improvisation (Eisenhardt & Tabrizi, 1995), small experiments with wild ideas (March 1991; 2006), small wins (Weick, 1984), small intelligent failures (Sitkin, 1992), and strategic experiments (Govindarajan & Trimble, 2004). Strategic experimentation is described using terms such as “low cost”, “conducted rapidly”, “wide variety of trials”, “multiple experiments running in parallel”, “rapid prototyping”, “short deadlines to bring products to market”, or “trial and error to stimulate learning”. As positive feedback from the market emerges from experiments, these initiatives are championed by progressively more and more senior managers. Because the initial stages of experimentation and selection are clandestine, strategic change may take place before it is recognized or acknowledged as such by top management (Burgelman, 1996). According to organizational ecologists, these initiatives follow a variation-selection-retention process that consists of bottom-up learning and internal

23 Often also referred to as autonomous initiatives
Adoption of intended strategic initiatives in MNCs: Role of piloting

selection (Burgelman, 1991). This bottom-up process is described as internal experimenting– championing– ratifying by Floyd and Lane (2000) who also attach roles to these actions at the operating, middle, and top management levels (Figure 22).

In contrast to emergent initiatives, intended initiatives are more closely associated with exploitation of the current strategy and include such descriptions as refinement, choice, production, efficiency, selection, implementation, execution (Levitt & March, 1991:71) (Table 29). Intended initiatives are generated through induced strategy processes that allow senior managers to impose their intentions on the organization and to provide a sense of direction (Mintzberg & Waters, 1985). Piloting can be regarded as a mechanism of experimentation connected with intended initiatives. This research shows that piloting is theoretically different from strategic experimentation. The findings demonstrate that intended initiatives start with the TMT who recognize the need for the strategic initiative. Then piloting operationalizes the new practice and creates a template. Finally the initiative is rollout across the rest of the organization through template replication. So the actions start top-down but then progress in a series of vertical slices through the organization until the innovative practice is adopted throughout. This process can be described as recognizing-piloting-rollout. In summary, piloting is a carefully orchestrated, top-down attempt to deliberately institutionalize new practices.

**Figure 22: Contrasting strategic experimentation (emergent initiatives) with piloting (intended initiatives)**

<table>
<thead>
<tr>
<th>Emergent initiatives</th>
<th>Intended initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets &amp; competitive environment &amp; emergent initiatives</strong></td>
<td><strong>Markets &amp; competitive environment</strong></td>
</tr>
<tr>
<td><strong>Recognizing</strong></td>
<td><strong>Piloting</strong></td>
</tr>
<tr>
<td><strong>Championing</strong></td>
<td><strong>Rollout</strong></td>
</tr>
<tr>
<td><strong>Experimenting</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Ratifying</strong></td>
<td></td>
</tr>
</tbody>
</table>

Top management roles
Middle management roles
Operating management roles
### Table 29: Contrasting emergent and intended strategic initiatives

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Emergent strategic initiatives</th>
<th>Intended strategic initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship to strategy</td>
<td>Challenges formal strategy</td>
<td>Aligned with formal strategy</td>
</tr>
<tr>
<td></td>
<td>Divergent</td>
<td>Convergent</td>
</tr>
<tr>
<td>Focus of opportunities</td>
<td>Pursuing new opportunities</td>
<td>Confined to existing technology, existing customer products and services, existing customer target groups</td>
</tr>
<tr>
<td></td>
<td>with new technology, new customer products and services, new customer target groups</td>
<td></td>
</tr>
<tr>
<td>Nature of environment</td>
<td>Dominates portfolio when</td>
<td>Dominates portfolio when</td>
</tr>
<tr>
<td></td>
<td>environment rapidly changing</td>
<td>environment stable</td>
</tr>
<tr>
<td>Key words</td>
<td>Innovate, risk-taking,</td>
<td>Planned, conservative,</td>
</tr>
<tr>
<td></td>
<td>unpredictable, unplanned</td>
<td>refinement, implementation,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>alignment, standardization</td>
</tr>
<tr>
<td>Locus of origination</td>
<td>Middle manager seeking</td>
<td>May originate from operating</td>
</tr>
<tr>
<td></td>
<td>for opportunities to sustain</td>
<td>level but predominantly</td>
</tr>
<tr>
<td></td>
<td>business</td>
<td>initiative by top management</td>
</tr>
<tr>
<td>Nature of organizational</td>
<td>Exploration – creating new</td>
<td>Exploitation – combining</td>
</tr>
<tr>
<td>learning</td>
<td>skills and competencies</td>
<td>existing competencies</td>
</tr>
<tr>
<td>Nature of experimentation</td>
<td>High degree of experimentation</td>
<td>Assumed low degree of</td>
</tr>
<tr>
<td></td>
<td>- Low cost trials with small</td>
<td>experimentation</td>
</tr>
<tr>
<td></td>
<td>losses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Wide variety with multiple</td>
<td></td>
</tr>
<tr>
<td></td>
<td>experiments in parallel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Rapid prototyping and short time frames to increase speed to market</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Trial and error with failure viewed as desirable to fuel further experiments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Fast learning is a key goal of experiment</td>
<td></td>
</tr>
<tr>
<td>Financial returns</td>
<td>Uncertain, distant and often negative</td>
<td>Positive, proximate and predictable</td>
</tr>
<tr>
<td>Selection forces</td>
<td>External market forces</td>
<td>Administrative mechanisms</td>
</tr>
<tr>
<td>Underlying theories</td>
<td>Evolutionary theory</td>
<td>Knowledge transfer theory</td>
</tr>
<tr>
<td></td>
<td>Population ecology theory</td>
<td>Institutional theory</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting


A final noteworthy contribution of this research is to highlight the highly dynamic nature of the processes of isomorphism for intended initiatives in MNCs. Subsidiaries are constantly dealing with waves of initiatives from corporate headquarters that introduce new global practices. At any point in time some subsidiaries (pilot locations) are creating new states of future potential isomorphism and other parts of the organization are in the process of evaluating whether or not to conform to these new states. This view contrasts with oversimplified notions of institutional stability and similarity that result from adopting institutionally defined rules and practices (Meyer & Rowan, 1977; DiMaggio & Powell, 1983).

This view also provides finer detail to the punctuated equilibrium model of change (Tushman & Anderson, 1986), which assumes that long periods of small, incremental change are interrupted by brief periods of discontinuous radical change. This research describes one mechanism for generating the long periods of incremental change. Here we observe multiple, simultaneous and overlapping ‘trajectory change’ where global practices are renewed in waves throughout the organization as some templates are progressively incorporated and others are modified or rejected.

7.12 Summary

This chapter first outlined the significant findings from this research about the role of piloting in the adoption of intended strategic initiatives. Alternative theories were examined to account for the characteristics of pilots that lead to adoption but these theories failed to provide an adequate explanation.

Looking at the findings through the lens of knowledge transfer theory the use of templates in piloting was compared with the use of templates in cross-border best practice transfer and in replication. I proposed how piloting reduces future potential stickiness in the transfer of new practices to the subsidiaries during the rollout. In addition I described how piloting operates as a multilevel global-local self-reinforcing process, how pilots act as template persuaders, and how piloting can be regarded as a dynamic capability to increase firm absorptive capacity.

Looking at the findings through the lens of institutional theory I described how piloting can be viewed as a legitimizing mechanism for the institutionalization of new global practices. The proposal was advanced that pilots are resonant frames that ensure strategic initiative implementation. Pilots' role was discussed in guiding trajectories of adoption and the importance of the role of the global team as change agents was emphasized. I examined the argument that pilots can be considered as a form of options. I then considered how the research findings add to our notions of subsidiaries as the loci of capability development. Finally piloting of intended strategic initiatives was contrasted with strategic experimentation in emergent initiatives and the dynamic nature of isomorphic piloting and replication processes was emphasized. In the next chapter I will summarize the conclusions from these discussions and summarize how and where this research adds to existing theory.
Chapter 8. Conclusions, limitations & further research

In this chapter I draw together the conclusions from the discussion in Chapter 7. Then I outline the limitations of this research and finally, I suggest some interesting topics for further research related to piloting.

8.1 Conclusions

The findings discussed in Chapter 7 are significant. This is the first time the role of piloting has been extensively studied to investigate the creation of templates. It is also the first time that piloting has been described within the context of intended strategic initiatives involving the adoption of new global practices in MNCs. This is surprising given that the ability of MNCs to efficiently replicate new practices around the world is essential for pursuing strategies of global integration and standardization (Bartlett & Ghosal, 1989) and that cross-border transfer of knowledge is critical to the attainment of global competitive advantage (Gupta & Govindarajan, 2000).

I extend knowledge transfer theory by expanding the role of templates beyond the cross-border transfer of existing best practices within an MNC and also beyond the concept of replication in global franchise operations or MNCs. In comparison to best practice transfer, piloting differs in terms of the role of piloting in firstly creating the initial template, the inclusion of the implementation methodology as part of the template, the level of maturity (or rather immaturity) of the template at the time of knowledge transfer, and the strong role of the global team, as opposed to the source, during the transfer process. In addition, adoption following piloting is more highly driven by status-based imitation processes rather than by outcome-based social learning.

In comparison to replication, piloting is similar in the sense that the implementation methodology forms part of the template, dynamic capabilities are built up in the global team located at corporate headquarters, and piloting also consists of a short exploratory phase followed by exploitation of accumulated knowledge encapsulated in the template. Piloting can be considered as the creation and dissemination of a “partial arrow core” but with a much lower emphasis on providing economic proof-of-concept. As a result piloting has the possibility of achieving a faster replication speed.

My research served to define piloting as “the process of creating a workable template of a new global practice in a recognized subsidiary of an MNC that can and is intended to operate in other locations.”

Importantly, this research adds to the theory of knowledge transfer by uncovering the attributes of templates that associated with higher levels of early adoption. Pilot replicability creates a complete template(s) which is transferable across locations and includes an associated transfer methodology. Pilot credibility plays a role in subsidiary managers recognizing that the location of the pilot has the capabilities and sufficient business coverage that legitimizes the strategic initiative. Pilot feasibility demonstrates that the new global practice can be put into reliable operation and hence can be implemented more widely in the MNC.
This finding suggests that it is possible for firms to skillfully and deliberately create templates that increase levels of early adoption. Replicable-credible-feasible templates are associated with higher levels of implementation and with higher levels of affective commitment, which in turn is linked to behavioral support for change initiatives. Templates that do not display these characteristics are associated with lower levels of implementation and with higher levels of continuance commitment which is turn is linked to behaviors associated with minimal efforts. These findings provide the first empirical support for the hypothesis that templates play a role not only as a referent but also as a way to overcome resistance to change (Jensen & Szulanski, 2007).

Piloting can be regarded as a way to reduce the future potential stickiness of knowledge transfer during the replication of the template during the rollout of the new practices to the subsidiaries. The findings suggest that it acts on stickiness in three ways; by increasing the subsidiary (recipient) motivation, by reducing cause-effect ambiguity, and by selecting motivated pilot (source) locations.

The research served to highlight two new areas of interesting research with respect to templates. Multiple, simultaneous pilots were found to moderate the impact of piloting on intended strategic initiative adoption by creating additional template variations. Hybrid templates may also reduce stickiness by providing the adopting subsidiaries with a clear delineation of the global parts of the process that should remain untouched and the other parts of the template that can be safely locally adapted, without compromising the performance of the new routines. The decision of how large a template to create in the pilot involves trade-offs between credibility, replicability, and feasibility.

A detailed multilevel, cross boundary examination of the piloting process showed that the ability to create a template with characteristics associated with higher implementation is largely dependent on two key senior management decisions: the selection of the pilot location(s) and setting the pilot goal aspiration. These decisions had the power to set up a virtuous circle across multiple levels and boundaries within the piloting process. If an appropriate pilot was selected and clear, user-focused goals were set then the global-local team could complete a replicable-credible-feasible pilot and early adoption was higher. If an inappropriate pilot was selected with no goals (apart from time and budget) or highly specific goals then this led to a negative spiral, resulting in an incomplete, overly locally adapted pilot where unresolved issues were subsequently rolled out to other subsidiaries. This suggests that effective piloting has the power to create templates that increase replication.

A detailed examination of the piloting process also proved to highlight the importance of the global team in template creation and replication. The global team plays a key role in involving other subsidiaries in theoretical template building, in controlling the template so that it is replicable, and in solving learning surprises / informational inadequacies during implementation. The global team also plays a key role in making sure that the template is complete and then encoding the template and an effective implementation methodology. During the rollout the global team, rather than source / pilot, assists the subsidiaries with replication.
This research also contributes to theories of capability building. I suggest that piloting, as a process of template creation, is a dynamic capability that allows a firm to deliberately create new routines and replace existing routines on a regular basis. The art of creating templates is one that can be learned and built over time. This capability is dispersed at multiple levels in the organization and at multiple locations both centrally and locally.

This research also contributes to institutional theory by providing a fine-grained description of the processes that are used by a corporate headquarters to encourage subsidiaries to mimetically adopt new global practices. The piloting of new global practices is triggered endogenously by the TMT. These senior managers, who are more highly embedded in the intraorganizational field of the MNC than the subsidiary managers, have the capability to identify cross-national opportunities to increase economies of scale and scope in the MNC by introducing new global practices. They appoint the global team to act as change agents on their behalf. The change agents (the global team) can emerge as a force for institutional change because of the existence of two competing organizational fields and it is this difference in embeddedness that explains the paradox of embedded agency.

The global team selects credible pilot locations with aligned interests. Together they create a pilot that acts as a “resonant frame” that in the uncertain situation of introducing a new global practice allows the subsidiary managers to make sense of the initiative. If the pilot is observed to be replicable-credible-feasible then this influences subsidiary managers to reframe away from the local institutional field and legitimizes the initiative. In addition, during the template creation process, local pilot managers are also transformed to become change agents who are willing to advocate and enact the new social arrangements.

When piloting creates replicable-credible-feasible outcomes then subsidiaries follow a mimetic adoption trajectory that passes through affective-commitment-to-change. However, if the pilot does not meet these criteria then the subsidiaries follow a more coercive trajectory and there is a strong risk of minimal or ceremonial adoption or, in extreme cases, even rejection of the initiative.

Pilots can therefore be seen as simplification processes in uncertain situations that allow individuals to make sense of an initiative by providing an alternative frame (Reger & Huff, 1993; Schwenk, 1984). Looking at the case studies I found that pilots offer three sources of simplification: (1) positive performance feedback from the pilot location, (2) a completed template of how it could work, and (3) through the communication and labeling adopted by others. Simplification can be inferred from the feedback of the pilot location itself – therefore credibility of location is part of the frame used to make an adoption decision. Subsidiary managers infer the likely outcome of the strategic initiative at least partially based on the pilot’s location. Simplification can also be inferred from the ability to see how it could work in my location – therefore having a working template and a methodology in place that allows others to replicate the practice leads to a frame that positively induces the adoption decision. Subsidiary managers infer this from discussions with pilot managers and the global team. Simplification is further derived from feedback from key actors
Adoption of intended strategic initiatives in MNCs: Role of piloting

about the practice; the greater the collective agreement on the positive labeling of the results of the pilot, the higher the likelihood of adoption. Subsidiary managers infer the feasibility of the practice from pilot managers, the global team, and the steering committee. Multiple pilots provide multiple frames for simplification purposes. Hybrid frames provide clear expectations of the parts of the template that can be locally recontextualized.

This institutional change model differs from existing models through the introduction of the notion of competing institutional fields being at the heart of institutional conflict. In this model the concept of relative degrees of embeddedness or of centrality have no meaning. Instead duality (or even triality with multiple MNC) allows for potential conflict between the corporate center and the subsidiaries that is resolved through frame-shifting towards the intraorganizational or the meta-institutional field.

This research also contributes to the structure versus agency debate. The findings suggest that when the pilots create a resonant frame then this proactively engages the active agency of the subsidiary managers. However, if the pilot does not resonate but at the same time is not so disastrous to provoke defiance to the initiative then subsidiary managers will implement anyway because of the personal risk of speaking out. In these situations structure appears to be stronger than active agency. Finally, if the pilot and the early rollouts are clearly not feasible then active agency can be engaged to defy initiative implementation. Defiance may lead to re-piloting, or re-scoping or possibly to abandoning the initiative.

The global team was found to play a hugely important role in stimulating frame-shifting by the creation of a replicable-credible-feasible pilot(s). In cases where the affective commitment may be high but the subsidiaries may experience problems during implementation the global teams act as mediators to facilitate knowledge exchange between the pilot and subsidiaries with the goal of accelerating implementation. In situations where there is low affective commitment and higher continuance commitment the global team acts as legitimizers and bargains between corporate and subsidiaries. Their skillful interventions create the possibility of mimetic rather than coercive isomorphism. Avoiding strong coercive forces is important for corporate headquarters because it reduces the likelihood of embarrassing occurrences of active agency where powerful subsidiaries may refuse to implement new global practices.

It has been suggested that strategic experiments can be viewed as options where success experiments are adopted and unfavorable ones are rejected. In considering whether pilots could be considered as options, I found that while disastrous pilots led to scaling back or to re-piloting, for various reasons there were no cases leading to a straight-forward and complete abandonment of an initiative. Rather initiatives were re-piloted (EDX) or the scope was substantially scaled back (FTX) or rollout delayed until an acceptable template could be created (KCX). This suggests that the application of real option theory to the piloting of intended initiatives is somewhat limited. However, in extreme cases, it could be expected that piloting does prevent MNCs from implementing completely infeasible practices. So pilots do serve the purpose of at least
Chapter 8. Conclusions, limitations & further research

Partially protecting the organization from costly additional resource commitments that attempt to introduce infeasible practices.

This research also contributes to existing models of subsidiary influence and autonomy (Ambos et al., 2008). In considering pilot subsidiaries as loci of capability development it was found that the corporate center leverages capabilities that these subsidiaries already possess in the domain of the new practice. These capabilities, generated through subsidiary initiative, are used by headquarters to create a status-driven halo effect for the initiative. In return, piloting strengthens the position of the subsidiary within the MNC network by increasing its subsidiary influence, and by generating additional head office attention. This helps an accomplished pilot location, to assure long-term subsidiary success. These findings on piloting emphasize how mutually dependent subsidiary-headquarters relationships that can be established and somewhat counters views that headquarters is ambivalent to subsidiary entrepreneurial initiative.

Piloting in intended strategic initiatives can be contrasted with strategic experimentation which is associated with emergent initiatives. Whereas strategic experimentation involves bottom-up experimenting-championing-ratifying, piloting follows a process of top-down recognizing-piloting-rollout.

The processes of adoption of intended initiatives in MNCs are highly dynamic and create a state of continuous change. These processes contrast with over-simplified notions of institutional stability and similarity that result from adopting institutionally defined rules and practices (DiMaggio & Powell, 1983; Meyer and Rowan, 1977). Instead we observe multiple, simultaneous and overlapping ‘trajectory change’ where global practices are deliberately renewed in waves throughout the MNC.

8.2 Research Limitations

In this section I discuss the limitations of the exploratory multiple case study research design and then I discuss the limitations of the quantitative study.

8.2.1 Limitations of qualitative multiple case study approach

Steps were taken during the design of the research, data collection, and data analysis to ensure reliability, construct validity, and internal validity of this research. A full explanation of the steps taken is provided in section 3.7.

One important caveat about the construct validity of this research is that the research sample focused on collecting data from the three to five subsidiaries where the initiatives was implemented directly following the pilots. The adoption of the new practice by this small number of subsidiaries may not be representative of the adoption of the new practices by all the rest of the subsidiaries situated around the world, nor the eventual degree of adoption by these three to five subsidiaries. While this provides a good early indication of adoption at all locations it is not a guarantee of adoption at all locations or the full institutionalization of the global practice. In addition, there are other factors that may well intervene in the adoption process that were not considered in this study. Firstly, it takes time for the economic benefits of the initiative to become
Adoption of intended strategic initiatives in MNCs: Role of piloting

evident, and if these benefits do not materialize then overall adoption may well be reduced over time. Second, as the knowledge transfer literature tells us, there are plenty of other intervening factors which also contribute to the stickiness of templates e.g. absorptive capacity of the subsidiaries, degree of tacitness of knowledge, arduousness of the relationship of the subsidiary managers with the global team, adaption to local conditions, the richness of communication channels etc. (Szulanski, 1996; 2000). While attempts were made to triangulate adoption measures with TMT members these factors could not be fully controlled for.

A potential criticism of the methodology in this research is that it does not measure the change in affective commitment to change in the subsidiaries before and after the pilot; only the affective commitment after the pilot. So as a result it is possible that the level of affective commitment-to-change in the subsidiaries may not be related to piloting. However, the interview data clearly provided a different story and made a clear link between affective commitment and performance feedback from the pilots. More importantly the conclusion of the research is not that piloting increases affective commitment but rather that more highly adopted strategic initiatives result from replicable-credible-feasible pilots, regardless of the initial state of affective commitment of subsidiary managers.

Another potential issue that may impact the internal validity of the results is the theoretical sampling of the strategic initiatives and the informants. While this sampling strategy was left to some extent to chance, in that the my contacts at the two companies proposed these strategic initiatives, it cannot be precluded that one or more of these initiatives could be atypical in some way of the initiatives being undertaken at the two companies at the time, or indeed that the people sampled for interviews might also be somewhat atypical e.g. either more positively or negatively inclined towards the initiative than other people from the same subsidiaries.

I believe that the use of perceptual responses from key informants to evaluate the dependent variable (i.e. adoption) and hence rank the cases in terms of adoption was appropriate. The strategic initiatives selected, while all introducing new global practices, varied the nature of practices being introduced. Hence each initiative would have required different objective measures of adoption and it would not have been possible to compare these when establishing the degree of adoption. Collecting additional interview data from steering committee members and TMT members served to triangulate these subjective results. However, that said, future research might attempt to use more objective measures of new practice adoption.

Although the theory developed provides rich insight into how piloting leads to the adoption of intended strategic initiatives, it is important to bear in mind the context within which the propositions were developed and then partially tested. Contextual factors limit the generalizability of a study of this kind. I will now describe the contextual factors that set the boundaries of generalizability. Some researcher refer to generalizability as the “transferability of results” (e.g. Lincoln & Gruber, 1985)
hence limit the extent to which this theory can predict beyond these contextual limits.

Four specific contextual factors will be mentioned that may explain some of the ways in which the theory emerging from this study may not stretch to other contexts. First of all, the two organizations investigated employed similar strategic initiative governance arrangements that may not be generalizable to other organizations. Secondly, in these two organizations the corporate headquarters had a certain degree of control and influence over the subsidiaries which may or may not be typical of other MNCs. Thirdly, the new organizational practices that were being introduced by the intended initiatives had a certain degree of relative and absolute novelty in comparison to other organizational practices. Fourthly, the boundary-spanning nature of the strategic initiatives under study may place constraints on generalizability to other initiatives of a much more local flavour.

The first context-specific factor is the nature of the strategic initiative governance arrangements used by the two organizations in this research. Both of the organizational settings had a formalized and centralized decision-making process for intended strategic initiatives. In both cases the companies used a portfolio approach with a stage-gate process. Projects passed through a series of stage gates where senior managers and the TMT gave their approval for strategic initiative initiation, piloting and rollout. In addition, the TMT empowered the global team to act as their agents and work with the subsidiaries to assist them in adopting the initiative. It is unknown whether the piloting theory developed in this research would also apply to MNCs with a less centralized and formalized innovation process. I would suggest that MNC’s without a centralized and formalized process for intended strategic initiatives may simply be unable to orchestrate the deliberate global introduction and adoption of new organizational practices. Without a top-down, orchestrated process led by global teams, it could be expected that new practices would only slowly diffuse from established best practices with the help of the source subsidiary (Roger, 1983). In this context economies of scale and scope would rely much more heavily on serendipity. This is certainly a topic that is worthy of future research.

The second context-specific factor relates closely to the above factor. Organizational design parameters may influence the nature of piloting and the influence of piloting. Organizational design parameters include aspects such as centralization (the concentration of power and decision-making in an organization), dependence on other units, power relations between units, formalization (extent of written procedures, rules, roles etc), specialization of subsidiary activities, and differentiation (extent that organizational units have different time and goal orientations) (e.g. Vora & Kostova, 2007). For instance, with a high degree of centralization, formalization and dependency, where the parent organization provides major resources such as technology, capital and management experience to the subsidiary and hence has a strong influence on subsidiaries’ decision-making (Bartlett & Ghoshal, 1989; Martinez & Ricks, 1989; Oliver, 1991; Prahalad & Doz, 1981), it is possible that piloting may have a strong impact. In contrast, in situations where the parent company has much less control over the subsidiaries, perhaps related to lower levels of centralization, formalization and dependence, then piloting might be expected to
have a lower impact, or potentially no impact, on strategic initiative adoption. Meta-analyses of empirical research settings have found that centralization and formalization negatively influences innovation adoption (Damanpour, 1991) but these innovation studies typically focussed on emergent initiatives rather than intended initiatives.

It is also possible that different types of piloting are more prevalent in some forms of MNC than in others. For instance, piloting in the home country may be more common in head-quarters’ centric models such as International MNCs or Global MNCs and piloting in other subsidiaries could be expected to be more common in transnational MNCs where the subsidiaries are more independent from the headquarters and subsidiaries are more differentiated.

