Consideration of a turbulent environment in strategic planning

An empirical analysis of strategic planning practices in the airline industry

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Corinna Roessler and Sabrina Schneider

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Summary

Strategic planning as a concept originally emerged throughout a period, which today appears to have been stable and predictable. While there is little doubt that the level of environmental uncertainty has increased significantly, different perspectives on the role of strategic planning under these circumstances have resulted in an unsolved dispute between two schools of thought within strategic management. Followers of the traditional understanding of strategic planning, based on the works of Igor Ansoff, believe that uncertainty enforces the need for formal, systematic planning. Opposing this ‘rational design’ school approach, the ‘emergent process’ understanding of strategy formulation developed based on the works of Henry Mintzberg, who argues uncertainty to impede any formal, rational planning. Though strategic planning remains to be one of the most used management practices, only limited knowledge and empirical evidence exist about how and why companies today conduct strategic planning and how the challenge of uncertainty is considered. The objective of this thesis is to contribute to filling this empirical gap of knowledge by gaining an understanding of strategic planning in practice. It therefore analyses strategic planning procedures of companies operating in the airline industry, an industry exposed to a particular high level of environmental uncertainty.

In-depth case studies of strategic planning procedures of two airlines indicate the challenge implied by the high level of turbulence. Awareness of and the flexibility to react on challenges and opportunities provided by the uncertain environment need to be accomplished to ensure corporate success and survival. Crucial reactions and precautions for companies operating in uncertain environments are prepared isolated from strategic planning by shaping the organisational culture and structure in a supportive way for awareness and flexibility, by enhancing the corporate innovation capability and by actively preparing operational crisis situations. Strategic planning showed to be in the passive role of having to adjust to the circumstance of increased uncertainty by decreasing its formality, a rising impact of subjective judgements and the consideration of more operational challenges. Co-ordination of strategy implementation rather than long-term oriented strategy formulation was identified to be the main role of strategic planning. The findings thereby strongly support the understanding of strategy planning under uncertainty as an emergent, adaptive and learning-based approach. Meanwhile, the conflict of strategic planning becoming too occupied by operational influences emerged.

Potential further research areas include the development of strategic planning procedures in relation to changing levels of environmental turbulence over time, the relationship between corporate culture, uncertainty levels and strategic planning approaches, and the managerial needs in balancing the challenge of responding to short- and medium-term operational issues and emphasizing long-term strategic development without formal planning processes.
# Table of Contents

1. **Introduction** .................................................................................................................. 1
   1.1 Introduction to the topic of the study ............................................................................. 1
   1.1.1 The airline industry .................................................................................................. 1
   1.1.2 The field of strategic planning within strategic management ................................. 2
2. **Relevance and motivation of the study** ......................................................................... 3
   2.1 Introduction to the problem .......................................................................................... 3
   2.1.1 Aim of study ............................................................................................................. 3
   2.2 Motivation for study ..................................................................................................... 3
   2.2.1 Identification of research questions ....................................................................... 4
   2.2.2 Research process and unit of analysis ..................................................................... 4
   2.3 Basic definitions .......................................................................................................... 5
3. **Structure of the study** .................................................................................................... 5
4. **Review of literature** ....................................................................................................... 7
   4.1 **Introduction to the research field** ........................................................................... 7
   4.1.1 Historical development and definition of strategy in literature ............................ 7
   4.1.2 Historical development of strategic planning in literature .................................. 8
   4.1.3 Brief outline of emergence of turbulence & uncertainty ...................................... 11
   4.2 Method and approach to literature analysis ................................................................. 12
   4.2.1 Systematic of literature search .............................................................................. 12
   4.2.2 Structure of literature analysis .............................................................................. 12
   4.3 Review of strategic planning literature ........................................................................ 12
   4.3.1 Research Stream I: Systematic & rational approach ............................................. 12
   4.3.2 Research Stream II: Adaptive and learning-oriented approach ............................ 13
   4.3.3 Comparison of research perspectives .................................................................... 14
5. **Methodology** .................................................................................................................. 18
   5.1 Inquiry paradigm of this study .................................................................................... 18
   5.1.1 Ontological belief and epistemological approach .................................................. 18
   5.1.2 Methodological implications .................................................................................. 19
   5.2 Research strategy and research site ............................................................................. 19
   5.2.1 Case Study as research strategy ............................................................................ 20
   5.2.2 Airline industry as research site ........................................................................... 21
   5.3 **Data collection** ....................................................................................................... 22
   5.3.1 Semi-structured interview as research method ..................................................... 22
   5.3.2 Interview process design ....................................................................................... 24
   5.3.3 Interview conduction ............................................................................................. 25
   5.3.4 Data access issues .................................................................................................. 26
   5.4 **Data analysis** .......................................................................................................... 27
   5.4.1 General strategy and analytical technique ............................................................. 27
   5.4.2 Data analysis process ............................................................................................. 28
   5.4.3 Data analysis issues ............................................................................................... 29
   5.5 Quality measures ........................................................................................................ 30
7. **Data collection and analysis** ......................................................................................... 32
   7.1 **airBaltic** ................................................................................................................... 33
   7.1.1 Company profile .................................................................................................. 33
   7.1.2 Contextual setting ................................................................................................. 35
   7.1.3 Internal factors ..................................................................................................... 36
   7.2 **Air Greenland** ......................................................................................................... 38
   7.2.1 Company profile ................................................................................................. 38
Appendix 1. Interview acquisition contacts..........................................................83
Appendix 2. Standardized email for initial contact...............................................84
Appendix 3. Template interview briefing...............................................................85
Appendix 4. Interview guideline and protocol I.....................................................87
Appendix 5. Interview guideline and protocol II...................................................90
Appendix 6. Interview guideline and protocol III................................................93
Appendix 7. Interview guideline and protocol IV..................................................95
Appendix 8. Interview guideline and protocol V...................................................96
Appendix 9. Analysis case I: airBaltic – Environmental events...............................97
Appendix 10. Analysis case I: airBaltic – Timeline of responses............................98
Appendix 11. Analysis case I: airBaltic – Awareness and flexibility.......................99
Appendix 12. Analysis case II: Air Greenland – Environmental events....................100
Appendix 13. Analysis case II: Air Greenland – Timeline of responses.....................101
Appendix 14. Analysis case II: Air Greenland – Awareness and flexibility.............102
Appendix 15. Analysis: cross-case – Corporate responses to environmental events. 103
List of Figures
Figure 1. Data analysis process embedded in the overall research process. .............. 28
Figure 2. Framework for data analysis. .................................................................... 32
Figure 6. Response analysis to external events of airBaltic. .................................... 49
Figure 7. Internal factors contributing to awareness and flexibility at airBaltic. .... 49
Figure 8. Response analysis to external events of Air Greenland. ......................... 51
Figure 9. Interrelationship field uncertainty – corporate responses – internal factors. 55
Figure 10. Internal factors contributing to or preventing awareness and flexibility. .... 55
Figure 11. Interrelationship field uncertainty – formality – strategic orientation. .... 57
Figure 12. Cross-case analysis – summary of findings. ......................................... 58

List of Tables
Table 1. Historical development of academic literature on strategic planning. ........ 9
Table 2. Perspectives on uncertainty. ...................................................................... 11
Table 3. Comparison of research streams. ............................................................... 15
Table 4. Overview of interviews. ........................................................................... 23
Table 5. Overview of key findings in comparison. .................................................... 44
Table 6. Comparison of environmental uncertainty. ............................................. 53
Table 7. Overview of relevant findings linked to propositions. ............................... 60
Table 8. Overall evaluation of propositions. ........................................................... 62
1 Introduction

Purpose of this chapter is to introduce to the topic of this study, to outline its relevance and motivation, to provide basic definitions and to illustrate the study’s structure. These four subjects will be further outlined in the subsequent sections.

1.1 Introduction to the topic of the study

To provide an introduction to the topic of the study, the industry and the phenomenon under investigation have to be outlined. Therefore, a brief description of the airline industry will be provided and the field of strategic planning within strategic management will be briefly introduced.

1.1.1 The airline industry

This section aims at introducing the global airline industry by outlining its current characteristics, its development over the last decades, and the particular challenges the industry is currently facing. Thereafter, the impact, the particular business environment has on companies operating in this industry from a strategic point of view, is illustrated.

The global airline industry operating today in virtually every country worldwide presents a major economic force, considering both its own operations and its effect on associated industries such as the aircraft manufacturing or the tourism industry (Belobaba, 2009, p. 1). Due to the fact that aviation provides the sole global transportation network, it is crucial for business development and facilitates economic growth particularly in developing countries (ATAG, 2010). With around 22,000 aircrafts, 4.3 million employees directly working within the airline and airport industry and over 2 billion annual passengers, the world’s 900 airlines serve globally approximately 1.670 airports (ibid). Besides passenger traffic, 40% of interregional exports of goods are transported by air (ibid). Over the past 30 years, growth of world air travel has averaged around 5% per year, although substantial annual variations occurred due to both regional differences in economic growth across the world and changing economic conditions, especially during the recent global economic crisis (Belobaba, 2009, p. 2). Today, the aviation’s global economic impact is estimated at US$ 2.960 billion, which equals 8% of the world Gross Domestic Product (ATAG, 2010).

Throughout its history, the industry had to deal with severe changes in its business environment ranging from technological innovations in aircraft manufacturing to the fast progress in computer technology, which enabled the airlines to implement new business processes such as ‘network management’ and e-commerce (Cento, 2009, p. 4). Over the past decades, the industry changed from a heavily regulated market with a system of long-established flag carriers to a dynamic, free market (Cento, 2009, p. 13). Previously one of the most regulated industries in the world and thereby protected from the need for change and innovation, the airline industry has faced major deregulation since the late 1970s, recently enforced through the 2007 ‘Open Sky’ agreement between the United States and the European Union (Doganis, 2010, p. 25). Continuous deregulation also provided the ground for the emergence of new market entrants challenging the existing industry structure by introducing new business models (Maglighetti, Paleari, & Redondi, 2009). This resulted in a differentiation of four models including ‘Full Service Network Carriers’ following a network-oriented approach based on hub structures and alliances, ‘Low Cost Carriers’ focusing on high
cost-efficiency and generally restricted to short and medium-distance routes, small ‘Regional Carriers’ with limited geographical coverage and ‘Charter/ Holiday Carrier’ (DLR, 2009). Pressure on the airlines increased to the altered industry structure causing three main challenges: First, the distinct level of competition in the industry is driven by intense rivalry between airlines, price-sensitive and non-loyal customers as well as high market fragmentation with a constantly changing number of competitors (Datamonitor, 2009; DLR, 2009). This fact has strengthened the importance of the unique resource in the industry, the airline’s base airport, and has furthermore made cost efficiency, profitability and competitive behaviour to be the dominant issues in strategic airline management (Belobaba, 2009, p.2). Second, uncertainty is particularly pressuring the industry due to its high dependency on externally influenced factors. These include major cost components such as aviation fuel and airport charges (Doganis, 2010, p. 91-93) and the derived characteristic of airline demand, generally depending on the demand for other activities and thereby almost completely externally influenced (Doganis, 2010, p. 234). These external dependencies have been demonstrated by high impact events such as the current economic crisis, the terror attacks of 9/11, or the volcano disruptions in Europe in spring 2010. Third, the airline industry is seen to suffer under a “chronic disequilibrium” (Doganis, 2010, p. 320). While the industry has achieved tremendous expansion and increasing demand for passenger air transportation during the last 50 years, it has only been able to operate marginally profitable (Doganis, 2010, p. 8), which presents an enormous threat in an uncertain and highly competitive environment.

The previous mentioned challenges resulted in many cases in bankruptcies or enormous losses. Different short- and long-term reactions such as changes in the business model, or closure of routes among others were recognizable as a consequence of the alteration in the industry and especially as a result of the long-lasting impact of major crisis events. The success or failure of individual airlines operating in this turbulent environment can be thereby partly regarded as indicator for an either well elaborated or poorly conceived strategy. Though, an understanding of how the challenge of preparing for the future in such an environment is managed in the airline industry today is not obtained yet.

### 1.1.2 The field of strategic planning within strategic management

This section aims at introducing the concept of strategic planning and its role within the discipline of strategic management. Its origin and development will be briefly outlined.

To prepare for the future, without being able to know the future, has always been one of the most fundamental challenges any individual or company continuously has to face. The question of how companies can deal with the challenge of making strategic decisions has been part of academic discussions within the discipline of strategic management since the end of the 1960’s. Originally termed as long-range planning, the discipline focussed on analytic planning and forecasting techniques.

Since the development of the original concepts, a wide variety of perspectives on strategic planning have emerged, to a certain degree caused by the increasing level of environmental uncertainty present in the markets. The role of strategic planning within strategy formation has been matter of discussion for several decades and no agreement could be found so far. Therefore, opinions on the usefulness, the purpose and the way of how to conduct strategic planning vary widely. Meanwhile, strategic planning remains to be one of the most used management tools.
1.2 Relevance and motivation of the study

To understand the relevance and motivation of this study, the initial research challenge will be outlined based on the introduction provided in the previous section. Thereafter, the aim of this study will be outlined and its motivation from both a practitioners and an academic perspective will be explained. Based on these elements, the underlying research questions of this study will be explained and the research process and unit of analysis will be briefly outlined.

1.2.1 Introduction to the problem

The concept of strategic planning emerged and developed majorly throughout a period, which compared to today’s environmental turbulence, can be considered to be stable. In particular in the 1970s and 1980s, strategic planning experienced much academic attention, deeply splitting academic research the into two opposing research streams: While followers of a traditional understanding of strategic planning, based on the works of Igor Ansoff, believe that uncertainty enforces the need for formal, systematic planning, those opposing this ‘rational design’ school approach believe in an ‘emergent process’ understanding of strategy formulation, based on the works of Henry Mintzberg, who argues uncertainty to impede any formal, rational planning. These opposing perspectives represent an unsolved dispute within strategic management literature.

Even though strategic planning is widely spread and remains to be one of the most used management tools (Rigby & Bilodeau, 2009), only limited knowledge and empirical evidence exist about how and why companies today conduct strategic planning and what has changed due to the increasingly turbulent environment. Two recent empirical studies using exploratory case study research (Grant, 2003; Nauheimer, 2007) attempt to provide answers to these questions, indicating that planning practices have significantly changed compared to what is assumed in traditional literature. Both authors promote the need for further empirical research in this field.

1.2.2 Aim of study

The objective of this thesis is to contribute to filling the empirical knowledge gap outlined above by gaining an understanding of strategic planning procedures of companies operating in an industry exposed to particular high environmental uncertainty. This research project therefore aims at gaining an understanding of how and why airlines operating in an industry exposed to a high level of uncertainty incorporate this challenge into their strategic planning procedures.

1.2.3 Motivation for study

Both theoretical and practical motivations exist to conduct this study. The particular interests will be briefly outlined in this section.

Strategic management knowledge will be enhanced through the descriptions of strategic planning practices in companies exposed to increasing and decreasing levels of uncertainty and their according adjustments to strategic planning procedures. Furthermore, the study’s findings will contribute to the long-lasting dispute between ‘design’ and ‘process’ schools by strengthening the arguments for an emergent strategy development process as environmental uncertainty increases.
The rising dissatisfaction among practitioners with strategic planning approaches, as identified by a recent McKinsey survey, indicate existing doubts about which role strategic planning should play in the company and whether there is one best way of conducting strategic planning especially in a turbulent business environment (Dye, 2006). With strategic planning remaining to be one of the most used management tools despite the increased level of environmental uncertainty (Rigby & Bilodeau, 2009) further underline the importance of the topic for practitioners. Exploring the strategic planning practices in the chosen highly volatile airline industry will provide more insights into the conduction of strategic planning in practice and will thereby contribute to the understanding of how and why apply strategic planning to master the challenge of increased uncertainty.

1.2.4 Identification of research questions

Based on the previously outlined research problem and the particular aim and underlying motivations of this study, the research questions identified for this study and will be briefly outlined in this section.

Two main research questions have been identified to provide further insights and empirical data to understand this phenomenon:

(I) Why do companies conduct strategic planning?
(II) How is turbulence considered within strategic planning?

The first question aims at gaining an understanding of possible reasons for companies to conduct strategic planning. While as the term itself suggests, strategic planning is very often directly associated with strategy making, this research questions yields at exploring whether this connotation is true in practice and whether further motivations to conduct strategic planning exist.

The second question focuses on the consideration of uncertainty within the company. The increasing challenge of uncertainty, turbulence and the crucial need to change faster represent the initial starting point for this research question. The researchers aim at understanding if and how this challenge is incorporated into strategic planning or which alternative solutions have been identified in practice.

1.2.5 Research process and unit of analysis

Following an analysis of existing literature, two case studies of companies in the airline industry are analysed: airBaltic and Air Greenland. The companies were chosen to be from the same industry to allow for the identification of similar environmental events and analyse patterns in the corporate responses to them. To further understand the impact of uncertainty on the design of strategic planning, the attempt was to identify polar cases in terms of the level of uncertainty the companies are exposed to. Following an extensive data collection centred on semi-structured interviews with managers inside the companies as well as external experts in strategic planning and the industry, each case is analysed individually and a cross-case analysis is conducted. The study thereby follows an exploratory approach and does not aim at generalisation but at understanding the phenomenon under investigation.
For the purpose of this paper, the company was the unit of analysis. Each case therefore compromises only one unit of analysis characterising the case study design to be holistic.

1.3 Basic definitions
The terms ‘strategy’, ‘strategy formulation’, ‘strategic planning’ and ‘turbulence’ will be used is this study. All of these expressions are subject to a wide range of interpretations. A brief definition of these terms, as they will be used throughout this study, is therefore provided in this section.

Strategy will be understood as the consciously set of guidelines determining future decisions, on which general agreement across the different academic research streams within the field of strategic management seems to be achieved.

Strategy formulation is interpreted as the way, how the strategy of a company is established and developed.

Strategic Planning is initially regarded to be the process throughout which a company develops and implements its strategy. This understanding will be challenged throughout the conduction of this study.

Turbulence will be understood as a significant level of uncertainty about environmental development impeding any precise prediction.

1.4 Structure of the study
Applying a very traditional thesis structure, this introductory chapter will be followed by a review of literature, an outline of the research methodology, an overview of the empirical data collected and its analysis, a discussion of the results and a final conclusion.

The review of literature provided in chapter two aims at establishing an understanding of the core differences between the two main research streams on strategic planning. Therefore, following an outline of the developments of the concepts of strategy, strategic planning and uncertainty, strategic planning literature is analysed in accordance to its understanding of strategy formulation. Relevant dimensions for the further process of this study are identified and compared for both research streams.

The methodology chapter provides a detailed discussion on how and what kind of knowledge is to be established throughout this study. Based on the research philosophy described, the choice of research strategy and research site is discussed. Thereafter, the process of data collection and analysis as well as quality measures relevant to this study are examined. Propositions based on findings of previous research, are thereby used as guidance.

In chapter three, the empirical data collected is displayed and analysed. For each case study conducted, important data is provided in the same structure separating basic company information, contextual parameters and internal factors. In order to provide a better overview of relevant data, a comparison of the findings collected for each company is conducted thereafter.
For the purpose of discussing the results, each case is studied individually before a cross-case analysis is conducted. For the individual case analysis, a connection between environmental challenges and corporate reactions is established and the internal factors leading to the observed reactions are analysed. The cross-case analysis focuses on similarities and differences in both the environmental challenges and in particular the corresponding internal factors. Furthermore, findings to the initial propositions guiding through the study are discussed.

To conclude, a discussion of the major findings in response to the research questions in particular and further valuable results are provided. The limitations of this study are critically examined and further research areas are outlined.

This introductory chapter aimed at introducing the airline industry, outline the research problem and subsequently identify the research questions. Furthermore, the research process and the structure of this study are described. The following chapter provides a review of existing literature relevant to the imposed research questions.
2 Review of literature

This chapter aims at reviewing the existing academic literature in the research field. First, an overall introduction to the research field will be provided. Thereafter, the method and approach to literature analysis applied will be presented. Subsequently, the relevant literature on strategic planning will be analysed and discussed.

2.1 Introduction to the research field

This section aims at introducing to the research field of this study. Therefore an outline of literature development of the most important terms of this study, ‘strategy’, ‘strategic planning’ and ‘turbulence and uncertainty’ will be provided.

2.1.1 Historical development and definition of strategy in literature

Following a very brief outline of the development of the academic discipline of strategic management, the difficulty of finding a common definition of both ‘strategy’ and ‘strategy formulation’ will be delineated.

The origin of the term ‘strategy’ can be traced back to Ancient Greece where the verb ‘stratego’ was used in a military context and related to the planned destruction of enemies under an effective use of resources (Bracker, 1980). As an academic discipline, strategic management did not develop until the end of the 1960s, timely long after its development in corporate practice (Müller-Stewens, Lechner, 2005, p. 8). The works of Edith Penrose (1959), Alfred Chandler (1962), Igor Ansoff (1965), Kenneth Andrews (1971) and Michael Porter (1980, 1985) are considered to be among the most influential publications for the birth of strategic management as an academic discipline and its early development. While the discipline initially focussed mainly on rational corporate planning, the field later divided into process- and content-oriented research. While the content-oriented research stream focuses on the relationship between a corporate strategy and its performance implications, process-oriented research in this discipline analyses the process of strategy formulation (Müller-Stewens & Lechner, 2005, p. 13). Many theories were developed in the 1990s and in particular the interest of internal factors within the companies increased (ibid). Originally emerged as a very rational school of thought, the increasingly unpredictable character of reality led to the consideration of further schools of thought (Kay, Mckiernan, & Faulkner, 2003, p. 50). Today, the discipline focuses on dynamic theory and a sustainable achievement of competitive advantages (Müller-Stewens & Lechner, 2005, p. 14).

As displayed in a variety of formal definition approaches including those of well-known scholars as Chandler, Mintzberg, and Porter, no common understanding of the term ‘strategy’ can be traced (Quinn, 1980). As Mintzberg (1978) concluded, the only common agreement concerning the term’s definition is its role as a consciously set of guidelines determining future decisions. In accordance with this broad definition, Chandler (1962, p. 13) refers strategy to be “the determination of the basic long-term goals and objectives of an enterprise, and the adaptation of courses of action and the allocation of resources necessary for carrying out these goals”. Mintzberg believes that strategy should not be limited to “explicit, a priori guidelines” (Mintzberg, 1978, p. 935). Rather, he distinguishes between intended, emergent and realized strategy (Mintzberg, 1978, 1988). Furthermore, he describes the required level of flexibility within what he calls ‘planned strategy’ by pointing out that strategy cannot be a fixed
plan which only changes systematically, following a forecastable schedule (Mintzberg, 1978). For Mintzberg (1978, p. 935), strategy is more a "pattern in a stream of decisions".

No unique interpretation of the process of strategy creation could be created over time. While Mintzberg agrees that strategy can be developed through a formal process proceeded by its implementation, he also argues for the existence of unintentionally emergent strategies, which evolve gradually (Mintzberg, 1978, 1988). This definition contradicts the understanding of planning as "a formal process of setting formal guidelines and constraints for the behaviour of the firm" as given, among others, by Ansoff and Brandenburg (1967, p. 230). Many scholars have been addressing the issue of strategy formulation from various perspectives, including Ansoff, 1965, Barnard, 1938, Hofer & Schendel, 1978, Lindblom, 1959, March & Simon 1958, Quinn, 1978 without reaching any further agreement but a variety of conceptual models with competing and overlapping modules. The conflict introduced by these disagreeing definitions of strategy formation represents the two fundamental prescriptions for how firms can decide what to do next: by 'trying to make better predictions' or by 'moving faster to be capable of adopting' (Brews & Hunt, 1999).

