ENCOURAGING EMERGENCE OF CROSS-BUSINESS STRATEGIC INITIATIVES

Introduction

The question of how individual business units may obtain additional sources of competitive advantage by reaping the benefits of being affiliated to a multibusiness corporation has been at the heart of the academic literature on corporate strategy since its early days (Ansoff, 1965; Collis & Montgomery, 1998). Well-known theoretical and empirical studies analyzed the economic factors and organizational arrangements that enable multibusiness firms to benefit from the cross-business synergies associated with the businesses under their control (Anand, 2005; Collins & Smith, 2006; Helfat & Eisenhardt, 2004; Hill, 1994; Kretschmer & Phanish, 2008; Martin & Eisenhardt, 2010; O'reilly & Tushman, 2007; Palepu, 1985; Porter, 1987; Schmidt & Keil, 2010; Williamson, 1975). This literature usually refers to the creation of synergies across different businesses of a multibusiness firm as *parenting advantage* (Goold, Campbell, & Alexander, 1994) or *corporate advantage* (Collis & Montgomery, 1998), which presumes that headquarters (HQs) omnisciently overlooks business units.

In stark contrast, Burgelman (1983b) looked into the internal process of corporate venturing and coined the concepts of induced and autonomous behaviors. "The induced process concerns initiatives that are within the scope of the organization's current strategy and build on existing organizational learning; the autonomous process concerns initiatives that emerge outside of it and provide the potential for new organizational learning" (Burgelman, 1991: 241). For Burgelman (1983a), the strategic context can be redefined by middle managers championing of new initiatives, which ultimately can change the strategic thinking of top management. This is closely related to the notion of emergent strategy process developed by Mintzberg (1990) and Mintzberg & Lampel (1999), whereby strategy is the resulting pattern of a stream of decisions

rather than a top-down plan. More recently, Mirabeau and Maguire (2014) elaborated a theory linking emergence and autonomous behavior and "show how emergent strategy originates as a project through autonomous behavior" (:1202).

Whereas notions as *parenting advantage* address strategic initiatives predominantly as a top-down process, notions as *autonomous behavior* and *emergence* address spontaneous bottom-up phenomena. A less developed stream of work, however, focuses on whether and how cross-business strategic initiatives might be the outcome of processes that, while induced by a sort of prevailing concept of strategy or strategy articulation (Noda and Bower, 1996), are formulated at the business unit level (Chakravarthy, Zaheer, & Zaheer, 2001; Martin & Eisenhardt, 2010), configuring a middle ground between the previously referred "top-down" initiatives and those that may develop at the business unit level through autonomous process, as described by Burgelman (1983). Such "middle ground" initiatives, defined here as *Cross-Business Strategic Initiatives Formulated at the Business Unit Level*, constitute the focus of our research.

Being apparent that cross-business strategic initiatives are formulated at the business unit level in multibusiness firms, two issues yet not addressed by the literature become important. First, what organizational characteristics of multibusiness firms are conducive to the formulation of cross-business strategic initiatives at the business unit level? And second, in what way do such characteristics contribute toward the formulation of these initiatives? We draw from an exploratory study of strategic initiatives within three multibusiness firms, which actively engaged in cross-business strategic initiatives in an effort to develop theoretical categories to answer these research questions. Our main argument is that there is a set of conditions at the organizational level that encourage the formulation of cross-business strategic initiatives at the business level. Strategic initiative is defined as "discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources" (Birkinshaw, 1997: 207; Kanter,

1982; Miller, 1983). In this research, these are group actions at the business level that identify opportunities, mobilize resources, and attempt to tap into such opportunities.