The influence of the parent organization is also governed by the relational context which filters the way in which isomorphic pressures are interpreted and perceived. Inter-organizational trust and identification with the parent organization have both been found to impact the implementation dimension of organizational practice adoption (Kostova & Roth, 2002; Tsai & Ghosal, 1998). While these studies are different from the current study in that they looked at how organizational practices spread from the home country rather than from pilot locations outside the home country, the relational context may still impact implementation and hence adoption. For instance, Perlmutter (1969) introduced the concept of “geocentric” MNCs that develop global cosmopolitan orientations without any particular national identities, “ethnocentric” MNCs where the identity is rooted in the home country and, “polycentric” where the MNC has multiple identities that reflect the local environment. Ethnocentric MNC’s with lower identification with the parent organization may be less susceptible to the influence of pilots on initiative adoption.

The third context-specific factor is that the intended strategic initiatives in this study were new to the organization but were already in existence in the world of management. These innovations can be termed as radical innovation in the sense that they were new to the organization and required the development of completely new routines that required the organizations to draw on new technical and commercial skills and to employ new problem-solving approaches (Nord & Tucker, 1987). But on a broader scale of management innovations they are situated midway between “state of the art” and “off the shelf” management innovations (Birkinshaw et al., 2008; p829). I would suggest that the findings on piloting may be expected to be less applicable to contexts involving incremental innovations where implementation only requires minor adjustments of organizational routines (Nord & Tucker, 1987). Incremental innovations are unlikely to qualify for a portfolio of intended strategic initiatives governed at the corporate centre simply because continuous improvements are less likely to need central funding and top management attention. Typically, in my experience, the diffusion of these types of innovations is handled by cross-subsidiary communities of practice or through functional lines of control.

I would also advocate that the findings for piloting may not be applicable to management innovations that are new to the state of the art (e.g. examples of past management innovations from the literature include total quality management, cellular manufacturing, Toyota production system etc.). For these
innovations it has been suggested that innovators should focus their efforts on specific units in organizations with prior experience in management innovation and should engage with them in either problem-driven search, trial and error or idea-linking with external change agents (Birkinshaw et al, 2008). This approach to innovation introduction is equivalent to strategic experimentation associated with emergent initiatives (Burgelman, 1983; 1991). As explained previously in this dissertation the piloting of intended strategic initiatives is a different phenomenon from piloting (Section 1.3). In addition, these types of innovations are much more likely to require a greater emphasis on independent validation from external sources to validate the legitimacy of the new practice Birkinshaw et al., 2008. In contrast, in intended strategic initiatives subsidiary managers do not look outside the organization for legitimacy, rather subsidiaries are observing the pilots to satisfy themselves that the new practice can be successfully implemented in their own organizational context.

The fourth and final context-specific factor relates to the degree to which the practices in this research required re-contextualization within the national environments. All of the strategic initiatives in the study were global in scope. For the majority of the initiatives economies of scale and scope could not be realized without the participation of other subsidiaries in the initiatives (see section 5.1) This drove the need for standardization of the complex routines. Hence another caveat is that these findings may only be applicable to similar boundary-spanning initiatives and not to initiatives that require a much higher degree of re-contextualization to the idiosyncrasies of the different subsidiaries.

As a result of these contextual limits, replications and extensions of this research that investigate different environmental contexts and examine the development of the observed relationships over time are both warranted and necessary. In the absence of these replications, the applicability of the emerging theory is questioned.

8.2.2 Limitations of quantitative study approach

There were several measurement limitations associated with the quantitative study used to partially test the emerging theory on piloting. The first major limitation is that the quantitative study collected data from largely the same set of strategic initiatives that were used for the qualitative theory development. This limits the external validity of this quantitative research in ways previously described relating to the generalizability of the qualitative part of the research.

As described in detail in section 3.8 and section 6.2.2, the second measurement limitation of this study is the possibility of common methods variance (Campbell & Fiske, 1959; Chang et al., 2010). Subsidiary managers answered survey questions that related to both the dependent variables in the study (i.e. commitment to change and strategic initiative implementation) and the independent variables (i.e. pilot replicability, credibility, and feasibility). This introduces the problem of spurious systematic correlations between the two measures which generate both Type 1 and Type 2 errors (Chang, van Witteloostuijn & Eden, 2010). While the problems of common methods variance have only been recognized in international business research in the recent past (since 2009), it is now the opinion of reputable journals such as the Journal of
International Business Studies that international business scholars should avoid common methods variance as much as possible through improved research design (Chang et al., 2010). Common methods variance was dealt with through a combination of i) ex-ante measures with the questionnaire (see section 3.8), ii) the testing of a theoretical model with a high level of complexity that is, in all likelihood, not part of the respondent’s theory-in-use (see Chapter 6) and, iii) ex-post statistical tests (see Chapter 6).

The third limitation, noted above, is the use of purely perceptual measures rather than objective measures for both the dependent and independent variables.

The fourth major limitation, also noted above, is that data measurements were only taken at one point in time, 12-18 months after the implementation of the initiative in the subsidiary. As such this represents a relatively early stage in the adoption and institutionalization of the initiative and so the measures at that point in time may not adequately capture the adoption of the initiative. Implementing another round of surveys at a later date could have increased the validity of the research.

A fifth limitation is the small number of respondents surveyed from each subsidiary. This limitation creates the risk that the data obtained reflects the idiosyncratic perspectives of the small number of respondents. Several validity checks were made to ensure that the people contacted in the survey were the ones in possession of relevant information but nevertheless a larger sample might be expected to provide a higher level of reliability.

A sixth limitation is that no cross-checks were conducted for the influence of the firm identity on the results and so it cannot be discounted that there might be some form of firm bias in the data.

In common with all SEM analysis it is also possible that other equivalent models may exist but have not been “discovered” by the researcher (Breckler, 1990; MacCallum et al., 1993; Shook et al., 2004).

The use of AMOS as the SEM statistical package also brings some specific limitations. AMOS is a covariance based structural modelling program. The covariance analysis uses a maximum likelihood (ML) function to minimize the difference between the sample covariance and those predicted by the theoretical model. This assumes that indicator variables have multivariate normal distributions. Non-normal data may lead to inflated goodness-of-fit statistics and underestimated standard errors (MacCallum, Roznowski & Necowitz, 1992; Shook et al., 2004). An approach using PLS (partial least squares) might be preferable algorithm minimizes the variance of all the dependent variables instead of explaining the covariation. Consequently, PLS makes lower demands on measurement scales, sample size, and residual distributions (Urbach & Ahlemann, 2010; Wold 1985).

The size of the study’s data set provides another more serious limitation. Prior research applying Structural Equation Modeling highlighted that a minimum sample size of 200 should be applied to test the model’s overall stability (Bentler & Yuan, 1999). Moreover, Hu and Bentler (1995; 1999) outline problems regarding fit indices when latent variables are inter-dependent in smaller sample sizes. MacCallum, Browne & Sugawara (1996) list the minimum sample sizes
needed for adequate statistical power (defined as 0.80) when using the Chi-squared test at various degrees of freedom. Inspection of Table 4 (p.144) shows indeed that the sample size in this study is somewhat lower than might be ideally be desired, and hence reduces the validity of the model.

Finally, all the context-specific limitations discussed in the prior section also apply to the quantitative part of the research.

8.3 Further research

This relatively unstudied research context opens up a wealth of new research opportunities. Research needs to be conducted both to generalize the theory developed in this dissertation and to study additional research questions that naturally came to the surface during the course of this study. Here I divide this possible future research into topics that could be investigated by quantitative analysis and topics for further qualitative analysis.

8.3.1 Quantitative research topics

Large sample study of proposed theory
The theoretical relationships between piloting, affective commitment, and implementation proposed in this research need to be validated using a large-sized sample. Some points of methodology that the research should pay attention to relative to this research include: boosting the number of respondents within each subsidiary to increase reliability, using independent measures of the dependent and independent variables to avoid common methods variance, and measuring the change of affective commitment-to-change before and after piloting.

There are two different approaches that could be taken with a large-sized sample study. Firstly, the researcher could select one organizational setting, or a small number of settings with similar strategic initiative governance processes, and then include in the study as many intended strategic initiatives as possible over a window of several years. Secondly, the researcher could take one particular type of intended strategic initiatives e.g. sales process standardization or shared service introductions, and then survey as many companies as possible undertaking the same type of initiative. In the first case, the study could be used to validate the theory developed in this research with higher levels of reliability, while also partially increasing the external validity. In the second case, it would be possible to increase the levels of reliability and external validity and at the same time test hypotheses related to the potential moderating or mediating effects of organizational contextual differences (e.g. centralization and formalization), and relational contextual differences (e.g. trust and identification) between piloting and adoption.

Characteristics of pilots that lead to strategic initiative adoption
A quantitative study could be used to characterize the most commonly occurring characteristics of “good” pilots in strategic initiative adoption. Managers from different MNCs could be asked to recall the last 5 pilots that they remember as being successful and then asked to describe the characteristics of the pilot.
Adoption of intended strategic initiatives in MNCs: Role of piloting

location and also characteristics of the pilot location-strategic initiative combination. Some characteristics of the location that might be worth exploring:

- Status of the subsidiary in the organization in terms of market share, revenue, revenue growth, and profitability
- Subsidiary dependence
- Subsidiary trust
- Availability of slack resources in subsidiary
- Previous track record of piloting initiatives
- Level of business complexity in the subsidiary e.g. no of business units or number of product lines
- Geographical distance to headquarters
- Language abilities of pilot managers
- Cultural profile of the country
- Institutional distance from the home country
- Length of time in the MNC
- MNC network centrality

Some characteristics of the pilot-strategic initiative combination:-

- Credibility of the subsidiary in terms of capabilities required to implement the initiative
- Strength of social networks between pilot team members and global team members
- Profile of the global initiative leader

8.3.2 Qualitative research topics

**Investigation of intended strategic initiative governance processes**

The organizational settings selected for this research used a governance process for selecting and implementing strategic initiatives that is commonly employed in MNCs. An interesting line of qualitative research would be to create a fuller rich description of this governance process from the start of the strategic decision-making process through to final initiative implementation and to compare and contrast this process with other forms of governance processes, or lack thereof. These descriptions could be used to describe the factors that lead to prioritization of different types of initiatives or to higher adoption. These descriptions might investigate any trade-offs in the governance process, such as the trade-offs between implementation speed and adoption, or between speed and local absorptive capacity, or the use of coercive behavior and incidents of active agency.

**Investigation of influence of type of MNC on nature of piloting process**

It would be interesting to investigate how the type of MNC influences the nature of piloting. This could investigate how piloting varies within multinational MNCs, international MNCs, global MNCs, and transnational MNCs (Bartlett & Ghoshal, 1989, 1998). The study could look at the prevalence of piloting of intended strategic initiatives and also the style of piloting.
More in-depth investigations of the use of multiple templates
This study pointed to the importance of multiple template variations in piloting. Further studies could be used to investigate the uses of multiple templates both for piloting and for best practice transfer. In what contexts are multiple templates more effective than single templates? How many templates are most effective for generating affective commitment-to-change and in what contexts? What are the design criteria and process of multiple pilot selection for different types of initiatives? What are the different models of multiple pilot interactions with each other and with the global team and how does this impact adoption?

Template hybridization
In this research it was found that adoption was increased through the replicability of the template produced in the pilot. One of the ways in which replicability was increased in the NKX initiatives was to clearly delineate the global parts of the template and the parts of the template that could be locally adapted. This delineation created a hybrid template. A really interesting line of research would be to investigate other hybrid templates used in intended strategic initiatives. What is the process of dividing up the template? What dictates the boundaries of the global part of the template? How does hybridization impact adoption and adoption speed?

Role of the global team as change agents
The role of the global team in the piloting and rollout process merits a fuller investigation. Some themes might be i) Learning and learning speed - How does learning speed impact piloting? What is the process of learning during progressive rollout and what impacts this learning speed? ii) Template control - How does the global team exercise template control for replicability? iii) Active agency – What is the role of the team in either facilitating or suppressing active agency from subsidiaries during the rollout?

Contrast with product development market testing
It might be interesting to compare how the findings from template creation of routines for new practices compares with market testing location for product development.

8.4 Summary
This chapter summarized the conclusions coming out of this research and also served to highlight some of the limitations of the research design. Finally some interesting further avenues of quantitative and qualitative research were discussed.
Adoption of intended strategic initiatives in MNCs: Role of piloting
Chapter 9. Action perspectives for managers

Previously in this dissertation I have described an empirical investigation of how piloting influences the adoption of strategic intended initiatives which introduce new global practices. This chapter now moves away from the more rigorous side of the analysis to offer an action perspective for managers based on the empirical findings. The broad question this chapter addresses is: How can managers involved in implementing intended strategic initiatives use piloting to increase adoption rates?

This chapter starts by exploring how this research project attempted to bridge the gap between producing rigorous research that was also relevant and useful to managers. I then explain the format of the perspectives and the target audience. In the rest of the chapter I elaborate on a set of “rules of action”, organized within a management framework of piloting of global intended strategic initiatives.

9.1 Bridging the rigour-relevance gap

It is no secret that academics struggle in an ability to develop and conduct organizational research with practitioners and then communicate the results to a practicing audience (Fincham & Clark, 2009). This broad debate has been framed by Shapiro, Kirkman and Courtney (2007) as a “lost in translation problem” to signify the difficulty in transferring relevant knowledge from academics to practitioners, or as the “lost before translation problem” to signify the problems of academics undertaking research that managers do not even find relevant in the first place. It has also been widely termed the “rigour-relevance gap” or the “management research and practice divide” (e.g. Hambrick, 1994; Shapiro et al., 2007; Markides, 2011).

The reasons for this gap have been extremely well documented and widely discussed e.g. lack of goal congruence, different social systems, differences in variables, different time frames for addressing problems (Johns, 1993; Powell & Owen-Smith, 1998; Thomas & Tymon, 1982; Rynes, Bartunek & Daft, 2001). These differences have been summed up as having their origins in academics’ and practitioners’ most basic assumptions and beliefs (Shrivastava & Mitroff, 1984) and have been regarded as so difficult to address that it has led some researchers to even declare that the gap is simply unbridgeable (Kieser & Leiner, 2009).

Over the decades many different solutions have been proposed to bridging the rigour-relevance gap. One of the solutions that is frequently discussed is that in order to close the “lost before translation” part of the gap, there needs to be collaboration between academics and practitioners at different key stages of the research process (Pettigrew, 1997; Markides, 2007). Researchers’ contact with managers is viewed as an essential ingredient of this process. For instance, Hodgkinson and Rousseau (2009; p538) argue that:

*Developing deep partnerships between academics and practitioners...can yield outcomes that meet the twin imperatives of high*
Adoption of intended strategic initiatives in MNCs: Role of piloting

*quality scholarship and social usefulness, to the benefit of both agendas, without compromising the needs of either party in the relationship.*

Advantages cited for the researcher include: i) more frequent citation for research that has closer ties to the field, ii) greater financial support and legitimacy, and iii) strong flow of research ideas; iv) more depth to scientific constructs and theory, v) enhanced appreciation of potential research applications (Hodgkinson & Rousseau, 2009; Murphy & Saal, 1990; Rynes et al., 2001).

Another part of the proposed solution is to improve the teaching-research link by stimulating meaningful research questions, challenging researchers’ thinking, and creating excitement and energy around further research. Burke and Rau (2010) advocate that research-practice-teaching can together create a self-reinforcing triangle of interactions (Figure 23).

**Figure 23: Outcomes of narrowing the research-teaching-practice gaps (Burke & Rau, 2010)**

![Diagram of outcomes of narrowing the research-teaching-practice gaps](image)

I believe that this research project is a good example of a partnership formed between academic researchers and practitioners. This research topic grew out nine years leading action-learning workshops with managers from MNCs. During the course of these workshops my colleagues and I applied open innovation techniques to bring in new ideas that allowed these managers to re-design business processes; anything from highly specific problems such as re-designing queuing processes in bank branches to much larger challenges of redesigning whole business models, and everything in between. By the end of each workshop the managers and their teams left equipped with prototypes of
new business processes, stakeholder management plans, and detailed project roadmaps. For many of them the first step was to produce a working template of the new process in the form of a pilot. Once the pilot had demonstrated a “successful” outcome then the new processes could be rolled out more widely across the MNC. It was during our discussions of these pilots that I was struck that the decisions of where to locate and how to structure these all-important pilots were typically ad hoc and somewhat arbitrary. This led me to believe that this was a subject worthy of investigation, where the knowledge gleaned could provide practical help to managers who were attempting to create change in their complex institutional environments.

My next step was to meet with directors of corporate project offices and to ask them if they also regarded this as an interesting topic worthy of further study. The dilemma proved to ring true with two managers who both openly acknowledged that their companies had no formula for handling piloting and that this would certainly constitute “useful knowledge”. They were both open-minded and inquiring enough to recognize that working together with an “academic” was a good way to shed some light on the situation. They kindly provided me access to strategic initiatives to investigate and at the same time they pushed to see tangible results.

Over the course of the project we had many conversations together and they eagerly pointed to other people from the companies who might also have observations. At the mid-stage of the research we (my co-researchers, other interested faculty, and managers from three MNCs) all got together for a day-long research workshop where they could listen to the initial results and emerging thinking, and most importantly could add their own views and opinions. As the research evolved further I gave a teaching lecture to a class of global project leaders. This was highly instructive because not only did I get their feedback to the emerging ideas but they also opened additional questions and avenues for exploring the data. Towards the end of the research, I met again with the two project office directors and provided a final summary complete with piloting tools and templates. The final step to pass insights on to the management population was to publish a practitioner article (Davidson & Büchel, 2011) and to prepare a chapter in a book for practicing managers. In experiencing this journey with these managers I felt that I had truly toured around the three sides of the “golden triangle” of research, practice, and teaching (Figure 14).

### 9.2 Format of these perspectives

In commenting on the rigour-relevance gap Markides (2011) has argued that academic research is in fact sufficiently relevant but just not what managers want or need. He goes on to suggest that the true gap is not between rigorous and relevant research but between relevant and useful knowledge. In his

---

25 For example, Bartunek and Rynes (2010) reported that out of 887 academic articles that contained an Implications for Practice section, a selected practitioner found only 75 articles (8.1%) to be useful.
Adoption of intended strategic initiatives in MNCs: Role of piloting

opinion, for research to become managerially useful, it still needs to go through a transformation to a state where managers find it useful.

What do managers find useful? Here are some reflections from the literature on this subject of what managers are looking for:-

- Provides holistic answers to a problem that offers in-depth answers (Markides, 2011)
- Creates knowledge artefacts such as psychometric tests, scenario planning tools, and management science algorithms (Hodgkinson & Rousseau, 2009).
- Provides quick solutions to solve specific problems (McGahan, 2007)
- Addresses relevant and narrowly defined problems (McGahan, 2007)
- Provides access to knowledge that was previously held as valuable tacit knowledge, gleaned from experience in real-world settings that focuses on how to apply findings (Armstrong, 2011; Bartunek & Rynes, 2010)
- Employs concrete examples (Bartunek & Rynes, 2010)
- Uses prescriptive language instead of the tentative recommendations that academics are typically expected to make (Bazerman, 2005)

What do managers not like? One practicing manager who was asked to read the “Implications for practice” sections of leading academic journals expressed the following opinion,

Those that were too generalized or broad; had too many contingencies or were too complicated; used esoteric language; described problems but did not adequately describe solutions, and raised more questions than answers” (Bartunek & Rynes, 2010; p113)

Given the above comments, it is clear that an account of this research for managers needs to be written in a different way from the proceeding empirical research because it is targeted at a different audience.

Here I focus on global project leaders who are charged with leading global intended strategic initiatives within an MNC. The goal is to provide “rules of action” (Ulrich, 1984) that provide guidance. These rules are intended to help him or her to operate pilots more effectively and take better decisions during the course of piloting. Some of these rules will also be relevant for global steering members and for pilot managers. These rules of action are not intended to cover the subject of project management. It is assumed that the managers reading these guidelines are already outstanding project managers. Rather they are intended to highlight the aspects of piloting that is not normally covered in project management education.

These guidelines expand upon the empirical findings from this research. These empirical research findings were generated by rigorously finding common elements across eight cases that were associated with either higher or lower

26In a research study of “Implications for practice” (IFP) sections it was found that most IFP sections of leading journals that make prescriptions (i.e. 55% include “should” or “musts”) they offer those suggestions tentively, using language such as “may” or “possibly” 74% of the time, and adding contingencies or other qualifications to their recommendations 38% of the time (Bartunek & Rynes, 2010; p108).
levels of strategic initiatives adoption. In this section I expand this analysis in two ways. Firstly I add information about potential tradeoffs. These trade-offs were not empirically proved in the case studies but nonetheless provide relevant information for managers as they take decisions during the piloting process. Secondly, I use single case examples to elaborate on guidelines that may be relevant to consider above and beyond the empirical results of the cross-case analysis. Third, I add examples of cases from other companies. Fourth, I add my own experience from interacting with project teams.

The focus on managers is reflected through the use of terminology and language that might appeal more to practitioners than to academics. For instance, I use the term “rollout manager” instead of “subsidiary manager”, and the term “process” rather than “organizational practice”, and the term “country” rather than “subsidiary”. Also, I express these perspectives in a prescriptive way. In doing this I realize that there is the risk that I might shock academic readers. However, the goal of writing in this way is to alleviate the “lost in translation” problem (Shapiro et al., 2007).

9.3 Framework for piloting

The management framework presented here addresses two questions: What management areas can be influenced during piloting that lead to higher levels of strategic initiative adoption? And how can these areas be influenced?

The proposed framework of management covers the three main phases of piloting: 1) Pilot preparation, 2) pilot implementation, 3) strategic initiative rollout decision (Figure 24).
9.3.1 Main message
What is the main message for any manager reading these perspectives? My experience working directly with managers is that they do plan out their pilots but that the mentality is, “let’s just get to the end of the pilot first before we start to think about anything else.” They don’t actively plan for the success of their pilots. So I believe that the single most important message of this research is,

Pay attention to your pilots. Pilots are a showcase to the rest of the company of the new practice that you are attempting to implement. They are not just about learning but also about creating widespread commitment to a strategic initiative. There are many tangible ways in which you can increase the chances of the success of any initiative through good management of the piloting process. Plan to be successful from the start.

9.3.2 Pilot preparation

**Rule #1: Establish steering committee**
When establishing a steering committee think carefully about who should be recruited. The experiences in the cases provide three strong suggestions. Firstly, make sure that all the major global functions involved in the initiative are represented. The NKX initiative was a good case example of where one of the
major functions was not well represented. In this case the Head of Marketing was missing from the project because this position was in the process of being filled at the time of the pilot. As a result, although the new website was technical up and running, in her opinion the site was lacking in global content that could have been prepared before the pilot was even started. This was a missed opportunity during the pilot that could have had serious consequences on the success of the initiative.

Secondly, the steering members need to be senior enough and have enough budget control to be able to assign additional resources to the initiative if required. All initiatives have issues that arise during the course of implementation that are unforeseen. Tight deadlines mean that extra resources may need to be found in a hurry and can ease the pressures on over-worked global team members.

Thirdly, strongly consider putting a management team member from the pilot(s) country onto the global steering committee and, if possible, also a management team member from the first proposed rollout country. Company A made this a rule of action and has been pleased with the results. Having a management team member who can report back directly to the steering committee during the review sessions keeps the global project leader “honest” in his or her feedback. This steering member can offer eye witness accounts of what is really going on in the pilot and can truly act as the customer for the initiative. With more accurate feedback this helps the steering committee judge whether the template is complete before rollout or whether more work is required.

Questions to ask:-
- Do you have representation at a global level from all the major functions involved in this initiative on the steering committee?
- Do the managers on this steering committee have authority to allocate incremental budget to this project to help address the inevitable “learning surprises”?
- Have you included a local management team member from the pilot(s)?

**Rules #2: Select a pilot location**

One of the most striking features of the individual case studies was that making a poor choice of pilot was one of the most important factors that drove the lack of adoption of the strategic initiative. The expression “how it starts is how it ends” comes to mind. For instance, take the ASX initiative as an example. The pilot was selected to take place in Thailand because the local expatriate finance director was intensely worried about the lack of a decent IT system for financial reporting. However, the local Thai management team were not committed to the strategic initiative and as a result offered no visible management support to the project. The global team experienced almost insurmountable language and cultural issues when working with the local pilot team, aggravated by the high geographical distance from their home base in Australia. The template needed to be strongly locally adapted to the idiosyncratic needs of the local business, local customers, and local regulatory requirements, resulting in many technical issues that proved hard to resolve. The focus of the global team on the technical localization issues, coupled with the lack of local management support, resulted
in inadequate change management tools for local users and hence very low user compliance to the new ways of working. The template in the pilot was not complete by the time of the rollout decision and was also not appropriate for larger operations that had already installed SAP. As a result, the template had to be heavily adapted during the rollouts. This was accompanied by emergency rework of the local change management implementation plans. Interviews with the global steering members revealed that there were major concerns about the overall economic potential of the initiative and interviews with subsidiary managers surfaced major implementation concerns. Global team members worked many long hours in the pilot and one team member decided to leave the global function as a result of the experience.

I believe that this account serves to illustrate that the selection of the pilot location can have a big impact on the implementation phase of the pilot and also on the commitment of the major stakeholders to the overall initiative implementation.