2.1.2 Historical development of strategic planning in literature

The historical development of strategic planning literature can broadly be divided into five periods, each characterized by a differing research focus. An outline of the main academic literature contributions to each period will be provided, including a summary of the findings depicted in Table 1. While this overview does not aim to be complete, its purpose is to provide a general understanding of the development of research on strategic planning.
Table 1. Historical development of academic literature on strategic planning.

<table>
<thead>
<tr>
<th>Period</th>
<th>Author</th>
<th>Research Focus</th>
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<tbody>
<tr>
<td>I</td>
<td>Bursk, &amp; Fenn (1956)</td>
<td>The concept of long-range planning</td>
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<tr>
<td>Origin of academic interest</td>
<td>Payne (1957)</td>
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<td>1950s/ 1960s</td>
<td>Drucker (1959)</td>
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<td></td>
<td>Chandler (1962)</td>
<td>Relationship between strategy and structure</td>
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<td>II</td>
<td>Brown, Sands, &amp; Thompson (1969)</td>
<td>Role of strategic planners in the planning process</td>
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<td>First empirical analysis</td>
<td>Ansoff (1965, 1979)</td>
<td>Organizational process of strategy formulation</td>
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<td>Mintzberg (1973)</td>
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<td>Ansoff, Delecke &amp; Hayes (1974)</td>
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<td>Hofer &amp; Schendel (1978)</td>
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<td>Lorange &amp; Vancil (1976)</td>
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<td>Mintzberg (1973, 1978)</td>
<td>Role of formal strategic planning in strategy</td>
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<td>III</td>
<td>Latham &amp; Yuki (1975)</td>
<td>Role of goal setting in formal planning</td>
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<td>Peak of academic interest</td>
<td>Tolchinsky &amp; King (1980)</td>
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<td>Mintzberg &amp; Lampel (1999)</td>
<td>Organizational process of strategy formulation</td>
</tr>
<tr>
<td>V</td>
<td>Grant (2003)</td>
<td>Characteristics of strategic planning systems in turbulent business environments</td>
</tr>
<tr>
<td>Turbulence interest</td>
<td>Koufopoulos &amp; Chryssochoidis(2000)</td>
<td>Impact of environmental instability on strategic planning</td>
</tr>
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<td>Since 2000</td>
<td>Courtney (2001)</td>
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<tr>
<td></td>
<td>Brews &amp; Purohit (2007)</td>
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</tr>
<tr>
<td></td>
<td>Wiltbank, Dew, Read &amp; Sarasvathy (2006)</td>
<td>Role of prediction in the strategy making process</td>
</tr>
<tr>
<td></td>
<td>Nauheimer (2007)</td>
<td>Role of strategic planning processes in strategy formulation</td>
</tr>
</tbody>
</table>

The first academic interest in the phenomenon of corporate planning procedures arose throughout the 1950s and 1960s. The concept of so-called ‘long-range planning’ became subject of many scholars’ interest (Bursk & Fenn, 1956; Payne, 1957; Drucker, 1959). With his famous book ‘Corporate Strategy’, Igor Ansoff was the first academic scholar focusing on the organisational process of strategy formation. In particular in the beginning of this period, followers of strategic planning were still rare and the
advantages of formalized planning procedures were not yet widely accepted (Ansoff & Brandenburg, 1967).

In the 1960s, planning practices significantly gained popularity (Ansoff & Brandenburg, 1967; Mintzberg, 1993), not without the contribution of the pioneering supporters of strategic planning including Green, Kami, Steiner and Drucker (Ansoff & Brandenburg, 1967) amongst others. In particular in the US car manufacturing industry, planning soon became popular (Ansoff, 1975). Meanwhile, the first empirical studies were conducted and the research field was widened. In 1976, Hofer provided a comprehensive review of the existing research on planning literature. The traditional planning school, based on the works of Ansoff (1979) who strongly emphasized the relevance of systematic and formal planning (Wiltbank et al., 2006), predominated academic literature throughout this period (Mintzberg & Lampel, 1999).

During the peak of strategic planning literature, in particular during the 1980s, the relationship between performance and planning became one focus area in strategic management literature (Pearce, Freeman, & Robinson, 1987; Boyd, 1991; Miller & Cardinal, 1994; Schwenk & Schrader, 1993). The results of the studies conducted remained to be contradictory (Brews & Hunt, 1999) and were often criticised for lacking a systematic methodology capable of explaining these inconsistent findings (Miller & Cardinal, 1994). The impact of setting objectives, derived from planning procedures, was a further area of research (Latham & Yukl, 1975; Tolchinsky & King, 1980; Locke et al., 1981). While at the peak of interest, the concept of strategic planning had to face its ‘greatest setbacks’ after environmental conditions became increasingly unpredictable in the 1970s, to a great extent caused by the breakout of the international oil crisis (Mintzberg, 1993), planning was not anymore regarded to necessarily be a purely systematic approach preceding strategy implementation. Mintzberg’s contributions formed a major opposition to the traditional planning school by focussing on emergent and learning-based strategy formulation processes (Mintzberg, 1978, 1990a). Further authors agreeing with Mintzberg, that planning is an adaptive, incremental and learning process, included among others Lindblom (1959) and Quinn (1980). Following a harsh dispute between the main representatives of both schools, Igor Ansoff and Henry Mintzberg (Ansoff, 1991; Mintzberg, 1990b, 1991), the attention of strategic management literature shifted away from strategic planning, initiating a comparably silent period of academic coverage.

As of today, strategic planning has remained to be among the most accepted and analysed tools of strategic management practices (Rigby & Bilodeau, 2009). Even though a vast amount of literature has been attributed to it (Armstrong, 1982; Mintzberg, 1991; Pearce, Freeman, & Robinson 1987), the differing options among followers of the Planning and the Design School remain unsolved (ibid). Meanwhile, the role of uncertainty as determining factor on strategic planning shifted into the focus of academic attention. The impact of economic instability on strategic planning has recently been analysed by various authors including Koufopoulos and Chryssochoidis (2000), Courtney (2001), and Brews and Purohit (2007). Furthermore, the role of the prediction process within planning procedures has been analysed (Wiltbank et al., 2006). As a result of little academic attention throughout the 1990s, very limited knowledge exists today, on how companies have adapted to changed environmental settings and consider these influence factors when it comes to strategic planning. In order to contribute the exploration of this knowledge gap, two empirical case studies.
conducted by Grant (2003) and Nauheimer (2007), both indented to analyse current strategic planning practices.

2.1.3 Brief outline of emergence of turbulence & uncertainty

Neither the occurrence nor the academic consideration of turbulences is a new phenomenon. As Mintzberg (1993) argued, the perception of one’s current period being exposed to an increased level of turbulence compared to the previous periods can be traced back until the 1960s – a period today considered to be one of the most stable ones in history accounting for 105 months of continuous growths (Makridakis & Wheelwright, 1989, p. 18). Early academic awareness of the issue was demonstrated as early as the 1960s, when Emery and Trist (1965) and Terreberry (1968) were writing about the effect of turbulences. Popularity of the concept was eventually gained through the publication of the book ‘Future Shock’ by Ivin Toffler (1979).

Strategic planning measures rely on a range of input factors, among them environmental information (Ansoff, 1975). Though, wide disagreement – based on empirically supported arguments on each side – exists on whether increased uncertainty as a result of turbulence is a reason to plan or makes planning almost impossible (Brews & Hunt, 1999). Ansoff (1975) argues that in particular when facing uncertainty, planning is essential to detect discontinuities in the environment to be aware of them and thereby able to react on them. He acknowledges that strategic planning is “overly demanding for input information”, which does not allow for timely detection of and reaction on completely unexpected events (Ansoff, 1975). Ansoff among other scholars therefore focused on the development of management tools, in particular using technology to support information flows, to prepare firms to be capable of reacting as soon as strategic information arises (Ansoff, 1975; Ansoff & McDonnell, 1990). Mintzberg (1978) on the other hand argues, that highly turbulent environments will not allow any planning technique to make reliable enough predictions on which any planning could be based – a theory which is underlined by the findings of Miller and Friesen (1983) and Kukalis (1991) demonstrating the advanced difficulty of forecasting and planning in uncertain environments. Mintzberg (1993) continues that environments are never stable and therefore companies will always have to have some kind of change. An overview of the different perspectives and their supporting authors is provided in Table 2.

Table 2. Perspectives on uncertainty.

<table>
<thead>
<tr>
<th>Perspective on uncertainty</th>
<th>Author</th>
<th>Research focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Uncertainty as a result of turbulence is a reason to plan”</td>
<td>Ansoff, Doelere &amp; Hayes (1974)</td>
<td>Impact of the environment on strategic management</td>
</tr>
<tr>
<td></td>
<td>Ansoff (1975, 1979, 1984)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ansoff &amp; McDonnell (1990)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lindsay &amp; Rue (1980)</td>
<td>Relationship among design parameters of planning systems and firm and environmental characteristics</td>
</tr>
<tr>
<td></td>
<td>Ackoff (1981)</td>
<td>Strategic planning in uncertain environments</td>
</tr>
<tr>
<td></td>
<td>Brews &amp; Hunt (1999)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Miller &amp; Friesen (1983)</td>
<td>Relationship between strategy making and environment</td>
</tr>
<tr>
<td></td>
<td>Kukalis (1991)</td>
<td>Relationship among design parameters of planning systems and firm and environmental characteristics</td>
</tr>
</tbody>
</table>

Even though no agreement among both streams of thinking could be provided so far, recent developments as for example ‘soft techniques’ such as scenario planning indicate a linkage among both understandings (Mintzberg & Lampe, 1999).
2.2  Method and approach to literature analysis
This section introduces method and approach applied to review the literature in the subsequent section. Therefore, the systematic of literature search is illustrated first. Thereafter, the structure chosen for the review will be outlined.

2.2.1  Systematic of literature search
Primary focus of this paper is the concept of strategic planning under the consideration of turbulence. Following a brief general analysis of previously existing literature in this field to provide the historical developments overview, as outlined in the beginning of this chapter, literature was searched in a systematic way. Relevant key words were identified based on the general review conducted in the first step. Specifically, these were long range planning, strategy formulation/formation, formal strategic planning, strategic planning practices, planning/learning school, uncertainty, and hypercompetition. Considering the popularity of the topic strategic planning indicated by the vast amount of literature existing on the subject, the literature search focussed on highly ranked academic journals, in particular Long Range Planning Journal, Strategic Management Journal, California Business Review, Academy of Management Journal and Management Science. Furthermore, additional material was considered by identifying publications referenced in literature relevant to this study and accessed through the systematic search approach described above.

2.2.2  Structure of literature analysis
The connection between the concept of strategy formulation and strategic planning represents a crucial element in academic literature on strategic planning. As previously outlined, two main streams of thinking determined strategic management literature on strategy formulation: Based on the initial publications by Ansoff (1965), followers of the first stream understand strategy to be a result of formal planning processes. The second stream, building on Mintzberg’s works (Mintzberg, 1978), believes strategy to be the result of an adaptive process whose implementation is programmed through planning procedures. Following a deeper discussion of general underlying beliefs and assumptions of either stream of thought, both approaches will be analysed concerning the process they suggest planning to follow, the impact they assign to turbulence on strategic planning and the relationship among strategic planning and innovation. A detailed description of the literature of both research streams will be provided and a comparison will be drawn based on which the specific research area of this study will be derived.

2.3  Review of strategic planning literature
Following the previously outlined structure, this section aims at reviewing the literature on strategic planning. Following the individual review of each research stream identified, a critical comparison of key elements relevant to this study will be provided.

2.3.1  Research Stream I: Systematic & rational approach
The first research stream identified considers the power of strategic planning to be in its rationality and formal systematic form of analysis (Andrews, 1971; Ansoff, 1965; Hofer & Schendel, 1978; Porter, 1980). Strategic planning is further understood as a deliberate and linear process (Chaffee, 1985), through which strategies are formulated based on rational decision-making procedures involving the generation and evaluation of
Strategies are produced through strategic planning processes, which due to the formality of the process provides for alignment of actions within the company (Ansoff, 1991; Armstrong, 1982; Hough & White, 2003). Furthermore, clearly assigned responsibilities and procedures and the information gathered through rational analysis allow for improved and faster decisions (Ansoff, 1991; Locke & Latham, 1989; Armstrong, 1982). In addition, strategic planning is understood to provide the basis for implementation and its monitoring (Armstrong 1982; Brews & Hunt, 1999; Shrader et al., 1989; Robinson, 1984; Delmar & Shane, 2003), to allow for resource capacity management (Armstrong, 1982), and to quickly detect and correct deviation from objectives (Delmar & Shane, 2003).

Top Management is seen as the unique source of insights on strategic intentions of the company (Ansoff, 1965; Andrews, 1971; Schendel & Hofer, 1979; Harrison, 1991). Applying a rational model of decision-making including systematic analysis of the external environment, internal strengths and weaknesses, the derivation of explicit objectives and plans how to reach them (Andrews, 1971; Ansoff, 1965, Hofer & Schendel, 1978; Porter, 1980), and commitment across the firm is to be gained through the power of its systematic approach and analysis (Armstrong, 1982).

An increased level of uncertainty is regarded to be an enforcing driver for the need of formal planning (Armstrong, 1982). Planning can provide valuable information and a framework for formulating and evaluating of potential solutions in uncertain situations (Ansoff, 1991; Szulanski & Amin, 2001). Several empirical studies have shown the positive effect the application of formal planning procedures can have under uncertainty (e.g. Wiltbank et al., 2006; Goll & Rasheed, 1997; Brews & Hunt, 1999; Miller & Cardinal, 1994; Miller & Friesen, 1983; Pearce, Robbins & Robinson, 1987; Dean &Sharman, 1996). To proactively face uncertainty, contingencies (Armstrong, 1982) and the generation of alternatives (Armstrong, 1982, Andrews, 1987, Frederickson & Mitchell, 1984; Ansoff, 1991; Miller & Cardinal, 1994) can be regarded as key success factors.

Planning procedures, due to their administrative character, are heavily criticised for taking away time from crucial activities (Bhide, 2000; Delmar & Shane, 2003; Carter et al., 1996, p. 154). Furthermore, formal planning procedures might prevent the evolution of creativity and innovative ideas. On the other hand, the rapidness in decision-making processes which can be provided by formal planning procedures (Delmar & Shane, 2003) and the opportunity to overcome cognitive capacities provided by planning (Simon, 1976), can provide a valuable frame for the emergence of innovations.

2.3.2 Research Stream II: Adaptive and learning-oriented approach

The second research stream identified considers the challenge of strategy formulation to be in the need for adaptive and learning capabilities allowing to cope with the information overload generally faced (Lindblom, 1959; Mintzberg, 1978, 1990a; Quinn, 1978, 1980). Strategic planning processes, as any formal organisational procedures, are not regarded to be capable of facing this challenge, in particular due to the limited rationality in environmental predictability and the influential role of subjective perception (Ford & Gioia, 2000; Mintzberg, 1978, 1987). Strategic planning is therefore
understood to be only in charge of programming a previously defined strategy (Mintzberg, 1988).

Functioning as a translation of an intended into a realized strategy and thereby representing the first step of its implementation preparation is regarded to be the main role of strategic planning (Mintzberg, 1994d, p. 333). This comes along with a primarily informational character (Steiner, 1979; Mintzberg, 1978), where strategic planning through its formal structure is comprehended to be a support for communication, control and coordination within the company (Langley, 1988, p. 48; Mintzberg, 1994d, p. 393). Furthermore, it is regarded to provide relevant data and analysis to stimulate strategic thinking (Mintzberg, 1988), which may support the prediction of a broad strategic direction for the company (Quinn, 1978).

The process of strategy formulation requires the involvement of middle and top management (Hart & Banbury 1994; Westphal & Fredrickson, 2001; Mintzberg & Waters, 1985; Nichol 1992). While managers are regarded to be the source of authority and input information, planners are in charge of providing a process allowing for the relevant information flows, the required level of integration and responsiveness (Mintzberg, 1994d, p. 325). To achieve commitment to formulated strategies and implementation plans, involvement of key players as business unit managers is regarded to be crucial (Mintzberg, 1994c, p. 112).

Uncertainty is comprehended to be the major refutation for the application of rational, formal strategy programming due to the limited ability provided to react on unforeseen events (Mintzberg, 1994d, p. 403). Since the major challenge is understood to be the handling of continuous, subtle changes impacting on the future business development, personal and subjective judgements rather than pure analytics are seen as key success factors (Mintzberg, 1988).

Considering its supportive role within the process of strategy formulation, strategic planning can contribute to the development of innovation by challenging assumptions, raising questions derived from rational analysis and thereby enhancing creative thinking processes (Mintzberg, 1994, p. 114). Meanwhile, its reluctance to quickly adapt to new and creative ideas prevents any proactive role in fostering innovations and might hinder emergent ideas (Mintzberg, 1993).

2.3.3 Comparison of research perspectives

Based on the initial publications of Igor Ansoff (1965) and Henry Mintzberg (1978), the two research streams outlined previously emerged – not without interacting and confronting each other’s arguments. While fundamental differences exist among both perspectives, surprisingly common understanding can be traced in other aspects. Table 3 provides an overview of the comparison of both research streams that will further be briefly outlined in the following paragraphs.
Table 3. Comparison of research streams.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Research stream I</th>
<th>Research Stream II</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>&quot;Try harder to predict better&quot;</td>
<td>&quot;Move faster to adapt better&quot;</td>
</tr>
<tr>
<td>Strategy Formulation</td>
<td>Strategy formulation occurs through strategic planning</td>
<td>Strategy formulation occurs previous to strategic planning</td>
</tr>
<tr>
<td></td>
<td>Strategy formulation is based on systematic, rational analysis embedded in a formal process</td>
<td>Strategy formulation is an adaptive, complex, learning-based process which cannot be handled through a formal and purely rational process</td>
</tr>
<tr>
<td>Role of strategic planning</td>
<td>Strategy formulation</td>
<td>Strategy implementation programming</td>
</tr>
<tr>
<td></td>
<td>Provide for rapid and qualitative decisions; ensure alignment; establish basis for strategy implementation and its monitoring</td>
<td>Support communication, control and coordination; provide data and analysis stimulating strategic thinking</td>
</tr>
<tr>
<td>Roles within strategic planning</td>
<td>Top management as unique source of strategic insights</td>
<td>Middle and top management as equal contributors of strategic direction</td>
</tr>
<tr>
<td></td>
<td>Commitment through rational and systematic approach</td>
<td>Commitment through involvement</td>
</tr>
<tr>
<td>Impact of uncertainty</td>
<td>Increased level of uncertainty enforces need for formal planning</td>
<td>Increased uncertainty impedes formal, rational planning</td>
</tr>
<tr>
<td></td>
<td>Pro-active consideration of contingencies, generation of alternatives, and rational framework as key success factors to handle uncertainty</td>
<td>Personal knowledge and subjective judgement as key success factor to identify relevant changes and develop emergent strategies</td>
</tr>
<tr>
<td>Impact on innovativeness</td>
<td>Systematic decision-making processes allow for rapid decisions</td>
<td>Support creative thinking through challenging based on rational thinking</td>
</tr>
<tr>
<td></td>
<td>Formality and administrative character bind valuable time and prevent evolution of creative ideas</td>
<td>Formality of process leads to reluctance to rapid changes and creative ideas</td>
</tr>
</tbody>
</table>

The core differences among both approaches lie in their fundamental understandings of strategy formulation and its role within strategic planning as well as the role understanding of actors within strategic planning processes, and the impact uncertainty has on planning. While according to followers of the first research stream based on Ansoff’s initial works, strategy formulation occurs through strategic planning and is
based on a systematic, rational analysis being embedded in a formal process, the second research stream, based on Mintzberg’s works, comprehends strategy formulation to occur previous to strategic planning. For followers of this approach, strategy formulation is an adaptive, complex, learning-based process, which cannot be handled through a formal and purely rational process. Throughout the works of the first research stream, strategy formulation therefore resembles the main role strategic planning measures have, accompanied by further minor objectives such as providing for rapid and qualitative decisions, ensuring alignment and establishing a basis for implementation and monitoring. Followers of the second research stream consider strategic planning to be relevant to programme strategy implementation and appreciate the support in communication, control and coordination as well as the data and analysis provided through the formal, systematic and rational planning process. From these understandings the role understandings derive assigned to actors within the strategic planning process: While those who consider strategic planning to be the vehicle for strategy formulation regard top management as unique source of strategic insights, involvement of middle and top management is considered to be crucial among those whose primary focus of strategic planning is the implementation of defined strategies. This involvement is also supposed to generate responsibilities and commitment to the results of the planning process. Followers of the other approach see the rational and systematic argumentation their solution is based on as source of commitment.

Agreement can partly be traced on the impact strategic planning can have on the innovativeness of a firm. Followers of both approaches claim rational analysis and systematic process to be a chance for supporting creative thinking and to provide efficiency to the process. Meanwhile, they both blame the formal and administrative character of planning processes to bind valuable time to prevent creative ideas. Followers of the second research stream further point out the reluctance of formal planning to rapid changes.

Overall, even though agreement on minor points can be traced, a fundamentally differing understanding of how strategy is formulated and which role strategic planning plays within this process has been identified. This is accompanied by a significantly diverging comprehension of the planning process itself. The dispute once raised by Ansoff and Mintzberg seems not to be solved. Meanwhile, it is noticeable that the discussion is mainly based on theoretical arguments and empirical studies conducted decades ago. Only very limited research seems to be done recently on the issue. Therefore, little empirical knowledge exists on how and why companies today conduct strategic planning and how they deal with the increased level of turbulence dominating the current economic situation.
This chapter aimed at introducing the research field and at providing an overview of the relevant existing literature. In the following chapter, the methodology applied to conduct this research project will be outlined.
3 Methodology

This chapter aims at introducing the underlying methodology of this study. It begins with an outline of its research philosophy and the corresponding research strategy will be briefly discussed. Subsequently, the applied data collection and analysis process will be provided.

3.1 Inquiry paradigm of this study

Attempting to analyse why and how companies conduct strategic planning, this study aims at exploring corporate strategic planning processes in practice. As initially illustrated in the introduction to this paper, only limited recent empirical knowledge exists on this issue and the researchers aim to contribute to this knowledge gap by focussing on human interactions within strategic planning processes. The particular underlying paradigm guiding through the process of the study, consisting of its ontological core assumptions as well as its epistemological and methodological implications (Guba, 1990, p. 17), will be further outlined in this chapter.

3.1.1 Ontological belief and epistemological approach

This thesis will be based on the researcher’s ontological understanding of “reality as a social construction” (Morgan & Smircich, 1980, p. 492) where multiple realities based on individual perceptions exist (ibid; Orlikowski & Baroudi, 1991; Klein & Meyers 1999). In accordance with this ontological belief of socially constructed realities, an interpretist, subjective epistemological perspective will be followed. Attention lies on identifying and analysing social patterns through the understanding of human actions within their organizational contexts (Morgan & Smircich, 1980; Klein & Meyers, 1999; Walsham, 1995). The application of both concepts will be further detailed in the following two paragraphs.