Several new theoretical insights emerged from our data. In all of the three firms, we identified four features that were conducive to the development of cross-business unit strategic initiatives formulated at the business unit level: first, a sense of urgency, due to competitive pressures faced by the firm, that resounded across business units endowed with scarce resources; second, the existence of a few broad but strong strategic corporate guidelines; third, the existence of horizontal formal and informal cross-business integration mechanisms; and fourth, a generic cultural proneness to collaborate within the firm. Generically, these characteristics favored the formulation of cross-business strategic initiatives at the business unit level by creating impetus for such collaboration to occur. In addition, three of the characteristics identified helped to support the process of exploration, negotiation, and implementation of initiatives in more specific ways. Corporate strategic guidelines provided the necessary vertical coordination to motivate businesses to explore initiatives within the strategic focus of the corporation. Integration mechanisms facilitated the horizontal coordination across business by easing the circulation of relevant, in-depth information on the current activities of peer business units, and also by providing forums in which collaboration initiatives could be explored formally and informally. Finally, the firms' cultural proneness toward collaboration led to proactive and persistent efforts at the business unit level when pursuing cross-business initiatives.

The remainder of this paper is organized in the following way. First, we review the literature on corporate strategy and strategic initiatives. Second, from the analyses of cross-business strategic initiatives within three multibusiness firms, we analyze those formulated at the business unit level and elaborate the characteristics that favor their occurrence. Finally, we discuss our findings and their relevance for the management of multibusiness firms as well as

their implications for the field of corporate strategy.

THEORETICAL BACKGROUND

The corporate strategy literature has predominantly described strategic initiatives aimed at pursuing cross-business strategic advantage as the outcome of explicit, active, and purposeful "top-down" initiatives developed by the firm's HQs (Bailey & Friedlander, 1982; Eisenmann & Bower, 2000; Palepu, 1985; Panzar & Willig, 1981; Prahalad & Hamel, 1990). Research on corporate strategy of the firm has been one of the most prolific areas within the strategy literature for more than three decades (Chang & Singh, 2000). The pursuit of cross-business synergies is at the heart of the corporate strategy debate. In this paper, we define cross-business synergies as "the value that is created and captured, over time, by the sum of the businesses together relative to what it would be separately" (Martin & Eisenhardt, 2003: 3). The benefits associated with the existence of cross-business synergies, characterized in the literature as corporate or parenting advantage (Collis & Montgomery, 1998; Goold, et al., 1994; Poppo, 2003) has been associated with the existence of economies of scope (Helfat & Eisenhardt, 2004; Palepu, 1985; Panzar & Willig, 1981; Porter, 1987), market power (Hill, 1994; Hughes & Oughton, 1993), demand complementarities (Harrison, Hitt, Hoskisson, & Ireland, 2001; Henten & Godoe, 2010; Lang & Stulz, 1994; Schmidt & Keil, 2010; Tanriverdi & Venkatraman, 2005), and governance advantages, associated with the hierarchical coordination of businesses under a corporation, as opposed to organization via market transactions (Alchian & Demsetz, 1972; Chatterjee & Lubatkin, 1990; Coase, 1937; Freeland, 2001; Hill, 1988; Williamson, 1975).

Theoretical and empirical research that focused on corporate value creation through the pursuit of economies of scope typically deems the HQs of the firm as the natural leader of any strategic initiative (Bailey & Friedlander, 1982; Palepu, 1985; Panzar & Willig, 1981; Wan, Hoskisson, Short, & Yiu, 2011). For instance, Prahalad and Hamel (1990) contend that the HQs