So what should managers take into account when selecting pilots? And as the other side of the same coin, what are the subsidiary managers expecting in terms of credible pilot locations? When selecting a single pilot the cases individually and collectively suggested the following rules of action:

**#a: Strong local management support**

It may sound obvious, but the local management team in the pilot location has to be 100% behind the initiative. Much of the responsibility for creating local employee buy-in for the initiative lies with them. The local management team will be the ones who stress the importance of the initiative to employees and who actively push to make it successful. In the above example of the pilot conducted in Asia (ASX), it was the expatriate finance director who volunteered the country market as the pilot, but the rest of the local management team was not 100% engaged. As a result, the local employees actively resisted changing their ways of working and the global team had an uphill battle to create commitment in the countries implementing after the pilot. So it is critical that the majority of the local TMT and senior managers actively volunteer to be the pilot.

Questions to ask:

- Are senior managers willing to stress the importance of this initiative to the local organization?
- Will senior managers take an active interest in the emerging problems and issues of the strategic initiative?
- Will senior managers actively push the organization to make this strategic initiative a success?

**#b: Resources to implement**

Another aspect of local commitment in the pilot organization is being willing to put the necessary resources behind the pilot i.e. people, money, management time. Managers estimate that being a pilot country requires between two and three times as many resources in terms of people and management time as being an initiative follower. So the local management team also needs to budget for involvement in the pilot within the current budgeting process. Sometimes this
requirement can place a heavy burden on small countries, where pilot managers often need to work on the pilot and also perform their regular responsibilities. In the case of PTX, the global project leader complained that there were not enough resources in the pilot conducted in Spain because there was no purchasing organization in the country to take ownership of the initiative. As a consequence this pilot was much less successful than the other pilot conducted in Italy where resources were available.

Questions to ask:

- Does the country operation have enough resources in their current budget to fund this pilot?
- Does the country have the right people available to work on the pilot from the right functions? Can the country continue with “business as usual” if they devote these people to the pilot project?
- Do senior managers have the time and the “bandwidth” to devote to making the pilot a success?

#c: Good relationship with global initiative team

There needs to be a constructive working relationship between the global team and the local pilot team. Conducting a project under conditions of high uncertainty means that effective communication and coordination are essential to speedily resolve pilot issues and to enable high inter-team learning speed. Often this chemistry develops through previous piloting experiences. Or it can develop during the construction of the theoretical template with the reference group before the exact pilot location is chosen. One global project leader from Company A told us that he builds up this healthy working relationship as much as a year or two before the pilot during the process of “selling” the country on becoming the pilot location.

Some countries and their local management teams see to be naturally good at piloting and have a corresponding piloting culture (see Rule #7). Of course, this can also have its risks because these countries can end up always being asked to pilot e.g. Company A frequently selected the Netherlands. So it is also useful to check for “pilot-fatigue” that can substantially reduce commitment.

Questions to ask:

- Does the local management team have a good track record on piloting global initiatives?
- Is the local management team/potential local pilot team open to working with managers from other subsidiaries during the theoretical template development phase?
- Does the local management team have a constructive relationship with corporate headquarters in general?

#d: Recognized expert

The empirical research showed that rollout managers are assessing the extent to which the pilot location has strong skills, expertise and experience in the functional dimensions that are important for the strategic initiative. This clearly signals to the organization that the global template created in the pilot has the potential for best practice and could build competence within their own
subsidiary. I found that, in any given multinational, there are definitely “horses for courses” in terms of pilot selection. For instance, at Company A, the US is frequently used for piloting sales processes, but Finland is used for operations projects. At Company B, finance projects are piloted in Europe, but Brazil or Mexico are used for operations projects. When rollout managers see the expert location being used for the pilot, they can say, “I’m confident in this initiative because I’m sure these people know what they are doing.”

Sometimes the country that is the recognized expert may have their own local version of the new process or practice that is being introduced. Often this local version has been heavily tailored to suit the country’s needs. In this case it is preferable to select another pilot simply because any new global process is likely to be viewed as a downgrade from the existing local process. For instance, in EDX it was decided not to pilot in Japan because the Japanese had an excellent local design system that could not be adapted to suit the other markets and it was felt that this would cause huge frustration in the pilot that would be transmitted to other rollout managers.

Questions to ask:
- Is the country a recognized expert in the main functions involved in the global business processes redesign?
- What evidence is there of their expertise that can be communicated to rollout managers?

#e: Adequate business coverage
Rollout managers are also carefully looking at the scope of the template created in the pilot. The global template has greater scope if it covers more business units or more customer types or a greater complexity of products and services, or more supply chain models. If the scope in the pilot location is highly restricted, then the template is viewed as too small and hence not replicable in more complex operations. For instance, in the EDX, Sweden was selected to pilot a new customer service but it could only pilot with one major customer who used the service infrequently and for only one type of product. As a result, the pilot was widely disregarded by other countries who complained bitterly that the pilot did not actually demonstrate that the initiative could work in other locations. A pilot has to be meaningful in the context of the degree of business coverage of the other subsidiaries to avoid attracting criticism.

One caveat to selecting a pilot with adequate business coverage is the trade-off of pilot credibility with pilot feasibility. Selecting countries with the largest business coverage for creating a template is also risky. Firstly, high profile countries also carry the threat of high profile failures. For instance, when Nestlé implemented the Global Business Excellence Program (GLOBE) with the goal of creating a common set of “best practice” business processes to be used throughout Nestlé, they selected three pilot countries (Killing, 2005). One pilot location was chosen from each of the three main geographic regions. The specific countries were selected to be large enough in terms of revenues to be credible but not so large that pilot failure would risk compromising the financial results of the region. The global leader from the ASX initiative also commented on the risk of high profile failure and explained that this was one of the reasons
that he did not select Australia as a pilot. Another risk of selecting larger countries is that size often goes hand-in-hand with complexity which can also jeopardize feasibility of the pilot. So, in general, unless the combined global/local team are really sure that they can show that the new processes work, it is better to select a less ambitious pilot.

Of course, in some rare initiatives selecting the most complex pilot may be the only choice because the processes and transactions in the pilot defines the nature of the initiative architecture and this cannot be added to at a later date. For instance, in KCX it was essential to design the new centralized system for customers’ calls for the maximum functionality and this functionality was dictated by Germany. In this case there was only one possible choice for the pilot.

Questions to ask:
- Does the country cover at least 70% of all market segments for products and services?
- Does the country cover at least 70% of the major customer types?
- How politically risky would it be if the pilot failed in the country?
- How will a larger degree of business complexity impact the feasibility of the pilot?

#f: Lack of strong local peculiarities
Template replicability can also be compromised if the pilot location is strongly locally idiosyncratic. For instance, in the ASX initiative, during the course of the pilot the global team discovered that they needed to make major adaptations to the theoretical template for local issues concerning tax, legal and special customer transactions. As a result, the template was both harder to implement for the duration of the pilot and more difficult to reproduce in the roll-out.

Questions to ask:
- What are the regulatory differences of this country versus other countries? How might this impact the template creation?
- What are the culture/ language differences of this country versus other countries? How might this impact the template creation?
- What are the particularities of customer service of this country versus other countries? How might this impact the template creation?

#g: High level of similarity to other countries
Pilot onlookers are sensitive to the degree to which the pilot location is similar to their own country. This phenomenon is similar to the principle of social proof which tells us that in uncertain situations people tend to look at those who are like themselves to judge what behaviour to adopt (Cialdini, 2001). Many of the roll-out managers took pains to explain how their country subsidiary was similar to or different from the pilot location. If the pilot was successfully conducted in a location that was broadly similar to their own, they were more positive about the initiative. For instance, a roll-out manager in the UK for Company B project to standardize purchasing processes declared that he had few reservations about the initiative because he had heard the pilot was going well in Italy, which had a similar arrangement to that in the UK, with the factory and market company co-located. So it is really important not to select a pilot that is atypical on key
dimensions such as organizational structure, roles and responsibilities, and systems. Intuitively, roll-out managers are sensing whether the template developed in the pilot is replicable in their own environment. One way to increase the perception of similarity to the pilot is to use multiple pilots (see Rule #3).

Questions to ask:-

- What are the key organizational system dimensions that are important in this initiative? Strategic intent of the country? Organizational structure? Roles and responsibilities? IT systems? Performance management systems?

- Does this country treat these important dimensions in a similar way to the majority of other countries?

#h: Reasonable status within the organization

Rollout managers are also looking at the status or credibility of the location within the organization. When country markets have high unit sales, revenues, market share, profit or growth rates, this provides a halo effect and pilots are viewed more favourably (Rosenzweig, 2007). For instance, at Company A, France and Italy are seen as high volume markets; The Netherlands – demonstrates high market share and rapid growth. All get the thumbs up as valid pilot locations. Part of the reason for this strong halo effect is that it is usually too early to judge the economic results of an initiative during the piloting phase, so managers partially base their perceptions of the initiative on the performance success of the subsidiary.

However, sometimes high status countries can make poor pilots because they have a tendency to act as “prima donnas”. Sometimes larger, more powerful markets in a multinational company create problems by insisting that the template is heavily locally adapted. This maximizes the value of the initiative locally but may fatally compromise the ability to copy the template in other countries. For instance, in the SPX initiatives the initial pilot countries were France and Italy but both countries wanted to heavily tailor the template to their own needs and also wanted to delay the implementation of the initiative. Eventually the global steering committee decided to select a third country to pilot in before France and Italy. They selected Holland and used the template developed originally in France and Italy. And for another initiative the change manager in Company A working in the Netherlands, described how a sales tool which had been piloted in France had become so totally localized that the Dutch team had to hand it back to the global team and ask for it to be re-piloted. In many companies I have heard the refrain, “Don’t pilot in country x if you want to have a short and simple pilot. They will drag the project on forever until they get exactly what they want.”

Questions to ask:-

- Which are the countries that have high status? High sales volumes? High growth rates? High local market share?

- Are the management teams in these countries likely to hijack the template for their own ends or are they prepared to create a global template?
Pilots conducted in the home country of the company should be selected with care. These pilots should be considered only if the previous criteria are met. Interviews revealed that rollout managers are naturally suspicious of pilots conducted in the home country. They question whether pilot managers located in the home country can provide genuine feedback or whether the news from the pilot will be heavily “censored” by managers in global functional positions.

Questions to ask:-
- Can we select another location other than the headquarters country?

**Pilot selection tool**
During the workshop discussions with the companies participating in the research, manager asked for a pilot location selection tool to help companies to evaluate specific countries. This tool is not empirically proved and is under trial (pilot) in these organizations (Table 30). The scale was developed based on a combination of the research and my own personal experience working with pilot managers. The highest ratings were given to three elements that always have to be present in any pilot (i.e. aligned interests, resources, and relationships) in order for the subsidiary to even be prepared to volunteer (all pilot locations in the research met these criteria). The other criteria related to creating a replicable-credible-feasible pilot were regarded as just slightly less important but of course, critical when selecting between several subsidiaries that are all volunteering. Organizational status is regarded as a nice-to-have, and probably to some extent compensates for a lower degree of recognized functional expertise. The minimum score tried to take into account the importance of all of the factors.

**Table 30: Pilot selection tool for a single pilot**

<table>
<thead>
<tr>
<th>On a score of 1 to 10, to what extent ...</th>
<th>Minimum suggested points out of maximum 10 points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does the local management in the country strongly support this strategic initiative? (Will it stress the importance of the initiative to the local organization, will it take an active interest in resolving project issues, will it actively push to make the initiative successful?)</td>
<td>8 minimum</td>
</tr>
<tr>
<td>2. Does the country have the resources available to implement the pilot? (Right people, funding)</td>
<td>8 minimum</td>
</tr>
<tr>
<td>3. Does the local pilot team have a good relationship (or at least not a bad relationship) with members of the global initiative team? (Cooperative and constructive relationship,</td>
<td>7 minimum</td>
</tr>
</tbody>
</table>
Adoption of intended strategic initiatives in MNCs: Role of piloting

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4. Is the country a recognized expert in the main functions involved in the global business processes redesign?</strong> (Skills, expertise, knowledge)</td>
<td>6 minimum</td>
</tr>
<tr>
<td><strong>5. Does the country have an adequate level of complexity to be credible?</strong> (Scope of project is large enough to demonstrate that the strategic initiative works but not too complex to compromise feasibility)</td>
<td>6 minimum</td>
</tr>
<tr>
<td><strong>6. Is the country without any strong local peculiarities related to the initiative, and/or are pilot managers unlikely to push for local adaptations that could compromise the global template?</strong> (Watch for local anomalies or prima donna syndrome)</td>
<td>6 minimum</td>
</tr>
<tr>
<td><strong>7. Is the country similar to a critical mass of other country units?</strong> (Similar in dimensions relevant to the strategic initiative such as strategic intent, organizational structure, roles and responsibilities, IT systems, etc.)</td>
<td>6 minimum</td>
</tr>
<tr>
<td><strong>8. Does the country have a reasonable level of status within the organization?</strong> (High revenues or high market share or high profit or high growth rate)</td>
<td>5 minimum</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Minimum score = 52/80 pts</td>
</tr>
</tbody>
</table>

**Rule 3: Using multiple pilots**

The empirical research indicates that multiple pilots have the power to create more commitment among subsidiary managers and hence lead to a higher level of adoption. Using more than one pilot turns up the volume on each of the three dimensions of piloting. Credibility is improved by increasing the chances that managers in roll-out countries will identify with at least one of the pilot locations. For instance, in PTX the two pilots were chosen so that one was in a market company and the other one was at a site where marketing and manufacturing was co-located. In this way, subsidiary managers could recognize at least one pilot location that was similar in organizational structure to their own.

Replicability is increased because piloting in several countries allows the creation of different templates, each of which is suited to different batches of countries. For instance, when Nestlé implemented the Global Business Excellence Program (GLOBE) they selected three pilots from different regions.
because Nestle operates differently in each region and so the different templates could accommodate differences in organizational structures, roles and responsibilities (Killing, 2005). Reliability can also be enhanced because the global team works with each of the local teams at the pilot locations to create a more globally applicable template and associated implementation methodology. For instance, when Company A implemented a global customer relationship management (CRM) system it selected three countries – the US, the Netherlands and Ireland. The pilot teams met weekly by web conference to discuss how to update the global template based on their learning. This meeting was facilitated by the global team, who also filtered the proposed changes to make sure that the template would be acceptable to as many of the roll-out countries as possible.

Using multiple pilots also helps to quickly define which parts of the template need to be globally replicable and which parts can or should be left to the discretion of the managers in the country subsidiaries to adapt as they choose to fit their local operations. Making the global-local boundary clear during piloting reassures these managers that certain local needs can be sufficiently accommodated. For instance, in NKX, the global team clearly stated which parts of the new corporate website and related IT sales tools should be maintained using local processes and which parts would be maintained globally.

And finally, although multiple pilots require heavy facilitation from the global team and may take longer because of the need for greater cooperation, the feasibility may increase as there is more likelihood that at least one of the pilots will be recognized as successful. If one of the pilots is less successful then it tends to attract less attention. Of course, there are decreasing returns with the number of pilots. In the case studies the maximum number of pilots employed was three. Feasibility may also be increased by creating a sense of competition between the different country uses. So, although there are major trade-offs in terms of increased time and resources, multiple pilots have more advantages than disadvantages for accelerating global strategic initiatives.

When selecting multiple pilots both Company A and Company B always select a “lead pilot”. The lead pilot is the country subsidiary that embodies many of the characteristics described before when selecting a single pilot. Lead pilots need to be recognized experts because they are expected to take a leading role with the global team in designing the template and in collaborating with the other pilots. But because it is possible to compensate for some pilot characteristics by using other additional pilot countries, the lead pilot does not need to possess all the attributes of a good pilot. For instance, it may not be necessary that the lead pilot has a high status in the organization, as long as the country is known for its relevant functional expertise.

When selecting additional pilots the most important priority is to cover the “likeness spectrum”. A good exercise to conduct before starting the pilot selection process is to imagine the “sales objections” for the strategic initiative from various local management teams. What would lead them to object to largely adopting a template that has been developed in another location? Sometimes objections are concerned with IT systems, “But the IT system in their (the pilot) operation is very different.” Sometimes it is around organizational
Adoption of intended strategic initiatives in MNCs: Role of piloting

structure or large differences in roles and responsibilities, “But we don’t actually have anyone doing that job in our country operation, so how can we implement?” Sometimes objections are around the scope of the operations related to the size and number of customers or different types of products and services, “But that will never work in our operation because we have lots of very small customers in comparison to them (the pilot).”

One approach is to divide up all the country operations into different lists based on these different criteria that could be raised as “sales objections” and then attempt to select one country from each list. If there are multiple criteria then select pilots that meet more than one criterion and appear in multiple lists. Compromises can be made on functional expertise and status but each of these pilots still needs to have strong local management support, good relationships with the global initiative team, sufficient local resources, and no strong local peculiarities or a management team that is likely to push for too much local adaptation of the template.

Questions to ask:
- What are the criteria that differentiate between country units for the adoption of this initiative?
- Which countries are grouped together for each of these criteria?
- Can we select a relatively small number of pilot locations that adequately covers these criteria?

#Rule 4: Set pilot goals

Pilots require clear performance goals before implementation. Why? Because without performance goals it is hard for the steering committee to draw a clear conclusion about whether the pilot has been successful or not. The risk of starting without clear goals is that the pilot is left to continue indefinitely or that the adoption decision is taken on poor performance criteria. This can result in confusion among senior management about whether or not the pilot has been successful and whether it can be replicated elsewhere.

However, the case research revealed that deciding how and where to set performance expectations is not an easy task. There can be several problems. Firstly, while the goal of the overall initiative may be to increase sales, reduce costs or increase the efficiency of the assets, it is usually impossible to demonstrate the local business case for the initiative by the end of a few short months’ pilot. Secondly, sometimes the efficiencies reaped by the implementation of a global strategic initiative only become visible after it has been implemented in multiple locations. For instance, imagine an initiative which involves investing in new centralized hardware, such as KCX. It is maybe only after three of four countries are all using the same hardware that the costs start to go down for everyone. Thirdly, it can be difficult to select meaningful key performance indicators and to set targets on these indicators because the global team is still learning about the key performance indicators during the pilot. For instance, in PTX the global team realized that although they had created measures for procurement efficiency they did not have adequate measures for procurement effectiveness. Fourthly, it is often impossible to benchmark results before and after the new practice is introduced. For instance, in OPX the targets
before the new maintenance processes were introduced were recorded on a spreadsheet using data inputted by hand and then afterwards the target data was automatically generated by the ERP system using a different algorithm. The two sets of data were not comparable.

Finally, if there are no meaningful pilot performance indicators, senior managers frequently judge feasibility on whether the global team completed the pilot project plan on time and on budget. These criteria are highly problematic for judging the replicability of the pilot. Measuring success in this way tempts teams that are under time pressure to cut corners by not fully completing the global template. Problems in the pilot are then rolled out to other country markets, leading to a snowballing of issues that all need to be fixed simultaneously-- a sure-fire way to stop an initiative in its tracks. This issue is often made worse if the personal performance management goals of the global team members are linked to budget and time (more in Rule #10). A senior global project leader freely admitted that senior managers at Company A have to become more critically creative in judging that the templates and implementation methodologies are complete and well-packaged before they decide to adopt the initiative and proceed with further implementation. And that this was one of the greatest failings of corporate piloting.

Nevertheless, I did find that the best global project leaders did manage to set clear enough pilot objectives that senior management could judge the feasibility and replicability of the initiative at the end of the pilot. Frequently these objectives can be simple, such as focusing on the engagement levels of the employees adopting the new processes within the pilot. For instance, the global project leader working on the CRX initiative measured the level of adoption of the new system by sales force personnel and their satisfaction levels. But rather than setting over-demanding targets, he simply demonstrated that these measures were steadily increasing over time. This was enough to convince the steering members that the new sales processes would be adopted.

A more sophisticated but much better way to set pilot goals is to create a “willingness to pay” measure of a “catalyzed return-on-investment (ROI)” measure. At the start of the pilot the global team sits down with the local management in the pilot country and together they agree how much the local team would be willing to pay for the project, how much the project is going to cost, and hence can calculate an approximate ROI. The pilot management team should then be actually willing to pay corporate this amount for the project. Catalyzed value is a more sophisticated version of this where together the teams estimate the value creation potential of the initiative and a local member of the management team then takes this value creation potential on as part of his or her performance management measures, e.g. greater sales, reduced costs, greater efficiencies etc. Again, an ROI can be calculated.

Essentially this is a more rigorous version of the local business case for the initiative, where the pilot management team are being asked to really commit to the project. Even the process of discussing these numbers makes everyone (globally and locally) pay much more attention to what the pilot is trying to achieve and what measures should be used to judge whether the pilot is complete. It also creates a much more committed local project owner who will be
Adoption of intended strategic initiatives in MNCs: Role of piloting

in a better position to judge whether the pilot has achieved its goals at the time of the rollout decision (see Rule #10). It even forces a discussion about the difference between the targets to be reached to complete the pilot and start the rollout, and the targets that should be ultimately reached once the new process is fully bedded down. In my experience, these tough discussions rarely take place at the start of the project. Strangely, if the company was to be working with an outside supplier then probably these issues would be covered in great detail but for some reason just because the project is “in the family” then they do not happen.

Another good practice before starting a pilot is to make sure that the stakeholders agree on how the performance criteria will be measured. For instance, in EDX which was an initiative to introduce a global design handling system, senior management were divided over whether the pilot should be measured in terms of global cost reduction or increased customer satisfaction. Approval for the roll-out was given based purely on the increased efficiency of the new operational processes, but the roll-out managers in the other countries only grudgingly adopted the initiative because it did not meet their customer acceptance standards. After a year, the initiative had to be re-piloted in a new location.

Questions to ask:

- How will we convince the steering group that the pilot has been successful?
- What measures of success will we use? What targets should we set?
- What measure can we use to judge the uptake of the new processes or the satisfaction with the new processes in the pilot?
- Have we created more commitment and clarity in the pilot by using “willingness or pay” or “catalyzed value”?
- Who has signed off to the key performance indicators in the pilot management team and will be our ultimate customer?
- Have we agreed upfront how we will measure the agreed performance criteria?

#Rule 5: Co-design the theoretical global template

Before starting work to introduce the new process at the pilot location the global team needs to take time to listen to the “customers” and the “consumers” from all the countries that will roll out the initiative. The customers are the managers who will be responsible for implementing the new process in their country. In some cases these people may be obvious; in other cases this may require asking the local management to designate the responsible person. Consumers are the users who will be trained to use the new processes. For instance, in PTX the customers in the countries were the procurement, finance and logistics managers who were managing the purchase-to-pay process (plus the IT implementers of the new process). The consumers were anyone in the country operation who wanted to buy-in indirect products and services from a supplier.

Customer and consumer listening means obtaining a picture upfront of the needs, and more importantly, the constraints that each country might place on the new global process. Being armed with an understanding of the constraints
enables the global team to design a theoretical template that has the maximum chance of “fitting” as many of the countries as possible. It also makes the team aware of any serious constraints that should be removed ahead of time in certain countries to maximize the simplicity of the template for everyone. One of seasoned global project leaders at Company A pointed out that sometimes the global teams only partially design the template with the customers and consumers and then use the pilot to complete the template but that in his experience, this always lead to replicability issues later on.

This exercise also contributes to deciding whether or not several template variants will be needed and hence whether or not to use multiple pilots (see Rule #3). For instance, in the CRX initiative three pilots were selected; US and Ireland because was country was working with completely different IT systems, and then Netherland was added because this organization had a different organizational structure. Using three pilots enabled the global team to design three different template variants, one of which would more or less fit every other country.

But more that helping the team to design a better template, creating a reference group of customers and conducting regular meetings to consult with them before starting the pilot has an important psychological effect. Those that contribute will feel heard and provided their input is treated with respect and consideration by the global team then they will be more likely to support the initiative; a term known as procedural justice (Kim & Mauborgne, 1997). Listening to each other also provides the customers with a greater understanding of the most important trade-offs that need to be accommodated within the template by the global team.

Questions to ask:-

- Who are the “customers” and the “consumers” for this initiative?
- What would delight them in the new process? What are the constraints on the template design?
- Which local constraints do we need to remove in order to make sure that the template can deliver what we want it to deliver e.g. economies of scope and scale, efficiency and effectiveness, transparency?
- What do the constraints tell us about the need for multiple template variants?
- Are we using a process where all customers will feel heard and respected?

9.3.3 Pilot implementation

#Rule 6: Don’t start until you are ready

One striking aspect about the ten strategic initiatives was that in three of them the pilot could be described as disastrous on infeasible. The global team quite simply encountered problems that were almost impossible to solve within the timeframe set for the pilot. How could this have happened? One easy answer that deserves a closer look is that the teams just started too soon. What are some of the reasons that can lead to this retrospective conclusion? Firstly, there is the question of technical feasibility. When the technology is off-the-shelf and
Adoption of intended strategic initiatives in MNCs: Role of piloting

has been implemented as many other MNCs then this is less of an issue but as soon as the systems technology needs to be custom-made or if the technology is untried by the supplier then this is where the problems start. For instance, in EDX the data handling system was an untried ERP module. The supplier was delighted that Company B would volunteer to be a guinea pig but Company B in the end was much less enchanted. With new technology controlled environment feasibility tests are a must.

Second, there is the complexity of the process. If the team is uneasy about implementing the untested theoretical template then consider starting with a pilot within the pilot. Start small with one product line or one small region or a town. Company A started to use pilots-in-pilots several years ago and have had a lot of success with this approach. For instance, in their hands-off invoicing initiative, where the goal was to reduce sales processing costs by introducing PDAs to all sales people, the global project leader started the initiative in one area of Finland before rolling out to the whole country. The same pilot selection rules apply; think replicable-credible-feasible. A pilot-within-a-pilot is much more effective than a laboratory feasibility test because simple feasibility tests don’t provide the whole-systems effects of the real world.