The applied ontological perspective is founded on the opposition of Immanuel Kant (1781) to conduct valid objective research in a world where subjectivity matters as well as on the clear distinction of ‘Geisteswissenschaften’ (social science) and ‘Naturwissenschaften’ (natural science) by Wilhelm Dilthey (1883). Their denial of the existence of one objective reality when individual perceptions exist is the core element of this particular relativist ontological belief until today. It implies, that knowledge is regarded to be individually constructed based on personal perceptions (Piaget, 1955). Meanwhile, acceptance of meaning generation as a group process exists which leads to the understanding of socially constructed realities (Willis, 2007, p. 97), as assumed in this study. By focussing on the understanding of human nature, this approach is considered to be a subjective approach to social sciences (Guba & Lincoln, 1994, p. 110; Morgan & Smircich, 1980), where individual perceptions within their context are emphasized and will guide epistemological and methodological issues throughout the study.

While interpretivism often is used interchangeably with qualitative research in general, and tends to be comprehended to be limited to the interpretation of linguistics (Williams, 2000), its understanding as a distinct epistemological approach and a broader understanding of the methods used will be applied in this study. Applying a constructivist-interpretive approach as defined by Guba and Lincoln (2005, p. 192 ff.), a transactional and subjectivist interpretation of the epistemology will be in place.
Interaction among the investigator and the object of investigation will lead to the creation of findings (Guba & Lincoln, 1994, p. 111; De Vries, 2005): Knowledge will be generated based through interaction among investigator and respondents on an understanding of the phenomena ‘strategic planning’ through the analysis of connotations people have with these phenomena and its related issues. Due to the emphasis on individual actor’s behaviour and its focus on the particular process through which reality is shaped, this epistemology appears to suit the particular research interest of this study. The relevance of considering the individual within the attempt of understanding the phenomenon of strategic planning is further emphasized by the ongoing debate around the strategy-at-practice approach in which the action of individual actors gains increased attention (Jarzabkowski & Spee, 2009; Carter, Clegg, & Kornberger, 2008).

3.1.2 Methodological implications

Based on the ontological and epistemological assumptions outlined, methodological implications on the purpose of this research as well as the methods and data to be used can be derived. In particular, the primarily focus of this study on achieving understanding of the phenomenon and the value of qualitative data within the research process will be briefly outlined in the following paragraphs.

The main aim of this study is to enhance the understanding of strategic planning processes in practice. While an ongoing debate discusses the capability of interpretive research to draw general conclusions as it is apparently done by many researchers (Williams, 2000), the authors of this paper agree with the critics’ claims that generalisation is neither possible nor desirable in such a study: the objects of investigation are “neither time- nor context-free” (Guba & Lincoln, 1982, p. 238) and the research is not based on any statistical basis (Williams, 2000, p. 211). The aim is purely to gain and reflect understanding of the phenomenon rather than generalising or discovering universally applicable laws (ibid). As only limited knowledge about the observable object exists, the study explicitly aims at exploring and describing the phenomenon within its context (Marshall & Rossman, 2006, p. 34).

As the social phenomenon under investigation can only be analysed through interaction “between and among investigator and respondents” (Guba & Lincoln, 1994, p. 111), hermeneutical techniques have to be applied and an inductive approach will be followed. Due to the importance of context within the research, data sources close to their real application are preferable (Willis, 2007, p. 111). Even though quantitative data is still strongly emphasized and widely believed to be of ultimate validity (Guba & Lincoln, 1994, p. 105-106; Sechrest, 1992), it is qualitative data, which has the stronger ability to capture the subjective perspective and individual point relevant to this type of study (Denzin & Lincoln, 2005, p.12). It allows gaining of relevant insights into behaviours required to comprehend the underlying meanings and motivations driving human actions (Guba & Lincoln, 1994, p. 106).

3.2 Research strategy and research site

To achieve the defined research purpose within the theoretical paradigm outlined, the developed research strategy considers the conduction of a case study approach in the airline industry as research site. Both elements, research strategy and research site, will be further outlined.
3.2.1 Case Study as research strategy

Following a brief definition of the authors’ understanding of case study research, its suitability to this particular research project will be discussed and its design for this study will be outlined.

Case studies find wide usage within social science, meanwhile the term ‘case study’ is used with various meanings ranging from a method to a research design (Van Wynsberghe, & Khan, 2007). For the purpose of this study, the term ‘case study’ is applied as research strategy. The aim of case study research thereby is to gain profound understanding of certain aspects of the phenomena under investigation within its context and considering its dynamics (Eisenhardt, 1989; Mabry, 2008, p. 214; Hartley, 2004, p. 323). Since this requires coping with the challenge of filtering out the relevant of the many data points accessible when exploring the various sources needed to gain evidence, the approach is regarded to be a demanding endeavour requiring careful design and execution to overcome its traditional criticism (Yin, 1998, p. 230, 2003, p. 1, pp. 13-14). Therefore, it is essential to develop theoretical issues prior to conducting the study, in order to have strong guidance through data collection and analysis (Hartley, 2004, p. 328; Yin, 2003, pp. 13-14).

Due to their capability of providing deep insights into complex, context-related and dynamic social realities, case study research is considered to be distinctively advantageous when research questions focus on ‘how’ and ‘why’ issues, the research focus lies on context-based, contemporary phenomenon, the researcher has no or only marginal control over the event, and the research aims at deeply exploring the object under investigation (Hartley, 2004, p. 325; Mabry, 2008, p. 215; Yin, 2003, p. 1, 10). Exploratory case studies in particular are suitable to situations when only limited knowledge about the phenomenon exists (Yin, 1998, p. 236). These arguments support the application of an explorative case study strategy to this research: The study yields at exploring ‘why’ and ‘how’ companies conduct strategic planning under the consideration of uncertainty meanwhile only little empirical knowledge on the contemporary application of strategic planning in practice exists.

As outlined, due to the limited knowledge about the phenomenon under investigation, an exploratory case study design will be applied (Yin, 1998, p. 236). While theory development is regarded to be a crucial element to provide guidance throughout the case study process (Yin, 2003, pp. 28-29), the explorative character of this study does not allow for detailed conceptual framework building (Yin, 1998, p. 236). Therefore, propositions derived from the findings of a previous study with similar focus will be used as broad guidelines for this study, while the overall design will be emergent as data sources and information become available (Mabry, 2008, p. 216). Based on the findings generated in previous research, in particular by Robert M. Grant through a comparative case study conducted in the oil industry (2003), the following general applicable propositions will either be strengthened or weakened by the conduction of this case study in the airline industry:

(I.I) Strategy does not come out of strategic planning.
(I.II) Strategic planning improves the quality of strategic decision-making, supports coordination and performance management.
(II.I) Strategic planning is adaptive and flexible to allow for receptiveness.
(II.II) Strategic planning does not produce innovation.
The expansionism thereby applied throughout the data collection and analysis process allows for accessing context-, conditionality-, and meaning-related information, particularly relevant to the interpretivist orientation of this study (ibid).

Case studies are considered to be suitable for transferring knowledge acquired through the in-depth analysis of a strongly bounded phenomenon in one setting to other, comparable situations (Guba & Lincoln, 1994, p. 114; Gerring, 2004). Triangulation through confirming information derived from various independent sources and replication of findings throughout multiple case studies are considered to be valid approaches to identify such knowledge (Yin, 1998, pp. 229-230, 232-233, 239-240; Yin, 2003, pp. 13-14). Triangulation will be achieved through the consideration of a number of data sources for each case conducted, including semi-structured interviews, the analysis of documentation provided by the companies studied and further accessible data. The methods of data collection will be further analysed in the proceeding chapter. Literal replication will be attempted through the generation of comparative evidence by both analysing multiple cases within the study and externally by comparing the findings generated with the findings of previous, similar studies (Glaser & Strauss, 1976, p. 23; Yin, 1998, pp. 239-240). Further theoretical replication to isolate the particular impact of uncertainty on the phenomena under investigation will be attempted through the selection of polar cases within the study (Yin, 1998 p. 239-240). While no statistical generalisation can be drawn from such a case study design, findings will be solely based on analytic generalization (Yin, 2003, pp. 31-32). Even though sample size is not regarded to be a relevant criterion for case study research (Yin, 1998, p. 240), the authors are aware of the limited certainty with which any findings can be drawn from this study.

### 3.2.2 Airline industry as research site

There is wide agreement, that the selection of cases is a crucial element in order to be able to gain the study’s desired level of understanding (e.g. Yin, 2009; Vaughan, 1992). For the purpose of this study, companies operating in the airline industry were chosen as research site. The particular characteristics of the industry and the fact that no comparable studies have been conducted in this industry so far represent the underlying reasoning of this decision. Following a holistic approach, each case study looks at one company as unit of analysis. An overview of the research sites of previously conducted case studies with similar research focus is provided in the following paragraph. Thereafter, the particular suitability of the airline industry for this study will be outlined. Finally, the choice of target companies within the industry will be explained.

Two previous case studies were identified, which attempted to gain insights into strategic planning practices under uncertainty. The first one, published by Robert M. Grant in 2003, analysed the phenomena in the international oil industry. Grant (2003) chose the international oil industry as research site, due to the fact that its companies were among the largest corporations in the world, due to their particular complexity, their pioneering role in applying planning practices and due to the radical transformation they had undergone after uncertainty and turbulence became key factors in their environment. The second publication conducted by Marie Nauheimer in 2007 focused on a mix of different locations and industries, including banks, automotive suppliers and diversified conglomerates.
For this study, the airline industry was chosen because of three reasons, more precisely explained in the introductory chapter. First, continuous deregulation of the airline industry has enabled new entrants to enter the market with new business models, which has challenged the existing industry structure (Maglighetti, Paleari, & Redondi, 2009). Second, the industry faces high uncertainty due to its high dependency on externally influenced factors (Doganis, 2010, p. 234), which have been demonstrated in several drastic events in the past decade such as the previous economic crisis or the volcano disruptions. Third, even though the airline industry could increase their demand for passengers and freight enormous during the past decades, the profitability of their operations is marginal, which shows an obvious disequilibrium (Doganis, 2010, p. 320). This contradicting phenomenon underlines the crucial role of planning for airlines (ibid), as it was already outlined by Boamrene and Flavell in 1980.

Aiming primarily at internal and external literal replication, multiple cases within the same, volatile industry were chosen (Yin, 2003, p. 47). Since the number of potential cases to be studied was limited due to time and data access constraints, the researchers attempted to find at least one extreme example, where the phenomena under investigation is specifically affected by the uncertain context stressed in this study (Pettigrew, 1990). For this reason, airBaltic, a fast-growing airline operating in a fast-developing market with a hybrid business model targeting low-cost as well as business customers, was chosen as first research site. Further, due to the limited amount of potential cases to be considered, with Air Greenland, a comparably stable airline serving the domestic market of Greenland and providing few international connections, a second, polar case was selected. The aim of including such a polar research site is to support the generated findings on the impact of uncertainty on strategic planning by providing further theoretical replication (Eisenhardt, 1989; Pettigrew, 1990; Yin, 1998 p. 239-240).

### 3.3 Data collection

To provide the required in-depths insights about the conduction of strategic planning within the companies under investigation, several data collection methods were compared and the interview approach complemented by the analysis of further documents was selected to be the most appropriate. Following an outline of the underlying reasoning of this choice, the development of the interview guideline, the interview conduction process and data access issues throughout the data collection will be described in this section.

#### 3.3.1 Semi-structured interview as research method

In this section, the selection of the chosen data collection methods is explained. Based on the inquiry paradigm of this study, advantages and disadvantages of the distinct methods are outlined to critically reflect on the decisions made.

Semi-structured interviews were selected as the most appropriate method for this study from the most common methods applied in qualitative research, including surveys, structured or unstructured interviews, focus groups, observations or documentary analysis (Tashakkori & Teddlie, 2003; Yin, 2003; Hartley, 2004; Axinn & Pearce, 2006). This decision is based on four reasons. First, the approach allows the collection of a high quantity of data within a short period of time (Marshall & Rossman, 2006, p.101), which is required due to the limited period of time available to conduct this study. Second, it allows for the identification of the respondent’s attitudes, beliefs and
perspectives on the phenomenon of interest (ibid), which is of particular interest to underlying research philosophy of this study. Third, in comparison to surveys, respectively questionnaires, where data gathering begins and ends with previously developed questions, interviews enable the investigator to follow a line of inquiry while being able to adapt to the course of conversation as relevant topics emerge (Tashakkori & Teddlie, 2003). This supports the explorative character of the study by allowing for the required flexibility to react as data sources appear. Fourth, probes can be applied to get more detailed information or clarification if needed (ibid), which supports the achievement of a quick understanding of the complex strategic planning procedures analysed.

Being aware of potential weaknesses of the method selected, such as biasing effects and inaccuracies (Tashakkori & Teddlie, 2003, p. 305; Yin, 2003, p. 92; Axinn & Pearce, 2006), an elaborated, unbiased development and a non-judgemental conduction of the interview were identified as prerequisites to create valuable data. Therefore, interview partners were selected carefully to ensure their expertise and knowledge to provide valid data and the interview process was designed accordingly. As far as possible, interviews were conducted with overlaps in expertise, to provide insights on the same issue from different perspectives. Table 4 provides an overview of the interviews conducted and the overlapping scope. In addition to the two case-study interviews to explore strategic planning practices at airBaltic and Air Greenland, three supplementary expert interviews with specialists in strategic planning, the airline industry and the relevant economic region were conducted.

Table 4. Overview of interviews.

<table>
<thead>
<tr>
<th>Interview partner</th>
<th>Scope of interview</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tero Taskila</td>
<td>Explore strategic planning at airBaltic</td>
<td>15.11.10</td>
</tr>
<tr>
<td>Chief Commercial Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>airBaltic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christian Keldsen</td>
<td>Explore strategic planning at Air Greenland</td>
<td>15.11.10</td>
</tr>
<tr>
<td>Executive Assistant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Greenland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Martin Günter Joppien</td>
<td>Validate findings on strategic planning and industry</td>
<td>08.12.10</td>
</tr>
<tr>
<td>Author of 'Strategisches Airline</td>
<td>specific developments</td>
<td></td>
</tr>
<tr>
<td>Management'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Maik Huettinger</td>
<td>Validate findings on airBaltic, the Baltic</td>
<td>09.12.10</td>
</tr>
<tr>
<td>Senior Lecturer</td>
<td>culture and industry specific developments</td>
<td></td>
</tr>
<tr>
<td>ISM University of Management and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economics, Vilnius/LT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dorit Hanisch</td>
<td>Validate findings on strategic planning and industry</td>
<td>16.12.10</td>
</tr>
<tr>
<td>Principal</td>
<td>specific developments</td>
<td></td>
</tr>
<tr>
<td>Boston Consulting Group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In addition, supplementary sources such as further documentation and archival records provided by target companies as well as information gained from their official web pages, annual reports or press releases as well as external media and analyst coverage (Marshall & Rossman, 2006, p.107) were used for corroboration and augmentation of the interview outcomes (Yin, 2003, pp. 40-41, 87; Tashakkori & Teddlie, 2003, p. 314). Those sources provide unobtrusive, stable and exact data, important for justifying the interview results and gaining knowledge about the history and context surrounding of the specific setting (Marshall & Rossman, 2006, p.106). Being aware of the possible reporting biases as well as obsolete data supplementary sources of evidence may imply (Yin, 2003, p. 86; Marshall & Rossman, 2006, p.108) the collected data was critically observed before incorporating them into the findings.

Considering these aspects, the approach will allow the needed focus on the research topic and the individual perceptions of the interviewee, particular relevant for the epistemological perspective chosen (Yin, 2003, p. 86; Morgan & Smircich, 1980, Rubin & Rubin, 2005). The applied combination of multiple methods increases the validity of the findings by counterbalancing the weaknesses of one method with the strengths of another (Tashakkori & Teddlie, 2003; Axinn & Pearce, 2006). Furthermore, it allows the researcher to address a broader range of behavioural, attitudinal, and historical issues (Yin, 2003).

3.3.2 Interview process design

The elaboration of an interview guideline was essential for this study to ensure that the collected data will compromise the information required to respond to the imposed research questions. The identification of interview questions therefore is outlined in this section for both the initial case study interviews and the expert validation interviews. General considerations concerning the structure of the interviews are further delineated. Thereafter, ethical considerations are described and a critical reflection on the established guideline is provided.

Translating a research problem into a specific set of main questions (Rubin & Rubin, 2005) requires not only the consideration of thematic and dynamic aspects of the questions, the investigator also needs to bear in mind the subsequent analysis, verification, and reporting of the interviews (Kvale, 1996, p. 132). For the initial case study, interview questions were created based on the knowledge acquired through preliminary reading (Rubin & Rubin, 2005, p. 153). Thereby, an idea about activities and component parts that need to be analyzed were gained and a list of requisite information was established keeping in mind the propositions made in a previous step to cover all sub-topics of the research questions. The compiled list provided a basis for the further development. Deviated from the two main research questions, two interview parts were created. The first one focussed on gaining an understanding of the strategic planning process applied, while the second part emphasized the role of strategic planning within the company. Both parts were subdivided into four respectively three main questions which provide the “scaffolding for the interview” (Rubin & Rubin, 2005, p. 153). Further detailed questions were identified, though serving more as checklist and are only posed if necessary information does not emerge during the response of the main question. For the second interview category, the expert interviews, questions were derived based on the findings generated throughout the case interviews and the particular expertise of the interview partner. The applied interview guidelines are provided in Appendices 4-8.
To achieve an atmosphere conducive for open and easy-flowing communication, the sequence of the questions and the omittance of critical queries, which could lead to a blockage of the interviewee, were considered. Being aware of the defensiveness ‘why’ questions can cause, particular attention was paid to the wording of the questions and ‘how’ questions were phrased instead (Becker, 1998, pp. 58-60). The investigators tried to develop the queries in an unprejudiced manner. Those aspects are further emphasized by Yin’s (2003, p. 90) statement that “case study interviews require you to operate on two levels at the same time: satisfying the needs of your line of inquiry while simultaneously putting forth ‘friendly’ and ‘nonthreatening’ questions in your interviews”.

Incorporating ethical issues of design (Kvale, 2007, p. 24) and preventing as much potential response biases as possible in the interview situation, an introduction to the conversation was established including a short briefing about the researcher’s intention, an affirmation about the confidentiality of the data obtained as well as a question about the respondent’s consent to record the interview.

Even though all aspects mentioned above were considered in the formation of the interview guide, there still remain questions that can result in incomplete or biased answers possibly affecting the result of the research. Among those are queries about events in the past where gaps in the interviewee’s memory can lead to inexplicit description and questions about soft issues like organizational culture or innovativeness where opinions can highly differ depending on the person interviewed. However, in the actual conversation the interview guide only serves as a guideline respectively checklist to ensure the coverage of the overall research problem. Many of the questions asked arise situational during the communication and may be then pursued to find relevant details or evidence that underlies the response (Rubin & Rubin, 2005, p. 35). Therefore, the “research design and questioning must remain flexible to accommodate new information, to adapt to the actual experiences that people have had, and to adjust to unexpected situations” (ibid).

### 3.3.3 Interview conduction

For each case analyzed, one semi-structured interview was conducted. Three further interviews to validate generated findings were supplemented. The process of preparation, considerations during the actual conduction and the data documentation will be briefly explained in this section.

Before the interviews and in addition to the correspondence on organisational issues as time and exchange of contact details, each participant was provided with a briefing presentation. This two-page document included a brief summary of the background of the study and its research objective. The presentation further included information on the organisational structure of the interview and the topics to be covered. The interview questions were not provided in advance. For each interview, an interview strategy and a guideline compromising the relevant questions were established. The initial draft used in the first interview was adopted based on learnings generated throughout its first application. Appendixes 4-8 display the particular materials for each case study.

In order to be able to build confidence in the findings of the interview and reducing interpretation biases by viewing the case evidence in divergent ways, both investigators were attending the interviews (Pettigrew, 1988; Eisenhardt, 1989). Different roles were
assigned, with one researcher conducting the interview, while the second person was responsible for recording and taking notes (Eisenhardt & Bourgeois, 1988). Thereby, the former’s perspective was influenced by the personal interaction with the respondent, whereas the latter was able to gain a more distanced view (Eisenhardt, 1989, p. 538). All interviews started with a brief introductory phase, where the interviewer briefly introduced the research topic and the intention of the interview. Subsequently, the structure of the interview was presented and the respondent was given the chance to ask questions before the interview started. Furthermore, agreement to record the conversation was requested. The first general question of the guideline about the organization and the respondent’s role was asked in any of the interviews, while the content of the two main interview parts differed a lot from the ones actually developed in the guideline. Throughout the interview, most of the primarily established main questions were raised, though not necessarily in the same structure, which required a high flexibility and adaptability to the situation from part of the interviewer. Furthermore, follow-up inquiries and clarification questions had to be added in order to get a deeper and clearer understanding in relevant cases.

After the interviews, an e-mail to thank for the participation was sent to each interviewee. To document the data gathered throughout the interviews, protocols were written from both investigators and thereafter compiled, compared and discussed within 24 hours of the interview conduction to allow for a maximum level of interpretation since subjective views are included.

3.3.4 Data access issues

In order to conduct this research study, internal corporate data from a number of institutions was needed. This data focused on strategic planning as well as related topics and can be thereby considered as sensible and to a certain extent confidential from the perspective of any company. Furthermore, time of managers was required for interviews and further clarifications. The interviews were conducted in English, which was likely to be a foreign language for the potential interviewees. Therefore, data collection was expected to be a major challenge of this work and three major data access issues were identified throughout the process: (1) the identification of potential contact persons within the relevant companies; (2) the actual acquisition and convincement of companies to participate in this study; and (3) communication issues due to language barriers / connection problems. These three challenges will be briefly outlined in the following paragraphs.

The identification of potential contact persons represented the first major challenge for data collection. While only few companies publish information concerning their internal organisational structure, general contacts such as external communication had to be approached and asked for their support to identify correct internal contact persons (see Appendix 2). A standardized e-mail was used for this initial contact (see Appendix 1). This process was time-consuming and often not successful. Furthermore, even when an initial contact was successfully established, the actual identification of the right interview partner within the company was difficult due to the high amount of required knowledge and overview of that person.

The second challenge emerged out of the very limited advantage for companies to participate in this research. Since the research primarily aims at understanding what is happening in practice and thereby learning from practice, companies see little advantage
for them in participating in such a research study. As confidential data as well as time of core managers had to be invested, many companies did not want to participate in the study. Furthermore, many companies claimed to have their key resources occupied with ongoing restructuring measures and critical phases of strategic planning cycles at this time of the year. Overall, out of over 30 companies approached without any previous contact, only one company was willing to participate. The second company that supported this study through its participation was approached by taking advantage of the researcher’s network. The acquisition of experts to discuss and validate the acquired findings proved to be less complicated since the topic and the generated findings caused the interest of the approached experts.

The third challenge emerged through the geographically caused restriction of using phone and web technology to conduct the interviews instead of face-to-face meetings and the fact, that the companies analysed are based in countries where English is not the main language. The technological challenge of occasionally bad connections had to be overcome by patience and the repeating of questions and answers where necessary. In addition, only verbal information could be considered, impeding the interpretation of mimics and further gestures. The language barrier did not hinder the interview conduction, but complicated the search for additional material on the companies.