are an integrator that hosts and “nurtures” the firm’s portfolio of core competencies and deploys them across the firm. In general, synergies are more likely to occur in the presence of resource relatedness (Rumelt, 1974). On the one hand, the HQ appears to be the only area of the firm managing exhaustive information on the portfolio of business capabilities of the firm and having the necessary formal power to enforce cross-business initiatives. On the other hand, top-down strategic initiatives aimed at creating cross-business synergies frequently fall short of managements’ expectations due to the lack of understanding of the context of different business units (Goold & Campbell, 1998). As the realization of synergies proved to be an elusive event in many organizations (Davis & Thomas, 1993; Kleinbaum & Tushman, 2007; Palich, Cardinal, & Miller, 2000; Stimpert & Duhaime, 1997), research on cross-business synergies evolved toward a process theory approach, aiming at understanding how cross-business synergies were actually created. However, this approach overlooks organic strategy generation approaches (Mintzberg, Ahlstrand, & Lampel, 1998). A more recent study explores whether strategic initiatives formulated by business units may constitute an alternative locus for the development of corporate-wide synergies (Martin & Eisenhardt, 2010). Martin and Eisenhardt (2010) claim that collaboration “centers on flexibly emergent, cooperative connections among modular, relatively autonomous and unique businesses” (2010: 294). This emergent stream of process research on cross-business collaboration has the potential move forward the rather stalled debate on intrafirm cross-business collaboration.

Strategic initiatives may present themselves in a range of forms: from improvement projects and new product developments to new ventures or acquisitions (Lechner & Kreutzer, 2010; Zollo & Winter, 2002). Because of the fact that strategic initiatives are group activities, different forms of influence will affect them. Lechner and Floyd (2012) identified that formal authority and coalition building can moderate development of exploratory initiatives, but also

could not find any support for that rational justification to be a useful form of influence. We argue that both formal authority and coalition building are essential to cross-business strategic initiatives but the latter lends itself more to the business-level development while the former will tend to establish the necessary conditions. At the time of working on cross-business initiatives, business-level managers are willing to cooperate and engage, and not just push corporate projects (Kleinbaum & Tushman, 2007). After identifying all of such initiatives, for the purposes of this paper, we focused on the subset of those that had been formulated at the business unit level through the collaboration of different business units. We traced how these initiatives were crafted and developed in order to identify organizational features of the parent firms that were conducive to their formulation. Such initiatives are potential sources of value creation within firms (Chakravarthy, et al., 2001; Martin & Eisenhardt, 2010). While working collaboratively on such cross-business initiatives, business-level managers have a vested interest in seeing their own ideas come to fruition (Maritan, 2001) and are willing to cooperate and engage with other units to bring this about (Lechner & Floyd, 2012), instead of merely pushing corporate-initiated projects that are frequently solutions looking for problems rather than solutions that are intended to resolve problems encountered at the 'coal-face' of businesses themselves (Young & Tavares, 2004). Organizational control has been recently found to counteract political drawbacks on strategic initiatives (Kreutzer, Walter, & Cardinal, 2015). In the case of subsidiaries within multinational firms, past initiatives contribute to its bargaining power, and how HQs respond – through granting attention or monitoring – affect the realization of the subsidiary's goals (Ambos, Andersson, & Birkinshaw, 2010; Birgitte, 2011). However, most autonomous strategic initiatives are trumped by the firm's articulated strategy and structure (Ecker, Van Triest, & Williams, 2011; Kleinbaum & Tushman, 2007). In the specific context of cross-business unit collaboration, Martin and Eisenhardt (2010) argue that business unit-centric processes were more

likely to lead to high-performing cross-business unit collaboration than "top-down" corporate-centric decisions. However, the question of whether and how multibusiness firms may adapt the way these are organized in order to create forums or features that foster the formulation of cross-business strategic initiatives at the business unit level remains open. We seek to bridge this gap by identifying such characteristics and understanding in what way these contribute to the formulation of cross-business strategic initiatives.

Strategic initiatives are driven by autonomous and induced behaviors (Burgelman, 1983a). Autonomous behavior, in turn, constitutes the origin of emergent strategy (Mirabeau & Maguire, 2014). Mirabeau and Maguire (2014) elaborate a process model to address the transition between autonomous behavior and emergent strategy whereby initial mobilization of support for impetus is followed by manipulation of the strategic context for consonance and in turn followed by altering the structural context for embeddedness. When this chain is interrupted initiatives become ephemeral and fail to become emergent strategy. Their model is very accurate in describing the mechanisms that foster or hinder the transition from autonomous to emergent strategy. Our study focuses on the generation and maintenance of strategic initiatives at the business level, which will involve both behaviors autonomous and induced.