Thirdly, there is the issue of lining up the resources at the right time. Sometimes teams start before the resources are in place either globally or locally. For instance, if the global team needs to recruit someone from outside the company or if the local team need to free up a busy person then it pays to hold out until these resources are actually ready to go to work. Or sometimes the pilot cannot be implemented until another initiative has been implemented first. For instance, in the FTX case the pilot country did not have any standardized supplier authorization and payment processes, making the FTX initiative on financial order processing an almost impossible task. It would have been better to implement the PTX initiative first.

Fourthly, it is critical to have the full attention of the management team in the pilot. If the pilot is goes the way most pilots go then plans will change, resources will need expediting, users will need reassurance, and this all requires local management attention. In Company B global steering members and local management team members ended up completely frustrated about global initiatives starting up when the country had its hands full with other urgent issues. As a result the Global Project Office asked the local management teams to draw up a calendar of “no fly zone” weeks or months when they would not have the resources available to implement any global initiatives. This led to a happier corporate-local office relationship with fewer bad surprises for all parties concerned.

Finally, going back to what was said above, make sure that the theoretical template is complete and it is well documented. It is always easier to update something that exists than something that is carried around in the minds of a few team members.

During the course of the research both Company A and Company B decided that too many of their pilots were starting up before they were really ready to start the project. As a result both companies decided to create a much harder
stage gate at the start of the pilot with the goal of providing the pilots a better chance of success once they were underway.

Questions to ask:-

- How confident are we in the feasibility of the technology involved in this project?
- Are we sure that we really need customized IT systems for this initiative? What are the risks if we take off-the-shelf?
- Would we be safer to start with a pilot within a pilot? How much time might we lose? How much time might we gain?
- Are the resources really all lined up and will they be ready at the right time?
- Do we have the full management attention of the management team in the pilot? If not, do we wait? Or do we change pilot location?
- Is our stage gate at the start of any pilot rigorous enough?

#Rule 7: Establish learning speed

Given that novel initiatives contain a high degree of uncertainty and cause-effect ambiguity, global teams have to be ready for a high degree of learning right from the start of pilot. Working with a committed local pilot team with seemingly ample resources is a good starting point. However, often learning takes the form of unforeseen uncertainty that could not be or was not identified during the project planning phase for whatever reason. This can manifest as technological surprises or behavioral engagement surprises. This would not be so bad if project leaders could easily push back the pilot completion date but typically pilots run for a predefined duration with a more or less defined budget. This creates the need for a high learning speed. We like to describe this as “outrunning the bear.” During any pilot the size of the bear is dictated by the extent of unpleasant project surprises, scope changes, technical problems, and change management issues. The global team and local pilot team together have to figure out how to learn fast enough to outrun the bear for the duration of the pilot.

Fast learning requires strong local commitment to the pilot and the right learning culture. It is important to select a pilot organization in which people in the ranks are not afraid to speak out and provide honest and open feedback. Pilots require people who are naturally curious and an environment that provides psychological safety so that team members who take risks do not feel that they will be punished for failure (Edmondson, 1999). As one global project leader told me, “You have to make the learning fun. It is an attitude and a mindset.” Fast organizational decision-making processes are also critical so that learning rapidly leads to changes in the pilot and the template can pass through multiple iterations. Coordinated learning in the global and local pilot teams needs to be front-loaded during the early phases of the pilot and explicitly scheduled into regular meetings. Another good tip is to make sure that the valuable time of the global and local teams is not being spent “doing dumb stuff”. One experienced global project leader pointed out, “I can’t remember how many times I have seen team members translating training manuals. Do yourself a favor and outsource the lot to a translator. It’s cheaper and better for everyone.”
Adoption of intended strategic initiatives in MNCs: Role of piloting

Given that it is never clear at the start of a pilot how large the bear might be, it makes sense for project leaders to plan for the worst and hope for the best. One of the most experienced project leaders that we talked to at Company B, emphasized how during a global standardization initiative he was careful to allow a wide margin in terms of pilot duration and budget. In the end, through good planning and some luck, the bear was relatively small but, as he said, it was much better to come in under time and under budget with a completed and replicable global template than to do the opposite.

Some global teams are so busy putting out technical fires that they forget to assist the local management team with change management processes. But making sure that employees who are changing their ways of working support the initiative is critical to persuading managers in the roll-out that the initiative is worth adopting. During the pilot the team needs to make this transition from a focus on learning to solve the technical problems to a focus on ensuring the commitment of managers in the pilot and also in the rollout countries (Figure 25). For instance, when Nestlé launched its GLOBE project, a global implementation of Business Excellence initiatives and standardization of working practices supported by SAP, the global team developed an extensive template solution with training that allowed learnings from previous implementations to be captured for future roll-outs. This ensured the replicability of the “tested” template and provided a methodology for implementation. The Nestlé “Method for Implementing Globe” consisted of seven phases, with work packages around themes that allow for effective implementation and support before, during and after implementation. These methodologies that create commitment are also an essential part of the roll-out of the global template.

Questions to ask:

- Does the pilot have reasonable safety margin for time and resources to allow for the unexpected?
- Have you organized your global team and local pilot team for fast learning and outrunning the bear? How often will you meet? What team norms do you have that will allow you to openly discuss emerging issues?
- What can you and the team learning previous pilots or from other experienced global project leaders?
- Conduct a “how will we fail exercise” to think through all the ways in which the pilot might go off track.
Figure 25: Progressive shift from learning to ensuring commitment over pilot duration

**Rule 8: Manage the buzz**

In any initiative, performance feedback from the pilot spreads rapidly through informal networks with a strikingly high degree of accuracy. We found that roll-out managers were actively seeking out news from friends and colleagues in the pilots and that this was creating an initiative “buzz” (Gilbert, Büchel & Davidson, 2009). What does this mean for global project managers? First, it is pointless to attempt to cover up bad news stemming from the pilot. In one initiative where the pilot was not going according to plan the global team was trying to reassure people by communicating that everything was on track. One of the pilot managers working in the local team openly commented that he felt that the global team were trying not to make the initiative sound so difficult because they didn’t want everybody to get discouraged, but he continued, “Everybody wanted to know how it was going; the informal networks were hopping. Now, people can read between the lines too. When you talk to your colleagues and can’t get straight answers, people find out what’s really happening. You know nobody is fooled by the global press.” So if there are aspects of the pilot that are not going well, it is better to be transparent, admit them and explain how you will fix them rather than pretending that they don’t exist. The Director of the global project office at Company A told us that this was a lesson that the global team leaders at Company A had learned the hard way at the start of the globalization process, but that it was now something all project leaders were keenly aware of.

In extreme cases, if the pilot is going disastrously it may be much wiser to simply stop, redesign the theoretical template and then re-pilot in a new location rather
Adoption of intended strategic initiatives in MNCs: Role of piloting

than struggling on with a poorly designed pilot that has widespread bad press\textsuperscript{27}. Steering members need to be sensitive to when the negative buzz around an initiative has reached such a level that they need to intervene and take that hard decision to stop the pilot.

Second, leveraging good news of pilot feasibility will help to speed adoption. A positive buzz through formal and informal networks supports the success flywheel and builds execution momentum. Here the global team needs to provide platforms for the pilot managers to talk about their positive experiences. At Company A, the project leader of an initiative to launch a global company web presence (NKX), used an e-business conference to showcase the pilots in the US, France and Finland. Listening to the pilot managers gave roll-out managers the confidence that they could implement the initiative successfully and also provided them with a list of implementation do’s and don’ts. When global teams can showcase positive results from pilots, commitment becomes contagious.

Questions to ask:

- How will you monitor the buzz during the pilot? Who will you talk to?
- When you are making a statement about the pilot, what are the facts that back up this statement?
- Are you also talking about the items in the pilot that need to be fixed? Do you have a priority list?
- How are you spreading the good news about the pilot? Who is talking to who? Which company publications or speaking events or regular management meetings or management conferences can you take advantage of?

\textbf{#Rule 9: Keep in control of the global template}

“Local pilot managers can be pretty persuasive people,” was a comment that I heard a lot in my interviews, “and they always do a great job of telling you that they know best what will work”. During the pilot it is essential to keep the new working template in a state where is can be rollout to other subsidiaries. This is sometimes easier said than done. For one thing, often the reason that a pilot location has volunteered to be a pilot is because they are hoping to get a big say in the shaping of the template. Of course, sometimes there is nothing sinister about this and they just want to do a great job of creating the template for everyone. But sometimes they will attempt to stretch the template to fit some of their more idiosyncratic ways of working. The downside is that the template may not fit other countries. For instance, a project leader from Holland told me, “Don’t pilot in France. I once did an initiative there and the output was so specialized to the country situation that I had to re-pilot the whole initiative. This did nothing to help my career.”

As the global team, keeping control of the template is not easy. The global project leader from OPX told me, “We tried and tried to persuade them not to change it. We worked on them for months. But in the end they would not listen and so we changed it for them. Later we changed it back for the other rollout.

\textsuperscript{27} Multiple pilots can help in this respect as one pilot going badly may go more or less unnoticed.
Chapter 9. Action perspectives for managers

Now they have come back asking for us to retro-fit the change. If only they had listened in the first place, they would not have ended up in this mess.” One way to leverage peer pressure is to communicate the emerging issues to the reference group.

Another way in which the global template can easily get out of control is through scope creep. Of course, every good project manager knows all about this. The issue with pilots is that sometimes it is harder to refuse scope expansions. For instance, in SPX France and Italy were refusing to complete the pilot without substantial adaption to their local context. In desperation the global team asked the Netherlands to become the pilot but the Dutch drove a hard bargain, asking for a much increased project scope as part of taking on the job. This expansion of routines and IT systems issues nearly caused the pilot to fail. So when in doubt start smaller and expand in a second or third wave at a later date. In the CRX case they demonstrated this principle to great effect and even manage to roll out the first phase to all 40 country subsidiaries in the first 12 months of the project.

Questions to ask:-

- In what ways are the local pilot team influencing the template away from a global version?
- How can you separate the global and the local parts clearly so that the global parts stay clearly global?
- How can you use the influence of the other managers in the reference group to help with template control?

9.3.4 Strategic initiative rollout decision

**#Rule 10: Decide when to rollout**

This is probably one of the hardest decisions to make during any pilot. Problems with the rollout decision are often caused by the performance management system applied to the global project team. Usually a heavy emphasis is placed on completing pilots on time and on budget, and this dictates the end of year bonus. As a result the global team can often be tempted to cut corners on the pilot and ask the steering committee for the rollout decision before the pilot is really completed.

Added to this the global steering team are either are not too clear about the performance goals set for the pilot or don’t look too closely at whether they have been reached (see Rule #4). For instance, in Company A someone said, “At the end of the day, if Mr X (steering members who is also a TMT member) recommends it then it will go through.”

And in addition, because the pilot is essentially “on stage” everyone is looking to see how it is going and so if the pilot is delayed, this in itself can cause rollout managers to question the feasibility of the initiative. Once the feasibility is under question then this can lead to a substantial loss of confidence in the overall initiative.

In summary, as we have seen, all of this makes it tempting for project managers and steering members to stick to the initial pilot delivery date and roll out too
Adoption of intended strategic initiatives in MNCs: Role of piloting

soon. The rationale given by several project managers was, “I thought that we will be able to catch up as we go.” The rationale given by steering members was, “well the project leader told us that the pilot was finished and we just agreed to start the rollout.” However, this research revealed that there was no obvious relationship between sticking to the pilot delivery date and the ultimate success of the initiative. The two are almost entirely decoupled. One thing that was clear was that when projects stubbornly stuck to the delivery date then this magnifies the risk of initiative failure because of the chaos caused by trying to roll out an incomplete template.

That said how can you decide when the pilot is ready to be rolled out? As every project manager knows there is no such thing as the perfectly complete project. In any project gremlins will continue to emerge as the weeks go by and fixes have to be found. So perfect pilot completion is in itself a utopia that is cannot be realized.

So what are some of the solutions to these issues? First priority is to fix the performance management system of the global team. Adding the pilot goal-setting criteria to their personal performance goals is a good start. Even better is to use the “willingness to pay” or “catalyzed value measures” discussed under setting pilot goals (Rule #4). Second priority is to make sure that a member of the local management team signs off on the completion of the pilot. This is one of the good reasons for putting this person on the global steering committee. In this way, there is a healthy discussion at a global-local level about whether the pilot is really complete. Taking these two steps makes global project leaders eager to set measurable pilot key performance indicators at the start of the pilot because they know that the local managers will need these measures to judge whether the pilot is complete or not. Global project leaders will then be reluctant to leave the pilot unfinished because their performance is linked to these measures. Leaders may also be more reluctant to start a pilot unprepared because they know that the local plot managers will hold them accountable. Finally, local management in the pilot will hopefully check more carefully if the pilot is actually complete.

The third priority that also helps to create a harder gate at the rollout decision is to make rollout contingent on three criteria, i) readiness of the pilot in terms of lack of process defects, ii) readiness of the rollout package to enable the rollouts to go faster, iii) evidence that the pilot has met local expectations.

In terms of judging the number of defects in the pilot, there is trade-off between rolling out too soon and paying to fix the problems everywhere, including enraging more people, and delaying the benefits of the project by waiting too long (Figure 26). The global team needs to be able to demonstrate how the number (and seriousness) of defects is evolving over time and to prepare a careful assessment of the risks and costs of defects going forward.
Figure 26: Trade-offs of rollout decision versus number of defects in pilot

Judging the readiness of the rollout package can be achieved using a detailed set of check lists for what needs to be prepared. The global team needs to be able to satisfy the right people globally and locally that everything is set and that all the materials required actually exist. This is another good reason to have someone from the local management team of the first rollout on the steering committee.

Finally, the pilot needs to have reached the expectations set at the beginning by the global steering committee and perhaps more importantly by the local management team in the pilot. As mentioned these don’t have to be the final key performance levels but enough to convince rollout managers of the potential future success of the initiative (Figure 27).
Adoption of intended strategic initiatives in MNCs: Role of piloting

Figure 27: Setting pilot performance levels for rollout decision

#Rule 11: Review pilot learnings and package up template and methodology

Finally, at the end of the pilot the global team needs to take time to reflect on their experiences by conducting an after-action review (AAR) that takes input from the local pilot team, users in the pilot, the local management team, the global steering committee and any other key stakeholders. This technique, as the name says, requires a team to review its actions after the action has taken place. The military routinely practise it (Darling, Parry & Moore, 2005). The best known example is the US Army, who first coined the term AAR. But the concept of reviewing past activities is sadly not something that is particularly prevalent amongst managers.

Ideally the AAR should take place before the final review session with the global steering committee, before the formal rollout decision is taken.

Holding an after-action review allows the global team go back either during or after the project to discuss what they learned from their experiences that could be reapplied. It is a formal process where all the team members gather and review key aspects of project implementation to learn from their successes and from their failures. Typically, it is much easier to identify where there were problems but it is also well worth identifying where the global-local team did something well and analysing what was driving success.

Managers often resist performing after-action reviews. Some reasons that I hear are:-

- We are successful so what more do you want – Teams often see AAR as a waste of time if the project has gone well. But if the global team knows why the pilot succeeded then these lessons can be can re-used when rolling out the template to the subsidiaries and when piloting future
new practices. The ability of managers to learn from previous experiences is regarded as a key driver of future project success (Pinto & Kharbanda, 1996).

- No time – This is the most common complaint but as was seen in the cases fully completing the pilot is a driver of the early adoption of an initiative. Adequately codifying the template and the implementation methodology is likely to save time during the rollout.
- Let’s keep the skeletons in the closet – Naturally team members would rather not talk about the things that went less well. For many team members it will mean admitting that they are less than perfect and it will mean having to tell their team colleagues that they are less than perfect as well. Unless you practise AAR regularly in a “safe” environment, these conversations can make people feel highly uncomfortable.
- Don’t give me the blame – In some companies AARs are only used after a project has failed or after there has been a high profile failure. Here an AAR is seen as a way to assign blame.

So with all of these excuses for not completing AARs, it is important to set careful ground rules to make sure that the learning experience is effective.

Ideally AAR needs to focus on a few key issues that stand out as shining examples of good practise or where the team felt that things could have gone much better or where the issues are particularly relevant for the next phase of the project.

Questions to ask:-

- What was the intent of this task? –
  - What was the deliverable or the objective of this task in our original plan?
  - How did we plan to tackle this task?
  - What assumptions did we make?
  - What challenges did we assume we would face and how did we incorporate those challenges in our plan?

- What actually happened?
  - What are the facts? The team needs to agree what happened. This is easier than it sounds. Everyone will have their own viewpoint and some team members will be unaware of some parts of the story. So the team should listen to everyone’s accounts of events.

- Why did this happen?
  - What were the cause-effect relationships between what we did and what happened? Here the team needs to reach a shared opinion and will need to brainstorm with each other to identify the contributing factors.
  - If someone was to start these tasks again, what advice would we give them?

- How can we re-deploy this learning?
  - What tasks are coming up in our plan where we could re-deploy this learning?
What learning do we have to communicate to the wider organization? What steps should we take? Who will take responsibility for these steps?

Different team members often have very different points of view and so the role of the team leader is to make sure that everyone has the opportunity to contribute and to produce a list of lessons that everyone can agree with.

Once the AAR has been conducted then the implementation plans for the rollouts need to carefully revised, including all the stakeholder engagement materials, technical communications, and the training material. Prioritized lists of any remaining issues in the pilot need to be compiled together with a plan of how to resolve these issues. Taken together these AAR actions put the global team in a good position to move to the rollout phase.

**9.4 Summary**

The goal of this chapter was to provide rules of action for managers involved in piloting of intended strategic initiatives. These guidelines can be used to provide direction to global teams. In particular, the questions in each section were designed to stimulate thinking and discussions between global team members and also between global steering team members.

This research was started by a question that resonated with managers, “How can managers use piloting to increase the chances of strategic initiative adoption?” This chapter closes the loop on this question by using specific findings from the research to create generalizable principles.
References


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


References


Adoption of intended strategic initiatives in MNCs: Role of piloting


Fligstein, N. 1991. The structural transformation of American industry: An institutional account of the causes of diversification in large firms. In Powell,


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adopting of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Adoption of intended strategic initiatives in MNCs: Role of piloting


Appendices

Appendix I: Interview data collection

This appendix contains all the materials used to collect interview data. This material is arranged as follows:-

1. Initial letter of introduction from the researcher to strategic initiatives leaders
2. Email introduction from company director of global project office to strategic initiative leaders
3. Email introduction from researcher to strategic initiative leader with request for interview
4. Template form asking for additional interview respondents
5. Email introduction from researcher to additional interview respondents with request for interview
6. Interview protocol for strategic initiative leaders
7. Interview protocol for global team members
8. Interview protocol for global steering committee members
9. Interview protocol for local pilot managers
10. Interview protocol for subsidiary managers
11. Interviewees summary
Adoption of intended strategic initiatives in MNCs: Role of piloting

1. Initial letter of introduction to the research sent to interview respondents

Chemin de Bellerive 23,
PO Box 915
1001 Lausanne.  

Dear <Company name> Project Leader,

IMD is conducting a research program on the use of pilots in strategic initiatives and <Company name> has agreed to partner with us in this research, together with other companies.

Our aim is to understand how managers use pilot studies to drive the success of major strategic projects. We are particularly interested in the factors that lead to early pilot adoption and to rapid roll-out across locations and, of course, the factors that slow down pilot implementation and that may lead to the delay of a strategic initiative. Hopefully, sharing this information will lead to insights which can help improve strategic project implementation.

<Company name> has selected five major projects for this research (<names of strategic initiatives>). The research process should be fairly painless and we will shortly be contacting you and asking for four things:-

1. Telephone interview (around one hour).
2. Short web survey.
3. To provide us with a list of the names and email addresses of some of the people who have been involved in your initiative either as team members, management within the pilot(s) project, or management within the countries where the project was initially rolled out. We will send you the template following our conference call.
4. Timeline of initiative roll-out by country.

All data gathered is confidential and only summary conclusions will be discussed and presented.

We are really excited by this opportunity to work with you and we are looking forward to hearing more about your project.

Best regards,
Rhoda Davidson & Prof. Bettina Büchel
2. Email introduction from company director of global project office to strategic initiative leaders

Dear Project Leaders,

IMD in Lausanne is conducting a research programme on the use of pilots in strategic initiatives and we have agreed to participant in this research. From our portfolio of Business Transformation projects you project has been selected. Please find attached a letter from Rhoda Davidson from IMD. Thank you for your cooperation.

Best regards,

<Director Global Project Office>
3. Email introduction from researcher to strategic initiative leader with request for interview

Dear <Name of strategic initiative leader>,

As you have heard, <name of company> is undertaking some research with IMD, a business school based in Switzerland, on the implementation of strategic projects. The focus of the research is on pilot projects. We believe that this research will help better implementation of strategic projects in future.

<Name of company> has selected 5 initiatives to be part of the this research. One of the initiatives is <name of strategic initiative>.

Can you let me know when you will be available for a detailed interview on this strategic initiative? The interview will take around 90 minutes. All information discussed during the interview is confidential and will only be used for research purposes.

Thank you in advance for your time.

Best regards,
Rhoda Davidson
4. Template form asking for additional interview and survey respondents

Strategic Initiative: <Name of strategic initiative>

Strategic initiative leader: <Name>

1. Global team members
List the names of 3 global team members working on the strategic initiative

<table>
<thead>
<tr>
<th>Global team member(s)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Email address</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Local pilot managers
List the names of 3 senior managers directly involved in the implementation of the pilot (e.g. country manager of pilot, functional managers in the pilot)

Pilot in <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pilot in <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Global steering members
List the names of 2 senior managers on the global steering committee who were part of the decision to roll-out the pilot and who will be able to judge the eventual success of this strategic initiative

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Subsidiary managers

List the names of 3 senior managers in each of the units directly involved in the roll-out of this strategic initiative (e.g. country manager of non-pilots, functional manager in non-pilot, steering group members who are also stakeholders).

Roll out country 1: <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roll our country 2: <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roll our country 3: <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roll our country 4: <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roll our country 5: <name of country>

<table>
<thead>
<tr>
<th>Name</th>
<th>Job title</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Email introduction from researcher to additional interview respondents with request for interview

Dear <Name of interview respondent>,

<Name of company> is undertaking some research with IMD, a business school based in Switzerland, on the implementation of strategic projects. The focus of the research is on pilot projects. We believe that this research will help better implementation of strategic projects in future.

<Name of company> has selected 5 initiatives to be part of the this research. One of the initiatives is <name of strategic initiative>.

<Name of strategic initiative leader> passed on your name to me. Can you let me know when you will be available for a detailed interview on this strategic initiative? The interview will take around 45 minutes. All information discussed during the interview is confidential and will only be used for research purposes.

Thank you for your assistance with this.

Best regards,
Rhoda Davidson
6. **Interview protocol for strategic initiative leaders**

**Introduction**

Thank you for agreeing to this interview about your pilot project. Let me reassure you that this research on the use of pilots is being carried out with the agreement of your senior management. The confidentiality of this information is guaranteed at two levels:

1. Confidentiality of this data will be fully guaranteed. We are interested in looking for patterns in the information with the purpose of comparing between cases and not so much in the data itself.

2. Confidentiality of anything you tell me is guaranteed. The information from this interview will not be shared with your senior management but will form a small part of larger multi-company study.

The questions consist of 3 sections. The first section consists of questions about the strategic initiative associated with your pilot study, the second section is about the pilot study itself, and the third section is about the strategic initiative adoption decision and rollout.

**PART 1: Strategic initiative**

**Context of the pilot**

1. Describe the strategic initiative in which the pilot is being conducted?
2. What is the goal of the strategic initiative within which you are using a pilot?
3. What is your role in the strategic initiative?
4. Were success measures for this strategic initiative established at the start? What were these success measures?
5. On what did you base these success measures? Prompt with industry benchmarks, based on improvements in historical measures within your company, based on aspirational goals, based on other measures.
6. How many functions are involved in the implementation of this strategic initiative? Please name them?

____________________
____________________
____________________

How many people in each of these departments were impacted?

7. Who is on the global initiative team? What functions were represented?
8. Did you use consultants? How did you use consultants?
9. What is the governance structure for your initiative? Who is on the steering committee?
10. In how many locations will this initiative be rolled out eventually? Over what time period? Can you send me a list and a timeline?

11. What is the budget for this strategic initiative? Approximately is fine.

12. How many FTEs are dedicated to implementing this initiative? How many man weeks will it take?

13. How many people will be impacted by this initiative?

Environmental and organizational conditions

Many questions that will follow will start with “To what extent” and we would like you to answer these questions with a 1 to 5 point scale where 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = limited extent, 1 = no extent, 0 = don’t know.

14. To what extent does this initiative directly involve or impact external customers on a score of 1 to 5? Please explain this score.

15. To what extent did you face major uncertainties when you started this initiative on a score of 1 to 5? What were the nature of these major uncertainties?

16. To what extent did you understand the nature and amount of internal resources that are needed to execute this initiative on a score of 1 to 5? Please explain this score. Prompt with people, work from other departments or functions, money, machinery or equipment.