3.4 Data analysis

Data analysis is regarded to be the most challenging and critical part in case study research (Eisenhardt, 1989, p. 539; Yin, 2003, p. 109). Huge gaps separating data from conclusions can be realized in several studies, which jeopardize the credibility of the results. Hence, to facilitate qualitatively high outcomes and reduce analytical difficulties, particular attention was paid to the selection of the general analytic strategy, the analytical technique and the illustration of the data. The strategy and technique chosen, the actual data analysis process and occurred issues will be described in this chapter.

3.4.1 General strategy and analytical technique

Previous to the development of the data analysis process, the general analytic strategy and an appropriate analytical technique were chosen and will be outlined in the following two paragraphs.

Data analysis consists of exploring, categorizing, tabulating, testing, or alternatively recombining both qualitative and – if applicable – quantitative evidence in order to address previously defined propositions of a study (Miles & Huberman, 1994; Yin, 2003, p.109). Making those data manipulations more effective, priorities have to be defined concerning what to analyze and why, and to be elaborated in the general analytic strategy used in the analysis. Since the literature review and interview questions for the data collection phase are shaped by the defined propositions, the investigators pursued the strategy of using those propositions also as guideline for analyzing the evidence in the case study. This orientation helps to focus on data relevant to answer the research questions, while ignoring dispensable information (Yin, 2003, p. 109, p. 138).

Several analytical techniques can potentially be used in accordance with the chosen strategy. Among those, the researchers considered pattern-matching as the most appropriate qualitative technique to draw valid and convincing conclusion in the case study. Being able to analyze the vast amount of empirical findings and subsequently
draw conclusions, the collected data have to be transformed into more meaningful and parsimonious units of analysis (Miles & Huberman, 1984, p. 68). Patterns need to be established considering the relationships between variables of the study (Miles & Huberman, 1984; Yin, 2003) in order to better understand the phenomena depicted in the field notes. Both theoretical and observed schemes need to be structured in the same way for being able to directly correlate them. By comparing a theoretical with an empirically based pattern, the logic allows for an understanding whether congruence between theoretical perceptions and practical applications exists (Trochim, 1989). The internal validity of the study can be strengthened if the patterns coincide (Trochim, 1989; Yin, 2003, p. 116). To gain external validity, the pattern-matching logic was replicated in the second case.

3.4.2 Data analysis process

The data analysis phase is divided into two steps, including within-case analysis and subsequently the identification of cross-case patterns. This approach allows for becoming intimately familiar with each case as a stand-alone entity by identifying unique patterns before ascertaining cross-patterns (Eisenhardt, 1989, p. 540). The analysis process embedded in the overall research process is depicted in Figure 1 and further described in the following paragraphs.

![Data analysis process](image_url)

Figure 1. Data analysis process embedded in the overall research process. Yin (2003), adapted by author

After the research design phase and the data collection for both cases, the information gained from the case-study interview protocols was augmented with further
documentation and data identified. Due to the need for assigning a clear structure to the vast amount of collected data, the first challenge faced was the reduction of received information by filtering only data relevant to respond to the research questions. Based on the selected analytic strategy a data analysis framework was developed in which categories (contextual setting and internal factors) and sub-categories (contextual setting: level of competition, economic development, crisis situations, legal implications, technological developments; internal factors: corporate culture, strategy formulation, innovation, strategic planning) were established. For both cases, the relevant collected data and related evidence was placed within those arrays individually. As suggested by Miles and Huberman (1994), the findings were displayed in matrix form to give a better overview and facilitate cross-case comparison and ultimately conclusion drawing.

In the next step, the provided empirical data was analysed. Each case was therefore analysed individually before similarities and differences were explored. Based on the understanding gained throughout the data processing up to that point, new relationships among the data were analysed. Results were again displayed in a matrix. Occurred conclusions were checked against the case study protocols and other sources of evidence in order to avoid unjustified inference (Miles & Huberman, 1994). From both within-case analysis and cross-pattern comparison relationships between different variables emerged and similarities and differences between the theoretical and empirical pattern were recognizable. Based on the insights gained, preliminary conclusions were drawn.

At this point, an additional loop to validate the generated findings was implemented. As previously outlined, further expert interviews specifically aiming at challenging and further understanding the derived results were conducted. The additional findings were then incorporated into the empirical descriptions, the analysis and the conclusion. Only the final version of these is provided in this document.

3.4.3 Data analysis issues
Throughout data analysis, four major challenges were identified. First, the logical process of data reduction and interpretation had to be made traceable for the study's readers. Second, the vast amount of data had to be structured to allow for analysis. Third, the designed research process required close timely co-ordination of data analysis and collection. Fourth, contradicting statements from various sources had to be dealt with. These challenges will be further outlined in this section.

When analyzing the data, the researchers tried to articulate the findings in a way a critical reader can recognize the logical processes developed including the reasoning throughout the data reduction stage and the vividness of the relationship between the collected data and the conclusion drawn. Nevertheless, the investigators are aware that possible biases in information processing can result in incomprehension on part of a third party and to less traceable conclusions.

The data collected throughout the interviews as well as from further documentary included a wide range of information that could not immediately be used for analysis. It required the development of a structure to order the data, prioritize and select relevant from irrelevant data and to deal with the differing detail level of information on certain aspects across the two cases. This challenge was faced by developing a framework to
structure the collected data in a standardized way for both companies, as illustrated in the introduction to the analysis chapter.

The research design of this study required the identification of key findings prior to conducting the expert interviews. Due to the externally dependent and of course limited availability of the interview partners for these respondents, the initial analysis had to be conducted within a short period of time. To provide for the required speed while allowing for a deep discussion of the findings, intermediate steps were mainly documented in tables and listings of statements rather than through formal textual explanations.

Contradicting information concerning time-relevant data was identified, including information on customer numbers, fleet size and similar corporate characteristics. Since for the purpose of this study these data do not provide any crucial implications and the changes were not significant, the researchers decided to use the most recent source in such cases.

3.5 Quality measures

Several authors state that the success and insights of a case study rise and fall with its methodological rigour (Eisenhardt, 1989; Yin, 1994, 2003). To overcome traditionally raised prejudices against the chosen research strategy including unsystematic procedures or biased views (Yin, 2003, pp. 10-11), particular attention has to be paid to four commonly raised issues (Yin, 2009, p. 40): construct validity, internal validity, external validity and reliability. These quality standards were applied throughout each step of the case study research including the design, the data collection and analysis phase and will be briefly outlined in the following paragraphs.

Construct validity refers to the identification of objectives, relevant measures for the concept under investigation (Yin, 2009, pp. 40-41) and needs to be particularly ensured throughout the data collection phase. In order to meet these requirements, the researchers used more than one source of evidence to provide multiple measures of the same phenomenon. Interview questions were deduced from the topical areas of previously developed propositions allowing for a clear chain of evidence between the research questions, the data collected and the conclusion drawn. Both investigators participated in the interviews with one handling the research question and the other taking notes. Discussions concerning the case study findings and its interpretation followed. This investigator triangulation allows the case being viewed from different perspectives, which helps to avoid subjective findings and hence builds more confidence in the results (Denzin, 1978; Eisenhardt, 1989, p. 538). Furthermore, the continuous review of the study aimed at reducing discrepancies and misunderstandings.

Internal validity, with its particular relevance in explanatory case studies as the one conducted, has to be assured during the data analysis phase (Yin, 2009, p. 42). Special focus was therefore set on the inferences drawn throughout the analysis. Pattern-matching was chosen as analytical technique comparing expected concepts with actual findings in order to address this second test. Case study protocols were added to the measure to increase the validity of the research.

External validity, dealing with the power of generalization of the gained knowledge, is considered to be a huge barrier within case study research (Yin, 2009, p. 43). Due to the
interpretist perspective this study is based on, only very limited generalization aspects can be drawn under the defined conditions (Williams, 2000) and generalization will therefore not be a main focus in deriving conclusions. However, to strengthen the result of the study to a certain extent, replication logic and cross-case analysis were used in both cases and throughout the application of additional expert interviews. Furthermore, clear reasoning was given for the case study selection and its context, which additionally reduces external validity concerns (Gibbert et al., 2004).

The goal of applying the last quality measure, reliability, is to minimize errors and biases in a study by documenting the procedures to allow for an exact replication (Yin, 2003, p. 38). Therefore, case study protocols were established from each of the two researchers after every interview and compared, discussed and subsequently compiled to one comprehensive record. Furthermore, a case study database was configured comprising each phase of the research process.

This chapter aimed at introducing the underlying methodology applied to this study. Due to the vast amount of data, the authors decided to split the analysis into two sections: to structure and analyse relevant empirical information (chapter 4) and to discuss the results (chapter 5). The empirical data gathered in accordance to the described process in this chapter will be provided in the subsequent chapter.
4 Data collection and analysis

The relevant empirical data gathered for the purpose of analysis within this study will be presented and analysed in this chapter. The data will be outlined separately for both cases under investigation. For each company analysed, first a brief company profile compromising a general overview, the company’s business model, as well as its history, recent development and outlook, will be provided. In a second step, to further capture the contextual setting the company operates in, its context including the level of competition, economic development, crisis situations, legal implications and technological developments will be explained. Thereafter, the company’s ways of defining its strategy, doing strategic planning and creating of innovations as well as its corporate culture will be outlined. This framework for data analysis is graphically illustrated in Figure 2. Following the detailed case descriptions, a summary of the key results of both cases in comparison will be provided.

Figure 2. Framework for data analysis.
4.1 airBaltic

4.1.1 Company profile

Basic overview

airBaltic, headquartered in Riga, Latvia, operates as the Latvian flag carrier. From its main hub Riga (Latvia) and its secondary Baltic hubs in Tallinn (Estonia) and Vilnius (Lithuania) as well as its future secondary hub in Oulu (Finland), airBaltic serves over 80 destinations across Europe, Russia, the Middle East and the Commonwealth of Independent States (airBaltic, 2010d, 2010e). About 1,400 people are currently employed with airBaltic and its growing fleet compromises 34 aircrafts of different size and range at the moment (airBaltic, 2010f; Taskila, 2010). Customer numbers have been continuously increasing from 218,000 in 2000 to expected 3,5 million passengers in 2010 (airBaltic, 2001; Taskila, 2010). The companies’ shares are majorly owned by the Latvian government (52,6%) and the investor altijas aviācijas sistēmas SIA, compromising members of airBaltic’s management, holding 47,2% (airBaltic, 2010c, 2010d). airBaltic is led by a four-headed management team under CEO Bertold Flick (airBaltic, 2010g).

Business model

airBaltic operates as a network airline with Riga functioning as a primary hub for connecting flights (airBaltic, 2010i). The company follows a hybrid business model strategy, combining distinct elements of both low-cost and traditional network carriers (ibid). Founded and developed as a business oriented flag carrier, since 2001 the company added all common low-cost approaches to its services (Taskila, 2010) and now offers its customers the choice for which service they are willing to pay. While business class customers still receive the full business class experience (e.g. airport lounges, baggage service, on-board-meals) at no extra charge, economy class passengers take advantage of significantly lower ticket prices while taking into account a reduced offer of services or additional charges for services requested (e.g. baggage).

In addition to the local demand of Baltic customers, the airline increasingly aims at transfer passengers using Riga as their travel hub (airBaltic, 2010a). Further sources of revenues significantly enhancing airBaltic’s recent profit figures include further services provided through joint ventures and co-operations in travel related Latvian businesses (e.g. BalticTaxi) and the ancillary sales generated with airline passengers (ibid).

History

Established in 1995 as a joint venture of the Scandinavian Airlines Group and the Latvian government, airBaltic started to operate as Latvia’s flag carrier. The country, previously being part of the Soviet Union, did not have its own domestic airline at that point and thereby represented an interesting opportunity for the SAS Group to further develop its market position in Northern Europe through affiliations and co-operations (Huettinger, 2006). After its interest to take over 100% of the airBaltic shares was denied by the majority owner, the Latvian government, Scandinavian Airlines sold its shares to airBaltic’s management in January 2009, who now holds 47,2% of the company’s shares (air Baltic, 2010a).
In its early years as Latvian flag carrier, the airline operated as a traditional business customer oriented airline providing only a limited number of destinations and charging high prices for its tickets (Taskila, 2010). Since that period, the company has conducted three major changes in its business model (ibid): In 2001, the year when the company achieved its first positive net profit (airBaltic, 2010c), the company’s management decided to include features of low-cost airline models into its business model (Huettinger, 2006), which according to airBaltic’s press releases, was gradually implemented in the following years. In 2004, a more fundamental change towards a low-cost, point-to-point provider became obvious (airBaltic, 2004). Eventually, starting in 2008, a major transition started when airBaltic replaced its point-to-point services by a network structure with Riga as major hub (Taskila, 2010; airBaltic 2010h).

From the beginning, the development of the brand ‘Riga’ as a business and tourist destination was crucial for airBaltic (Taskila, 2010). The company therefore engaged in various business ventures through co-operations and joint ventures, which contribute to the attractiveness of Riga. Examples of these are BalticTaxi to offer reliable taxi services at Riga airport or Live Riga to promote the brand Riga (ibid). Besides positive indirect effects through the promotion of travelling to Riga, airBaltic also profits from revenue share agreements of these and further tourism related initiatives conducted by the company (ibid).

Financially, the company achieved its first positive net result in 2001 and was able to enlarge this in the consecutive years (airBaltic, 2010c). A major downturn resulting in a negative net profit of 850.000 LVL was experienced in 2004, the year when airBaltic had to face the market entry of several low cost carriers (airBaltic, 2005). According to corporate press releases, the company recovered by 2006 and achieved a preliminary net profit of 14 million LVL in 2009 (airBaltic, 2007; airBaltic 2010a).

Recent development

The Baltic region, previously often referred to as the ‘tiger of Eastern Europe’, was particularly hit by the recent global financial crisis. airBaltic states that it “virtually lost our home market customers” as the gross domestic product of Latvia went down by more than 18% (airBaltic, 2010a). The reaction of airBaltic was threefold: On one side, routes with too little demand, in particular affecting services from Vilnius, were downsized (ibid). On the other side, airBaltic offered compensation for tickets of passenger who lost their jobs (ibid). Additionally, airBaltic managed to grow during this period by focussing its expansion on reaching customer demand in regions less affected by the economic situation and promoting Riga as an attractive alternative hub for transit passengers (ibid). Profits were further enhanced due to the diversification of income sources initiated through a range of co-operations and joint ventures airBaltic started throughout the last years – including travel, rental and hotel services (ibid).

Outlook

airBaltic does not expect the Baltic economy to recover soon and therefore will continue the development of its transit product (airBaltic, 2010a). New routes will particularly aim at niche markets in the Scandinavian and Commonwealth of Independent States, as for example the introduction of the city of Umeå to the company’s route network in 2010 did (ibid; airBaltic, 2010b). Meanwhile, concerning its corporate structure and
development, airBaltic expects to be able to stabilize itself from 2011 on (Taskila, 2010).

4.1.2 Contextual setting

Level of competition

airBaltic offers a wide product range from low-cost to business services and with its extensive route network, the airline is the largest airline in the Nordic countries in terms of number of destinations served (Petrova, 2010). Therefore it faces a wide number of competitors including traditional network carriers flying into Riga from their home countries (e.g. British Airways, Lufthansa, Air France), low-cost carriers including Riga in their network and selected regional or charter airlines operation on the same or similar routes as the company.

Since Latvia joined the European Union in 2004, an increasing number of airlines have started operations form Latvia. Ryanair began flying to Riga in 2004 (Ryanair, 2004), EasyJet followed a couple of weeks later (Easyjet 2004), and eventually Wizzair in 2010 (Riga International Airport, 2010a). Overall the number of new airlines coming to Riga is growing fast, in 2010 so far six companies started operations at Riga International Airport (Riga International Airport, 2010b).

Ryanair’s market entry imposed a particular threat on airBaltic, forcing the company to drastically change its previous business model to a low-cost oriented approach (Taskila, 2010). Both companies today represent the largest airlines in terms of passengers arriving at and departing from Riga (Baltic Business News, 2008). Legal disputes have characterized the relationship between the two competitors since the very beginning, e.g. when Ryanair started its pilot recruiting in Riga or recently over airport charges at Riga International Airport (Air Baltic Times, 2005; Hõbemägi, 2010a).

Economic development

Before the outbreak of the global financial crisis, Latvia, together with Lithuania and Estonia were rather referred to be the ‘three small tigers’ than being considered ‘typical Eastern European countries’ (Huettinger, 2006). The Baltic area achieved impressive growth rates and promising development and was able to join the European Union in 2004. The countries had always kept their close business ties to Scandinavian countries, resulting in significant investments from Nordic sources in the Baltic region (Huettinger, 2006).

Latvia and the Baltic area were hit particularly hard by the current economic crisis. This tremendously affected the local demand of Baltic customers for air transportations, which basically diminished (Taskila, 2010). Only after Spain, the three Baltic states Latvia, Estonia and Lithuania rank highest in the 2010 European Union unemployment statistics with rates between 18.6% and 19.5% (Allen, 2010).

Crisis situations

The airline industry was rather frequently exposed to crisis situations. Among general threats such as major airplane crashes or terror attacks, the airBaltic recently
experienced two severe crisis situations: the closure of European airspace after the outbreak of the ash cloud of the Icelandic volcano in April 2010 and the impact of the global financial crisis (Taskila, 2010).

**Legal implications**

Latvia joining the European Union and the arising legal implications represented a major challenge for airBaltic (Taskila, 2010). With the Eastern enlargement of the European Union of May 1st 2004, the “Eight Freedoms of Air Traffic Rights” came into place in the new member states. This provided the legal base for new market entrants to start operations from the new member states, since the document guarantees free market access across the European Union as well as full liberalisation of tariffs (European Parliament, 2001). In particular, the pan-European low-cost carriers took advantage of this development (Huettinger, 2006) with Ryanair and easyJet entering the Baltic market within 2004 (Ryanair, 2004; easyJet 2004).

**Technological development**

One technological development that recently impacted on airBaltic was the emergence of social media. airBaltic very successfully introduced social media marketing to promote its business while keeping its spending low (Taskila, 2010). airBaltic thereby achieved to increase its sales in Finland by 450% (Nigam, 2010). The company today has over 50,000 fans on its Facebook site, almost 15,000 followers on Twitter and provides an online blog of news around the company and related topics.

**4.1.3 Internal factors**

While the previously presented data on airBaltic was taken from various sources as referenced, the information on internal factors within airBaltic presented in this section is, unless explicitly cited, derived from the interview conducted with Tero Taskila, Chief Commercial Officer of airBaltic. Information acquired through an expert interview with a researcher familiar with the Baltic region and the company, Dr. Maik Huettinger, was used to confirm or enhance the collected information and will be specifically identified.

**Corporate culture**

As an organisation, airBaltic is continuously in flow and thereby spreads the spirit of constant change and development within the corporation. airBaltic strongly believes in its people and values the results it receives from its employees if they are given the freedom to create something. A strong corporate mission works as guidance for these actions. This guidance is further supported by the strong understanding of what the brand of airBaltic stands for among the company’s employees.

These framework conditions provide for a very entrepreneur-oriented, “go-and-get-it” corporate culture at airBaltic. Mistakes are explicitly allowed and pride is taken in trying different options, learning from mistakes and moving on.

This corporate culture allows airBaltic to be able to quickly react on environmental changes. It further provides the company with a high capability of pro-active learning from external players, within and outside of the airline industry.
This corporate culture is typical for the Baltic area, a region which has undergone severe transformation since the breakdown of the Soviet union and whose people have been exposed to high levels of uncertainty every since (Huettinger, 2010). Short-term orientation and spontaneity therefore have become incorporated elements of the general Baltic culture (ibid). A study of the organizational culture conducted by Huettinger and Hofstede confirms airBaltic’s culture to be as practical, goal-oriented and open as outlined and desired by its management (ibid). Its corporate culture furthermore provides airBaltic with the ability to quickly accept new people, a capability crucial for the company due to its high employee turnover rates (ibid).

Strategic planning

airBaltic does not have any formal strategic planning process. This aligns with the generally low tendency to conduct planning noticeable in the Baltic area (Huettinger, 2010). No specific planning department or standardized analysis procedures exist. Instead, the company’s development is guided by its corporate mission and goals established by top management. These overall goals are defined for periods of five, three and one year. They are based on previous results and management’s subjective market expectations; no formal or detailed analysis process is applied. While the goals are precisely defined and communicated, the approach how to reach them is neither defined nor systematically analysed. One employee is assisting to coordinate strategic development and its execution.

Major threats of uncertainty, such as severe airplane accidents or unpredictable natural phenomena as the Icelandic volcano outbreak in April 2010, are treated as crisis situations. Operative crisis management precautions are applied, covering immediate operations actions. Operational learnings from such events are generated to be better prepared for similar, future events or crisis situations in general. No long-term strategic conclusions are drawn or scenario planning is conducted.

Strategy formulation

At airBaltic, strategic guideline and impulses are provided by the top management team. Continuous discussions within the management team as well as with people within and outside of the airline industry are used to form management perspective on which path the company should follow. This is expressed in form of a corporate mission and goals for short-, medium- and long-term perspectives.

Mission and goals provide the framework for further strategy emergence. While the question where to go is answered by management, the question how to reach these goals is left widely open. This flexibility goes beyond solely implementation issues. It leaves space for letting developments or events shape the company’s strategy, as it was the case with airBaltics social media campaign in Finland. Here, initially only the impulse to try to enter social media was provided by top management. The huge success achieved determined its further continuation and expansion.

The overall top-down approach with significant power centred at and relevant impulses coming from the top management is another typical characteristic of Eastern European corporate structures (Huettinger, 2010). With the approach chosen, airBaltic has shown to be able to react very fact to external events, while sustainability and a long-term
orientation do not always receive priority as the example of route closures and re-openings at Vilnius have shown (ibid).

Innovation

airBaltic’s organisational culture with its high level of freedom for employees incorporates innovation fostering. Trial-and-error approaches and learning generations are natural within the established corporate culture. These elements provide airBaltic with a very high innovation capability (Huettinger, 2010). The company therefore consciously abstains from implementing any incentive systems rewarding its employees for innovative ideas. Furthermore, the tendency to develop own ideas in self-employment rather while being employed by a company generally prevents the application of formal innovation generation processes (ibid).

Sources for innovation arise from various sources, in particular through active communication within management and with the industry. Due to the Baltic populations general entrepreneur type ways of thinking, it is typical for Baltic companies that the source in innovation is closely connected to the power and thereby comes from top management (Huettinger, 2010). Meetings and discussions of ideas are crucial elements among the four-headed management teams. Also customer feedback generated through the company’s social media channels is used for inspiration (Hõbemägi, 2010b).

For new opportunities within the value chain of a travel company and related to the airline business of airBaltic, a more systematic search and development process is in place. A dedicated department is responsible for the identification, development and implementation of such business ventures. These serve to “plug holes” which might endanger the core airline business development of the company as it was the case with the foundation of Baltic Taxis as a response to Riga’s reputation of unreliable taxi services. But they also serve as additional sources of revenues in business where airBaltic can provide the “main push” to start up, e.g. through providing potential customers for its tourism activities in Riga.

4.2 Air Greenland

4.2.1 Company profile

Basic overview

Air Greenland, previously called Greenland Air, is the national airline of Greenland, an autonomous country within the Kingdom of Denmark geographically located between the Arctic and the North Atlantic Ocean. The company primarily provides domestic and overseas passenger and cargo air transportation. With a fleet of currently 35 aircrafts of eleven different types and about 670 employees, Air Greenland served 399,000 passengers and 21 destinations in 2009 (Keldsen, 2010; Air Greenland, 2010d).