METHODS

The research was conducted in three multibusiness firms. At the request of the firms to maintain confidentiality, we will refer to them as *Car Systems*, *Optical Products*, and *Roadside Services*. In the absence of work on autonomous cross-business strategic initiatives, we "let the cases speak," albeit through the lens provided by the work of Burgelman (1983b, 1994), Mintzberg and Waters (1985), and Birkinshaw (1997) on autonomous/emergent strategic initiatives.

The sampling criteria responded to the idea of purposeful sampling (Glaser & Strauss, 1967). We sought and selected information-rich cases that emphasized the phenomenon of cross-

business strategic initiatives. In doing so, we initially approached 11 firms from the region of Catalonia in Spain through preliminary interviews. As a result of this process, we selected the four in which we found abundant preliminary evidence of the existence of cross-business strategic initiatives. One of these firms had to be eventually discarded due to the impossibility of obtaining adequate access for our fieldwork. The three organizations chosen were particularly fertile research settings and proved more than adequate for our purposes. All of them endured major changes in their corporate strategies materialized in a multitude of corporate-wide strategic initiatives. In addition, all of them offered great potential for cross-business collaboration due to the existence of a certain degree of relatedness (whether commercial or technological) between the activities of their business units. We approached the three cases under a multiple-case design. A multiple-case design enables to make cross-case comparisons, making results more robust than those of single cases (Eisenhardt, 1989).

Our study focused on cross-business unit strategic initiatives formulated at the business unit level as unit of analysis, but draws on the contextual factors of each initiative to study its genesis and development. An embedded design increases the complexity of the analysis, but enables us to enrich inductive theory-building efforts (Yin, 2009). This design was justified because we were interested in the initiatives as well as in the effect of the context where these initiatives took place, i.e. the firms' overall strategies and organizational practices. Our data collection process focused on strategic initiatives (Lovas & Ghoshal, 2000) intended to create corporate advantage based on economies of scopes (Helfat & Eisenhardt, 2004; Palepu, 1985; Panzar & Willig, 1981; Porter, 1987) or market power (Hill, 1994; Hughes & Oughton, 1993). Specifically, we focused on initiatives characterized by cross-business knowledge sharing (Miller & Shamsie, 1996; Porter, 1987) and cross-business activity sharing (Porter, 1987). The concepts of dominant logic (Prahalad & Bettis, 1986), parenting style (Goold, et al., 1994), and

cross-business integration mechanisms (Mintzberg, 1973) guided our data collection process referred to the organizational features of the firms in which the abovementioned initiatives were embedded.

Data collection

Data from the companies were the result from extensive research that was conducted between 2003 and 2008. We performed 31 semistructured interviews in total with three types of informants: corporate directors, business unit directors, and members of the board of directors (Table 1).

[Insert Table 1 about here]

Twelve interviews were made at Car Systems, 12 at Roadside Services, and seven at Optical Services, reaching a total of 24 informants, some of which were interviewed two and three times. Notes were taken during the interviews and full reports were written up immediately after each interview. In addition to interviews, we obtained archival information from the companies, including strategic plans, annual reports, institutional brochures, and promotional films. Finally, we gathered public information from the company's website, the business press, business databases, and specialized publications.

One of our first objectives was to identify the universe of cross-business strategic initiatives developed throughout the firms by the time of our study. We let interviewees described a range of initiatives and for each one we asked them to describe their genesis and development. We asked interviewees to provide a detailed description of each initiative. From their description, we assessed whether they had been a result of a top-down corporate-centric mandate or they had been formulated at the business unit level. Although the description was open ended, we took care in collecting data about the following aspects: the "genesis" of the initiative, its content and purpose, and the outcome of the collaboration experience, including an