17. To what extent did you understand the capabilities that are required to execute this initiative on a score of 1 to 5? Prompt with skills, knowledge, and experience. Please explain this score.

18. To what extent is the strategic initiative similar to others your organization has done in the past on a score of 1 to 5? Please explain this score.

19. To what extent is the strategic initiative similar to other that players in your industry have already executed on a score of 1 to 5? Please explain this score.

PART 2: Pilot

Pilot information

20. What was piloted within the strategic initiative?

21. Why did you use a pilot? What was the goal? What were you trying to achieve?

22. How long did the pilot run for in months? When did it start? When was the decision taken to roll it out?

23. How many pilots were chosen? Why?
24. How was the pilot(s) chosen? What was the process of selection? Who was involved? Did you consider other pilots?

25. How well did you know the people within the pilot?

26. To what extent were success measures for the pilot established at the start of the pilot on a score from 1-5? Explain your answers. Which success measures were used?

27. What did you base these success measures on? Prompt with based on industry benchmarks? Based on improvements in historical measures? Other?

28. To what extent is the pilot a good representation of what the business was trying to achieve in the strategic initiative on a score of 1-5? Please explain this score.

29. Why did you not just go ahead without the pilot? What are the risks? What was preventing immediate implementation of the strategic initiative?

Pilot implementation

30. If there was more than one pilot, were the pilots running in parallel or in series? What was the rationale for this?

31. How many people were involved in the pilot? Who are they and what were their roles? Where were they located?

32. How often did the pilot team meet to discuss the progress throughout the pilot’s duration? What did you discuss during these meetings? How often globally? How often did you meet with the local team?

33. To what extent were you learning as a team on a score of 1 to 5? How did you learn?

34. To what extent were you making improvements or adaptations to your approach based on what you were learning on a score of 1 to 5? Please explain this score.

35. To what extent were you involving the stakeholders impacted by the initiative heavily throughout the pilot’s implementation on a score of 1-5? How?

36. To what extent were the resources made available sufficient to implement the pilot on a score of 1 to 5? Please explain your answer.

37. To what extent did the pilot have an implementation plan on a score of 1 to 5? Please explain this score. How detailed was this plan?

38. To what extent were you able to manage uncertainty within this implementation plan on a score of 1 to 5? Did you have any contingency plans?

39. To what extent did you make changes to this plan during implementation on a score of 1-5? Please explain this score.
40. To what extent was the progress of the pilot being followed and reviewed on a score of 1-5? Please explain this score. How was progress followed and reviewed? How often did you review the pilot with the steering team?

41. To what extent are each stakeholder department/function and the overall organization informed on the progress of the pilot on a score of 1 to 5? Please explain this score.

42. To what extent were senior management supporting you during the implementation of the pilot on a score of 1-5? Please explain this score.

PART 3: SI adoption and rollout

SI adoption decision

43. Did the pilot results lead to the roll-out of the strategic initiative? Yes or no.

44. At what point in time was the decision taken to roll out the pilot?

45. At what point in time was the decision taken to roll out the pilot? Was it:
   a. Taken before the pilot was totally completed
   b. Taken within several weeks of when the pilot was completed
   c. Roll-out decision delayed
   d. Decided not to roll it out

46. How was that decision taken? Who decided? What was your role? To what extent were the stakeholders involved in this decision on a score of 1-5?

47. To what extent was the decision to roll out the pilot clear and obvious on a score of 1-5? Please explain this score.

Pilot reflection

48. To what extent do you consider the pilot successful on a score of 1 to 5? Please explain this score. For multiple pilots – Were all pilots equally successful? Why? Why not?

49. What went well in the pilot? What went less well?

50. To what extent did the pilot completely resolve the uncertainties that you had before the initiative on a score of 1-5? Go through each one that was mentioned.

51. To what extent did the pilot achieve the success measures set out before it started on a score of 1-5?

52. To what extent did you learn about issues that you did not consider before the pilot was started on a score of 1 to 5? Please explain this score.
Adoption of intended strategic initiatives in MNCs: Role of piloting

53. If you had your time again, would you have done anything differently in the pilot?

54. What do you believe were the main benefits and disadvantages from using a pilot in this case? Please give examples.

55. To what extent do you think that the pilot added to the capabilities of the organization on a score of 1-5? Prompt with knowledge, skills and experience.

SI rollout

56. Where is/will the pilot be rolled out next? If the rollout has started, how is the rollout going?

57. To what extent was sufficient cash available to make the roll-out feasible on a score of 1 to 5? Please explain this score.

58. To what extent are there other constraints that could hinder the roll-out on a score of 1 to 5? Please explain this score.

59. To what extent was the roll out the same from the original pilot on a score of 1-5? Please explain this score.

Thank you for your time.
7. Interview protocol for global team members

Introduction

Thank you for agreeing to this interview about your pilot project. Let me reassure you that this research on the use of pilots is being carried out with the agreement of your senior management. The confidentiality of this information is guaranteed at two levels:

1. Confidentiality of this data will be fully guaranteed. We are interested in looking for patterns in the information with the purpose of comparing between cases and not so much in the data itself.

2. Confidentiality of anything you tell me is guaranteed. The information from this interview will not be shared with your senior management but will form a small part of larger multi-company study.

The questions consist of 3 sections. The first section consists of questions about the strategic initiative associated with your pilot study, the second section is about the pilot study itself, and the third section is about the strategic initiative adoption decision and rollout.

PART 1: Strategic initiative

Context of the pilot

1. Describe the strategic initiative in which the pilot is being conducted?
2. What is the goal of the strategic initiative within which you are using a pilot?
3. What was your role in the strategic initiative?
4. Were success measures for this strategic initiative established at the start? What were these success measures? What were these success measures? Was there a sound business case?
5. On what did you base these success measures? E.g. based on industry benchmarks, based on improvements in historical measures within your company, based on aspirational goals, based on other measures.
6. How many functions are involved in the implementation of this strategic initiative? Please name them?

____________________
____________________
____________________

How many people in each of these departments were impacted?
7. Who is on the global initiative team? What functions were represented?
Adoption of intended strategic initiatives in MNCs: Role of piloting

8. In how many locations will this initiative be rolled out eventually? Can you send me a list and a timeline? If not known from team leader

9. What was the budget for this strategic initiative? If not known from team leader

10. How many FTEs are dedicated to implementing this initiative? How many man weeks will it take? If not known from team leader

PART 2: Pilot

Pilot information

11. Why did you use a pilot? What was the goal? What were you trying to achieve?

12. What was the process of selection? Who was involved?

Many questions that will follow will start with “To what extent” and we would like you to answer these questions with a 1 to 5 point scale where 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = limited extent, 1 = no extent, 0 = don’t know.

13. To what extent were success measures for the pilot established at the start of the pilot on a score from 1-5? Explain your answers. Give some examples.

14. What did you base these success measures on? Prompt with: based on industry benchmarks? Based on improvements in historical measures? Other?

15. To what extent was the pilot a good representation of what the business was trying to achieve in the strategic initiative on a score of 1-5? Please explain this score.

16. Why did you not just go ahead without the pilot? What were the risks? What was preventing immediate implementation of the strategic initiative?

Pilot implementation

17. How often did the pilot team meet to discuss the progress throughout the pilot’s duration? What did you discuss during these meetings?

18. To what extent did you make improvements or adaptations to your approach based on what you were learning on a score of 1 to 5? Please explain this score.

19. To what extent did you involve the stakeholders impacted by the initiative heavily throughout the pilot’s implementation on a score of 1-5? How?

20. To what extent were resources made available sufficient to implement the pilot on a score of 1 to 5? Please explain your answer.
21. To what extent did the pilot have an implementation plan on a score of 1 to 5? Please explain this score. How detailed was this plan?

22. To what extent did you manage uncertainty within this implementation plan on a score of 1 to 5? Did you have any contingency plans?

23. To what extent did you have to change this plan during implementation on a score of 1-5? Please explain this score.

24. To what extent was the progress of the pilot followed and reviewed on a score of 1-5? Please explain this score. How was progress followed and reviewed? How often did you review the pilot with the steering team?

25. To what extent was each department/function and the overall organization informed on the progress of the pilot on a score of 1 to 5? Please explain this score.

26. To what extent did management support you during the implementation of the pilot on a score of 1-5? Please explain this score.

27. When did you start to work with the next countries in the roll-out? What sort of interactions did you have with them before the roll-out? E.g. pre-work, presentations etc.

PART 3: SI adoption decision and rollout

SI adoption

28. Did the pilot results lead to the roll-out of the strategic initiative? Yes or no.

29. At what point in time was the decision taken to roll out the pilot?

30. At what point in time was the decision taken to roll out the pilot? Was it:
   a. Taken before the pilot was totally completed
   b. Taken within several weeks of when the pilot was completed
   c. Roll-out decision delayed
   d. Decided not to roll it out

31. How was that decision taken? Who decided? What was your role? To what extent were the stakeholders involved in this decision on a score of 1-5?

32. To what extent was the decision to roll out the pilot clear and obvious on a score of 1-5? Please explain this score.

Pilot reflection

33. To what extent do you consider the pilot successful on a score of 1 to 5? Please explain this score. For multiple pilots – Were all pilots equally successful? Why? Why not?

34. What went well in the pilot? What went less well?
Adoption of intended strategic initiatives in MNCs: Role of piloting

35. To what extent did the pilot achieve the success measures set out before it started on a score of 1-5?

36. To what extent did you learn about issues that you did not consider before the pilot was started on a score of 1 to 5? Please explain this score.

37. If you had your time again, would you have done anything differently in the pilot?

38. What do you believe were the main benefits and disadvantages from using a pilot in this case? Please give examples.

39. To what extent do you think that the pilot added to the capabilities of the organization on a score of 1-5? Prompt with knowledge, skills and experience.

Thank you for your time
8. Interview protocol for global steering committee members

Introduction

Thank you for agreeing to this interview about the pilot project associated with XXX initiative. Let me reassure you that this research on the use of pilots is being carried out with the agreement of your senior management. The confidentiality of this information is guaranteed at two levels:

1. Confidentiality of this data will be fully guaranteed. We are interested in looking for patterns in the information with the purpose of comparing between cases and not so much in the data itself.
2. Confidentiality of anything you tell me is guaranteed. The information from this interview will not be shared with other people in your company but will form a small part of larger multi-company study.

The questions consist of 3 basic sections. The first section consists of questions about the strategic initiative associated with your pilot study, the second section is about the pilot study itself, and the third section is about the strategic initiative adoption decision and rollout.

PART 1: Strategic initiative

Context of the pilot

1. What was the origin of this strategic initiative? How did it arrive on the strategy agenda?
2. Describe the strategic initiative in which the pilot is being conducted?
3. What is the goal of the strategic initiative within which you are using a pilot?
4. What was your role in the strategic initiative?
5. Were success measures for this strategic initiative established at the start? What were these success measures?
6. Did you change the KPIs over the course of the strategic initiative?
7. On what did you base these success measures? Prompt with: based on industry benchmarks, based on improvements in historical measures within your company, based on aspirational goals, based on other measures.

Environmental and organizational conditions

8. What were the main uncertainties surrounding this initiative? Probe for external and internal uncertainties.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Many questions that will follow will start with “To what extent” and we would like you to answer these questions with a 1 to 5 point scale where 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = limited extent, 1 = no extent, 0 = don’t know.

9. To what extent was the strategic initiative similar to others your organization has done in the past on a score of 1 to 5? Please explain this score.

10. To what extent was the strategic initiative similar to other that players in your industry have already executed on a score of 1 to 5? Please explain this score.

**PART 2: Pilot**

Pilot information

11. Why did you use a pilot? What was the goal? What were you trying to achieve?

12. How was the pilot(s) chosen? What was the process of selection? Who was involved? Did you consider other pilots?

13. What role do individual managers play in this decision?

14. To what extent were success measures for the pilot established at the start of the pilot on a score from 1-5? Explain your answers. Which success measures?

15. What did you base these success measures on? Prompt with: Based on industry benchmarks? Based on improvements in historical measures? Other?

16. To what extent was the pilot a good representation of what the business was trying to achieve in the strategic initiative on a score of 1-5? Please explain this score.

Pilot implementation

17. To what extent was the progress of the pilot followed and reviewed on a score of 1-5? Please explain this score.

18. How often did you review the pilot with the strategic initiative team?

19. To what extent were resources made available sufficient to implement the pilot on a score of 1 to 5? Please explain your answer.

**PART 3: SI adoption and rollout**

SI adoption

20. At what point in time was the decision taken to roll out the pilot? Was it:
   a. Taken before the pilot was totally completed
   b. Taken within several weeks of when the pilot was completed
c. Roll-out decision delayed

d. Decided not to roll it out

21. How was that decision taken? Who decided? What was your role? To what extent were the stakeholders involved in this decision on a score of 1-5? What might have delayed this decision?

Pilot reflection

22. To what extent did the pilot achieve the success measures set out before it started on a score of 1-5? Please explain this score.

23. To what extent do you consider the pilot successful on a score of 1 to 5? Please explain this score. For multiple pilots – Were all pilots equally successful? Why? Why not?

24. What went well in the pilot? What went less well?

25. Was the pilot completed on time and on budget?

26. To what extent did the pilot completely resolve the uncertainties that you had before the initiative on a score of 1-5?

27. To what extent did you learn about issues that you did not consider before the pilot was started on a score of 1 to 5? Please explain this score.

28. What do you believe were the main benefits and disadvantages from using a pilot in this case? Please give examples.

29. To what extent do you think that the pilot added to the capabilities of the organization on a score of 1-5? Prompt with knowledge, skills and experience.

Rollout

30. To what extent were/are there constraints that hinder/hindered the roll-out on a score of 1 to 5? Please explain this score.

31. How significant are/were these constraints?

32. How did you decide on the next countries for roll-out?

Thank you for your time
Adoption of intended strategic initiatives in MNCs: Role of piloting

9. Interview protocol for local pilot managers

Introduction

Thank you for agreeing to this interview about the pilot project for initiative XXX. Let me reassure you that this research on the use of pilots is being carried out with the agreement of your senior management. The confidentiality of this information is guaranteed at two levels:

1. Confidentiality of this data will be fully guaranteed. We are interested in looking for patterns in the information with the purpose of comparing between cases and not so much in the data itself.

2. Confidentiality of anything you tell me is guaranteed. The information from this interview will not be shared with other people in your company but will form a small part of larger multi-company study.

Interviewees role

1. What is your job title and what was your role in the pilot?

2. How long have you been with the company? What have been your previous roles in the company?

Selection of the pilot

3. How was your country business unit selected to be a pilot in this initiative? What was the process of selection? Who was involved? Were you involved? How?

Many questions that will follow will start with “To what extent” and we would like you to answer these questions with a 1 to 5 point scale where 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = limited extent, 1 = no extent, 0 = don’t know.

4. To what extent were you enthusiastic for your country business unit to be a pilot on a score of 1 to 5? Please explain your score.

5. What do you believe were the benefits of being a pilot for this initiative? Why be a pilot?

6. What do you believe were the risks of being a pilot for this initiative?

7. Was the goal of the project clear? Did you set clear KPIs or success measures? Was there a clear business case?

8. How well did you know the strategic initiative leader and team who ran the pilot on a score of 1 to 5? Please explain your score.

Pilot implementation

9. How well were you supported in the project by the global team?

10. How often did you meet locally? How often did you meet with the global team?
11. Was there a clear plan and project methodology?
12. To what extent did you learn and make changes to this plan during implementation?
13. Did you have enough resources during the pilot? Skilled people? Money?
14. Did you get senior management support? Was the project adequately reviewed by the steering committee?

Pilot success
15. To what extent do you consider the pilot successful on a score of 1 to 5? Please explain this score.
16. Did the pilot achieve the KPIs or success criteria that were set out?
17. What went well in the pilot? What went less well?
18. To what extent did you conduct an after-action review with global team to pass on the learnings?
19. What do you believe were the main benefits and disadvantages from using a pilot in this case? Please give examples.
20. To what extent do you think that the pilot added to the capabilities of your country business unit on a score of 1-5? Prompt with knowledge, skills and experience.
21. To what extent would you recommend to do anything differently within the pilot on a score of 1 to 5? Please explain your score.

Pilot communication
22. Did you communicate the progress of the pilot with people outside of your country unit during the pilot? To whom? How often? What were you telling them?
23. To what extent have other countries paid close attention to your implementation of the pilot on a score of 1 to 5? Please explain your score.
24. To what extent have managers from other countries visited you while of after implementing the initiative to learn about your implementation on a score of 1-5? Please explain your score.

Your country unit
25. Is there anything particular about your country unit that would make it a good pilot?

Your attitude to piloting
26. Can you describe your attitude to piloting? Do you regularly volunteer? If yes, why yes? If not, why not?
Adoption of intended strategic initiatives in MNCs: Role of piloting

27. How would describe your relationship to the corporate centre?

Thank you for your time
10. Interview protocol for subsidiary managers

Introduction

Thank you for agreeing to this interview about strategic initiative XXX. Let me reassure you that this research on the use of pilots in strategic initiatives is being carried out with the agreement of your senior management. The confidentiality of this information is guaranteed at two levels:

1. Confidentiality of this data will be fully guaranteed. We are interested in looking for patterns in the information with the purpose of comparing between cases and not so much in the data itself.

2. Confidentiality of anything you tell me is guaranteed. The information from this interview will not be shared with other people in your company but will form a small part of larger multi-company study.

Interviewees role

1. What was your role in the XXX initiative?

Roll-out of the pilot

2. When did you/will you start to implement this strategic initiative in your country unit?

Attitude to roll-out

3. What are/were you enthusiastic about in implementing this initiative? Why?

4. What are/were you concerned about? Why?

5. Before you implemented this initiative, what have/had you heard about it? From whom? Prompt with the location of the pilot and find out how much is known about them.

6. Did you visit any of the pilots?

Many questions that will follow will start with “To what extent” and we would like you to answer these questions with a 1 to 5 point scale where 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = limited extent, 1 = no extent, 0 = don’t know.

7. To what extent was the feedback on the pilot positive on a score from 1-5? Please explain your answer.

If nothing about the pilot or previous roll-out countries is mentioned then ask:-
Adoption of intended strategic initiatives in MNCs: Role of piloting

8. To what extent did the implementation by previous countries contribute to your enthusiasm for implementing this initiative in your country business unit? Please explain this score.

Success of roll-out (if already completed)

9. How would you characterize the degree of success of the initiative in your market? What contributed to the success? What have been some of the barriers to success?

10. To what extent did you feel that the roll-out was supported by the global team on a score of 1 to 5? Please explain your score.

Thank you for your time
11. Interviewee summary

**ASX – Asian Shared Service Centre Initiative**

Global project leader
- Michael Zaidan
Global team members
- Sharon Savage
Global steering members
- Michael Howard
- Maarit Lanti
Pilot manager
- Pasi Koota (Thailand)
Subsidiary managers
- Sara Yuet Yoong Chew (Singapore)
- Boon Cher Har (Hong Kong)
- Anna Sipila (Malaysia)

**CRX – Customer Relationship Management Initiative**

Global project leader
- Alain Piguet
Global team members
- Roberto Candusio
Global steering members
- Juho Malmberg
- Ulla Heinkkanen
Pilot manager
- Deb Robbins (US)
- Wim Koster (Netherlands)
Subsidiary managers
- Martine Lamoril (France)
- Shailender Bamezai (Italy)
- Teemu Laasko (Finland)

**EDX – Easy Design Initiative**

Global project leader
- Not available
Re-pilot global project leader
- Rupert Neville
Global team member
- Andrei Casadei
Re-pilot global team member
Adoption of intended strategic initiatives in MNCs: Role of piloting

- Peter Dahlstrom

Global steering members
- Mark Meyer
- Eric Baudier

Pilot manager
- Jenny Rosberg (Sweden)

Re-pilot pilot manager
- Indira Petrovic (Serbia)

Subsidiary managers
- Andrei Casadei (Italy)
- Christina Gonzales (Spain)

Re-pilot subsidiary manager
- Sonja Bloedjen (Germany)

**FTX – Financial Transaction Outsourcing Initiative**

Global project leader
- Bill Cowie

Global team members
- Lisa Hooley

Global steering members
- Alistair Davidson
- Jan Gronvall

Pilot manager
- Brian Kennell (US)
- Brent Zucker (US)

Subsidiary managers
- Hakan Svensson (Northern Europe)
- Stephan Karl (Central Europe)
- Emilio Ruizberdejo (Southern Europe)

**ITX – Information Technology Outsourcing Initiative**

Global project leader
- Michael Horn

Global team members
- Gunnar Magnesson

Global steering members
- Alistair Davidson
- Anders Wester

Pilot manager
- Brian Kennell (US)
• Kim McCallum (US)

Subsidiary managers
• Emilio Ruizberdego (Southern Europe)
• Carlos Pineiro (Central Europe)
• Johan Ledal (China)
• Hakan Svensson (Northern Europe)

**KCX – Centralized Call Centre Initiative**

Global project leader
• Jussi Tukkanen

Global team members
• Paul DeVree

Global steering members
• Rita Partanen-Jokola
• Margrit Suurnakki

Pilot manager
• Olaf Torney (Germany)

Subsidiary managers
• Caroline Simon-Thomas (UK)
• Benny Avenstrup (Sweden)
• Roger Delsen (Netherlands)

**NKX – New Intranet Website Initiative**

Global project leader
• Simon Green

Global team members
• Ikue Aruoka

Global steering members
• Juho Malmberg
• Kaisa Koikkalainen

Pilot manager
• Kellie Linquist (US)
• Jean-Lois Granat (France)
• Hanna Inget (Finland)

Subsidiary managers
• Katie Arnold (UK)
• Dirk Ventzke (Germany)
• Gerard Spijker (Netherlands)

**OFX – Plan Maintenance Initiative**
Adoption of intended strategic initiatives in MNCs: Role of piloting

Global project leader
- Enrique Herrera

Global team members
- Lars Boberg

Global steering members
- Eric Baudier
- Anders Wester

Pilot manager
- Vicente Ferraz (Brazil)

Subsidiary managers
- Zoltan Boros (Hungary)
- Heriberto Narvaez (Mexico)

**PTX – Purchase to Pay Initiative**

Global project leader
- Eric Westman

Global team members
- Katja Hinojosa
- Lukas Van Der Linden

Global steering members
- Bill Cowie
- Jan Gronvall
- Britt Loftkist

Pilot manager
- Gianmaurizio Cazzarolli (Italy)
- Luiz Guttierrez (Spain)

Subsidiary managers
- Hakan Svensson (Northern Europe)
- Kristine Bergholcs (Centralized technical services)
- Stephan Karl (Central Europe)
- Sture Karlsson (Centralized technical services)

**SPX – Order to shipping Initiative**

Global project leader
- Laurent Gielis

Global team members
- Berry de Boer

Global steering members
- Antii Salminen
- Juho Malmberg

Pilot manager
- Eric Schouten (Netherlands)
Subsidiary managers

- Gerald Roux (France)
- Pekka Sipilia (Finland)
- Jules Lekane (Belgium)
Adoption of intended strategic initiatives in MNCs: Role of piloting
APPENDIX 2 – Case studies

This appendix consists of a short summary of the ten detailed case studies; one per strategic initiative. There is then one example of the detailed case studies (NKX) created by combining and summarizing the views of the different interview respondents. Each of the detailed case studies was reviewed by an independent researcher who also read through all the transcripts of the original interviews.

1. ASX – Asian Shared Service Centre Initiative
2. CRX – Customer Relationship Management Initiative
3. EDX – Easy Design Initiative
4. FTX – Financial Transaction Outsourcing Initiative
5. ITX – Information Technology Outsourcing Initiative
6. KCX – Centralized Call Centre Initiative
7. NKX – New Intranet Website Initiative
8. OFX – Plan Maintenance Initiative
9. PTX – Purchase to Pay Initiative
10. SPX – Order to shipping Initiative
11. Detailed case - CRX – Customer Relationship Management Initiative
1. ASX – Asian Shared Service Centre Initiative

Before 2006 Company A installed SAP worldwide into the majority of their large and medium-sized businesses throughout the World. During this installation process intensive business process re-engineering took place. But at this time there was no provision for the smaller businesses as installing the complete SAP system was too heavy and costly to these businesses. In 2006, Company A started looking into how to re-engineer a small business model. For Asia they concluded that each of the smaller businesses (e.g. Thailand, Singapore etc.) should have a lighter version of SAP combined with a shared service centre in Asia who would process all business transactions. This shared service centre would take over all the back office processes, freeing up the frontlines to focus on customers. In addition this shared service centre would also start to serve some of the larger Asian countries who were already operating on SAP e.g. Hong Kong, Australia etc. So for some countries this initiative meant moving to SAP and also outsourcing to the company shared service centre. For other countries which were already on SAP it meant outsourcing the back office processes to the company shared service centre. During 2006 a global team started to re-engineer these business processes from a theoretical point of view for the smaller operations.

The goal of this initiative was to achieve economies of scale and to improve the efficiency of the processes in Asia. Another benefit would be a reduction in unnecessary costs incurred when data was not accurately entered into the SAP system e.g. elevator orders. Information quality in general would also improve leading to better decision-making. It would also allow Company A to quickly and efficiently add additional small countries in the Asian region and would allow the existing offices to grow more quickly. An additional side benefit was the increased financial transparency of the countries that moved into SAP which would enable better business planning and decision-making.

The initiative was piloted in Thailand.