Air Greenland is a diversified company, both in terms of its fleet ranging from small helicopters to an Airbus 330 with a capacity of up to 245 passengers and its operations ranging from traditional passenger airline, charter or helicopter services to being a tourism promoter and partner for public authorities as well as commercial organisations in Greenland (Keldsen, 2010; Air Greenland, 2010a).
With less than 60,000 inhabitants spread out over 22 towns and 120 villages, no road connection between the towns and sea transportation heavily relying on mild weather conditions, air transportation in Greenland functions as the backbone of the country’s infrastructure (Greenland Representation to the EU, 2010; Keldsen, 2010).

Business model

Air Greenland has a diverse business model with various activities centred on the company’s core objective, to provide air transportation to Greenland. Primarily, as a regional airline, Air Greenland is providing air transportation to the domestic market of Greenland as well as to selected international destinations, including Iceland and Denmark at the moment. In addition, the company operates search and rescue operations in Greenland and provides ambulance transportation services (Air Greenland, 2010c). Furthermore, the company offers charter services with its diverse range of aircrafts and helicopters (Keldsen, 2010).

As the growth of tourism in Greenland is central for the company’s own development, the company holds a number of subsidiaries closely related to tourism development. Subsidiary companies of Air Greenland include Hotel Arctic A/S, a hotel with conference facilities 400 km north of the Arctic Circle, Greenland Travel, a travel agency located in Copenhagen, Arctic Umiaq Line A/S offering passenger transportation by boat around Greenland and World of Greenland offering tourism trips in Greenland (Air Greenland, 2010e).

Air Greenland is operating in a specifically challenging environment where it has to constantly face severe weather conditions, fulfil very heterogeneous specifications, and cover small locations in the especially sparsely populated country. Being the only provider of domestic air transportation, which for many places in Greenland is the only way of transportation, the company holds an important social responsibility and duty within Greenland.

History

Air Greenland was established in 1960 to provide air transportation within Greenland (Air Greenland, 2010c). Until the installation of heliports in 1965, the company was only able to operate special airplanes due to the improvised runways in the arctic landscape (ibid). Both, the demand for passenger and cargo air transportation increased quickly during the 1960’s and 1970’s and the first airports were built in Nuuk in 1979 and Ilulissat in 1983 (ibid). Since that time, fixed-wing aircrafts complement the helicopter fleet. The annual passenger numbers have increased to over 400,000 in 2007 and have slightly fallen since then (Air Greenland, 2010c). Financially, the company achieves to operate profitable at comparably low return rates, while the negative effect on customer demand due to the global financial crisis had to be compensated by significant cost-cutting measures (Air Greenland, 2010b).

Recent development

Air Greenland recently experienced the emergence of competition with the market entry of Air Iceland and Scandinavian Airlines competing on the international route to
Copenhagen (Air Greenland, 2010d). This leads to significant pressure on prices and Air Greenland expects the trend of falling ticket prices to continue (ibid; Air Greenland, 2010b).

Revenues are currently further stressed by the declining demand as a consequence of the global financial crisis. Furthermore, increasing costs due to fuel price development and the maintenance expenses of the company’s aging fleet force Air Greenland to achieve savings (Air Greenland, 2010d).

Since the communication of its ‘core strategy” in 2007, the SAS Group attempts to sell its shares in Air Greenland. (SAS Group, 2008). Even though this has not been accomplished so far, SAS confirms in its latest annual report its intention to sell its Air Greenland stakes (SAS Group, 2009). The group currently holds 37.5% of Air Greenland’s shares (ibid).

Outlook

Air Greenland has implemented a five-year strategic plan called ‘Qarsoq 2012’, where the company tries to focus on customer-related initiatives (Air Greenland, 2010d). Furthermore, the continuous development of its electronic sales through its recently improved website and the further expansion of the company’s focus on international guests will be in scope of further development for Air Greenland (ibid).

4.2.2 Contextual setting

Level of competition

In terms of air traffic regulations, Greenland’s legislation is very open providing the opportunity for foreign airlines to enter the Greenland market (Air Greenland, 2010b). While previously operating as a monopolist, Air Greenland today therefore has to face an increased level of competition (Keldsen, 2010).

Competition concentrates on international routes connecting Greenland with Iceland and Denmark. Air Iceland offers air transportation between Iceland and several destinations on Greenland on a comparably low fare base, severely pressuring the ticket prices of Air Greenland (Air Greenland 2010d). Scandinavian Airlines also competed with Air Greenland on the routes to Copenhagen during its summer schedule (ibid).

While competition increased on international flights and is mainly concentrated on the peak season in summer, no competitor has entered the domestic market or started offering year-round services (Air Greenland, 2010b).

Economic development

As a result of the global financial crisis, Air Greenland experienced considerably lower sales from travel agents since Greenland traditionally belongs to the more expensive destination demanded less by customers throughout the crisis (Air Greenland, 2010d). Domestic demand and the amount of mail and cargo also reduced (ibid). Furthermore, the company’s charter business was hit in particular, since the demand for such services decreased significantly (Air Greenland, 2010b).
Crisis situations

Greenland, due to its geographic situation, frequently provides for unforeseeable challenges such as extreme weather conditions. Air Greenland therefore is used to dealing with such situation and developed a particular strength in handling them (Keldsen, 2010). One particular recent example of such a crisis situation was the ash-cloud severely derogating the European and Trans-Atlantic airspace in April 2010 (ibid).

Legal implications

Greenland has very open terms for air traffic within its territory, allowing for free competition (Air Greenland, 2010b). As outlined above, competition has recently increased, but only on specific routes and throughout particular lucrative periods.

Thereby, additional pressure is put on Air Greenland, which has to face the competition on the apparently most lucrative routes while at the same time due to its unique role and mission within Greenland’s transportation infrastructure, continue to operate the less or non-profitable routes (Keldsen, 2010; Air Greenland, 2010b).

Technological development

Air Greenland has recently advanced the functions on its webpage and experienced a significant increase in sales via its web page (Air Greenland, 2010d).

4.2.3 Internal factors

While the previously presented data on Air Greenland was taken from various sources as referenced, the information on internal factors within Air Greenland presented in this section is, unless explicitly cited, exclusively derived from the interview conducted with Christian Keldsen, Executive Assistant at Air Greenland.

Corporate culture

Due to the high level of required legislations, airlines traditionally have very function-oriented organizational structures. This is valid for Air Greenland, which is facing the challenge of combining three components within the company, the commercial, the operational and the financial section work. From this results a silo culture, where communication between the three different sections is limited. Air Greenland has recognized the need to break down this silo structure and already achieved to reduce the existing silos from seven to three.

While previously, a mission statement was not successful in aligning and encouraging the overall company, the strategic plan of the company ‘Qarsqo 2012’ now is used in addition as a joint reference for all employees across the company. Corporate values are now known and used throughout the company. They include open dialogue with internal and external stakeholders, the application of a commercial logic and the focus on problem solving across borders. The overall caption of the company’s corporate social responsibility strategy, ‘We advance Greenland’, further supports the orientation given to Air Greenland’s employees (Air Greenland, 2010f).
With Michael Binzer, the company has gained a CEO who is deeply involved in all areas of the company. His emphasis on talking to employees has resulted in a shift in thinking where employees appreciate his ‘walk-to-talk’ style understand his ‘open-door’ principle where their thoughts and ideas are welcome.

**Strategic planning**

The diversity in its business model including various business areas is a particular challenge for planning and strategic planning at Air Greenland. A company-wide strategic plan was set-up during a project-based ‘strategic period’. This strategic plan compromises a list of potential strategic projects to be conducted within a timeframe of five years. Out of this list, for each year the ‘must-win-battles’, those that are very urgent or particularly suitable at a certain time, are identified for further development and implementation. The whole process is very dynamic since constantly projects are added to and deleted from the list. A ‘transformation chart’ is kept updated to provide an overview of all currently conducted projects.

A series of changes has been conducted since the plans original evaluation, primarily caused by new priorities or altered external situations (Air Greenland, 2010b). The company thereby provides for its strategy to be always up-to-date (ibid). Furthermore, urgent and unavoidable projects which have to be dealt with (in particular as an immediate consequence of crisis situations), which bind resources get to be included in the plan and might lead to a re-prioritizing of other planned measures.

A huge amount of data, including external and internal data is used throughout the process. While most of the data include quantitative and objective information, the selection of the relevant data and the judgement of their impact are done on a very subjective basis. The company trusts in the expertise and experience of their employees rather than a precisely defined structured analysis. It is therefore of advantage for the company, that the people involved in strategic planning at Air Greenland have been working for the company for many years.

The chief financial officer of the company, as a member of the six-headed top management team, is in charge of coordination process at the moment. Resources for conducting projects are committed at top management level based on input from the second management level. Different in-house functions are involved in the further development and updating of the long-term planning while external support is considered when no internal resources are available and external consultants can conduct the task. The six-headed top management team is the relevant decision-making unit, unless their authorities are not sufficient (e.g. huge investments). In such cases, the Board has to be asked for approval.

Three main reasons have been identified by Air Greenland to keep up their strategic planning efforts: (1) Strategic planning serves to establish an operational joint reference to which everybody can relate and which everybody can understand and is able to apply, more than a pure mission statement nobody takes care of. (2) To function as a measure of identifying and prioritizing the need for investments in the medium-term future. (3) For external stakeholder communication, in particular related to development and infrastructure.
Strategy formulation

Strategy used to be formulated by the CEO together with the business development manager, a function that was eliminated throughout the last restructuring of the company. Strategy formulation now is understood as the further development and enhancement of an existing strategic plan, ‘Qarsoq 2012’, which was set-up in a project-based ‘strategic period’ and has since then been updated.

The initial draft of the strategic plan was developed by external consultants in collaboration with Air Greenland’s top management. Further updates have been conducted by internal resources, as they are understood to be better capable to understand the needs of the company.

The importance of knowledge about the corporate strategy decreases the lower you go in the organizational hierarchy. The strategy is actively communicated in form of a comprehensive binder to everyone within the company who needs it, including in particular all management or communication positions. Furthermore, all non-sensitive information is provided in the corporate intranet accessible for all employees. Even though the particular elements of the strategy are not considered to be common knowledge across all levels of the company, all employees are aware of the existence of the strategy and its name ‘Qarsoq 2012’.

Innovation

Innovation plays a major role for Air Greenland, but so far its identification and development does not follow a given structure or process. Very often, business ideas arise throughout the conduction of projects, internal analysis and competition monitoring. Customer needs identified by employees directly working with the customers are considered to be the main source of innovation.

Even though no formal or incentivised process for innovation generation exists, the company tries to include its employees in idea generation. One example was the collection of ideas during the recent cost-cutting initiative, where over 200 ideas were collected from employees on how the company could save money. To demonstrate the value of their contribution, all employees participating in the initiative received an individual response on their suggestion and the most promising ideas were implemented.

Major innovations within Air Greenland mainly focus on two areas. First, the company’s route network and schedule was enhanced by new international routes to Iceland and the company is trying to develop a more innovative schedule allowing for more customer comfort such as better connections. Second, the development of Greenland’s tourism area plays a major role in Air Greenland’s business development strategy.

4.3 Summary and comparison

Following the individual company descriptions provided in the previous parts of this chapter, this section aims at providing an overview of similarities and differences between both companies under investigation. This descriptive comparison will focus on
the key elements that are relevant for further analysis and discussion. An overview of the comparison is provided in Table 5.

Table 5. Overview of key findings in comparison.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>airBaltic</th>
<th>Air Greenland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of competition</strong></td>
<td>- High</td>
<td>- Medium</td>
</tr>
<tr>
<td></td>
<td>- Particular high pressure of low-cost carriers</td>
<td>- Increasing number of competitors on international routes during the peak season</td>
</tr>
<tr>
<td></td>
<td>- Increasing number of competitors flying to the Baltics</td>
<td>- No competition on less profitable domestic routes</td>
</tr>
<tr>
<td><strong>Economic development</strong></td>
<td>- Hit by global financial crisis</td>
<td>- Hit by global financial crisis</td>
</tr>
<tr>
<td></td>
<td>- Particular loss of domestic demand due to extent of crisis in Baltic region</td>
<td>- Particular reduction of tourism demand due to high-price character of Greenland travels</td>
</tr>
<tr>
<td><strong>Crisis situations</strong></td>
<td>- Frequently exposed to crisis situations, recently ash-cloud &amp; global financial crisis</td>
<td>- Frequently exposed to crisis situations, recently ash-cloud &amp; global financial crisis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Frequently exposed to extreme weather conditions</td>
</tr>
<tr>
<td><strong>Legal implications</strong></td>
<td>- Entry of Latvia to the European Union accompanied by free market access and full liberalisation of tariffs</td>
<td>- Open terms for air traffic within Greenland</td>
</tr>
<tr>
<td><strong>Technological development</strong></td>
<td>- Development of social media</td>
<td>- Development of e-Sales</td>
</tr>
<tr>
<td><strong>Corporate Culture</strong></td>
<td>- 'Go-and-get-it' culture, where trial-and-error is lived, mistakes are allowed</td>
<td>- Traditional silos within the company</td>
</tr>
<tr>
<td></td>
<td>- Spirit of constant change and development</td>
<td>- New CEO established a more open-door spirit due to his 'walk-to-talk' approach/involvement</td>
</tr>
<tr>
<td><strong>Strategic Planning</strong></td>
<td>- No formal strategic plan</td>
<td>- Formal strategic plan</td>
</tr>
<tr>
<td></td>
<td>- Clearly defined mission and goals provide guidance</td>
<td>- Strategic plan provides guidance/joint reference</td>
</tr>
<tr>
<td></td>
<td>- Continuous screening, talking &amp; discussions instead of any formal analysis</td>
<td>- Strategic plan is based on formal analysis and subjective judgements</td>
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<tr>
<td></td>
<td>- CCO as coordinator of strategy development</td>
<td>- CFO coordinates strategic planning process</td>
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<td></td>
<td>- No planning department, support by one employee</td>
<td>- No planning department, project based work</td>
</tr>
<tr>
<td></td>
<td>- No direct consideration of unforeseen events in strategic planning</td>
<td>- Consideration of effects of unforeseen events in strategic plan (update, re-prioritization)</td>
</tr>
<tr>
<td></td>
<td>- Plans to implement more formal strategic planning process</td>
<td>- Recently increased level of flexibility within its strategic planning process</td>
</tr>
<tr>
<td><strong>Internal factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy Formulation</strong></td>
<td>- Top management as source of guidance and impulses (mission &amp; goals) providing the framework of strategy</td>
<td>- Strategy development is a top management task</td>
</tr>
<tr>
<td></td>
<td>- Framework for further strategy emergence through action &amp; developments involving the entire company</td>
<td>- Defined strategic plan as source of further strategy development</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>- Integral part of daily action</td>
<td>- No formal process</td>
</tr>
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<td></td>
<td>- Incorporated in corporate culture</td>
<td>- Attempts to involve employees</td>
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<td></td>
<td>- Intentionally no incentives</td>
<td>- No incentives</td>
</tr>
<tr>
<td></td>
<td>- Main source of ideas: customer feedbacks</td>
<td>- Main source of ideas: employees with customer contact</td>
</tr>
<tr>
<td></td>
<td>- Main interest area: tourism development</td>
<td>- Main interest area: tourism development</td>
</tr>
</tbody>
</table>
Both companies have to face a significant level of competition. airBaltic experienced particular high pressure from low-cost carriers entering the market as early as 2004 and forcing the company to change its business model (Taskila, 2010). Furthermore the company has to face an increasing number of additional competitors that are including the Baltic region into their route networks (Riga International Airport, 2010b). While Air Greenland is only challenged by a few number of competitors, these focus exclusively on the most profitable routes during high season leaving the less nor non-profitable domestic routes to Air Greenland (Keldsen, 2010).

While both companies were hit severely by the recent global financial crisis, the particular effect the crisis had on them differs. airBaltic experienced a loss of its domestic demand, as the Baltic region suffered immensely under the crisis (Taskila, 2010). airBaltic therefore concentrated on developing foreign demand to compensate the losses within its home market (ibid). Air Greenland on the other hand particularly noticed a reduction of tourism demand (Keldsen, 2010). Greenland, being a rather expensive travel destination, experienced a severe reduction of the amount of tourists coming to Greenland as well as on the duration of their stay that resulted on reduced demand of air transportation on both international and domestic routes (ibid).

Airlines in general are frequently exposed to crisis situations caused by unforeseeable events including major airplane accidents, terror attacks or natural catastrophes. Besides the global financial crisis, the ash-cloud following the outbreak of the Icelandic volcano in April 2010 was the most remarkable recent event affecting both, airBaltic and Air Greenland (Taskila, 2010; Keldsen, 2010). In addition, the severe weather situations frequently occurring in Greenland force its national airline to always be prepared for such crisis situations (Keldsen, 2010).

Liberalisation of markets and thereby an increased level of competition are relevant legal implications on airlines. For airBaltic, this occurred with Latvia’s entry to the European Union in 2004, which was immediately followed by the market entry of two major low-cost carriers and this trend continuous until today (Taskila, 2010; Riga International Airport, 2010b). Even though not being a member of the European Union, Greenland’s legislation also provides very open terms for air traffic within and to Greenland and thereby the base for competition (Keldsen, 2010).

For both airlines technological developments recently focused on their sales and marketing channels. airBaltic developed a powerful competence in using social media for marketing and its webpage is a major part of its distribution and operations (Taskila, 2010). Air Greenland recently started to improve its web presence and to develop its sales via its webpage (Keldsen, 2010).

airBaltic’s corporate culture is based on the spirit of constant change and development (‘go-and-get-it’) (Taskila, 2010). ‘Trial-and-error’ approaches are standard methods and mistakes are allowed as long as learnings are generated and people move on to work on reaching the overall goals (ibid). The corporate brand and the defined and commonly known mission and goals provide the orientation for employees acting with a high level of freedom within that framework (ibid). Air Greenland is operating within a more hierarchically coined corporate culture (Keldsen, 2010). Traditionally developed silos within the company prevent communication flows (ibid). Recently, initiated through the
new CEO of the company who gets approaches and talks to his employees (‘walk-to-talk’), a more ‘open-door spirit’ starts emerging (ibid).

A formal strategic plan does not exist in neither of both companies (Taskila, 2010; Keldsen, 2010). So far, airBaltic never conducted any formal strategic planning (Taskila, 2010). As it is typical for the Baltic region (Huettinger, 2010), the company does not have a planning department and does not use any formal, pre-defined analysis processes (Taskila, 2010). Rather, airBaltic focuses on continuous screening of the market, conversations within and outside the airline industry and very frequent discussions among the management team (ibid). On this basis, strategic guidance in form of a clearly defined mission and goals are provided to the company (ibid). The Chief Commercial Officer is responsible for further coordination of strategy development as it emerges (ibid). Unforeseen events are not directly linked to this process but are handled as crisis situations (ibid). In the near future, airBaltic plans to implement a more formal strategic planning process (ibid). Air Greenland went in a different direction. Coming from a very traditional strategic planning process, the company switched to a more flexible form based on a project portfolio management approach (Keldsen, 2010). The so-called strategic plan consists of a list of potential projects, which can be selected based on formal analysis conducted by experienced employees who subjectively select the appropriate data and methods out of a comprehensive database (ibid). While no explicit planning department exists, these tasks are spread out over several departments across the company, coordinated by the Chief Financial Officer (ibid). The strategic plan provides guidance and functions as a joint reference within the company and receives frequent updates based on external and internal events, including the occurrence of unforeseen events (ibid).

Top management plays the crucial role for strategy formulation in both airlines. Within airBaltic, top management functions as the source of guidance, actively sets priorities and gives impulses for further strategy emergence (Taskila, 2010). On this base strategic orientation is defined by top management, which allows the involvement of the entire company in further strategy emergence and the flexible consideration of external events (ibid). Within Air Greenland, strategy is regarded to be an exclusive management task (Keldsen, 2010). Top management defines the strategy and closely monitors its development (ibid).

Innovations are regarded to play a major role within both companies. While for airBaltic, their generation represents an integral part of daily action and is deeply incorporated into the corporate culture and routines (Taskila, 2010), Air Greenland does not formally or informally encourage innovations (Keldsen, 2010). The latter firm recently started the attempt to involve its employees in idea generation processes (ibid). Both companies do not use any incentives to foster innovation, for airBaltic a conscious step to keep it a major element of its corporate culture (Taskila, 2010). Customer needs are seen as the major impact factor for generating new business ideas by both companies, while airBaltic tries to directly interpret customer feedbacks (ibid) and Air Greenland sees its employees with direct customer contacts as the crucial source of innovations (Keldsen, 2010). Besides innovations in their core business models, both airlines play an active role in tourism development and majorly contribute to innovations within the value chain of a travel company through subsidiaries or joint ventures (ibid, Taskila, 2010).
This chapter aimed at illustrating and analysing the empirical data collected in this study. Based on these results, the following chapter will focus on a discussion of these findings.
5 Results and discussion

In accordance with the research process outlined in chapter three, the discussion of the results identified in the previous empirical section will be conducted in this chapter. Furthermore, the additional information gathered throughout the conducted expert interviews will be considered to validate or explain findings. Following individual case analysis for both airBaltic and Air Greenland, a cross-case analysis will be provided. The initial propositions of this study will be discussed in the last section of this chapter.

5.1 Individual case analysis

Based on the material displayed in the previous chapter, an individual case analysis for both companies under investigation will be conducted in this section. The analysis will focus on the connection between the external environment and the according corporate responses identified. Thereby, it will be distinguished whether a company pro-actively anticipated, actively reacted on or passively responded to the situations. In a second step, the underlying internal factors will be related to these findings. Thereby, an understanding of how the particular internal mechanisms helped each company to handle the challenges will be gained and outlined.

5.1.1 Case I: airBaltic

The first individual case analysis is on airBaltic. Following the graphically supported analysis of airBaltic’s reactions to its environmental challenges, these results will be related to the knowledge on the company’s internal mechanisms gained through the study. A brief conclusion will be provided in the final paragraph of this section.

As a result of the data reduction process illustrated in Appendix 9, three main environmental events that represented a major challenge or opportunity for airBaltic were identified throughout data collection. First, the liberalisation of market access and tariffs following the entry to the European Union of the three Baltic States threatened the company due to the immediate entry of new competitors, in particular low-cost operators (Taskila, 2010; Huettinger, 2006). Second, the recent global financial crisis eliminated the local demand in the Baltic region due to the particularly hard impact the crisis had on this area (Taskila, 2010; Allan, 2010). Third, the fast development and spreading out of social media networks represented an opportunity for the company (Taskila, 2010).

airBaltic reacted to each of these events by either pro-actively anticipating or actively facing the challenge. This result is based on the data reduction process illustrated in Appendix 10. Prior to the occurrence of the foreseeable consequences of Latvia’s EU entry, airBaltic fell the decision to include low-cost elements in its business model (Huettinger, 2006). Soon after the degree of the threat of new competitors became more obvious, the company re-enforced and re-confirmed its low-cost strategy (Taskila, 2010; airBaltic, 2004). In response to the elimination of its local demand caused by the global financial crisis, airBaltic quickly adopted its business model by implementing a hub-structure (Taskila, 2010). Thereby, the company was able to reach transit passengers as a new target group to compensate for the diminished demand from its home market. The opportunity provided by the development of social media was early identified and tested for the company’s marketing (ibid). Following initial positive results, airBaltic quickly extended its application (ibid). Figure 6 provides a graphical
summary of these connections, which is based on the timeline analysis illustrated in Appendix 10.