assessment of its degree of success or failure. After data were collected for all initiatives, the two researchers independently assessed whether they could be classified as Cross-Business Strategic Initiatives Formulated at the Business Unit Level and agreed on the initiatives presented in Table 2. In order to test for potential biases on interviewees' accounts of the facts related to the different initiatives included in Table 2 and their interpretations of whether these were either top down or formulated at the business unit level, we corroborated by contrasting accounts from different interviewees in each firm and through the analysis of documentation from the respective firm. For example, we had three business-level interviews for Car Systems and Optical Products, which offered the genesis and development for each initiative, but sought confirmation from corporate managers who were also cognizant. If corporate managers' descriptions of the initiatives matched our definition of cross-business originated at the business level, we accepted their nature. In this way, our data were subject to triangulation by data source and by method (Denzin, 1978). As a result of this process, we chose those initiatives that had been formulated at the business unit level and focused our analysis exclusively on these. These are presented in Table 2.

[Insert Table 2 about here]

Data analysis

Cross-business initiatives developed at the business unit level, constitute the object of our analysis. In order to discover the reasons that had produced these initiatives, we used narrative to describe the sequential development of each initiative (Langley, 1999). Subsequently, to map the conditions that were common to all initiatives, we identified common patterns. We complemented such analyses by describing the collaborative behavior of businesses across initiatives. Our purpose was to enrich our search for patterns by understanding whether and how

these patterns were affected by the behavior of the business units, which was the organizational context in which initiatives were developed. It is worth remarking that the assessment of the relative merits of initiatives formulated by business units versus those developed in a top-down manner, as well as the analysis of why the latter ones were more abundant in number than the former ones is beyond the scope of this paper.

For each initiative, the two authors independently codified a list of candidate reasons that enabled or allowed their occurrence. In doing this, we followed a replication logic where each initiative was approached as a different experiment (Yin, 2009). We then contrasted these candidate reasons with data to cross-check for consistency. Independently, the two authors developed a list of candidate reasons per initiative. The authors then presented these candidate reasons to each other. Some of them coincided, others could be grouped differently and in very few of them there were disagreements. Candidate reasons for a single initiative were deemed as valid only when both authors independently agreed on their existence. Subsequently, we grouped the list of reasons across all four initiatives under study. This process led to the identification of four factors characterizing all the initiatives studied that were conducive to the development of cross-business strategic initiatives developed at the business unit level. We present the results of this process in Table 3.

[Insert Table 3 about here]

We focused on the identification of the underlying conditions that encouraged the development of each initiative. The resulting theorization showed that, although all four characteristics together produced impetus for the formulation of cross-business unit initiatives at the business unit level, one by one, each characteristic had a particular effect. The narrative accounts of each chosen initiative and the cases they belong are discussed below.

FOUR CASES OF CROSS-BUSINESS STRATEGIC INITIATIVES

This section provides an overview of the companies investigated and the narrative describing the cross-business strategic initiatives that emerged spontaneously at the level of individual business units. Table 2 lists all strategic initiatives identified in the three companies and highlights cross-businesses selected. As shown in Table 2, the proportion of cross-business strategic initiatives was relatively low. Four of these strategic initiatives formulated at the business unit level are summarized below. Three of these initiatives resulted from the business units' spontaneous initiative to collaborate. The fourth results from a business unit initiative that eventually became part of corporate policy. The sequences of events that generated each cross-business strategic initiative are described in Table 3.

In the interest of anonymity, we have called the cases *Car Systems*, *Optical Products*, and *Roadside Services*. After the description of each organization, we present each of their cross-business strategic initiatives that we deem to have emerged spontaneously. Although this study recognizes the importance of top-down strategic initiatives, they are not reported here. The three initiatives identified are summarized below.