2. CRX – Customer Relationship Management Initiative

When the new president arrived at Company A in 2006 he set up four must-win strategic priorities for the company. One of these priorities was Customer Focus, which was widely regarded as the most important. The goal of this priority was to increase sales through placing a greater emphasis on all activities related to customer interactions. Within this strategic priority there were several strategic initiatives including; developing core sales processes, a strategic customer initiative to engage more effectively with global clients, a core customer initiative to prioritize important customers at a subsidiary level and CRM which was to install and use the new sales processes within a CRM system. All of these sales process initiatives involved moving from a reactive tendering process to becoming more proactive in selling to customers before the tender starts. The CRM initiative was a critical enabler for these sales initiatives so that the sales force could know more about the customers and work together with them in a different way. It combined both introducing the new system and changing the way people worked through using these new sales processes.

The CRM concept was not new to Company A. Company A started to look into global CRM vendor solutions in 2005 but at this time the initiative did not make much headway. Many of the different CBUs were already using a local CRM solution.

The ultimate goal of the initiative was to enable the sales force to sell more products and services. The initial goal was to roll-out the initiative globally within one year using a simple system (salesforce.com) so that everyone, irrespective of language and market maturity, could start using the tool without complicated and expensive training. A side benefit of the initiative is to be able to see the complete sales funnel.

The initiative was rolled out in 3 phases with increasing functionality during each phase. In its early stages it was driven by the marketing department but then moved to the newly created global development team.

The initiative was piloted in US, Netherlands, and Ireland.
3. EDX – Easy Design Initiative

Easy Design was an initiative to create a single digital online design repository for Company B globally. The goal was that all customers, market companies, factories, and suppliers could use the design repository in the production of products. Having the design centralized should facilitate faster communications with customer and speed up the time to take a product to market. It should also facilitate the easy transfer of work between factories and also provide a more secure way of working. For the customers it should translate into faster and cheaper products coming to market. The goal was that the tool should become a fundamental cornerstone of the design management system and an operational tool of the business.

Many of the local businesses already had local systems in place at the time during which Easy Design was developed. Initially the most promising local system was in Japan. Work started on the initiative back in 2003. They initially tried to roll out this system in Sweden but it did not work and so they had to go back to the drawing board. The Easy Design initiative was to rebuild the first version into a global version to provide a global tool and integrate it within SAP. The perception at this point was that the pilot was already at least a year late and over budget.

The technical team started with a pre evaluation with a small core team and then once approved the global team was put together to start the design work. The pilot started in Sweden and then was expanded to the Nordic countries. The rollouts then took place in Southern Europe in Italy, Spain and France.

People were complaining that the system was not working and so senior management launched two audits of both customer-driven and systems-driven processes. Rollouts were continuing elsewhere in Europe until a new Global project leader came on board. His first step as Global project leader was to stop the rollouts because of complaints from the countries which were using the system. He did a complete analysis of the problems and decided on the problems that had to be fixed before the rollouts could go any further. Steering members also wanted to take credit for putting the project on hold until the problems were resolved. At this point the initiative was nearly cancelled entirely because of the poor adoption. Steering members also considered going back to the Japanese solution. The initiative was re-piloted in Serbia and then the tool was eventually rolled out in Germany.
4. FTX – Financial Transaction Outsourcing Initiative

In 1999 the Company B Finance function decided to create an internal shared service centre to perform the financial transaction processing for Europe. This strategic initiative was externally regarded as a huge success and the internal shared service centre in Manchester won several supply chain awards. But internally the strategic initiative was regarded less favourably. It was not 100% supported by senior management and there had been huge internal resistance because it was perceived that the whole exercise did not save much money. The costs in Manchester were still considered to be too high and the business case was still unclear.

The next logical step to reduce costs further was to move the transaction processing for the whole of Company B to a low cost country. Company B conducted a study in 2006 to decide what they should do. At that point in time there was a general consensus to standardize and automate the accounting and reporting processes and to increase the geographic area covered by the shared service centre. Senior management faced the fact that the internal shared service centre was never going to be a success because of the cost levels. After conducting benchmarking and talking to outsourcing providers they also decided that Company B did not have the resources and capabilities to further consolidate these activities themselves. So they started to negotiate with four external providers and finally signed the contract in December 2006 with Cap Gemini.

The overall goal was to increase the efficiency and the effectiveness of the Finance function. Company B had the grand ambition of a world class finance function. There were clear targets for this ambition coming out of the Hackett benchmarking study. This ambition was part of a larger strategic priority to improve SG&A effectiveness and efficiency. This overall strategic priority was led very visibly by the CEO as a way to combat the commoditization of Company B’s markets and the increasing levels of competition.

In the transition to financial transaction outsourcing the tasks that were being done in Manchester for the European operations needed to be transferred to CG China and also it was decided to transfer some additional tasks still being completed at the market level. Some of the tasks for management reporting (as opposed to accounting) were to be transferred to Reporting Service Centres. This particular part was known as the RSC SI.

The pilot was conducted in the US.
5. ITX – Information Technology Outsourcing Initiative

Company B started many of its operational improvement projects from an initial benchmarking with Hackett. This benchmarking highlighted Company B’s IT costs as being extremely high and so this was seen as an opportunity for improvement. As a result of a costing exercise IT resources were reduced from seven locations to three locations. Then they realized that if they wanted to have a truly global IT system then Company B had to take away the possibility of local operations developing their own homemade IT solutions and applications. The original plan had been to outsource their IT activities to another company (HP) but this was decided against because it was too expensive. And in addition, the general local feeling in the clusters was that this was not the right thing to do.

The strategic initiative was to build a global IT organization with common processes and common tools. To accomplish this, the global team created shared service centres and rebalanced IT work so that more was done globally than locally.

The project had several tracks i) shared service helpdesk around the world so that the local helpdesks can be shut down, ii) competence centres for managing and supporting every server remotely around the world so local IT support people not needed, iii) common process for managing, purchasing, supporting and destroying PC around the world to gain maximum economies of scale.

Steering member pointed out that the project has all the elements needed for project success: process standardization, cost benefits and was in line with strategy for centrally-driven IT.

The pilot was conducted in US and Canada as a combined entity.
6. KCX – Centralized Call Centre Initiative

The initiative was to install call centre infrastructure which routes all customer telephone calls through a centralized system, rather than routing them through multiple local systems. The infrastructure also enabled calls to be centralized for a region and not only a country e.g. Scandinavia. The initiative covered the link between the device technology introduced by R&D, which is attached to the elevators, and the service centre to which all these elevators are connected. The customer calls cover all calls; sales inquiries, customer calls for technical assistance, calls from Company A technicians who are on-site performing repairs, and emergency calls from customers.

Originally each country had its own server and so data was centralized on a country basis. The idea was to centralize these servers into one location to which all 12 European countries would have access. The result would be a reduction in maintenance costs. So instead of each country having their local team taking care of the servers, the systems would be combined so that there would be one team taking care of the system for multiple countries. In addition to centralizing between countries, the initiative also involved centralizing first from local networks within any one country.

The largest benefit from the service viewpoint was a unification of all the different handsets so that the operator would only need to have one headset because all the calls, whether voice or data, were all coming in to the same line. The elevator service business is highly regulated and each elevator needs to have an emergency form. As a result there were many telephones in the service centre which were serviced in turn by different IT suppliers to Company A. The situation was made more complex because Company A would take on service contracts which involved servicing elevators which had been installed and manufactured by other companies. So the goal of the initiative was to install safe and secure technology which would enable service agents to use one telephone instead of the multiple telephones they were using.

Another benefit was that the interface with the customer could now be by voice, email, or other communication methods. And the customer service level could be higher because the operator would not have to put the client on hold when answering priority emergency calls. An additional benefit was that the system could be easily expanded and upgraded.

The overall cost saving benefits could only be achieved if all the countries came into the system. There would still be local elements in the countries which would now be designed to communicate with the new central system.

The pilot was conducted in Germany.
7. **NKX – New Intranet Website Initiative**

The initiative was to create a global platform for the Company A corporate website. This included the general corporate website and also a network of about fifty local websites which contained product information, analysis and design tools for architects, and also general information about Company A in a particular country.

The goal was to have a single platform for websites across Company A, a single set of related processes (updates, maintenance, branding), and a single set of tools for updating the website in terms of the content management system. It was planned that the website should have a modern look and feel, and also have the same image anywhere in the world. It would replace the existing websites which were highly localized, not so customer friendly, and hard to maintain.

Customers were using the online channels more and more and it was increasingly their preference for the first way they contact Company A, whether to get product information or get design assistance. Customers also had complex requirement that needed a more consultative approach. The website could be a very cost-effective sales channel if the web could be linked through into the CRM system and to a newly created set of tendering tools. The ultimate goal of the strategic initiative was to use the website as a sales lead generator more than just as a corporate site with information.

This initiative became one of Company’s must-win-battles – to become e-business leaders by the end of 2009.

The pilots were conducted in the US, France, and Finland.
8. OFX – Plan Maintenance Initiative

In 1995/1996 Company B had attempted a global approach to plant maintenance but ended up with three different maintenance systems and software packages as theoretical solutions. Each rollout was allowed to select the one they wanted. After two years the strategic initiative collapsed. So each local operation was basically continuing with their own local maintenance initiatives. This continued after SAP was rolled out globally.

In 2000 Company B started with the World Class Manufacturing approach in conjunction with the Japanese Institute for Industrial Manufacturing (JIIM). JIIM rated plants all over the world based on benchmarking reports. Brazil was pushing for the OPX initiative from the start because of their involvement in the WCM. At first they were deciding whether to install a new local system to become more efficient in plant maintenance. But then they realized from working with customers that they could get the same functionality in SAP. Brazil then actively set out to persuade corporate that SAP was the best solution because of the high degree of integration of the system in the manufacturing process.

At first Corporate was saying that this was not a priority. Brazil started a feasibility study to prove this by building the business case. As part of the study Brazil went to some of their customers who were already using this SAP module and learned about it from them. They found that the SAP module would exactly fit their needs and would avoid using different technology platforms.

Then in 2006 Corporate investigated which local systems were being used around the world at other manufacturing sites and found that the factories were using 10-12 different systems and not even the same versions within the same system. They then validated the business case.

The global team ran workshops with a reference group (9-10 maintenance managers from around the world) to discuss what was needed and to make a theoretical template and systems flows. At one point they thought that Company B could live with two systems SAP and Maximum but then it was decided to go for SAP everywhere so that all the platforms, systems, and application could be standardized.

The benefits of the initiatives were to reduce maintenance costs by having more uptime. In addition, with all the plants on the same system now the plants could benchmark and then launch learning and improvement programs.

The pilot was conducted in the two factories in Brazil.
9. PTX – Purchase-to-Pay Initiative

During around 2001 Company B defined its core business processes. Each core process had its own purchase-to-pay part of the process. In 2006 they realized that they were missing a purchase-to-pay process for all indirect materials purchases and indirect services. At the time indirect purchases were very fragmented and decentralized.

Company B could see the benefits of having a full purchasing process which could be standardized to increase effectiveness and efficiency of indirect purchasing. By having a better process it would mean a better control of the spending and better aggregation of the spending leading to better sourcing and contracting with better negotiations. This would result in cost avoidance and cost reductions. At the same time the efficiency of the process could be improved by people working in a standardized way. At the time there were many invoices without purchase orders and this was creating a lot of extra work. Purchasing was more interested in the effectiveness side and Finance was more interested in the efficiency side.

At one point in the past Company B had tried to automate indirect procurement through partial outsourcing to IBM using a tool called E-buy. This tool was essentially an online auction tool. It was piloted in Germany and it was rolled out in some spend categories but was not successful. This tool was abandoned in favour of fixing the basic process through introducing a mixture of process improvements, frame contracts, supplier reduction etc. At that time Company B thought about outsourcing the whole process but in the end it was kept in house and the global team implemented the strategic initiative internally.

The pilots were conducted in Spain and Italy.
10. SPX – Order-to-shipping Initiative

The Operational Excellence Must-win battle was started in 2005. At that time Company A ran analyses to see where to focus their efforts. One clear outcome of the process was that milestones in the delivery process were not being used properly and so this made it impossible to perform demand forecasting in the supply chain. This in turn led to too much work-in-progress (WIP) in the delivery system. The goal of the initiative was to redesign the process from order-to-shipping and to provide the Front Lines with a common and harmonized tool for scheduling and controlling orders within the delivery process.

The process was transformed to one of push and pull at the same time. Push because the sales people met with the customers as early as possible to gather all the information needed to clarify the order and so Company A could pass that information on to their suppliers. Pull so that the factories knew exactly when they needed to supply the elevators i.e. not too early and not too late. Combined, this meant that Company A would be moving from a reactive mode with the customer to a proactive mode.

The business goal of the strategic initiative was have the lowest WIP at a given sales volume. This would reduce the price of non-conformance (PONC) and at the same time would reduce the lead times. The net effect would be that orders would be moving faster and sales people would be more motivated and have more time to go after new orders.

Once all the data was in the system then it would also become possible to see what the lead times were and to benchmark. This would then allow the organization to continuously improve. Before the strategic initiative all local operations had had their own versions of local reporting. The harmonization aspect of the strategic initiative was important. If all Front lines were using the same processes then it would be easier to develop field tools for the whole of the organization rather than various different local versions.

The strategic initiative required that all the sales people and everyone in the chain to delivering the order fundamentally change the way they were working. In particular supervisors had to become more business oriented and it changed their role to being responsible for managing the whole project delivery process. This would demand moving away from local processes which were highly embedded.

Piloting was started in France and Italy but when the initiative was delayed by these countries the pilot was moved to the Netherlands.
11. Detailed Case Example CRX – Customer Relationship Management Initiative

When the new president arrived at Company A in 2006 he set up four must-win strategic priorities for the company. One of these priorities was Customer Focus, which was widely regarded as the most important. The goal of this priority was to increase sales through placing a greater emphasis on all activities related to customer interactions. Within this strategic priority there were several strategic initiatives including; developing core sales processes, a strategic customer initiative to engage more effectively with global clients, a core customer initiative to prioritize important customers at a subsidiary level and CRM which was to install and use the new sales processes within a CRM system. All of these sales process initiatives involved moving from a reactive tendering process to becoming more proactive in selling to customers before the tender starts. The CRM initiative was a critical enabler for these sales initiatives so that the sales force could know more about the customers and work together with them in a different way. It combined both introducing the new system and changing the way people worked through using these new sales processes.

The CRM concept was not new to Company A. Company A started to look into global CRM vendor solutions in 2005 but at this time the initiative did not make much headway. Many of the different CBUs were already using a local CRM solution.

The ultimate goal of the initiative was to enable the sales force to sell more products and services. The initial goal was to roll-out the initiative globally within one year using a simple system (salesforce.com) so that everyone, irrespective of language and market maturity, could start using the tool without complicated and expensive training. A side benefit of the initiative is to be able to see the complete sales funnel.

The initiative was rolled out in 3 phases with increasing functionality during each phase. In its early stages it was driven by the marketing department but then moved to the newly created global development team.

Strategic initiative context

Urgency: This was an urgent initiative as it was a key part of the customer focus priority. Also the President wanted it rolled out in one year rather than the two years which the global team had suggested as a timeframe (see below).

Novelty: The global steering members and the global project leader gave this 1 or 2. Company A had some CRM systems installed locally but this was the first time to rollout a major systems initiative globally, even SAP was not totally rolled out globally. Also this was not just a system but involved a major change in the way sales people were working.

Actually I think this is very dissimilar – so maybe 1 or 2. And the reason is that, for the first time in Company A history, we wrote out something which is covering every country, every part of the Company A organization, irrespective of if they are in Europe, Asia, America, Middle
East; and also covering all different business lines. – Global steering member

No other players in their industry have rolled out a global system just local systems.

Of course our competitors have the CRM systems in place but none of them has a global system like we do. – Global steering member

These local systems may be more advanced than the Company A global system.

This was an unprecedented global initiative. “In its early stages, it was driven by the marketing department but then moved to the newly created global development team,” Global project. Rolling a project out globally would put increasing pressure on successive batches of countries.

For the first time in Company A history, we rolled out something which is covering every country, every part of the Company A organization. - Global steering member.

Complexity: The initiative had a medium complexity involving sales, HR, IT, marketing and all business units.

Size: The size of the budget was relatively small €1.5m. The low budget was influences by taking an off-the-shelf solution and also by the speed of implementation and the relatively low scope in the first rollout in terms of system functionality. The initiative impact 2650 people in organization.

Scope: High geographical scope as rolled out in 41 countries (all but China and India).

Degree of customer / supplier involvement: Degree of customer involvement was probably around medium as they would see a change in behaviour of the sales force driven by using the system but they were not involved in implementing it. As the system was off-the-shelf there was no particularly heavy interaction with the supplier.

Connection to other initiatives: Had to be carefully coordinated with the other customer focus initiatives.

Uncertainties on initiative before pilot:
The major uncertainties on the initiative were:

- User adoption and willingness of the sales force to change their daily work routine and become more proactive in the sales process (biggest). Would they see a benefit to the system? Would they be prepared to take a system which was not tailored to their local needs? (Many responses)
- Testing the salesforce.com system and making sure it suited the needs and was easy to configure and that the data quality would be OK. This was less of an issue as it was a tried and tested sales tool used in other organizations. (Global steering member)
Adoption of intended strategic initiatives in MNCs: Role of piloting

- Would the commitment of top management be enough to succeed in the implementation? (Global project leader)

In this case there were no uncertainties listed which were specific to the pilot countries.

The Global project leader felt that the team had a good understanding of the capabilities needed to execute the initiative such as the training challenges and also that the team had also a good understanding of the resources needed to execute the initiative in the front line CBUs.

**Strategic initiative KPIs**

The business case was set up to measure how quickly could the company recoup the costs of the investment in CRM through increased sales. They had estimated that with an increased hit rate of 1% then the costs of the system would be recovered.

For the strategic customer initiative they used industry benchmarks on the sales growth created through implementing key accounts. On the core customer initiative they used a best estimate of increasing number of tenders and the hit rate. This was an upward striving goal. The combined business cases had a number of specific KPIs e.g. increase customer base, orders received, efficiency in sales admin, visibility of sales pipeline. The ultimate measures of success was the increase in sales growth but of course, it was recognized that this is difficult to validate.

At a KPI level the only KPI which was used at the start of the initiative and throughout the first phase of the rollout was user adoption was user adoption. The goal for this KPI was 90% utilization. This adoption target was set with the vendor who estimated that an average adoption rate would be 70%. The Global project leader notes that this target was a hard one to set. This KPI was used because one of the major ways in which a CRM system fails is if the sales force do not use it.

There is a lot of literature, you know, about the end-user adoption and what is behind. So I would say it was a little bit difficult for us to assess what was a poor level of end-user adoption and what was a good level; so we have much more used that matrix in terms of absolute value, and we have got some feedback from our vendors – you know, we have run some benchmarks with some other industries, to try to understand how the end-user adoption measured on a weekly basis was improving. – Global project leader

Added additional KPIs were added only after the first rollout was completed e.g. no of sales visit per month per sales person, related to hit rate and sales funnel etc. These KPIs are related much more to the implementation of the CRM rather than the installation and initial use.

**Goal of the pilot**

The goal of the pilot was firstly to check that it was technically feasible to adopt the solution within the length of time set for the project rollouts i.e. short
implementation time. This involved making sure that the user interface was user-friendly and easy to learn and that the training was adequate, and that the reports from the system made sense.

...the objective of the pilot is that how quickly can we implement this in our global organization? Is it really easy to use so that everybody, irrespective of their maturity or language or selling skills, can really start using the tool without very complicated and expensive training? And then, is the system the right one for Company A for supporting our processes? – Global steering member

There was evidence that the role of the pilot was somewhat constrained by the timeframe set for the pilot.

I would say that the role of pilot in this case was limited in respect to what it should be normally mainly due to time constraints. So normally the pilot should be for having a better understanding about the process would be a bit longer than we had. Because we had a pilot for 2 months with 150 users during the holiday period. – Global team member

**Pilot KPIs**
The pilot measured the % of people logging. Towards the end of the pilot the global team collected web survey feedback from the users about the ease of use, the training and the ability to integrate SAP data.

I would say it was soft measures, because even, you know, you cannot... within two months it is pretty short to measure the progress of the end-user adoption; what we wanted to measure is much more the trend, to see if more and more people among the 130 users were using the tool day-by-day, or if it was stable, or decreasing. – Global project leader

The Global project leader acknowledged that it was hard to set the target for the pilot.

I would say we had some comparisons much more for the full implementation than for the pilot. We had some ideas, and as I told you, what was pretty good is that within a short period of time during the pilot, many pilot users started to use the tool, so it was a good indicator. And it was an even better result than the benchmark or the information we got from the vendor. So we knew already that during the two months' pilot, we got some good metrics in terms of end-user adoption. – Global project leader

At the start of the pilot the global team made it very clear that the success would only be measured by adoption rate and that the steering committee could not expect to see any business benefit. In this way the team managed stakeholder expectations from the start of the initiative by defining success in a way which
Adoption of intended strategic initiatives in MNCs: Role of piloting

would be both measurable and achievable. It also provided a simple, sharp focus.

Well of course the disadvantage is that if you don’t provide the clear rules of what should be the expectation of this pilot and what should be the deliverable; if it is not well-defined, you can have the risk that either you are not able to draw a clear conclusion, or your pilot will continue indefinitely.

You know, because that can be the risk – if, for example, at the beginning of the pilot... because some people wanted to use the pilot to say "Ah yes, we want to measure if we get some business benefit from the CRM implementation". And we told them "OK guys, if you want to see if it has an impact on sales, it is not within even one year that you will see that – because when you implement the solution, it puts much more stress in the organization at the beginning - so it might even have another effect, you know; maybe decrease the sales for a moment before it increases the sales". So if you want to measure what can be the sales benefit, you need about two years. – Global project leader

Implementation timing
The initiative really started in January 2005 and the team spent 2005 trying to select the right vendor. Then the new president announced the must-win battles and a renewed effort to execute the initiative. The team officially re-started the initiative in around April 2006. Process design work took place from April to the end of June with analysis, configuration and training. The pilots were completed in July and August and rollouts started in batches in September. The end of the first phase of the rollout was June 2007. In the end the President himself overruled the team and selected salesfore.com.

Pilot selection
Reasons for corporate selecting pilots
The team made the fundamental choice to select multiple pilots to develop a truly global solution. Selecting one pilot ran the risk that the initiative would become too tailored to the local environment and then would be unacceptable to other countries during rollout.

Otherwise, as I told you, the big risk is that if we have started by one country, started to get their request, then moving in a second country, they would have explained us that their business is completely different – which is not true. And then when we would have moved to the third country, we would have redesigned the solution completely. – Global project leader

The pilots were carefully selected to represent the diversity of the country operations in terms of size, systems, region. These pilots were USA, NL, Ireland. All pilots started at the same time. The selection of the pilots were made and approved in the steering group.
The Global project leader, Team member and Steering members explained the reasoning.

- To make sure that the same approach would work in a variety of different setting e.g. country size and systems approach. The global team wanted to test that it works on and off SAP and that the initiative can be scaled down to a small country. The team needed relevant feedback to create a truly “global solution” or a global template.

- Selecting 3 countries was a way of generating social proof to the countries that the initiative will be successful in their country and is the right thing to do. So afterwards countries could not turn around after and say that the pilot was not at all like their country.

We have chosen three countries because at that time we have really different situations in terms of countries, in terms of ways of running the business; so we didn’t want to take the risk to choose one country, which would have been easier for us in terms of methodology - but with the risk, that after the other countries would say "Ah yes, but the business in that country is completely different from the business in our country".

So if we have chosen three pilot countries, it is to make sure after that the solution will be more accepted by the other countries; which was a sort of a political decision; and also decision to make sure that the feedback we get is relevant - because, as I told you, we wanted to design a global solution and not a customer solution.

So, to manage to get a global solution, we believe that with three different countries working together, we would have been able to reach that level of, you know, global view. – Global project leader

So we wanted to make sure that we have as much as possible three front-line that represent the diversity of our different countries – in terms of size, in terms of continent, because we have chosen one in North America – it was USA – and two in Europe, because US and Europe are our most mature markets. And also in terms of legislation in place. As I explained to you, we have chosen two SAP countries and one non-SAP country, because we have implemented CRM in both countries – SAP and non-SAP countries. – Global project leader

So that is why we have in some cases had more than one pilot country – really to a little bit overcome that issue that you can’t say "Yes, yes, it worked in Poland but it doesn’t work anywhere else". If you pilot in US, Ireland the Netherlands, it gets much harder to say "OK, in those three countries it will work but not in France", for instance. So that is the value of doing multi-country pilots. The challenge of course is that it is much more work, much more challenge to get all those pilots useful and working. - Global steering member
Adoption of intended strategic initiatives in MNCs: Role of piloting

- It was felt that any more pilots than 3 would have slowed down the process.

And we did not want to start to put around the table more than three countries, because within the short period of time we had from April till end of June to design the solution, if you start to have six or seven countries, OK, it starts to be a mess at the end and within two months you cannot move – you will need five months! – Global project leader

- USA was chosen because they were volunteering for a CRM solution and advocating for a global system. And because they were seen as being couple of years ahead in customer relationship management. So an example of best practise sales processes. They were a priority country for Company A gaining business. Volunteering to be the pilot and strongly advocating for CRM system.