<table>
<thead>
<tr>
<th>Event</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal implications/ level of competition: Entry of low-cost carriers to Baltic market as a consequence of legal liberalisation effect after entry of Latvia, Lithuania and Estonia to the European Union in 2004</td>
<td>Pro-active/ active response: Decision to adjust business model in 2001 followed by step-wise-implementation, re-enforcement of implementation after actual market entry of new competitors in 2001</td>
</tr>
<tr>
<td>Economic development/ crisis situation: Global financial crisis eliminating local demand for air transportation</td>
<td>Active response: Implementation of hub-structure to increase international demand by offering transit services</td>
</tr>
<tr>
<td>Technological development: Quick spreading of social media networks and its potential applications</td>
<td>Pro-active response: Early identification of potentials and trial of approach, fast development of utilisation after initial successes</td>
</tr>
</tbody>
</table>

Figure 6. Response analysis to external events of airBaltic.

airBaltic was able to pro-actively or actively respond to the challenges and opportunities provided by its volatile environment. The reaction time thereby was very short, indicating a high level of awareness and flexibility of the company. Based on the data reduction illustrated in Appendix 11, Figure 7 provides an overview of the identified internal factors contributing to these two key success factors, awareness and flexibility. A more detailed discussion will be provided thereafter.

<table>
<thead>
<tr>
<th>Key Success Factor</th>
<th>Internal factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWARENESS</td>
<td>Continuous screening &amp; discussing of industry development</td>
</tr>
<tr>
<td></td>
<td>Involvement of entire company in corporate development</td>
</tr>
<tr>
<td></td>
<td>Generation of learnings through trial-and-error approaches</td>
</tr>
<tr>
<td>FLEXIBILITY</td>
<td>Innovative thinking being incorporated in corporate culture</td>
</tr>
<tr>
<td></td>
<td>Emergent character of strategy development</td>
</tr>
<tr>
<td></td>
<td>Development of pre-thought material/ ideas</td>
</tr>
<tr>
<td></td>
<td>CCO responsible for coordination of strategy development</td>
</tr>
</tbody>
</table>

Figure 7. Internal factors contributing to awareness and flexibility at airBaltic.
Awareness of challenges and opportunities within its external environment were fostered by three internal factors: (1) airBaltic continuously monitors and discusses the development of the airline industry within its management as well as with other people within and outside of the company and industry (Taskila, 2010). This enables the company to quickly identify developments. (2) airBaltic involves the entire company in achieving its goals. Employees are widely free to choose their way to reach those goals and thereby take responsibility for their actions (ibid). Thereby, the number of potential sources for identifying challenges or opportunities is widened from the few managers to all employees of the company. (3) airBaltic pursues a trial-and-error approach and is proud to test various alternatives. Mistakes are allowed and the employees are used to quickly move on and learn from them (ibid). These experiences potentially lead to an increased level of awareness of external events.

The second key success factor identified, flexibility, is supported by four internal factors: (1) airBaltic’s corporate culture is based on a spirit of constant change and development where innovations are seen to be an integral part of daily action (Taskila, 2010; Huettiingar, 2010). (2) airBaltic does not have a pre-determined, fixed strategic plan. Based on an overall mission and goals, it allows for an emergent development of its strategy as external events occur (Taskila, 2010). Thereby, no determined decisions have to be overcome in reaction to new situations. (3) As a consequence of continuous, open and deep discussions among the management, many ideas exist and can be acted on when applicable (ibid). (4) Having the CCO of the company responsible to coordinate strategy development (ibid), this responsibility is given to a person who is very much involved in daily operations and can in that way quickly initiate changes.

Summarizing the findings generated throughout the individual case analysis of airBaltic, four major results can be derived. First, major changes to the business strategy of the company resulted as a response to external events. Second, the external environment of airBaltic frequently challenged the company and required it to react fast. Third, airBaltic responded quickly to arising challenges and opportunities, partly even proactively anticipating the developments. Fourth, the corporate culture and the emergent strategy development process allowed for the awareness and flexibility that made the company’s quick response possible.

5.1.2 Case II: Air Greenland

The second individual case analysis is on Air Greenland. Following the graphically supported analysis of Air Greenland’s reactions to its environmental challenges, these results will be related to the knowledge of the company’s internal mechanisms gained through the study. A brief conclusion will be provided in the final paragraph.

Three main environmental events that represented a major challenge or opportunity for Air Greenland were identified as illustrated in the data reduction process outlined in Appendix 12. First, the emergence of competition on international routes previously exclusively served by Air Greenland represented a major challenge for the company (Keldsen, 2010; Air Greenland, 2010b, 2010d). Second, the recent global financial crisis severely effected tourism to Greenland, which resulted in declining demand for domestic and international air transportation for Air Greenland (Air Greenland, 2010b, 2010d). Third, the development of online sales channels and declining usage of travel agents by end customers represented a challenge initiated by the technological development of the last century (Air Greenland, 2010b).
Air Greenland reacted to each of these events in a reactive manner. In response to the arising competition and the thereby emerging pressure on prices, Air Greenland implemented a new pricing structure which overall leads to a reduction of the average ticket price (Keldsen, 2010; Air Greenland, 2010d). The declining demand as consequence of the global financial crisis is compensated by cost-cutting measures (Air Greenland, 2010d). To make up for its backlog in web presence, the company recently updated its webpage and enhanced its online booking offers (Air Greenland, 2010b). Based on the timeline analysis illustrated in Appendix 13, Figure 8 provides a graphical summary of these connections.

<table>
<thead>
<tr>
<th>Event</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of competition: Previously not being exposed to any competition, competitors recently have entered the market (preliminary during peak season and exclusively on international routes)</td>
<td>Reactive response: Adjustments of pricing as a consequence of price pressure</td>
</tr>
<tr>
<td>Economic development/ crisis situation: Global financial crisis leading to declining tourism in Greenland, pressuring demand for international and domestic air transportation</td>
<td>Reactive response: Cost-cutting to compensate declining revenues</td>
</tr>
<tr>
<td>Technological development: Declining sales through travel agencies while online sales grow</td>
<td>Reactive response: Making-up for backlog in web presence</td>
</tr>
</tbody>
</table>

Figure 8. Response analysis to external events of Air Greenland.

Air Greenland did not show any pro-active response, but passively responded to the challenges and opportunities arising. The internal factors identified throughout the interview conducted at Air Greenland did not support awareness and flexibility as illustrated in Appendix 14. Among them, factors which might have prevented the company from achieving a higher level of awareness and flexibility include the existing silo-structure within the company, the previously fixed strategic plan, the marginal involvement of employees in strategy development and the little importance innovations used to play within the business strategy of Air Greenland. A number of these factors seem to be in transformation initiated by a recent change process initiated within the company.

Summarizing the findings generated throughout the individual case analysis of Air Greenland, four major results can be derived. First, marginal changes to the business strategy of the company where conducted in response to external events. Second, the external environment of Air Greenland used to be more stable and has recently experienced an increase in turbulence. Third, Air Greenland responded slowly to arising challenges and opportunities, only reactively responding to the developments. Fourth, the traditional elements within the corporate culture and top-down strategy formulation process seem to have prevented the company to act in a more (pro-) active manner.
5.2 Cross-Case analysis

Based on the findings generated through the individual case analysis, this section aims at analysing cross-case patterns. The individual results previously identified will therefore be compared analysing similarities and differences. The cross-case analysis will start with a comparison of the level of uncertainty and its development both companies are exposed to. Thereafter, two fields of interrelationships centred around environmental uncertainty will be analysed: While the individual case analysis focused on the interrelationship of uncertainty, corporate responses to external events and internal factors impacting on corporate responses, a second field of interrelationships concerning formality and strategic orientation of corporate planning procedures with uncertainty will additionally be analysed in this section. A brief conclusion of this cross-case analysis will be provided at the end of this section.

5.2.1 Comparison of environmental uncertainty

Similar types of external challenges and opportunities effected both companies, airBaltic and Air Greenland, as outlined in the individual case analysis. Both had to face competition, deal with a severe economic crisis situation and manage to take the opportunities arising from technological developments. Meanwhile, the impact of these forces on each of them differed widely as illustrated in Table 6 and outlined thereafter. Subsequently, indications for the development of the levels of uncertainty will be discussed and a brief conclusion is provided at the end of this section.
Table 6. Comparison of environmental uncertainty.

<table>
<thead>
<tr>
<th>Environmental events</th>
<th>airBaltic</th>
<th>Air Greenland</th>
</tr>
</thead>
</table>
| **Increased competition** | - Significant pressure arising from market entry of low-cost carriers after Latvia’s entry to the European Union  
- Continuous entry of further competitors  
- No financial back-up due to short history and limited previous profits  
Severe pressure on business model, price structure, route network | - Pressure arising from market entry of two rival companies on distinct international routes  
- No competition on domestic market |
| **Global financial crisis** | - Decreasing demand for air transportation as a consequence of the declining economic development  
- Baltic region, the home market of the company, particularly hit by crisis  
Fundamental elimination of local demand in Baltic area | - Decreasing demand for air transportation as a consequence of the declining economic development  
Temporarily reduction of tourism related demand |
| **Emergence of web and social media** | - Technological developments providing new solutions for operations and marketing  
- International operations with target groups spread out over various destinations and speaking different languages  
Technological developments for price-effective marketing  
> and up-to-date online service of particular importance | - Technological developments providing new solutions for operations and marketing  
- Serving specified market with limited geographical reach (Greenland) or particular target groups (tourism)  
Technological developments of interest, but not of immediate importance |

While airBaltic was significantly attacked by competitors within its entire route network (Taskila, 2010), the arising competition for Air Greenland focussed on few, selected routes (Keldsen, 2010). Furthermore, the Baltic region being an area of growth and
arising business opportunities at that time, was likely to attract further competitors or an increase of activities of existing rivals (Huettinger, 2006). In addition, this effect was enforced by a particular event, the entry of the Baltic States to the European Union, causing the legal base of market access and tariff liberalisation (Taskila, 2010). Being an airline in its very early years, just shortly after generating its first positive net profits (airBaltic, 2010c), the challenge competition provided to airBaltic was significantly more dangerous than the threat imposed on Air Greenland.

In a similar way, the impact the global financial crisis had on both companies differs widely. Both companies had to face declining demand at a significant level (Taskila, 2010; Keldsen, 2010). While for Air Greenland this decline was to be temporarily and did not eliminate demand completely, the economic outlook for the Baltic region suggested a longer lasting effect and basically eliminated the local demand completely (ibid).

The developments of technology also provide differing opportunities to the companies. airBaltic operates in an international market where it tries to reach various target groups in many different languages and locations facing various competitors (Taskila, 2010). Price-effective marketing and up-to-date online services are therefore crucial for the company (ibid). For Air Greenland, these elements are of interest, but since the company is operating as a monopolist on most of its routes, the opportunities technological developments as social media or web-based functions provide are not that valuable to the company.

For an airline, airBaltic is a very young company. The company started its operations after the collapse of the Soviet Union when nobody was able to predict the future political or economical development of the Baltic region. In its short history, the company underwent three major changes in its business model (Taskila, 2010) in response to changes in its environment. For the future, airBaltic expects a more stable phase indicated by the management’s attention to implement a formal strategic planning process (ibid). Air Greenland underwent a contrary experience in recent years. Having operated almost 50 years as a monopolist in a geographically widely isolated and unique market, the company only recently began to being exposed to environmental turbulences, in particular introduced by the emergence of competition.

To conclude, even though both companies are facing the same or similar environmental challenges and opportunities, the impact these have on each of them differs widely. While airBaltic was exposed to significantly high uncertainty frequently challenging the company’s survival, Air Greenland has been operating in a comparable stable environment without facing this level of constant pressure. In both cases, indications for a change in environmental uncertainty have been identified. While airBaltic seems to expect a more stable period in its history, Air Greenland has recently begun to alter its corporate structure to be better able to react on environmental challenges.

5.2.2 Interrelationship of uncertainty with responses and internal factors

As first field of interrelationships centred around the level of uncertainty, the triangular relationship between the level of uncertainty, corporate responses and relevant internal factors will be analysed, as illustrated in Figure 9. Thereafter the company’s responses to external events provided by their environments will be compared and the underlying internal factors will be analysed.
As illustrated in the individual case analysis and provided in Appendix 15, airBaltic generally responded in an active or even pro-active manner to its challenges and opportunities. Air Greenland on the other hand only responded to occurring environmental events after they had happened. Awareness of challenges and opportunities as well as the flexibility to react on them were identified as key success factors to provide fast and active responses. Figure 10 compares the internal factors contributing to or preventing these factors at both companies, as identified through the individual case studies. Thereafter, these factors will be described in more detail.

**Figure 9. Interrelationship field uncertainty – corporate responses – internal factors.**

As identified throughout the case study interview, airBaltic does not conduct any form of formal strategic planning. The company only defines goals and leaves the identification of the way, how to reach them open and thereby flexible (Taskila, 2010). In contrast, Air Greenland does define a formal strategic plan (Keldsen, 2010). This plan includes pre-defined ways of how to reach the corporate goals (ibid). Any changes impacting on these measures therefore require an adjustment of the plan.

<table>
<thead>
<tr>
<th><strong>airBaltic</strong></th>
<th><strong>Air Greenland</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal strategic plan, flexible ways of how to reach defined goals</td>
<td>Formal strategic plan, pre-defined ways of how to reach defined goals</td>
</tr>
<tr>
<td>Maximum involvement of employees</td>
<td>Marginal involvement of employees</td>
</tr>
<tr>
<td>Innovativeness incorporated in corporate culture</td>
<td>Previously small importance of innovations, silo structure</td>
</tr>
<tr>
<td>No formal analysis, continuous screening &amp; discussions, learnings</td>
<td>Formal analysis</td>
</tr>
<tr>
<td>CCO coordinating strategic development</td>
<td>CFO coordinating strategic development</td>
</tr>
</tbody>
</table>

**Figure 10. Internal factors contributing to or preventing awareness and flexibility.**
Involving employees in the emergence of the corporate strategy is a core element of airBaltic’s philosophy (Taskila, 2010). Employees receive guidance for what they are doing through the corporate mission, the corporate brand image and the particular goals defined by top management (ibid). Within that framework, they receive the maximum level of freedom in what they are doing (ibid). Thereby, entrepreneur type acting is supported providing the company with various sources for awareness (ibid; Huettinger, 2010). Air Greenland on the other hand sees strategy development as a management task (Keldsen, 2010). Employees are provided with strategic information, as they need it to accomplish their tasks (ibid). Thereby, no proactive initiative of individuals is actively fostered.

For airBaltic, innovativeness is a core element of its corporate culture where constant change and development are given elements (Taskila, 2010). Employees are therefore used to question existing structures and generating new ideas. Innovations have continuously played an important role for them (ibid). This provides the company with the crucial ability to pre-think and develop innovations, a capability of particular importance in an industry as turbulent as the airline industry (Hanisch, 2010). This is not the case for Air Greenland. Previously, innovations played only a marginal role in the company’s very stable business model. Furthermore, the existing silo structure of the company prevents open information flows and thereby does not foster a climate for innovative thinking and idea generation (Keldsen, 2010).

airBaltic does not use any formal analysis to identify opportunities and challenges (Taskila, 2010). Instead, the company concentrates on continuous screening of the market and its competitors and focuses on discussing these developments as well as possible solutions (ibid). The company is further proud of trying out different options rather than analysing them in detail (ibid). Mistakes are thereby accepted and the company quickly moves on and regards the generated learnings (ibid). Air Greenland on the other hand applies formal analysis based on a wide range of available data (Keldsen, 2010). Subjective knowledge of experienced employees is used in the formal analysis process (ibid). Due to the formal analysis conducted before any action is identified, developed and can be implemented, responses require more time.

At airBaltic, the Chief Commercial Officer is in charge of the coordination of strategy development while at Air Greenland, this responsibility is assigned to the Chief Financial Officer (Taskila, 2010; Keldsen, 2010). The nature of both positions further underlines the emphasis each company puts on strategy emergence in contrast to strategy planning and control. Emphasizing an emergent process as it is done at airBaltic provided the company with more flexibility as the more planning and control focused approach of Air Greenland did.

The analysis of the impact of an increased level of uncertainty has shown in the case of the two companies studied, that being exposed to higher uncertainty and thereby experiencing actual survival pressure leads to more active and quick responses to external challenges. The analysis further indicates, that a number of internal factors of the corporate organizational structure and culture provide the basis for the capability to be aware and quickly respond to the arising challenges and opportunities. Furthermore, the capability to produce innovations and to have a pipeline of ideas showed to support the ability to respond.
5.2.3 Interrelationship of uncertainty with formality and strategic orientation

As second field of interrelationships centred around the level of uncertainty, the triangular relationship between the level of uncertainty, formality and strategic orientation of corporate planning procedures will be explored, as illustrated in Figure 11. Both factors will be analysed and a brief conclusion will be provided at the end of this section.

Figure 11. Interrelationship field uncertainty – formality – strategic orientation.

airBaltic, being exposed to a higher level of uncertainty, does not apply any formal strategic planning process (Taskila, 2010). Furthermore, the company does not use any formal analysis procedures (ibid). This behaviour is typical for the culture present in the Baltic region (Huettinger, 2010), but as the company’s plan to implement a formal strategic planning process in 2011 is a reaction to its expectation of a more stable period in its corporate development, it is also a response to the high level of uncertainty airBaltic is exposed to (Taskila, 2010). Air Greenland applies a formal strategic planning process as well as a formal analysis process, even though it does involve subjective expert judgements (Keldsen, 2010). While experiencing an increase in the level of uncertainty the company is exposed to, Air Greenland recently decreased the level of formality of its strategic planning process by assigning a more flexible project portfolio structure to it (ibid).

airBaltic follows an emergent approach of strategy development (Taskila, 2010). While a framework consisting of an overall mission and specific goals is defined by top management, the process of how to reach these goals is left undefined (ibid). The development of strategy is coordinated by the Chief Commercial Officer and steered by the top management (ibid). Thereby, the non-existence of any formal process and the emergent character of strategy development lead to operational impacts shaping the corporate strategy. Air Greenland on the other hand does have a precisely defined strategy based on which the company conducts its strategic planning process (Keldsen, 2010). The Chief Financial Officer is in charge of coordinating the process (ibid). While the strategy itself is defined prior to the process, the further meaning of strategic planning concerns the coordination of strategy implementation and the identification of adjustments to the defined strategy (ibid).

In both cases analysed, an increasing level of uncertainty lead to less formal strategic planning procedures. Subjective judgements replaced formal analysis to allow for quicker decision-making and are believed to provide better prediction. At the same time, the focus of strategic planning becomes more operational, as the handling of arising opportunities and challenges become overwhelming important. Strategy
formulation in terms of the long-term corporate direction occurs prior to strategic planning processes and remains to be a top management task. The formal strategic planning as it occurred within Air Greenland focused primarily on the implementation of the previously defined strategy.

5.2.4 Summary of findings

The level of uncertainty in the environment was identified to differ for both companies under investigation. While airBaltic was exposed to a continuously pressuring level of uncertainty, Air Greenland due to its geographic location and specific business model was less pressured by the threats and opportunities arising in the industry. Based on this finding, the analysis of the impact of increased uncertainty on the company’s responses to environmental challenges and opportunities and its underlying internal factors as well as on the formality and strategic orientation of its strategic planning procedures were analysed. The results are summarized in Figure 12 and will be further discussed thereafter.

The key findings generated through the analysis of the interrelationship between the level of uncertainty, corporate responses and internal factors are illustrated in interrelationship field I in Figure 12. As uncertainty increases, the awareness of challenges and opportunities arising as well as the ability to react on them showed to be key success factors for companies to be able to handle the challenge. High uncertainty, in which changes significantly pressure the companies facing such an environment, seemed to foster pro-active or active responses to external events, a fast rate of change and fundamental moves. While operating within lower uncertainty, corporate actions seemed to be more passive and of responsive character, followed slower after the causing event and generally caused rather adaptive changes. The required prerequisites identified to react on high uncertainty include a number of characteristics of corporate culture and organisational structure such as learning-based trial-and-error processes and
employee involvement. While airBaltic seemed to apply the essential supporting elements in its corporate structures, Air Greenland started to adjust its internal structures accordingly to enhance its capabilities to react on the increasingly uncertain environment the company is facing. Besides internal structures, the ability to generate innovations and to have pre-thought ideas and concepts (‘innovation pipeline’) providing for fast reactions showed to be success factors in particular uncertain environments.

The key findings generated through the analysis of the interrelationship between the level of uncertainty, corporate responses and internal factors are illustrated in interrelationship field II in Figure 12. Within the cases analysed, high levels of uncertainty were faced without any formal strategic planning processes. Instead, an emergent process of strategy development based on a framework defined by top management was applied. In addition, when uncertainty increased in a previously comparably stable environment, formality in existing strategic planning processes was reduced in favour of flexibility. The decreasing level of formality, while uncertainty increases, is accompanied by the growing impact of operational developments on strategy development. Implementation gains particular importance as the short- and medium-term perspective receive more attention under high levels of uncertainty. Strategy formulation itself seemed to occur prior to any formal or emergent planning processes.

5.3 Link to propositions

This section aims at linking the findings gained from the conducted analysis to the propositions of the study. The most significant impacts to strengthen or weaken each proposition were identified for each individual case. A qualitative scoring was applied to be able to compare the individual results for each proposition. Thereafter an overall conclusion for each proposition was drawn. Following a brief outline of the qualitative scoring applied, each proposition will be analysed and an overview of these individual findings is displayed in Table 7. To conclude, an overall evaluation of each proposition is provided and summarized in Table 8.

Due to the selection of polar cases with airlines underlying differing contextual settings, individual outcomes varied significantly from each other. To achieve an overall impression whether a proposition is rather strengthened or weakened, a qualitative rating was adopted in the matrix showing the individual level of support by the findings. The chosen scale consists of three levels including ‘no’ support, ‘weak’ support, or ‘strong’ support. In case no statement could be made the cell remained blank. The researchers are aware that this is a subjective activity, though it allows illustrating the relative strength of finding support for the propositions. In few cases difficulties emerged in evaluating individual and overall propositions leading to discussions between the investigators. Knowing about the criticality a qualitative rating implies regarding subjective evaluation, each individual proposition was debated in order to allow for a higher validity of the outcome.
Table 7. Overview of relevant findings linked to propositions.