Car System Case

Car Systems is a holding of a group of companies operating along the supply chain in the auto industry. It is organized around four subsidiary business units: Braking Systems, Rear-View Systems, Interiors, and Locking Systems. It was established in Spain after the end of World War II because the imposed trade isolation led to a severe shortage of spare parts for cars in Spain. When Spain joined the European Union (EU) in 1986, they took this as an opportunity to operate in a bigger market. The car industry underwent important changes beginning from the early 1980s. *Car Systems'* response was to develop critical economies of scale in manufacturing, R&D, and purchasing with the entire EU market, which transformed them into a major European

component manufacturer. By the mid-1990s, they decided on a geographical expansion plan aimed at winning new customers worldwide. It was within this period of the firm's growth that the following strategic initiative emerged.

Car Systems' first strategic initiative: Multiplants for market entry

Car Systems' growth was not orthodox. Although it was standard industry practice to build one plant for each car component, Car Systems mixed different components within a plant. Different business units tendered to produce car parts for car manufacturers, but when it was not worth it to build a plant for one unit, they joined forces. This unassuming practice enabled nimble market response and a cost advantage. It was when entering the North America Free Trade Agreement (NAFTA) region that different business units developed "multiplants." Perhaps naively after winning a tender for rear-view mirrors, they approached the plastic and electrical system unit, which already had an operating plant with available capacity, to use their facility. Then, another unit tapped on the opportunity.

> Multiplants were far from ideal but (each division had different operational and administrative procedures) they helped us in that critical first internationalization step. All the three international business units: Rear-View Systems; Command and Control Systems; and Plastics and Electrical Systems used this method to enter the markets of Mexico and Brazil (Electrical Systems Business Unit Director, Interview).

The idea for multiplant operations drew on bilateral discussions and negotiations between the international business units, without any influence from the HQ. As described by the manager in charge of rear-view mirrors, "'...coffee chat' between us enables us to prevent making clumsy mistakes such as everybody going to the same country on their own." Although business units were encouraged to operate independently multiplants benefited the entire corporation reducing risk. Multiplants entailed a lower downside risk of market entry for the corporation as a whole, but kept the upside potential for subsequent expansion in that particularly market intact. Besides,

in a worldwide market for car components, the customers drove them. In words of one of the three, the manager in charge of the Rear-View Mirrors Business Unit,

> "Going to NAFTA was tough for us. At the time, we were barely coping with our fast European expansion when a customer request -at the highest level- made it clear that we had to support them also in America. Sharing production facilities by having multi-plants in Mexico was quite complicated, but we had no option and it was the only way to face customers' demands, and we ended up managing. As a side effect, though, we learned from this experience and it helped us to improve other business processes, such as reporting for instance."

After the success of the Mexican experience, this format became a template for further new market entries because it was cost-effective and gave a better and quicker service to the car manufacturer customers. "Using multi-plants as market entry strategy enabled things we could not have done as a single unit," said the manager of the electric unit. This strategic imperative was coupled with severe financial restrictions derived from the opposition to raise capital in public financial markets by controlling shareholders.

Car Systems' second strategic initiative: bottom-up organizational integration.

Organizational process integration helps creating supply-side economies of scope through sharing activities. Despite its increasingly international position in manufacturing and sales, by 2003 the firm still sourced most of its raw materials from the 100-kilometer area around its HQs. Similarly, the Spanish plants sometimes arbitrarily controlled the inbound logistics for all the international plants within each division, leading to inefficient supplies and frequent political clashes. The three international divisions of the firm, as the ones most affected and in order to cut costs, decided to take action and to develop an agreed solution. The solution was based on the integration of the procurement activities for the three divisions, which produced dramatic reductions in costs via sharing of activities and knowledge, ultimately coming to life without the need of any corporate initiative. As summarized by the logistics manager,

> "We needed to sort out an awfully inefficient procurement function in order to reduce costs. There was no system we had just grown organically with a parochial approach. Using our creativity and prompt response within a freshly designed system allowed us to become a global tier 1 supplier."