But the US was also the first group to redesign our website, and to kind of break from the Company A format and redesign it in a way that, you know, started to put some of the digital tools out there. So I think that there was some appreciation… you know, we had some competency in the US. – Pilot manager US

The US was chosen because they are always – in my opinion as well – they are always ahead in this whole commercial approach, the whole marketing approach. So I was very happy that the US was a part of it, because they are much more advanced in the way of how to work with the market. So for me that was good. – Pilot manager NL

US because... I think because they had been active, our sales people in the US have been very actively asking for CRM tool and kind of the feeling was in the US organization that Company A is quite behind from best practices. – Global steering member

And we took three countries; the US because in the US the customer relationship management and these kind of issues, they are probably a couple of years ahead in their thinking, compared to European and Asian frontlines. – Global project leader

So the 3 pilots were one in the US with people who were already quite advanced in terms of the concepts and the processes around CRM.- Global team member

- Netherlands was selected because of a high quality management team, a good market position, good record on sales growth with mature sales processes and because Holland is frequently a pilot. In addition the management team was really asking for CRM to boost the business.

I think that if you compare with the other parts of the organization, the other countries in the organization, I think that the Netherlands are quite
– how do you say that? – quite mature in the way that we were selling already. – Pilot manager NL

And we picked the Netherlands, which is number one in its market, and very good spirit – a very professional organization there. – Pilot manager US

That has to do, I think, with the fact that we have quite a good market position in the Netherlands, with quite a large organization, a service organization. – Pilot manager NL

Then I think Netherlands was chosen because it is a very strong European country for Company A; we are market leader there. We have used… Netherlands has been used also before to pilot different things because they have a really good quality team and a strong market position. – Global project leader

We chose Company A Netherlands as the European big organization because they have had a very good business result and growth record inside Europe – Global steering member

- Ireland was chosen because it was a small country not on SAP and so the global team could test whether the CRM design was scaleable.

And then Ireland was chosen to get one small country also involved; and also there was a technical aspect, in that we have SAP in many countries as the ERP solution but not in many small countries. Many of the small countries don't have SAP. Actually now we are putting SAP in the small countries as we speak, including Ireland. But at the time of the pilot, Ireland didn't have an SAP. And we wanted to just pilot also in a non-SAP environment and in a small country environment. And that was the reason for Ireland. – Global steering member

The Global project leader gave an interesting comment about selecting the right country (good summary of the whole concept).

If you don't choose the right country, at the end, yes, you might fall on something that will not work. That has happened for us in some other projects in the past – so it is good to pilot, but provided that the…that you have a good pilot methodology; and yes, and you know what to expect, and you choose the right pilot country, according to what you want to rollout. – Global project leader

Reactions to pilot selection

There was also a lot of discussion about whether other countries should have been selected, such as France and Italy who are now of the steering group of the project and who have been first for the second and third waves of the initiative.
Adoption of intended strategic initiatives in MNCs: Role of piloting

I mean, they have got some really good stuff out there, and they have added tools and features to the CRM tool that the US went "Hey that's a great idea – let's go and do that!". So I think if we had to do it all over again, it would have been good to have France involved in the pilot right from the get-go: because I think they represented a best practice in Company A sales processes that was probably overlooked in the initial rollout. - Pilot manager USA & Steering member

Now, because the point was, France generally, France and Italy contribute significantly to the maintenance business. And looking from a maintenance point of view it was felt that it should have been piloted in one of these countries...these are the ones that have the maximum number of users, have already defined processes, have methodology – so you need to validate it there, rather than validate it somewhere there is nothing existing in the first place. – Subsidiary manager

But although both of these organizations were seen as having best practice processes they both had issues as pilot countries. Given the short timeframe of the pilot they were not selected. France was known as being critical of new things and Italy as being "difficult". In addition Italy already had a local CRM system.

French organization is a fairly tough organization inside Company A – they tend to be fairly critical and things usually take a little bit of time with the French. So we kind of said "OK, if we want to have a quick and successful pilot, don't choose France!" Italy, again, a little bit the same thing – but if you go for Italy you can't have a quick pilot in three months. – Global steering member

Even the subsidiary manager in Italy acknowledged that pilots in France or Italy would have been hard and that the global team had gone for the easy options.

... maybe we chose the pilots where it would be easy to pilot and finish the pilot and roll out; rather than go to a country which would say "No, I want this, this, this, this" – and make the pilot in terms of a huge Herculean test". ..This would have happened in Italy and France. – Subsidiary manager Italy

The subsidiary manager in France felt that her operation was much more comparable with the US than with NL.

Well, Holland is a specific case because the Netherlands, it is a small country and they are, you know, the situation is... they are... Company A has almost half the market, so they didn't have to... it is not the same environment, so it is much better for me to compare to the US or the UK or Italy. – Subsidiary manager France

Reasons to be pilots
USA wanted to be a pilot for two reasons. Firstly they were already looking at CRM tools.

....one is that we had locally agreed that we needed some form of CRM tool, and had begun our own discussions around what was available in the marketplace that we could pick up and start to use. – Pilot manager USA & Steering member

And secondly the pilot manager felt that if they were n't involved then the tool would not be one that the sales people would want to use because it would be too technical and not enough sales focused.

And I would say that the US was absolutely a pocket. In fact, that culture was probably the complete opposite from the traditional Company A, where the culture was very highly sales-oriented and less so on R&D and technology. So it was... I believed that if were weren't involved in the pilot, then we would not get a tool that, you know, true sales people would really appreciate and use. – Pilot manager USA & Steering member

But it was somewhat self-serving, in the respect that we were able to shape the functionality that was developed. In the end, the US implemented a few additional features and functions that, you know, we agreed we would turn it on for the US; similarly we would turn it on for other groups. And, you know, I don't know that we could have gotten that done if we had been separate. – Pilot manager USA & Steering member

Thirdly as a pilot they felt that they would get a high level of global support.

So I think that would have been the other benefit, is that... and I would say this: once you are a pilot, you get lots of support from the global group. – Pilot manager USA & Steering member

The MD in the US was involved in their selection. Risks were that tool would not work as designed.

NL wanted to be a pilot to influence the final model. In particular they wanted to focus on the change in the ways of working rather than the technical side and were worried global would only come with a technical solution. NL has a track record of piloting give ability to ask for it and a good market position. The MD thought they would have enough resources to run a pilot. The risks they saw were having too many fixed costs to provide the resources to pilot and also that they needed quality resources. NL saw working with the USA as an opportunity to learn from them as recognized experts.

And I believe that the best, you know, we said that best reaction is attacking – so if you hear rumors that we are going to introduce a Company A Way project and we are going to introduce CRM systems, then I believe that the best way to be part of it is to sit in the front row.
Adoption of intended strategic initiatives in MNCs: Role of piloting

And that means, yes, ask for a pilot. And of course you need some track records, you need some history - and that was available here. – Pilot manager NL

In retrospect the steering members believed that Netherlands was a poor choice of pilot country and if she had her time again she would not have chosen it. The issue was that in NL the sales organization, sales processes, roles and responsibilities were not best practise and not the same as in the USA and Ireland. In NL critically the sales force were not given the responsibility of finding leads.

So Company A Netherlands has a very different setup in their organization so they have a very big sales back-office; and the back-office is actually registering all tender requests and then distributing them to the sales people; rather than the sales people being responsible for a certain customer base and then being responsible for growing the business with their customer base.

So we had some conflicts during the initial setup and we had also some challenges during the piloting, because their way of working and their organization was slightly different from what was the kind of the best practice process we had in mind. – Global steering member

Later we have then questioned the selection of Netherlands as the pilot. We didn't do enough work on identifying the sales best practices and seeing that these processes that we copy into the system, they are really, really a global best practice. - Global steering member

Question: If you had your time again, which unit would you choose in Europe? We would probably take the UK, France or Italy. They have better best practice approach. And they fit better to the global process approach, than the Dutch did at that time. – Global steering member

These issues were first noticed when the pilots were working together to decide on the functionalities. During the pilot CRM was only used in several of the sites (sub-pilots). After the pilot NL put the initiative on hold for 4 months to reorganize the sales organization and to change the way they were working.

Pilot country natural aptitudes to be a pilot

US felt that being a larger operation meant that they have more resources for piloting and also they had people for training roles and sales force development roles because they were large. And also because there was a very strong team spirit.

And so I think that is one reason why I think the US is quite good for piloting. I think there is a process discipline in the US that is quite strong. And it is... I would compare it to, for example, my understanding of India and the culture there – and believe me, I am a novice at the Indian culture – but my understanding of it is that that group is very good
at following the process that you lay out; when you tell them what they need to do, they do it. And that is wonderful, in fact.

In the US, you know, there is a bunch of cowboys that are free-thinkers out here! And not to say that the people of India are not free-thinkers – they certainly are – but my understanding is that they follow instructions a lot better than the people... my perceptions of the culture in the US. Especially the sales culture. And if you want to test the usability of a tool and a process, then you take it to a culture that would be less likely to follow rules exactly; because they will tend to improve on what you have got or question what you say. And so I think for a tool like this, it is quite good to pilot in a culture, an active sales culture, because they are really going to test it. They are going to put it to the test, they are going to be critical; they are going to be demanding. And in doing that, and in piloting it with maybe one of the toughest audiences, you end up with a better product. You end up with a better tool. – Pilot manager USA

NL felt that they were a good pilot because of their natural ability to get on with the mother nationality of the company (Finns) and because they are not easy to convince.

What makes us... I think the Finnish and the Dutch people can get along quite well together - the people. And - I never know the English word for it – but we are quite "stubborn"... how do you say that... if everybody says "That is difficult"; if everybody says "We are going right", we always ask if it is not better to go left. And so we are not that easy to convince. And sometimes that is easy or that is a good attitude to have in a pilot; sometimes it is rather difficult – because we are always asking questions "Should it be?" or "Is it really necessary?" or "Why, why...?". And yes, in a pilot I believe it can be good to be very critical in the decisions we are going to make.

Global team
Global project leader: The Global project leader was extremely good at being tough. Firstly, in insisting on implementation and, secondly, in not allowing countries to make or want to make unilateral local changes to the tool.

Global team: Global team consisted of two project managers, the business project manager and the IT project manager. Approximately 8 people from the IT department were working with them on the CRM system. One person from the US pilot joined the global team for the rollout as a training expert.

The team met every 2 weeks F2F and in between met weekly using web meeting.

The Global project leader felt that it was essential for the global team to have a vision of what they were trying to achieve and commented that he and the IT project manager were very aligned in what they saw as the outcome.

One of the steering members saw the global team as being too small and not being able to offer enough support for full time coaching to the NL pilot.
Local team
Each of the local teams had a team people dedicated to the pilots e.g. 7-8 in the US.

All the pilots met every week to discuss the progress on building the global template and on the pilots. The pilots had a good level of commitment between them and a good shared agreement of the task. They had to agree together for the pilot to go forward.

In the local units the global team made sure that the sales people were in charge rather than marketing because this would give the initiative much better credibility for implementation.

_Because sometimes I would say that in one or two cases where the marketing department was driving the project, it can be challenging, because there is always, you know, this challenge between the marketing people and the sales people. So what we had to make sure was that the CRM team leader is much more somebody from the sales, so that he can convince other sales people to use the application efficiently._ – Global project leader

Both USA and NL actively volunteered as pilots and there was good local management support for the initiative. Both MDs were on the steering committee.

Pilot manager USA commented that one of the things they did well was the make the local management responsible for the initiative rather than the national management in the US. Also that it was good to have a local steering committee in the US who was reviewing potential changes to the system and decided what should be requested rather than letting all these changes go back to the global team. This had the effect of presenting a united USA view to the global team.

There were comments about the quality of the local team in NL. Comment that the project manager in the US was not a brilliant organizer. Also the US pilot lost momentum when their training manager was drafted to the global team.

All the people from Ireland have now left Company A and so there was nobody to interview.

Pilot planning and methodology
The pilot methodology was deliberately chosen to be very quick to prevent opposition from countries which wanted strong local adaptation. It was also short to make sure that nobody started looking for the benefits and would not question whether they were being delivered or not. They did not want to raise the level of expectation.

So as we knew that, in terms of change management, we had at that time a lot of issues, and I would say many challenges to convince all the different front-line to implement a global solution, we have made sure to have a limited pilot, to avoid, you know, that some front-lines start to find some good reasons to say "Oh no, finally, you know, we don't want to implement CRM because we are not sure that it will bring benefit and we
are not sure that it is customized to our local needs”. – Global project leader

So in fact, politically, as I have explained you, we didn't want to be in a risky situation, because we knew what was the situation in Company A; we didn't want to have a situation where, OK, we start the pilot and we start a long pilot, and the longer it is, the more risks you have that the pilot countries start to say "Oh yes, but you know, we would like really to customize; it is not enough customized, it is too global". And that could have been a risk of failure, you know, much more from a cultural point of view than from the product point of view. – Global project leader

On the other hand, the steering member also pointed out that the people in the pilot needed to have enough time.

We need to make sure that the people who are participating in the pilot, that there is a kind of a realistic time allocated for the pilot, so that people understand that there is a certain amount of time they are allowed and they can use for the piloting. – Global steering member

And they selected a restricted scope and a limited number of functionalities. They did not want to get to a point that while the pilots were testing the solution they would start to ask for more local functionality. All we wanted to achieve was to get positive feedback from the users and no major technical issues with the vendor.

You see what I mean? It was really a sort of a focus implementation, discipline, meeting the feedback of the pilot country to design a solution which is useful for the sales people. But a strong discipline to avoid that in each step of the implementation we get a failure because a country might say "OK, I don't want that solution"; and you know, a country could still, at that time, block the project. – Global project leader

Then they promised that other functionalities would be added in the second and third way phase.

In the methodology the global team placed a strong emphasis on the initiative being led by the sales function who is the major stakeholder (see above in local team).

All the steps of the pilot were very carefully planned out with a detailed implementation plan.

So from April till June, even if we didn't start from scratch because the vendor, as you know, has already some standard fields available, we have reviewed with the three pilot countries all these fields and we have customized the mini fields for the needs of Company A globally; we have put in place some hardware, we have tested plenty of stuff, we have done some communication. – Global project leader
The team also worked hard to reduce any uncertainty within the implementation plan through various means:

"For example, before the pilot, we have run what we call the "acceptance test" where we have reviewed with the three pilot countries that what we have mapped in terms of fielding the application seems to be OK through some business scenarios. So there were some steps that make the pilot more focus on, you know, some key issues." – Global project leader

The team had to change very little in the pilot implementation plan.

"Well, we did not change anything because, you know, we have piloted on time according to the pilot methodology, so there was no deviation." – Global project leader

The team was clearly helped in this respect by taking an off-the-shelf technical solution.

"And one of the reasons we were able to do it that quickly was also because the technical platform and the technical solution that we took, it is a hosted service, Sales Force.com, which meant that the provider was able to scale it up, actually day-by-day, week-by-week; and we didn’t have to worry about the servers and the infrastructure and the configuration – only kind of the parametization for the Company A interfaces." – Global steering member

The global team (2 people) held workshops for the 3 pilots to build the global solution (see below).

**Pilot resources**

The Global steering members and Global project leader all agreed that the pilot had enough resources – apart from the comment about more people on the global team to offer NL pilot more coaching.

**Implementation practices**

Before the initiative started the Global steering members made an article on CRM implementation, its benefits and pitfalls in implementation widely available throughout the company and sent to the management in all the local organizations. So they were actively promoting the initiative before the start-up.

The Global project leader made sure that the local people leading the implementation would come from sales rather than marketing as the sales force would be the people who were using the tool (see under local team). The functionalities were still designed to bring benefits to marketing but they were not in the driving seat.

There is strong evidence that the major stakeholders, particular sales were closely involved in the development of the tool. Also developing a global tool
was the responsibility of the pilots and not the global team, they were much more the facilitators of the development process between the 3 countries.

_I would say for the sales department we have involved already during the pilot, as I told you, the sales people – they have designed the solution. And we have done it like that to ensure that after, it will be well accepted by the sales people; because if you explain them that the solution has been designed by the corporate people or by the corporate marketing department, there a little chances of success._ – Global project leader

_So we did not decide centrally the tool but we asked them to define field by field what makes sense for them to have in the tool and so then I mean sales managers and marketing managers we made the customization with them.. just to make sure that this would not be just another tool for the corporation that the people did not like to use._ – Global Team member

At the same time the Global project leader was careful not to involve too many people because afterwards the design would have gone too slowly and there would have been a risk of a lack of agreement.

_We have tried to find a sort of balance to ensure we did not involve a lot of people, because, as I told you, one of the bad habits we had in the past in Company A is that we didn't have a strong discipline to implement solutions globally, so we were much more pushed by the country to find some customized solutions in each country. So it was in a way purposely that we have avoided to open too much the flexibility of the CRM solution. We have avoided some customization._ – Global project leader

_Yes, so that is more or less what is successful. And of course you have to use I would say a combination of "stick and carrots": you have to involve the people as much as possible, at a sufficient level to get the good feedback, but not too much – Global project leader_

In the US pilot they started with a pilot within a pilot. They selected a branch where there was strong local support and strong regional support. This branch was where they felt they could find some sales people who would be early adopters. The branch was geographically close to the head office and so there could be physical meetings held regularly and it was easy for the pilot team to go out there. They could use these people of evidence and social proof that the tool was worth adopting.

_And then we used them as a case example, as we started out the training, to say "Hey, this group of people has been on the tool already for the last three months - and here is what they have learned, and here is what they are doing", and so on. So it leant a lot of credibility to the tool._ – Pilot manager USA
In NL they also focused on the early adopters but in addition they focused on the resisters to convince them and bring them on board.

_I am talking about the change, that we really focused on certain people; let's say the early adopters, the people who are quite easy to convince that this is a new way of working; but especially the people who would be the hardliners and would say "I am not going to do it". And we put some… yes, really focus on these groups; and we convinced them to go in a different way, to be a part of the new way of working. And that was also successful._ – Pilot manager NL

The USA started with the managers first, which they felt really contributed to success. There was evidence of really listening to the users and then making modifications to the tool.

_You know, we did some – not all – but we did the majority of the improvements or the process requests that they made. And so this demonstrated to them that we were committed to the tool, that we were listening to them, and that it was their job to launch this – not our job. We are there to help, but they are the managers and these are their people. So, you know, it is their role to implement the tool._ – Pilot manager USA

The USA Pilot manager also felt it was best to train F2F, first with the managers, and not to use the train the trainer approach. She believes that is much better than virtual web-based training. She did comment that it would have better to use the new tools where people can practice more before go-live and so the training can be adapted to their own pace. And the training should have been 2 days not 1 day.

The Global steering member explained why he felt the initiative was successful in terms of the implementations practises. Firstly, explaining why the initiative was important and managing their expectations of what could be delivered (NB in the same way the Global project leader was managing expectations with the more senior people).

_So people need to understand why we are doing it, what are the benefits that we are looking for; and kind of a bright, positive attitude towards the pilot. And also really the expectations - what can be achieved in the given timeframe._ – Global steering member

The global teams and pilots were listening closely to the users and making modifications to the tool but at the same time they were making sure that it would remain a global tool.

_From these 150 users we received a lot of inputs that we collected in our Sharepoint site. And from there on a weekly basis, a group of people, so the project manager from IS and other people from business and IT decided which changes made sense to implement during the pilot and_
which others did not make sense to implement because of the global reasons…there were many reasons. – Global team member

And then making sure that the people in the pilot had enough time to dedicate to the pilot (NB Not sure here whether this is user time or overall pilot time)

We need to make sure that the people who are participating in the pilot, that there is a kind of a realistic time allocated for the pilot, so that people understand that there is a certain amount of time they are allowed and they can use for the piloting. – Global steering member

And making sure that the tool is technically easy to learn and that the technical issues are dealt with in a timely manner. He felt that the NL pilot was not offered enough of this type of support.

The technical side is also important, it is really frustrating to pilot a solution that involves any the information technology, if you then have lots of problems - the system doesn't work, it is not available, it is hard to learn, there is no support – that kind of thing can sort of take the motivation down really quickly in any pilot. – Global steering member

In the NL pilot the manager was a little regretful that the he did not insist with the global team that the project focus more on changing the ways of working and the change management approach rather than the technical approach right from the start rather than after a certain time. Doing this would have saved time in the piloting phase and subsequently.

The project manager in the US was great at coaching the users. He was so good that he was then poached by the global team to go to the rollout countries. This change had a negative impact on the momentum of the initiative in the US pilot because there was nobody to deal with the user queries about the system.

You know, we really needed to continue with the same heavy communications strategy that we had during launch and implementation; and we needed to continue that for a good bit longer, to get users more and more comfortable, you know – little things like that, that I think would have really helped us take a bigger leap.

And in my assessment, I think we stalled somewhere in there in the first quarter of 2007, you know, we kind of had this tool that was sort of flat-out there, and not all the users were completely competent on it yet; and we shouldn't have let our own project manager and coach go. – Pilot manager USA

The success measure for the initiative, user adoption, was put as a bonus criteria for country manager directors. This sent a message that the TMT was serious about the initiative.
Adoption of intended strategic initiatives in MNCs: Role of piloting

**Senior management support**
The President was supportive of the project and actively advocating and promoting it.

> And so you have to convince a lot of people. So you need a vision. And I think it is also we got the support from our President, who had also this vision. – Global project leader

He wanted the rollout out to go faster and even called the GM of the NL pilot to encourage him to pilot quicker. He was willing to listen to the GM’s reasons for a short delay. He painted a clear vision.

**Pilot review**
The Global steering group was composed of 10 people where all the different stakeholder groups were represented. (BUs, TMT, 3 Front lines – MD Ireland and NL and marketing Director USA, VP Marketing, 3 Front lines Sales) The Global steering group met every month and during the pilot phase there was weekly follow-ups with the pilots.

All the pilot countries were given a seat on the Global steering committee. The pilot manager for the US commented that this was a very positive thing for the piloting phase because it helped them keep in mind the goal of creating a truly global tool. This was also supported by the Global project leader.

> one of the things I think that Company A did quite well is that all the pilot countries had a seat on the Steering Committee; and so we were able to hear the overall pilot information… I would say I have done a number of these sorts of developments - and it really helps to keep the company unified.

You know, our agreement was we were going to develop one tool and roll it out globally; not allow each local operation to, you know, completely design the tool in their own way. And so doing it like that creates a natural conflict, because one company will say they need X feature function, and you know, another country will think that they don't.

And so, you know, being on the Global Steering Committee allowed us to hear the big picture and keep our thinking along the global level rather than just on our individual needs. – Pilot manager USA

Being on the Global steering committee also helped the pilot countries to emphasize the change management issues with the project and not just to focus on the technical issues.

> But in the Steering Group and in the phone conferences we had, we were fortunate, we able to manage this process in the right way and to get the attention for the change and not only for the tool. – Pilot manager NL
Learning
There did not seem to be too many learning surprises during the pilots. The largest one was the issue with the NL pilot where the organizational structure, roles and responsibilities were not compatible with the CRM processes being put in place.

Over the course of the initiative the pilot teams were learning about the different functionalities of the tool and which functionalities to include. They added certain functionalities that had not been previously considered.

During the pilot the global team were learning about how to train during the rollout and how to get the right level of user understanding of the process and functionalities. They were also putting together the training package for the rollouts.

Learning was not completed even during the pilots but is an on-going process during roll-out.

In terms of increasing the capabilities of the organization there is evidence that the tool increased the awareness of customers and the way they are served and brought into the company through the sales funnel. The increased visibility meant that people saw the need for then to upgrade their sales capabilities. CRM also had the benefit of reducing lost business when someone left the company.

Adoption decision
The final decision to rollout was taken right at the end of the pilot. There were presentations to steering committee and the Executive Board to take this go/no go decision. This presentation included results of the pilot, results from the feedback survey with the users and an updated roll-out plan and methodology based on the learnings from the pilot. The feedback results demonstrated the positive trend of user adoption and that there were no major complaints about the tool.

So this was also one of the prerequisites - that we pilot two months, but we have to get the conclusion of the pilot, on the last day of the pilot, to be able to start the roll-out just the day after. Which means that of course, as I explained to you, we had to organize the roll-out even at the beginning of the project. – Global project leader

So the rollout was already planned out in detail at this point.

Pilot success
Global steering members rated the pilot a 4 to a 4.5. The lost 0.5 was due to the issues with NL. NB USA pilot manager rated it a 4 and NL manager rated it a 5. Global project leader rated it a 5. Most interviewees point to the fact that the end-user adoption was good and that user survey was positive with a positive response rate (85% were comfortable with the solution, 90% believed that they would gain more business). These results surpassed benchmarks from the vendor. So the pilot met the success criteria set out at the start of the initiative.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Well for me, success is when it is working. And that we have really realized the change. So if you look on the technical side, indeed, everybody is using the system; but for me it is important that we really can manage by using the Sales Force.com ...So we... the success is that we really got what we intended to get. – Pilot manager NL

NL also judged success on the changed attitude of the sales force. USA mentions the increased visibility for the sales force in the sales pipeline.

**Need for positive performance feedback from pilot**

Various people mentioned the importance of being able to show success in the pilot.

So I think that the pilot more kind of served as proof of concept that technically this is doable, it is easy to learn, the reports make sense; so kind of it gave evidence that this is the right way to go. – Global steering member

So as it was a success, it was sort of, yes, good communication track, because the front-lines where we have succeeded the rollout, were able to say to the other front-line, “OK, you know, it worked well and we don’t have an issue.” And we also started to get some kind of key success stories. ...And after we got the kind of critical mass – so US, France, Italy, Belgium – we knew that we have a kind of tipping point and that everybody else had to follow. – Global project leader

Some countries could not see that the pilot was successful.