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Case</th>
<th>Findings</th>
<th>Support for proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Strategy does not come out of strategic planning</td>
<td>airBaltic</td>
<td>- Strategy formulation (framework) by top management</td>
<td>strong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No formal strategic planning, emergent development of corporate strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air Greenland</td>
<td>- Strategy formulation by top management</td>
<td>weak</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Strategy formulation prior to strategic planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Development of corporate strategy within strategic planning</td>
<td></td>
</tr>
<tr>
<td>II Strategic planning improves the quality of strategic decision-making, supports coordination and performance management</td>
<td>airBaltic</td>
<td>- No formal planning process</td>
<td>weak</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No formal analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Decisions based on discussions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Shift to more formal planning procedures planned</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air Greenland</td>
<td>- Formal planning process</td>
<td>weak</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Formal analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Strategic plan serves as guidance</td>
<td></td>
</tr>
<tr>
<td>III Strategic planning is adaptive and flexible to allow for receptiveness</td>
<td>airBaltic</td>
<td>- Screening of environment allows for flexibility</td>
<td>*/-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No formal strategic planning process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air Greenland</td>
<td>- Increased flexibility and adaptation through recent adjustments</td>
<td>weak</td>
</tr>
<tr>
<td>IV Strategic planning does not produce innovation</td>
<td>airBaltic</td>
<td>- Innovation integral part of emergent approach</td>
<td>strong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Successful generation of innovations without existence of formal strategic planning process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air Greenland</td>
<td>- Project-based strategic planning approach allows for consideration of innovations but does not support their generation</td>
<td>strong</td>
</tr>
</tbody>
</table>

The first proposition addresses the discussion whether strategy is created through strategic planning. For both cases, the result of analysis varied widely. airBaltic does not apply any formal planning procedures and thereby follows an emergent strategy formulation approach. While top management provides the strategic guidelines and goals, they do not give out precise instructions on how to reach them. Within the defined framework of the overall corporate mission, goals and the association with the brand image, this leaves a high flexibility for the strategy to be influenced by and to adjust to developments and events. These findings generated from analysing airBaltic strongly support the proposition raised, that strategy is not an outcome of strategic planning. Air Greenland used to apply a traditional planning approach, but recently initiated a transformation phase moving towards a more flexible procedure. Based on an initial ‘strategic period’ project, the company developed a five-year strategic plan. Strategy formulation is now understood as the further development and enhancement of this existing strategic plan, which is however still a top management task. Though the enhanced flexibility elements do not precisely affect the strategic development itself, but rather allow for faster operational adjustments in case the management decides to adjust the strategic direction. Thereby, they do provide the decision basis for top management. Therefore, the investigators rated the support generated from the findings conducted from analysing Air Greenland to be in accordance, but only weakly supporting the statement that strategy does not come out of strategic planning. Overall, the findings both indicated, to a varying extent, support for the first proposition and the proposition can thereby seen as being strengthened through the findings.
The second proposition deals with the question whether strategic planning improves the quality of strategic decision-making, and provides support to coordination and performance management. Keeping in mind that airBaltic has no formal planning process, and decisions are based on discussions rather than on formal analysis, it was not possible to give a direct answer to the proposition. However, evidence from the interview with airBaltic revealed disadvantages of not having a defined strategic planning process, in particular in respect to the internal coordination. Furthermore, a statement was made about the implementation of a formal planning process at the end of 2010. The transformation to more defined procedures gives an indication that a sole emergent approach can have negative impact on other systems within the company, which in turn can be interpreted as weak support for the second proposition, that strategic planning does have a positive impact on decision-making, coordination and performance management. Air Greenland with its modified formal planning process bases its decisions mainly on formal analysis rather than informal discussions. The company considers its strategic plan to be guidance and ‘joint reference’ for its employees, as a tool to identify and prioritize investment needs as well as communication tool. Especially due to Air Greenland’s particular challenge of dealing with a very diversified business model, complicating decision-making and coordination, the provided strategic plan has the potential to support the company. No direct evidence could be gained whether these potentials can be used within the company. Caused by this lack of certainty, the level of support for the proposition was only ranked to be weak. Overall, both cases analysed indicated weak support for the proposition, which strengthens it to a certain extent.

According to the third proposition, strategic planning is adaptive and flexible as it would be of particular importance for companies operating in turbulent environments. With its emergent approach involving solely informal procedures such as screening the environment and discussing about opportunities emerged through active communication within and outside the industry, airBaltic is able to react rapidly to environmental changes. The airlines entrepreneur-oriented ‘go-and-get-it’ corporate culture where mistakes are allowed thereby supports adaptive and flexible action taking. Since there are no formal guideline how to reach the defined goals, the airline is continuously in flow giving the corporation the spirit of constant change and development. The fact that strategic planning is not formally accomplished makes it difficult to respond to the propositions, since stating that airBaltic’s emergent approach allows for adaptability and flexibility does not imply that a formal process would cause the opposite. Therefore no statement on support or non-support for the proposition was made in this case. With the recently conducted restructuring at Air Greenland, the former strategic planning process of the company was replaced by a more flexible, project-portfolio-based approach. This allows the company to react dynamically by adding and rejecting as well as prioritizing projects based on their urgency and resource requirements. Unavoidable projects, which may arise as an immediate consequence of crisis situations or as a result of an altered business environment, can be included in the strategic plan directly after their identification, and possibly lead to the reprioritization of other planned measures. Compared to the emergent approach of airBaltic, the researchers evaluate Air Greenland’s modified planned approach still as less adaptive and flexible. Due to this reason, the proposition that strategic planning is flexible and adaptive was rated as weak. Considering that the airlines follow different approaches for strategy formulation with one company having no formal planning process and the other one a modified formal planning process, it is difficult to give an overall statement whether the
proposition is strengthened or weakened. The investigators therefore desist from deriving a conclusion for this proposition.

The last proposition questions that strategic planning produces innovation. With airBaltic’s entrepreneurial corporate culture, which allows for a high level of freedom for employees, innovation can be regarded as integral part of daily actions. The active communication with experts from in- and outside of the industry, the continuous screening of the environment and the consideration of customer feedback are used to gain inspiration for new ideas. airBaltic’s emergent approach thereby facilitates innovativeness. Since formal procedures might constrain the employees’ freedom and flexibility to a high extent and the fact, that airBaltic successfully generates innovations without having any formal strategic planning process, the investigators see a strong support that strategic planning does not produce innovation. Air Greenland only managed to increase its flexibility with the transformation of the previous formal planning process by establishing a vehicle for innovativeness through the implementation of a project based planning process. Thereby, business ideas arising throughout the conduction of projects (active scanning of the environment, feedbacks about shortcomings or opportunities) can be considered. In addition, with the assignment of a new CEO in 2007, a change in the company’s corporate culture has been initiated, where among others an attempt has been made to involve employees in idea generation. The identification of customer needs by employees with direct customer contact is considered to be the main source of innovation and a corporate culture fostering this is seen as its main driver. The adjusted strategic planning procedure might be capable of considering the innovations identified, but there was no indication it actually fosters the identification of innovation. Therefore, in both cases a strong support for the proposition that strategic planning does not produce innovation was identified.

To conclude, support or partly support was found for all propositions except for one, where no conclusion could be drawn. An overview of these results is provided in Table 8.

Table 8. Overall evaluation of propositions.

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Support for proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy does not come out of strategic planning</td>
<td>Support</td>
</tr>
<tr>
<td>Strategic planning improves the quality of strategic decision-making, supports coordination and performance management</td>
<td>Partly support</td>
</tr>
<tr>
<td>Strategic planning is adaptive and flexible to allow for receptiveness</td>
<td>Inconclusive</td>
</tr>
<tr>
<td>Strategic planning does not produce innovation</td>
<td>Support</td>
</tr>
</tbody>
</table>
This chapter dealt with within-case analysis and the cross case comparison of the two airlines. Based on the findings support or non-support for the propositions could be identified. In the following chapter the research question will be answered and the conclusions of the study will be drawn.
6 Conclusion

This chapter will provide the conclusion generated throughout the research project. First, identified findings to the initially imposed research questions will be discussed. Second, the study’s contribution to enhance knowledge will be examined and further valuable and interesting findings will be outlined. To conclude, a critical reflection on the achievement of the study’s objectives, its limitations and suggestions for further research areas will be provided.

As the literature review conducted in chapter 2 of this paper outlined, two fundamentally differing understandings of how strategy is formulated in an uncertain environment and which role strategic planning plays within that process exist. This study aimed at expanding the empirical database to this seemingly unsolved dispute by analysing strategic planning procedures in the airline industry, an industry exposed to a particularly high level of turbulence. Based on the research philosophy outlined in chapter 3, case studies were chosen as research strategy. Semi-structured interviews accompanied by the consideration of further documentations provided the data used for analysis. Strategic planning procedures at two companies operating in a highly turbulent environment were analysed. The collected empirical data was structured and analysed in chapter 4. For the discussion in chapter 5, each case was first studied individually before a cross-case analysis was conducted and a link to the initial propositions of this study was established. The findings accomplished throughout the outlined process will be further discussed in the subsequent sections.

6.1 Discussion of findings

Two research questions were raised initially in the introduction of this paper: (1) Why do companies conduct strategic planning? (2) How is turbulence considered within strategic planning? The findings generated for each question will be discussed in this section.

6.1.1 Role of strategic planning

As the literature review indicated, the actual role of strategic planning in practice is not as obvious as its name might indicate. Three major findings in response to the question why companies conduct strategic planning have been identified throughout the analysis of strategic planning practices in two companies of the airline industry: (1) Strategy formulation is not integrated in strategic planning procedures; (2) Coordination of strategy implementation instead seems to be the main reason for strategic planning; and (3) Further roles of strategic planning include providing of a valuable database for strategic decisions and serving as a guideline for the company. These findings will be further outlined in this section and an overall conclusion will be provided.

As the first initial proposition of this study proposed and the conducted analysis supported, strategy does not come out of strategic planning. In both companies under investigation, the formulation of strategy as the company’s long term direction is clearly understood to be a top management task occurring prior to any formal strategic planning process or non-formal emergent strategy development (Keldsen, 2010; Taskila, 2010). The pre-defined strategy can be seen as a framework in which, as environmental uncertainty increases, a certain degree of flexibility to adjust elements within it through formal or informal strategic planning is considered. This framework embeds aspects as
how defined goals are to be reached and how priorities can be adjusted. Meanwhile, the overall long-term direction of the company is not adjusted throughout the strategic planning process itself, but might be enacted by a top management decision resulting in an adapted framework.

Instead of strategy formulation, the co-ordination and development of strategy implementation appears to be the main reason for conducting strategic planning. Air Greenland for example uses its strategic planning procedure to select measures for implementation and to keep track of currently conducted projects (Keldsen, 2010). This tendency was confirmed to be a general trend in the airline industry (Joppien, 2010). In particular as environmental uncertainty increases, the short- and medium-term perspective attracts more managerial attention since it becomes increasingly challenging and important in terms of ensuring corporate survival. Strategic planning and informal emergent strategy development therefore seem to focus on issues arising from operational business and the optimization of implementing the defined strategy in terms of selection of measures, their prioritization and resource allocation within that setting.

As additional side roles of strategic planning, its contribution to improve the quality of strategic decision-making and its guiding impact for the company, have been identified. Air Greenland for example referred its strategic plan to function as a “joint reference” for everyone in the company (Keldsen, 2010). Providing a database that compromises relevant information and having a process which links crucial resources and decision-makers was argued to be the basis of improved strategic decision-making in the initial propositions and confirmed throughout the analysis. Meanwhile, the impact and need for formal analysis was questioned and non-formal approaches of environment screening showed similar positive results. The strategic plan as product of strategic planning was further identified to function as a joint reference, on which all members of the company can base their decisions.

Overall, the findings generated raise the question whether there is actually any strategic planning in uncertain environments. Strategy formulation seems to have been replaced by more mid- and short-term oriented strategy implementation co-ordination. While the discussion of the purpose of strategic planning traditionally focussed on the issue of predictability of the environment under uncertainty, this shift of attention indicates a second reason for strategic planning not being responsible for strategy formulation: When uncertainty increases, the pressure of mastering operational challenges consumes crucial resources and thereby seems to limit the consideration of long-term strategic issues.

6.1.2 Consideration of turbulence in strategic planning

High levels of turbulence and uncertainty have shown to require companies operating in such an environment to be able to conduct fundamental changes in their business model within a very short period of time to ensure their survival. Three major findings have been identified throughout the study, illustrating how the companies under investigation handle this challenge in relation to their strategic planning procedures: (1) Establish and maintain high levels of awareness and flexibility within the organisation; (2) Be prepared to manage operational crisis; and (3) Focus on innovations. Each of these findings will be further outlined in the subsequent paragraphs and a conclusion will be provided thereafter.
Being aware of changes in the environment and having the capability to flexibly react on these challenges are crucial success factors in uncertain environments. Particular turbulent environments are characterized by fast rates and fundamental types of change frequently required from companies operating under these conditions. Certain elements of corporate structure and culture such as the active involvement of employees were identified to potentially support these crucial capabilities, as for example the highly innovative orientation of airBaltic’s corporate culture (Huettinger, 2010; Taskila, 2010). In particular, the level of formality in strategic planning declined as uncertainty increased and subjective judgements widely replaced formal analysis under these circumstances.

Crisis situations at operational level frequently occur in the industry chosen as research site for this study. Standard procedures of crisis management are part of routine preparations companies conduct to be able to quickly react on them (Taskila, 2010). While due to their unpredictability of occurrence and impact no direct linkage to strategic planning is drawn (ibid), their effect is screened and if required considered to alter existing plans. Even though very often this does not affect strategic issues, it might represent a considerably crucial and pressuring challenge for the company.

The third major finding concerns the increasing importance of innovations in uncertain environments. Companies operating in such environments are frequently exposed to new, unforeseeable or unexpected challenges and opportunities on which they have to react quickly, being aware of the high level of competition in the industry. To achieve relevant first-mover advantages, innovation pipelines consisting of pre-thought ideas or concepts can be crucial as it was the case with implementing a hub structure in Riga to compensate decreasing local demand (Taskila, 2010). While, as suggested by the fourth initial proposition and strongly supported by the findings of this study, strategic planning does not produce innovations, separate measures to establish and maintain this capability are applied in practice.

To conclude, it appears to be challenging to directly consider uncertainty within strategic planning. Crucial reactions and precautions for companies operating in uncertain environments are prepared isolated from strategic planning by shaping the organisational culture and structure in a supportive way for awareness and flexibility, by enhancing the corporate innovation capability and by actively preparing operational crisis situations. Strategic planning showed to be in the passive role of having to adjust to the circumstance of increased uncertainty by decreasing its formality, increasing impact of subjective judgements and the consideration of more operational challenges.

6.2 Discussion of knowledge contribution

The findings generated through acquiring an understanding of strategic planning in practice provide new insights in two knowledge areas: They have implications of the design vs. process debate discussion in the literature review and they have implications for practitioners facing environmental turbulence. Both areas will be discussed in this section.

6.2.1 Implications for design vs. process debate

The findings generated show strong support for an adaptive and learning-oriented approach to strategy formulation under high levels of uncertainty, as outlined in the second research stream analysed in the literature review. The supportive indications of
this approach identified throughout this study as well as additional arguments strengthening this position will be outlined in this section and a brief conclusion will be drawn.

The adaptive and learning-oriented approach analysed in the second research stream of the literature review argues for the crucial impact of the ability to ‘move faster to adapt better’. The characteristics outlined for strategic planning within this understanding (see Table 3) match with the findings generated in this study: Strategy formulation occurs previous to strategic planning and functions as overall guidance for its further emergent development. Subjective expert judgements replace formal analysis. Its main role is to support implementation and to further provide a database for further strategic decisions and guidance for the company. Involvement of employees is not only seen as a crucial factor to achieve commitment, it even functions as a crucial success factor in an uncertain environment.

In addition to the previously raised arguments supporting faster movement and adaptation, this study also indicated the increasing pressure of operational challenges and its binding of management resources as further opposition to the more traditional approach discussed in the first research stream. While under increased levels of turbulence, fight for survival requires management to focus on short- and midterm actions, the perceived value and thereby assigned time to more long-term perspectives looses priority. Existing tools and processes, such as strategic planning seem to be used as vehicles to co-ordinate the implementation of strategy in such challenging environments.

Overall, this study very strongly supported the arguments raised by the followers of an emergent, adaptive and learning-based approach to strategy development. Besides strengthening the traditionally raised argument of the importance of flexibility in response to environmental changes, with raising the issue of operational pressure requiring top management attention, it further questions the applicability of traditional planning approaches in uncertain environments.

6.2.2 Implications for management of environmental turbulence

The study also provides a couple of implications for practitioners dealing with the challenge of environmental turbulence within strategic planning. Three major findings have been identified: (1) Awareness of the level of uncertainty and the corresponding need to be able to adapt quickly to a changed environment is crucial to face operational challenges in particular uncertain environments; (2) Corporate culture and ability to generate innovations are major influence factors on the ability to be aware of changes and adapt flexibly; and (3) Strategic long-term orientation is of particular relevance in uncertain environments meanwhile operational challenges tend to consume crucial management resources. These findings will briefly be explained and a brief conclusion will be provided.

The level of environmental turbulence can be understood as a relevant determining factor for the planning needs of the company. Not necessarily the ability to predict the future but the ability to quickly react to environmental changes seems to be a crucial success factor in turbulent environments. Therefore, companies need to be aware of the level of uncertainty they are facing and the extent to which it pressures them. Based on
these results, the internal factors providing for the required level of awareness and flexibility can be designed and implemented.

Certain elements of corporate culture have been identified as a particular driver of awareness of and flexibility for change. Among them are the direct involvement of the company’s employees into idea generation and development, a spirit of constant change and approaches of trial-and-error. Furthermore, the capability to generate innovations showed to support the ability to flexible react on challenges and to achieve first-mover advantages.

Uncertain and turbulent environments provide severe challenges for companies operating within them. Due to their high pressure on the companies and the fundamental decisions involved, the short- and medium-term perspective received an increasing amount of attention from top management. Also, the tool strategic planning seems to be increasingly used to co-ordinate implementation yielding at this planning period. Since the existence of a clearly and transparently defined structure is crucial to function as a joint reference or guidance when hectic decisions have to be made to react on turbulences. A balance between managing operational challenges and formulating as well as further developing the corporate structure, both requiring top management resources, must therefore be found.

Overall, uncertainty in the environment surely requires an increased level of flexibility from companies operating in such an environment. Internal factors concerning corporate structure and culture and the ability to generate innovations seem to support this required adaptation to a fast changing environment. Meanwhile, a balance between operational management and long-term strategic thinking should be kept to ensure the alignment of decisions made under operation pressure with the company’s long-term direction.

6.3 Critical reflection, limitations and further research

Objective of this study was to achieve an understanding of how and why strategic planning is conducted in a turbulent environment. Gaining insights into two polar companies in terms of their exposure to turbulence allowed the generation of relevant findings. Even though the overall objective of the study was thereby fulfilled, a number of limitations were identified and further research suggestions have been derived. These will be briefly illustrated in this section.

6.3.1 Critical reflection and limitations

Gaining an understanding of internal processes within a company, in particular related to the development of the company’s strategy, required access to and in-depth understanding of internal sources within the companies under investigation. The application of quantitative research methods would not have allowed for capturing the subtleness and complexity of the topic. Instead, a qualitative research approach based on semi-structured interviews was identified to be the best way to gain the required information from inside the company. The semi-structured interviews conducted with experts inside the companies as well as with industry experts of academic or consulting background therefore provided valuable results. The analysis of polar cases in terms of environmental turbulence further allowed to identify and to analyse differing characteristics.
As interview partners within the companies under investigation, management positions were considered. Thereby, the number of potential interviews per company was limited to one, since only one person in charge of the strategic planning process existed at this level. Having just one interview per case could be argued to cause the findings to be biased and individual opinions to have influenced the data. This shortcoming was approached by considering additional sources, such as company publications, media coverage and interviews with industry experts and researchers familiar with the companies analysed. More interview partners inside the company, e.g. at various hierarchical levels, could have added different perspectives to the study and thereby would have enhanced its validity.

Furthermore from an empirical point of view, the study could be expanded by increasing the number of sample cases to develop the power of generalisation of the findings. The analysis of further corporate characteristics as company size or business model might have revealed additional relationships and findings.

Even though a wider and deeper data collection could have further improved this study, the data collected and the two cases analysed provided very interesting insights and allowed for a number of remarkable findings. The study further allowed for the identification of a number of potential further research areas, which will be outlined in the next section.

6.3.2 Further research areas

In addition to empirically expanding the existing study to overcome its methodological limitations, three potential further research topics emerged: (1) The development of strategic planning practices in relation to changes in environmental turbulence levels; (2) The relationship between corporate culture, uncertainty and strategic planning practices; and (3) The balance among answering to operational pressure and developing long-term strategy.

In both cases analysed, companies adjusted their strategic planning practices in response to the change of the level of uncertainty in the environment they feel exposed to. These adjustments occurred in both directions – while one company tried to increase flexibility in its planning practices when its environment increased in terms of volatility, the other company adopted more formal procedures when indications for stability became noticeable. Analysing these effects over time and across various cases exposed to different changes in environmental turbulence might reveal further interesting findings on how companies face and deal with uncertainty.

The second potential area of interest identified deals with the impact uncertainty has on corporate culture. Throughout the study, it became transparent, that management’s understanding of strategic planning and the company’s corporate culture need to go hand in hand. A change in one area required adjustments in the second area. Deeper analysing this relationship could provide further crucial insights to the understanding of critical success factors for strategic planning in uncertain environments.

As third potential further research area, the balance between the challenge of responding to operational needs and keeping the long-term strategic direction of the company in scope was identified. The findings of this study indicated that besides the challenge of predicting the future in uncertain environments, the pressure of dealing with operational
challenges might be a force preventing the application of formal strategic planning due to its consumption of valuable resources and management attention. Further increasing the understanding of this challenge practitioners are facing might allow for improvements to strategic planning concepts.
References


Personal communication


Appendix 1. Interview acquisition contacts.

All of the below listed contact details were obtained from the airline’s official web pages.

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<thead>
<tr>
<th>Airline</th>
<th>Email address</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Blue 1</td>
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</tbody>
</table>
Appendix 2. Standardized email for initial contact.

Dear Sir and Madam,

we are writing our Master Thesis on the topic "strategic planning practices in the airline industry". Therefore, we are searching for an interview partner who is familiar with the procedures and able to respond to some questions around the strategic planning process in your company.

Since there are no internal email addresses released on your homepage, we would appreciate it very much if you could forward us contact details of the strategic planning department in order to send a request for support for our research project.

Thank you very much in advance for your efforts!

Best regards from Sweden,

Sabrina Schneider and Corinna Rössler
Appendix 3. Template interview briefing.

Strategic planning in uncertain environments – ‘how’ and ‘why’ is it done in practice?

INTERVIEW BRIEFING

Interview with xxx, company, date, time (time zone)

This interview briefing is part of a master thesis research project of Corinna Roessler and Sabrina Schneider within the Erasmus Mundus Programme
Master of Science in Strategic Project Management (European)
at Heriot-Watt University, Edinburgh, UK; MIP – Politecnico di Milano, Milan, Italy; and Umeå School of Business, Umeå, Sweden.

The study aims at gaining understanding of strategic planning in practice – in an uncertain environment

INITIAL SITUATION & OBJECTIVE OF STUDY

Initial situation

> Strategic planning has been receiving much attention in academic literature and business practice since the 1960s
> Original concepts emerged during periods of relative stability, a condition contradicting today’s volatile developments
> Little knowledge exists, how companies conduct strategic planning today – under the increased challenge of uncertainty

Objective

Understand
HOW and WHY strategic planning is conducted in practice today

(the airline industry was chosen as research site due to its particular high level of uncertainty)
Interview aims at understanding in particular how and why strategic planning is conducted at your company

THE INTERVIEW

> Structure & Content: Semi-structured interview with two main parts:
> (1) How is strategic planning done in your company?
> (2) What are the possible reasons for conducting strategic planning?