There were times when questions were put to me like “Can you tell us the benefit of CRM? What is the benefit of CRM?”...you were having to explain this to them. But people could not see it in the pilot, because all they could see in the pilot was this electronic agenda. – Subsidiary manager

**Subsidiary feedback from pilot**

**Outbound communication**

**Global team feedback**

The global team actively promoted the success of the pilots through senior management and made sure that all stakeholders were informed.

So to make sure that we got the full commitment of the top management, when we have piloted, we have communicated globally, you know, through the Executive Board members, to say ”OK, the pilot is successful, we are not going to roll out”; so there was a sort of heavy push from the top management. – Global project leader

This was done with the express purpose of creating full commitment of top management in CBUs (probably affective commitment as this will mean telling...
others that this strategic initiative is the right thing to do). And they were also actively talking up the initiative themselves.

_We just told the, “Right guys we are live with the system and the feedback is great. And the system is working really well. The people are happy to use it.”_ – Global team member

They also used the initial rollout countries to communicate this success.

_So as it was a success, it was a sort of, yes, good communication track, because the front-line where we have succeeded the roll-out, were able to say to the other front-line, “OK, you know, it worked well and we don’t have an issue”. _– Global project leader

And were using these successes in the pilots and rollouts to influence the overall buy-in to the initiative. The success of the pilot meant that CBUs were communicating the success of the strategic initiative to other CBUs without needing the global team to do this.

_And we also started getting some kind of key success stories. So some of our countries, like France, they were very systematically focused in their rollout. And after we got the kind of critical mass - so US, France, Italy, Belgium - we knew that we had a kind of sticking point and that everybody else had to follow._ – Global steering member

Stakeholders were informed of progress. The initiative had huge visibility in the organization. It was emphasized and communicated on all levels from President down e.g. President letter, meetings with CBUs. When a critical mass of countries were positive about the rollout then the strategic initiative reached a tipping point where other countries could not resist the rollout (so this could be any form of commitment...could only be continuance or normative)

For the team member I did not get into discussing and debating the implementation details with the rollout countries – he just said that the feedback was great and gave news about the rollout schedule.

_Pilot manager feedback_

The pilot management teams report a range of degrees of interest. For the USA the pilot manager was actively communicating the level of success within the steering committee. But outside of this committee there was little informal contact from outside the US and no visits. In contrast the pilot manager from NL was communicating more actively within the central and northern Europe within a monthly committee meeting with other GMs. There were no visits but lots of questions about how to do things.

_They were asking the questions and so… to the people in our teams and then to ask for the examples, and to us for certain solutions or questions like that, “How do you deal with that?” and so on._ – Pilot manager NL
Inbound communication

Nature of communication received in the rollouts

Subsidiary manager 1
For France the subsidiary manager contacted US and NL to find out more before starting the initiative. She also received news from the global team and from the pilots. In general there was little news. Pilot took place at the same time as rollout in her CBU and so timeframe too short to get any learning from the pilot.

Subsidiary manager 2
The Italian pilot manager received both formal and informal feedback but these were giving very different messages. Meetings were providing him the chance to receive feedback.

Subsidiary manager 3
The manager received no formal news but informal news from various sources. He was proactively seeking feedback.

Message being received

Subsidiary manager 1
It was hard to judge whether the feedback was positive because their kick-off was just as the pilot was finishing. She was using a process of self-discovery on the tool to get started. She asked questions to pilots about change management issues such as training.

Subsidiary manager 2
In Italy the subsidiary manager Italy received good feedback. “At that point of time, everybody said it was very, very good...” He attributes this good feedback because in the pilots the countries had moved from nothing to having a system:

So initially the feedback that we had that the pilot... because globally there was nothing here before, no tool before – so anything that you bring in was always good or better! Because it is not related... you don't relate it to something and say "this is better than that" and so on. You say “Yes, this is good – because we had nothing; so we have something”. – Subsidiary manager

But then he mentions the “corridor talk” which was not so positive because of the limited functionality and because the business processes were slightly different to those in SAP.

Yes... and feedback from the pilot and feedback from other countries who see it; and when people meet and "How is it going for you, you are piloting that?", and "Yes, it's OK, it's nice, it's great... but you know, it doesn't do this, it doesn't create offers, it doesn't create orders, it doesn't create this, it doesn't do that...". There are always a hundred things to count which it doesn't do. Apart from that it does some things which it never did before. – Subsidiary manager
He says people felt the tool was too American and so too “boisterous”. So maybe there was a kind of negative cultural rub-off from this being a US tool piloted in the US? Also he mentions that it really could not show any initial business benefits so people were saying that it was a “good electronic agenda.” So it was hard to sell the business benefits at the start.

In addition he felt that they had selected the wrong pilots and that the feeling from the European countries was that they should have gone for France or Italy because these countries are well-known for their maintenance business (see above for pilot selection) and have a larger user base. So he questioned the credibility of the sites. Is there a touch of jealousy here? He felt that pilots chosen were the easy options to ensure fast roll-out rather than quality roll-outs which would have made the pilot a huge undertaking (see above). He stressed the inability of CBUs with low know-how and experience to develop a high quality global template. He was of the opinion that they selected these pilots so that it was possible to finish them relatively fast and rollout because the pilots were less demanding than other more experienced CBU with better know-how.

In his opinion the tool did not have the required functionality. He said that there was lots of missing functionality in tool and was surprised at the defects in the global template. He makes derogatory comments that it was “just an electronic agenda”. There was the cultural issue of tool being American and piloted in the US "We are different" syndrome. He complained that there was no feedback of real business results. There was evidence of reduced commitment to implement "not appealing" (so affective commitment reduced but maybe still leaves continuance or normative commitment?). He said that local people were questioning the benefits of the initiative and could not see the business benefits from the pilot.

He mentions that the rollout country has better results today for strategic initiative in comparison to the pilots. He highlighted that NL completed the pilot but then stopped implementing for a while.

Subsidiary manager 3
The Finnish subsidiary manager had been involved in the reference group. He felt that the feedback he was receiving from the global team and the pilots was honest and open. Interesting that in the interview he was finding it difficult to separate what had happened in the reference group early on with feedback from the piloting phase.

Rollout selection
Batch rollout taking some of the largest countries first to generate success stories.

Rollout attitude to SI
Positive
Evidence that local management was ready and committed
- There was strong local management commitment and support to the CRM concept. This was something that had to be done (e.g. Finland). In Italy the GM showed very strong commitment and pointed out that the
functionality would come with time. In fact without his support the tool would not have been liked or accepted.

- Roll-out manager were enthusiastic about the value of the initiative (Fr, Fin). Finland was at ease with project because had been part of the initial reference group and already had a CRM. France had worked with CRM tool before (Fr). All stakeholders rated as enthusiastic.

**Negative**

- Subsidiary manager in France was worried about amount of resources needed locally, even though in a “packaged” template and about getting the sales people to change their behaviour
- Subsidiary manager in Italy was also worried about overcoming the resistance of the sales people to change their behaviour

**Rollout accelerators**

In general there were many rollout accelerators:-

**Well promoted, simple, global solution**

- The decision that everyone was going to have a global solution (like it or not) and then making sure that this solution was truly global by having the 2 pilots design it.
- Focused project manager who did not take any excuses for not using the global methodology – not even better local solutions. He had to have top management support to push this through.
- Made sure that the local management understood and supported the initiative and understood the benefits of CRM for their organization.
- Used a simple and basic tool for the first phase of the roll-out with the promise of more sophisticated functionality in the later waves. Finland liked that it was simple.

**Fast batch rollout**

- Batching the countries with start-ups every month made the rollout go faster (“industrialized implementation”). But there was also evidence that this schedule was unrealistic e.g. Italy made its own schedule to suit itself rather than following the one prescribed from Corporate.
- Setting a short deadline for the roll-out created a strong sense of urgency and prevented the initiative from losing momentum. This also avoided the project becoming bogged down in local issues.

> The issues remained very small because people didn’t have time to make it big issues! – Global project leader

**Global team addressed the local resource issues (key local concern)**

- The global team gave each market a clear expectation of the resources needed to roll-out before starting. There is evidence that the amount of resources were underestimated (France and Italy).
• Roll-out counties were asked to confirm that they would be rolling out in advance and asked for the actual names of the people who would be involved locally.
• Tried to reduce the number of front line resources as much as possible by providing methodologies and translated training materials etc.
• Used train-the-trainer methodology with all training material already translated into local language. Also evidence from Italy that the training was over-simplified.

Got the social proof going
• Focused on supporting these key countries (opinion leaders) and making sure that they received both global support and resources and also the attention from the local management team.
• Started to get key success stories from France, US, Italy, Belgium which provided a rallying point. After this all the other countries had to follow.

Link success to performance criteria
• The log-in adoption KPI was used as a performance criteria for all country managers showing the EB commitment. This motivated local management (Fin). Essentially, country MD’s were being judged on its successful implementation, creating strong pressure at local level. “It was a global target for every country managing director” said the Global steering committee member.
• User adoption reporting was visible globally. The subsidiary manager from Finland, explaining why local management were pushed into taking strong leadership, explains that “the adoption reporting was something that was public, inside Company A probably; everything is visible”. So there was high visibility creating its own pressure on local management teams.

Learning and improving
• Further roll-outs can make use of the learning from previous roll-outs e.g. learning from France.

Strong local project manager with good competences
• Both Italy and France had strong and enthusiastic project managers who clearly went to great lengths to design a good methodology for their own rollouts
• Some examples of CSF from Italy include: not rushing the rollout, starting with a carefully selected pilot (3 months), learning from the pilot, using admired and successful sales managers to train rather than a trainer, creating better training materials, use of real-life case studies in the training. This enabled Italy to reach 97% use adoption rate.

These rollout accelerators were also applied to the second wave.
• Global project leader put France and Italy into the pilots for the second wave so that best practice countries were leading the way. NL was taken out due to implementation problems.
Adoption of intended strategic initiatives in MNCs: Role of piloting

Tight project management created its own ‘good communication track’ and added to the momentum of the rollout.

The more we have progressed when we have started to roll out on time, the month of September, OK, people in October/November have seen that, OK, we will be able to roll out on time for the country also – so I think it has become easier and easier for us, the more we were progressing.- Global project leader

Rollout constraints
There were several constraints.

- NL realized that they had the wrong organizational structure and sales processes in place and so had to stop and reorganize before rolling out further. The initiative was put on hold 4 months and back to square 1.
- So in general there is a learning that for rolling out a template it really matters if there are basic differences in organization structure, roles and responsibilities, internal team configuration and basic processes.
- Loss of project leader in US to go train all the other countries meant that US totally lost focus.
- Clear that roll-outs did not get much global support and so a large part of the rollout depended on the competences and enthusiasm of the local project manager.
- In their communications to local, global underestimated the amount of local resources needed. These were primarily resources for change management and IT.
- Recognition that there were lots of things missing in the tool including small, basic and important things (Italy) but on the other hand there was the promise of the second stage.
- There was definitely local resistance to overcome, particularly at the sales level. The rollout manager in Italy talks about the “change management bottleneck”. In Italy, there was already an existing tool and this is not something that people are looking forward to and waiting for”. The Global project leader also mentions that some IMD sessions focusing on change management for executives were organized.

Rollout global support
Global support consisted of a day and half with the local management to explain the benefits of the tool. They helped each team to plan out a six month project. Then for each batch there was a 2-3 day workshop for the process managers and then they did their homework. This was followed by train the trainer with the package of translated material all ready for them.

Evidence that the rollout countries felt that there was limited support. For instance the countries remark on the lack of IT support to fix technical problems. They attribute the lack of global support to the small size of the global team and because so many countries were rolling out at the same time. Also evidence that the global team was offering a fairly superficial training to the countries (25
people at one time). The global team deliberately offered a package to each country so that they would not need to offer too much support.

Now they hold 2 CRM Booster meetings a year and monthly topical web meetings with the super users.

**Similarity to pilot**
The Global project leader saw the “global” nature of the solution as one of the key success factors.

> And I would say that that was one of the reasons for the success, because otherwise in our way of working, you know, we are much more challenged by not all the countries but, you know, the main front-lines who of course in, I would say, in recent years tried to get some tools customized according to their local needs. And for most of the project before this customer focus initiative, one of the challenges was that we have customized a lot and at the end we have lost a little bit the control of the consistency and the, you know, the global solution. – Global project leader

The application was frozen after the changes during the pilots and all changes saved until the second phase.

What was different in the rollouts was the methodology which rollout countries could adapt as they wanted. As long as the initiative was rolled there was not much control.

France identified their country more with US or UK than NL because of the maturity of their sales processes. Italy clearly felt that they were superior to all the pilot countries in terms of their expertise in sales processes.

**Success of initiative**
Steering members believe that the initiative has been successful. They both note that it was rolled out on time. One acknowledges that results are difficult to link specifically to the customer focus initiatives. But points out that Company A has grown its sales faster than competitors and is gaining market share. There is good visibility of sales funnel and better understanding of customer relationships. There are more sales visits than before. The other Global steering member says that CRM still has issues to do with making sure that the new processes are strictly followed and that management is fully using the new reports and new ways of forecasting sales.

I think the biggest challenges are still to do with kind of making sure that the new process is followed strictly enough and that our management is truly kind of fully utilizing then the new reports and new ways of forecasting our sales and so on.

> We still have some work to do there, to make sure that everybody is really doing what they are expected to do, to make sure that all the reports have correct data and have been consolidated to the corporate level in a reliable way and so on. So it is really still to do with the behavioral side and process side. But that is kind of something that is very difficult to get a hundred percent right during the first rollout. – Global steering member
Adoption of intended strategic initiatives in MNCs: Role of piloting

*Role of the global team*

**Before pilot**
- Creating the business case for the strategic initiative of increasing sales
- Providing a vision /clear picture of what Company A was trying to achieve with the strategic initiative
- Setting the KPIs at the start and what to measure during the pilot (other KPIs added later) and managing stakeholder expectations on which KPIs would be used to judge strategic initiative success.
- Proposing the IT vendor for the CRM system
- Designing the theoretical template along with other countries in the reference group
- Proposing which pilots to select to the global steering committee

**During pilot**
- Facilitating the template design/implementation within the pilots
- Ensuring not too much localization of the template in any specific location
- Screening and filtering suggested changes to the template coming from the pilots and so improving the global template through learning
- Modifying and fixing the global IT solution
- Documenting the global template
- Documenting the implementation methodology
- Creating a global training package for the rollouts and translated this into all languages
- Designing the rollout plan including batching the rollouts
- Keeping the global steering committee informed of pilot status, progress and issues
- Global team already started working with rollout countries to prepare them for the rollout and the implementation even started in France towards the end of the pilot.

**After pilot**
- Presenting results to global steering committee for rollout decision
- Communicating the success of the pilots to senior management and rollouts
- Requesting EB to promote the success of the pilots
- Actively telling the rollouts that the pilot is successful and that pilots are themselves giving good feedback
- Using rollout countries to communicate success
- Ensured that all rollouts used the global solution
- Making sure that the rollouts understood the benefits that CRM would bring through an introductory workshop
- Creating a project plan for the rollouts
• Gave each market a clear expectation of the resources needed to rollout the strategic initiative before each one started and asked for confirmation of which people would do this
• Provided training materials, methodologies and templates for reduce the number of resources needed in the FLs
• Started to provide feedback on the KPIs that each country was achieving
• Provided limited IT support to fix technical problems
• Enforcing that rollout takes place

Role of the local team

Before pilot
• Taking part in the reference group to design the theoretical template

During pilot
• Local steering committee to oversee implementation at local level and also feeding back potential changes to the global template to the global team
• Meeting with the other pilots to suggest changes to the global template (facilitated by the global team)
• Learning about potential changes needed to the global template and which functionalities to include or not include
• Training in the pilot (some help from global?)
• Local change management and convincing local stakeholders of the value of the initiative and why people need to change to new ways of working
• Seats on the global steering committee to oversee the SI

After pilot
• One person from US pilot involved in training the rollouts
• Communicated level of success both at formal meetings and informally – no visits

Cause-effect summary suggestions
The pilot was successful and the rollouts also seemed to have been successful. What cause-effect relationships did we see?

Starting conditions
• CRM was one project within the overall customer focus MWB
• The President increased the sense of urgency by calling for a quick rollout and had a strong vision.
• This was the first truly global initiative and so was highly novel (-ve impact)
• Lots of resistance in the sales function (-ve impact). Especially where there was already local applications.
Adoption of intended strategic initiatives in MNCs: Role of piloting

- Uncertainties: Would the salesforce be prepared to accept the new ways of working? Would the selected technology be suitable? Would top management be committed?

Pilot selection
- Selecting 3 pilots enables the team to make a truly global tool, adapted to countries on and off SAP. This strongly reduced the chances of excessive local adaptations. It also increased the amount of buy-in in the rollouts as all countries both on and off SAP could see the pilot succeeding and also large and small countries.
- The team did not select France and Italy where there could have been a “prima donna” attitude of taking ages to implement and likely insisting for local adaptations.
- Took countries with no existing tool. So there was a major trade-off between skills and existing experience and the ability to move fast.
- USA provided enough credibility because of strong skills and experiences in sales processes.
- NL had credibility because of high market share.
- Ireland was a good addition for adding a small country and so increasing “likeness” for other small countries.
- Larger countries have more resources for piloting.
- All pilots countries selected had strong local management support for piloting.
- All countries volunteered to be pilots.
- Some evidence that US and NL may be natural piloting countries due to their management and national? culture.
- In retrospect the global team was lucky to get away with using NL. NL did not have the right organizational structure and set up of roles and responsibilities to make a good pilot as this was different from what was needed for the strategic initiative to succeed and also different from other rollouts but because the first rollout countries started up quickly there was limited feedback about these emerging issues. (-ve impact)

Global steering committee, global team, local team
- The global steering committee was carefully chosen to represent all stakeholders, including all the pilots. This helped to get a common understanding and also allowed more attention on change management and not just the CRM system.
- Tough global project leader who was not willing to compromise the global template by allowing local adaptations in the pilots or the rollouts
- Global team leader had a strong vision of what they were trying to achieve
- Goal alignment in the global team and the local team and good collaboration between global and local teams
- Strong commitment in the local pilot team
- Global team made sure to involve the people impacted by the changes in implementation from the start i.e. sales but did not involve too many people because this would have slowed down the strategic initiative
• Good local management support and commitment in pilots
• Rollouts participated in pre-pilot reference groups

Pilot KPIs
• Careful management of expectations on the pilots led to an easy decision to rollout based on results which focused on system usage.
• Simple usage KPIs provided focus.
• Global team also made clear that they were only looking for a positive trend in the usage KPIs, not a high absolute level

Implementation
• Fast speed seemed to be a positive by preventing too much local opposition or resistance to the strategic initiative because of lack of localization
• Working with 3 pilots built a better template because they could work together and compare learnings. In order to work together they had a good working relationship between the pilots and also with the global team.
• Frequent meetings to discuss and resolve issues
• Global team acted more like a facilitator and allowed the pilots to work to decide on the global template.
• Closely followed by steering committee.
• Implemented a restricted scope and limited functionalities with more promised in wave 2
• No big technical problems because off-the-shelf solution
• Selecting an off-the-shelf solution minimized the technical problems with the tool and allowed the local management to focus more on the change management issues.
• Highly detailed implementation plan
• Enough resources for pilot
• Started with a pilot in a pilot in US
• Local team started with US opinion leader manager
• Strong local change management processes including communication, making sure people had time, ensuring IT support.
• NL complained that there was not enough focus on change management by global team and this was raised to the steering committee
• When training person left US pilot team then this slowed down the pilot (-ve)
• Local steering committee in US pilot filtered changes being suggested to the global team

Rollouts news from pilots
• There is strong evidence that global team were using the pilots and first rollout countries to generate buy-in from the remaining rollout countries (pilot was seen as successful).
• Global team used senior managers to communicate success.
• Global team used pilots to communicate to other rollouts
Adoption of intended strategic initiatives in MNCs: Role of piloting

- Global team actively promoting success as well.
- Evidence of 2 stories – official and unofficial
- Good news from pilots was travelling fast through formal and informal networks
- Not all managers believed that the right pilots had been selected e.g. Italy. Are pilots in the eye of the beholder?
- Some rollouts created their implementation plans before the pilot was really completed and so they could not learn much from them
- Feedback from pilots was open and honest?

Rollouts

- Good training and coaching from the local US pilot person who joined global team
- Success increased by having a simple, global solution with very limited localization – frozen after pilot
- Local management ready and committed and enthusiastic about strategic initiative (but not everyone as there was local resistance)
- Rollouts in batches more efficient
- Short deadline created strong sense of urgency
- Fast rollouts and tight project management created momentum, helped overcome local resistance, and created lots of news about the initiative
- Global team gave expectation of resources to local teams and required sign off on assignments to roles
- Make methodology easy for rollouts
- Provide more support for opinion leader countries
- Strong local project manager in rollouts
- BUT not enough global support or IT support and training not very detailed
APPENDIX 3: Survey data collection

This appendix contains all the materials used to collect survey data. This material is arranged as follows:-

1. Email introduction from Director of Project Office to survey respondent
2. Email introduction from researcher to survey respondent
3. Survey questions operationalizing the dependent variable
4. Survey questions operationalizing the independent variable
1. Email introduction from Director of Project Office to survey respondent

Dear <Name>,

<Company name> is undertaking some research with IMD, a business school based in Switzerland, on the implementation of strategic projects. The focus of the research is on pilot projects. We believe that this research will help better implementation of strategic projects in future.

<Company name> has selected the <Name of strategic initiative> as part of this research. We would appreciate your help.

Rhoda Davidson from IMD will contact you by email and send you a web survey link for this research. Please complete this survey. The deadline to reply to the survey is <Date>. If you will be unable to complete it by this date then please ask Rhoda for an extension to the deadline.

Note that:
- All responses are entirely confidential and will be analyzed by IMD
- It is important to complete the whole survey, otherwise the research will be invalid
- We are asking your for your personal impressions given what you already know. There is no need to search for additional information.
- There are no right or wrong answers

Thank you for your time. Your support is appreciated.

Best regards,

<Director of Project Office>
2. Email introduction from researcher to survey respondent

Dear <Name>,

As <Name of Director of Project Office> recently informed you, <Company name> is undertaking some research with IMD, a business school based in Switzerland, on the implementation of strategic projects. The focus of the research is on pilot projects. We believe that this research will help better implementation of strategic projects in future.

<Company name> has selected the <Name of strategic initiative> as part of this research. We would appreciate your help.

Please complete the following web survey by clicking on the link below. The deadline to reply to the survey is <Date>. If you will be unable to complete it by this date then just let me know and we an re-schedule the deadline.

Note that:-
- All responses are entirely confidential and will be analyzed by IMD
- It is important to complete the whole survey, otherwise the research will be invalid
- We are asking your for your personal impressions given what you already know. There is no need to search for additional information.
- There are no right or wrong answers

Thank you for your time. Your support is highly appreciated.

Best regards,
Rhoda Davidson
3. Survey questions operationalizing the dependent variables

**Strategic initiative adoption = Commitment to change x Implementation**

1. Commitment to change
   Measured on a 5 point scale (5= strongly agree, 4= agree, 3= neither agree or disagree, 2=disagree, 1=strongly disagree)

   Affective commitment to change
   - I believe in the value of implementing this initiative.
   - The implementation of this initiative is good for this organization.
   - I think that management is making a mistake by implementing this initiative.

   Continuance commitment to change
   - I feel pressure to go along with the implementation of this initiative.
   - I have too much at stake to resist the implementation of this initiative.
   - It would be risky to speak out against the implementation of this initiative.

   Normative commitment to change
   - I feel a sense of duty to work towards the implementation of this initiative.
   - I do not think it would be right of me to oppose the implementation of this initiative.
   - It would be irresponsible of me to resist the implementation of this initiative.

2. Implementation

   Degree of implementation within organization’s operations
   
   To what extent has this strategic initiative been fully integrated within your organization’s operations?  
   Measured on a 5 point scale (5= To a very great extent, 4 = To a great extent, 3= To a moderate extent, 2= To some extent, 1= To no extent)

   Success in achieving the desired initial results of the initiative
   
   To what extent has this initiative succeeded in achieving the desired initial results?
Satisfaction with the implementation of the strategic initiative

To what extent are you satisfied with the implementation of this strategic initiative in your organization?
Measured on a 5 point scale (5 = To a very great extent, 4 = To a great extent, 3 = To a moderate extent, 2 = To some extent, 1 = To no extent)
Adoption of intended strategic initiatives in MNCs: Role of piloting

4. Survey questions operationalizing the independent variable

1. Pilot replicability
Measured on a 5 point scale (5= strongly agree, 4= agree, 3= neither agree or disagree, 2=disagree, 1=strongly disagree)

- The site chosen for the pilot gave me confidence that this initiative would have a high chance of success in my organization
- The site chosen for the pilot showed that the practice associated with the strategic initiative was working
- The initiative was implemented the same way in this country unit as in the pilot

2. Pilot credibility

- The site chosen for the pilot was reputable within the organization
- The site chosen for the pilot was knowledgeable
- The site chosen for the pilot had a high level of expertise

3. Pilot feasibility

- The site chosen for the pilot showed the benefits of adopting the new practice
- The site chosen for the pilot delivered results that gave me confidence that we could implement the strategic initiative