> Time: Date, time (time zone)
> Place: Via phone
> Duration: Ca. 60-90 minutes

>>> THANK YOU FOR YOUR PARTICIPATION!
Appendix 4. Interview guideline and protocol I.

Interview I

Scope Explore strategic planning practices at airBaltic

How is strategic planning done in your company?
Understand the process of strategic planning applied, regarding
- Its level of formality
- Its major influence sources
- Consideration of uncertainty
- Consideration of new business ventures

What are the possible reasons for conducting strategic planning?
Understand the role of strategic planning, regarding its
- Purposes and impacts, in particular on innovations
- Impact on strategy

Interviewee Tero Taskila, Chief Operating Officer, airBaltic
Date 15.11.2010
Place via phone
Language English

Interview guideline Welcome & warm-up
Thank for participation, provide basic information on study & scope of interview, provide opportunity to raise questions, get permission for recording, outline further process

Interview, main part
Follow semi-structured set of questions, focus on core questions, use detailed questions or ask for clarification where applicable

Initial question: Start interview, collect basic information
I Can you tell us about the company you work for and your role in this organization?

Section one: Exploring how strategic planning is done at airBaltic

1.1 Do you have a planning department?
• What are the department’s tasks?
• How is the department organised?
• What is the role of the department in the organization?
• How are communication and collaboration with other departments?
• How is the relationship with the top management?
How does the timeline of the process look like?
• How long does the process take?
• What is its frequency?

How are roles and responsibilities distributed across the company?
• Which are the involved parties?
• What are the responsibilities of the strategic planners?
• What role does top management play within the planning process?

Which are the main data and its sources?
• What kind of data is used throughout the process?
• Which internal data sources are considered?
• Which external data sources are considered?
• What kind of subjective data sources or judgements are considered?

What is the format of the strategic plan?
• What are its components?
• How is the process of compiling information?
• How is the strategic plan presented?
• Which parties participate in the presentation?

What is the nature of strategic planning meetings?
• Who attends the planning meetings?
• How long does a meeting typically last?
• Where are the meetings held?
• How often do meetings take place?
• Which topics are usually covered?
• How is the meeting conducted (strict agenda/ time for open discussion)?

1.3 Have you had unforeseen events in the past and how were they treated?
• How are unforeseen events considered in the planning process?
• Is there a mechanism to deal with changes?
• Does it have an effect on the strategic plan?
• How fast are strategic plans adjusted to new situations?

1.4 Do you have examples of how new business ventures were included in strategic planning?
• How does the process look like?
• How are new business ventures selected?
• Which requirements need to be fulfilled by new business ventures?
• Which relevant input factors for new business ventures are considered?
• What are typical problems?
Section two: Exploring why strategic planning is conducted at airBaltic

2.1 How would you describe the organizational culture of your company?

2.2 How does the company encourage innovativeness and creative thinking?
   • How are personal judgements and suggestions of employees considered?
   • How are judgements and suggestions of stakeholders considered?
   • Do you have an incentive system which facilitates innovation?
   • How are new ideas treated?
   • Do you have continuous improvement processes?

2.3 What is the role of strategic planning in your company?
   • What is the role of strategic planning within the top management?
   • How is strategic planning embedded in the organization?
   • What are the linkages between strategic planning and other systems?
   • What are the links with other organizational functions?
   • How do they use the results of the strategic planning process?

Summary of results
- Corporate culture is based on the spirit of constant change and development
- No formal strategic planning process/ no strategic plan
- No formal analysis instead continuous screening, talking & discussions
- Top management provide framework of strategy (mission & goals are guidance)
- Innovation is incorporated in corporate culture and integral part of daily actions
Appendix 5. Interview guideline and protocol II.

## Interview II

<table>
<thead>
<tr>
<th>Scope</th>
<th>Explore strategic planning practices at Air Greenland</th>
</tr>
</thead>
</table>

*How is strategic planning done in your company?*
Understand the process of strategic planning applied, regarding
- Its level of formality
- Its major influence sources
- Consideration of uncertainty
- Consideration of new business ventures

*What are the possible reasons for conducting strategic planning?*
Understand the role of strategic planning, regarding its
- Purposes and impacts, in particular on innovations
- Impact on strategy

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Christian Keldsen,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>25.11.2010</td>
</tr>
<tr>
<td>Place</td>
<td>via phone</td>
</tr>
<tr>
<td>Language</td>
<td>English</td>
</tr>
</tbody>
</table>

### Interview guideline

- Welcome & warm-up
  - Thank for participation, provide basic information on study & scope of interview, provide opportunity to raise questions, get permission for recording, outline further process

- Interview, main part
  - Follow semi-structured set of questions, focus on core questions, use detailed questions or ask for clarification where applicable

- Initial question: Start interview, collect basic information
  1. Can you tell us about the company you work for and your role in this organization?

### Section one: Exploring how strategic planning is done at Air Greenland

1.1 Do you have a planning department?
- What are the department’s tasks?
- How is the department organised?
- What is the role of the department in the organization?
- How are communication and collaboration with other departments?
- How is the relationship with the top management?
1.2 How does the strategic planning process look like in your company?

Which are the main process steps and how are they executed?
• Which components are considered in the strategic planning process?
• How is the process coordinated?
• How are planning goals set?
• Do you have a systematic approach for performing analysis?
• How is the decision-making process?

How does the timeline of the process look like?
• How long does the process take?
• What is its frequency?

How are roles and responsibilities distributed across the company?
• Which are the involved parties?
• What are the responsibilities of the strategic planners?
• What role does top management play within the planning process?

Which are the main data and its sources?
• What kind of data is used throughout the process?
• Which internal data sources are considered?
• Which external data sources are considered?
• What kind of subjective data sources or judgements are considered?

What is the format of the strategic plan?
• What are its components?
• How is the process of compiling information?
• How is the strategic plan presented?
• Which parties participate in the presentation?

What is the nature of strategic planning meetings?
• Who attends the planning meetings?
• How long does a meeting typically last?
• Where are the meetings held?
• How often do meetings take place?
• Which topics are usually covered?
• How is the meeting conducted (strict agenda/ time for open discussion)?

1.3 Have you had unforeseen events in the past and how were they treated?
• How are unforeseen events considered in the planning process?
• Is there a mechanism to deal with changes?
• Does it have an effect on the strategic plan?
• How fast are strategic plans adjusted to new situations?
1.4 Do you have examples of how new business ventures were included in strategic planning?
   • How does the process look like?
   • How are new business ventures selected?
   • Which requirements need to be fulfilled by new business ventures?
   • Which relevant input factors for new business ventures are considered?
   • What are typical problems?

Section two: Exploring why strategic planning is conducted at Air Greenland

2.1 How would you describe the organizational culture of your company?

2.2 How does the company encourage innovativeness and creative thinking?
   • How are personal judgements and suggestions of employees considered?
   • How are judgements and suggestions of stakeholders considered?
   • Do you have an incentive system which facilitates innovation?
   • How are new ideas treated?
   • Do you have continuous improvement processes?

2.3 What is the role of strategic planning in your company?
   • What is the role of strategic planning within the top management?
   • How is strategic planning embedded in the organization?
   • What are the linkages between strategic planning and other systems?
   • What are the links with other organizational functions?
   • How do they use the results of the strategic planning process?

<table>
<thead>
<tr>
<th>Summary of results</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Silo culture, where communication between the sections is limited</td>
</tr>
<tr>
<td>- Strategic planning process based on project portfolio approach</td>
</tr>
<tr>
<td>- Modified formal strategic plan based on formal analysis and subjective judgements</td>
</tr>
<tr>
<td>- Strategy development is a top management task</td>
</tr>
<tr>
<td>- No formal or informal encouragement of innovation</td>
</tr>
</tbody>
</table>
Appendix 6. Interview guideline and protocol III.

**Interview III**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Validate findings regarding the role of strategic planning &amp; its consideration of turbulence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee</td>
<td>Dr. Martin Joppień</td>
</tr>
<tr>
<td>Date</td>
<td>08.12.2010</td>
</tr>
<tr>
<td>Place</td>
<td>via phone</td>
</tr>
<tr>
<td>Language</td>
<td>German</td>
</tr>
<tr>
<td>Interview guideline</td>
<td>Welcome &amp; warm-up</td>
</tr>
<tr>
<td></td>
<td>Thank for participation, provide basic information on study &amp; scope of interview, provide opportunity to raise questions, get permission for recording, outline further process</td>
</tr>
<tr>
<td>Interview, main part</td>
<td>Follow semi-structured set of questions, focus on core questions, use detailed questions or ask for clarification where applicable</td>
</tr>
</tbody>
</table>

*Initial question: Start interview, collect basic information*

I. Can you tell us about the company you are working for, your role in the organization and your expertise in strategic planning?

*Section one: The role of strategic planning*

1.1 Does strategy emerges out of the strategic planning process in your opinion?

1.2 Does strategic planning leads to an improvement in the quality of strategic decision-making and coordination within the company?
   - How important is the involvement of the middle management and employees in the strategic planning process?
   - How should the strategic planning process be linked with other systems of the organization?

1.3 What is in your opinion the main reason why organizations conduct strategic planning?
   - What changed with the increase of turbulence in your point of view?

*Section two: The consideration of turbulence in strategic planning*

2.1 Which are the the disadvantages of a formal strategic planning approach compared to an informal strategic planning approach in a turbulent business environment?
   - How would you evaluate the flexibility and adaptability of a formal strategic planning process?
   - Which level of formality and detail should a strategic planning process have in a turbulent business environment?
2.2 Which are the key success factors in a turbulent business environment regarding strategy formulation?
   - How do you evaluate the importance of flexibility and innovation in strategic planning?
   - How do you evaluate the importance of the conduction of formal analysis and the ability to predict?
   - How do you evaluate the importance of involving subjective judgements in the strategic planning process?
   - Is it more reasonable to locate the strategic planning more to operations?

2.3 Have you recognized any changes in how airlines conduct strategic planning over the last years?
   - Have you recognized an alteration to more flexible processes?
   - How do you evaluate the importance of innovation in the process and to which extent are they incorporated in the process?

<table>
<thead>
<tr>
<th>Summary of results</th>
</tr>
</thead>
<tbody>
<tr>
<td>- There is no time anymore for strategic planning in a turbulent environment</td>
</tr>
<tr>
<td>- Goals are given and are not defined and challenged due to formal analysis processes</td>
</tr>
<tr>
<td>- Organizations trust more external expert advice instead of conducting formal analysis</td>
</tr>
</tbody>
</table>
# Appendix 7. Interview guideline and protocol IV.

## Interview IV

<table>
<thead>
<tr>
<th>Scope</th>
<th>Validate air Baltic findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee</td>
<td>Dr. Maik Huettinger, Senior Assistant Professor, University of Management and Economics, Kaunas, Lithuania</td>
</tr>
<tr>
<td>Date</td>
<td>09.12.2010</td>
</tr>
<tr>
<td>Place</td>
<td>via phone</td>
</tr>
<tr>
<td>Language</td>
<td>German</td>
</tr>
</tbody>
</table>

### Interview guideline

**Welcome & warm-up**

Thank for participation, provide basic information on study & scope of interview, provide opportunity to raise questions, get permission for recording, outline further process

**Interview, main part**

Follow semi-structured set of questions, focus on core questions, use detailed questions or ask for clarification where applicable

**Initial question: Start interview, collect basic information**

1. Can you tell us about your work at the University in Kaunas, your experience in the airline industry and especially in airBaltic?

**Main question: airBaltic findings**

1. How would you evaluate airBaltic’s business environment and its development?
2. Which are in your opinion the most important steps in airBaltic’s business development?
3. How would you describe airBaltic’s corporate culture?
4. How would you evaluate airBaltic’s ability to be innovative?
5. Would you agree on our finding that airBaltic reacts pro-active on external environmental changes?
6. Do you see any specific characteristics in airBaltic’s organization if you compare it to other airlines?

### Summary of results

- In general ‘trial and error’ culture in Baltic regions
- airBaltic’s plans more in short-term
- Ability for innovation in the organization is high
- Confirmation that airBaltic reacts pro-active on environmental changes
Appendix 8. Interview guideline and protocol V.

**Interview V**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Validate findings &amp; identify airline industry specific effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee</td>
<td>Doris Hanisch, Principal, Vienna Office, The Boston Consulting Group</td>
</tr>
<tr>
<td>Date</td>
<td>16.12.2010</td>
</tr>
<tr>
<td>Place</td>
<td>via phone</td>
</tr>
<tr>
<td>Language</td>
<td>German</td>
</tr>
</tbody>
</table>

**Interview guideline**

- Welcome & warm-up
  - Thank for participation, provide basic information on study & scope of interview, provide opportunity for questions

- Interview, main part
  - Follow semi-structured set of questions, focus on core questions, use detailed questions or ask for clarification where applicable
  1. Can you briefly outline your experience and main areas of expertise within the airline industry?
  2. Which would you consider to be the key resource of an airline? Which would you consider to be the most relevant strategic decisions of an airline?
  3. What would you consider to be the role of innovation capabilities for an airline?
  4. I assume that you would agree that airlines today operate in a volatile market and are exposed to external events. Do you think, that the necessity to "fight to survive" and thereby to react quickly is larger than in other industries?
  5. Do you think that companies operating in the airline industry can invest the time to conduct formal planning processes to define their strategic direction? Which variables would have to be considered to provide an answer to this question?
  6. Would you consider any other characteristic of the airline industry to be relevant to distinguish airline company's strategic planning needs from companies operating in other industries?

**Summary of results**

- Business model as most relevant strategic decision
- Monopol routes as most important strategic resource
- Capability for innovation to be crucial capability within the airline industry, in particular in relation to IT development at customer interface
- Need for operational crisis management as key challenge for airlines
- Differentiation characteristic in comparison to other industries
- Long-term strategic planning crucial for airlines, no matter how volatile and uncertain markets are
### Appendix 9. Analysis case I: airBaltic – Environmental events.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>airBaltic</th>
<th>Relevant environmental event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of competition</strong></td>
<td>- High</td>
<td>Latvia entering the European Union</td>
</tr>
<tr>
<td></td>
<td>- Particular high pressure of low-cost carriers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Increasing number of competitors flying to the Baltics</td>
<td></td>
</tr>
<tr>
<td><strong>Economic development</strong></td>
<td>- Hit by global financial crisis</td>
<td>Global financial crisis</td>
</tr>
<tr>
<td></td>
<td>- Particular loss of domestic demand due to extent of crisis in Baltic region</td>
<td></td>
</tr>
<tr>
<td><strong>Crisis situations</strong></td>
<td>- Frequently exposed to crisis situations, recently ash-cloud &amp; global financial crisis</td>
<td>Global financial crisis</td>
</tr>
<tr>
<td><strong>Legal implications</strong></td>
<td>- Entry of Latvia to the European Union accompanied by free market access and full liberalisation of tariffs</td>
<td>Latvia entering the European Union</td>
</tr>
<tr>
<td><strong>Technological development</strong></td>
<td>- Development of social media</td>
<td>Development of social media</td>
</tr>
</tbody>
</table>

* Considered to be operational issues
Appendix 10. Analysis case I: airBaltic – Timeline of responses.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **1** | 01.04.2004  
Entry of Latvia to European Union |
| Environmental event |   |
| Corporate response |   |
| 2001 | 2004 |
| Decision to include low-cost elements to business model (pro-active) | Re-enforcement of implementation of low-cost business model (active) |

<p>| | |</p>
<table>
<thead>
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</thead>
</table>
| **2** | 09/2008  
Outbreak of global financial crisis |
| Environmental event |   |
| Corporate response |   |
| 2008 |   |
| Implementation of hub-structure (active) |   |
Appendix 11. Analysis case I: airBaltic – Awareness and flexibility.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>airBaltic</th>
<th>Support for Awareness</th>
</tr>
</thead>
</table>
| **Corporate Culture** | ‘Go-and-get-it’ culture, where trial-and-error is lived; mistakes are allowed  
|                    | Spirit of constant change and development                                 | Generation of learnings through trial-and-error approaches                           |
| **Strategic Planning** | No formal strategic plan  
|                    | Clearly defined mission and goals provide guidance  
|                    | Continuous screening, talking & discussions instead of any formal analysis  
|                    | CCO as coordinator of strategy development  
|                    | No planning department, support by one employee  
|                    | No direct consideration of unforeseen events in strategic planning  
|                    | Plans to implement more formal strategic planning process                  | Continuous screening & discussing of industry development                             |
| **Innovation**     | Integral part of daily action  
|                    | Incorporated in corporate culture  
|                    | Intentionally no incentives  
|                    | Main source of ideas: customer feedbacks  
|                    | Main interest area: tourism development                                   | Involvement of entire company in corporate development                               |

<table>
<thead>
<tr>
<th>Dimension</th>
<th>airBaltic</th>
<th>Support for Flexibility</th>
</tr>
</thead>
</table>
| **Corporate Culture** | ‘Go-and-get-it’ culture, where trial-and-error is lived; mistakes are allowed  
|                    | Spirit of constant change and development                                 | Innovative thinking being incorporated in corporate culture                           |
| **Strategic Planning** | No formal strategic plan  
|                    | Clearly defined mission and goals provide guidance  
|                    | Continuous screening, talking & discussions instead of any formal analysis  
|                    | CCO as coordinator of strategy development  
|                    | No planning department, support by one employee  
|                    | No direct consideration of unforeseen events in strategic planning  
|                    | Plans to implement more formal strategic planning process                  | Development of pre-thought material ideas                                          |
| **Strategy Formulation** | Top management as source of guidance and impulses (mission & goals)  
|                    | Providing the framework of strategy                                        | CCO responsible for coordination of strategy development                             |
| **Innovation**     | Integral part of daily action  
|                    | Incorporated in corporate culture  
|                    | Intentionally no incentives  
|                    | Main source of ideas: customer feedbacks  
|                    | Main interest area: tourism development                                   | Innovative thinking being incorporated in corporate culture                         |

99
Appendix 12. Analysis case II: Air Greenland – Environmental events.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Air Greenland</th>
<th>Relevant environmental event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of competition</td>
<td>- Medium&lt;br&gt;- Increasing number of competitors on international routes during the peak season&lt;br&gt;- No competition on less profitable domestic routes</td>
<td>Emergence of competition</td>
</tr>
<tr>
<td>Economic development</td>
<td>- Hit by global financial crisis&lt;br&gt;- Particular reduction of tourism demand due to high-price character of Greenland travels</td>
<td>Global financial crisis</td>
</tr>
<tr>
<td>Crisis situations</td>
<td>- Frequently exposed to crisis situations, recently ash-cloud &amp; global financial crisis&lt;br&gt;- Frequently exposed to extreme weather conditions</td>
<td>Global financial crisis&lt;br&gt;<em>Ash-cloud of Icelandic volcano</em>&lt;br&gt;<em>Extreme weather conditions</em></td>
</tr>
<tr>
<td>Legal implications</td>
<td>- Open terms for air traffic within Greenland</td>
<td>Base for emergence of competition</td>
</tr>
<tr>
<td>Technological development</td>
<td>- Development of e-Sales</td>
<td>Development of internet sales</td>
</tr>
</tbody>
</table>

* Considered to be operational issues

1. Arising competition on international routes

   Environmental event
   
   Corporate response
   
   Adjustments to price structure (reactive)

2. 09/2008
    Outbreak of global financial crisis

   Environmental event
   
   Corporate response
   
   2010
   Cost-cutting (reactive)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Air Greenland</th>
<th>Support for Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Culture</strong></td>
<td>- Traditional silos within the company&lt;br&gt;- New CEO established a more open-door spirit due to his ‘walk-to-talk’ approach/involvement</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Planning</strong></td>
<td>- Formal strategic plan&lt;br&gt;- Strategic plan provides guidance/joint reference&lt;br&gt;- Strategic plan is based on formal analysis and subjective judgements&lt;br&gt;- CFO coordinates strategic planning process&lt;br&gt;- No planning department, project based work&lt;br&gt;- Consideration of effects of unforeseen events in strategic plan (update, re-prioritization)&lt;br&gt;- Recently increased level of flexibility within its strategic planning process</td>
<td></td>
</tr>
<tr>
<td><strong>Internal Factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy Formulation</strong></td>
<td>- Strategy development is a top management task&lt;br&gt;- Defined strategic plan as source of further strategy development</td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>- No formal process&lt;br&gt;- Attempts to involve employees&lt;br&gt;- No incentives&lt;br&gt;- Main source of ideas: employees with customer contact&lt;br&gt;- Main interest area: tourism development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Air Greenland</th>
<th>Support for Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Culture</strong></td>
<td>- Traditional silos within the company&lt;br&gt;- New CEO established a more open-door spirit due to his ‘walk-to-talk’ approach/involvement</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Planning</strong></td>
<td>- Formal strategic plan&lt;br&gt;- Strategic plan provides guidance/joint reference&lt;br&gt;- Strategic plan is based on formal analysis and subjective judgements&lt;br&gt;- CFO coordinates strategic planning process&lt;br&gt;- No planning department, project based work&lt;br&gt;- Consideration of effects of unforeseen events in strategic plan (update, re-prioritization)&lt;br&gt;- Recently increased level of flexibility within its strategic planning process</td>
<td>(but recent shift)</td>
</tr>
<tr>
<td><strong>Internal Factors</strong></td>
<td></td>
<td>(but recent shift)</td>
</tr>
<tr>
<td><strong>Strategy Formulation</strong></td>
<td>- Strategy development is a top management task&lt;br&gt;- Defined strategic plan as source of further strategy development</td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>- No formal process&lt;br&gt;- Attempts to involve employees&lt;br&gt;- No incentives&lt;br&gt;- Main source of ideas: employees with customer contact&lt;br&gt;- Main interest area: tourism development</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 15. Analysis: cross-case – Corporate responses to environmental events.

<table>
<thead>
<tr>
<th>Environmental events</th>
<th>airBaltic</th>
<th>Air Greenland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased competition</td>
<td>- Severe pressure on business model, price structure, route network</td>
<td>- Pressure on price structure and customer loyalty</td>
</tr>
<tr>
<td></td>
<td>&gt; <strong>Pro-active/ active Response:</strong> Decision to adjust business model in 2001 followed by step-wise implementation; re-enforcement of implementation after actual market entry of new competitors</td>
<td>&gt; <strong>Reactive response:</strong> Adjustments of pricing as a consequence of price pressure</td>
</tr>
<tr>
<td>Global financial crisis</td>
<td>- Fundamental elimination of local demand in Baltic area</td>
<td>- Temporarily reduction of tourism related demand</td>
</tr>
<tr>
<td></td>
<td>&gt; <strong>Active response:</strong> Implementation of hub-structure to increase international demand by offering transit services</td>
<td>&gt; <strong>Reactive response:</strong> Cost-cutting to compensate declining revenues</td>
</tr>
<tr>
<td>Development of web and social media</td>
<td>- Technological developments for price-effective marketing and up-to-date online service of particular importance</td>
<td>- Technological developments of interest, but not of immediate importance</td>
</tr>
<tr>
<td></td>
<td>&gt; <strong>Pro-active response:</strong> Early identification of potentials and trial of approach, fast development of utilisation after initial successes</td>
<td>&gt; <strong>Reactive response:</strong> Making-up for backlog in web presence</td>
</tr>
</tbody>
</table>