Optical Product Case

Optical Products comprises three related business units, i.e., corrective lenses (both plastic and crystal); frames for eyewear and sunglasses, as well as optical equipment and instruments for optometrists and ophthalmologists. For a lengthy period, *Optical Products* enjoyed a stable and comfortable Spanish market, but they suffered major competitive challenges from 1986 with the opening up of the EU market. Again, in the early nineties, increasing competitive threats put pressure on *Optical Products* to internationalize by moving manufacturing to lower cost locations. However, by 2004 the soundness of that internationalization strategy remained unclear. It was at this point that our research began. All of *Optical Products'* individual business units had full autonomy for marketing, sales, customer service, and R&D, while corporate HQs took care of manufacturing, logistics, procurement, corporate finance, and human resource management.

Optical Products' strategic initiative: bundling market offerings.

> "We are the only company in the world that provided the three: lenses, frames and cutting machines. Historically, each of the three business units 'went to war alone' without sharing either sales forces or marketing strategies. Then again in the past, we had very little competition, but now it's different. Our main competitors are global leaders and the market is saturated." (Lens Business Unit Director, Interview)

Optical Products was in dire need of internationalization because they faced a mature home market, which generated >75% of its revenues and almost all of their profits. Yet how to do this remained unclear, especially as fresh revenues needed to be generated from the domestic market to fund the proposed internationalization process. Faced with this quagmire and imbued with this

sense of urgency, the cutting machines manager took the initiative to approach his peers in the two other business units in lenses and frames to explore new opportunities. Although cooperation had not materialized in the past, this time unit managers came together, and fueled by the urgent need to compete, devised a way to create synergies independent of any directive from the top.

> "...the Spanish market was the cash cow that enabled us to fund our international expansion. As 98% of the Spanish opticians already owned edging machines, our only opportunity for growth was by offering creative and attractive financing. Leasing contracts that bundled machines to frames purchases were valuable for some of our customers, especially those starting their practices." (Cutting Machines Business Unit Manager, Interview)

Attractive financing arrangements involving the bundling of machine leases to frames purchases provided an added value proposition to clients based on combining the benefits of different and distinct products within a single offering. This bundling enabled the firm to obtain demand-side economies of scope based on unique demand complementarities and supply-side economies of scale deriving from activity sharing. Because of the bundled nature of the offer, the client benefited by adding the purchase of frames to the conditions of the leasing associated with the purchase of the cutting machine. The Head of the Equipment Business Unit commented, "every optician had a cutting machine in Spain. By bundling cutting machines with frame purchases, we stimulated opticians to upgrade their cutting machines, just like mobile phone operators do."

What started off as a gnawing concern with dwindling domestic markets and the pressure to internationalize led unexpectedly to the emergence of cross-business strategic initiatives through the creative bundling of unit offerings that actually stimulated what was otherwise deemed an already-saturated domestic market. In and by themselves, these initiatives were short-lived, but they sowed the seeds for the development of a new synergy-generating unit serving as nursery for new projects. The CEO explained:

> "the new Business Development Department was intended to systematize the cross-business initiatives that had developed recently and to develop new ones. We had to tap on this unique opportunity of satisfying a wide range of customer needs through our three business units."

In other words, the bundling initiatives launched at the business unit level came to be recognized as an important source of value creation and this led top management to create a Corporate Business Development Unit, which was tasked to explore further possibilities. Yet, this would not have happened had it not been for the practical-coping actions of the business unit managers.

Roadside Service Case

Roadside Services is an automobile club located in Barcelona. Currently, it offers a number of automobile-related services to the public (on-route assistance, car insurance, car checking, obtaining the driving license, permits to drive abroad, etc.) that resembles the Automobile Association (AA) or Royal Automobile Club (RAC) in the UK. For *Roadside Services*, the need to position the brand in new markets quickly, preempting its main national and regional competitors triggered a creative way to achieve it. In this regard, one of the managers involved commented:

> "Our only competitor within national scope had been very complacent, but we all knew that if they 'woke up' we would be dead. I do not know if we were cleverer than the rest, but maybe the fact that we were on top of our business is what made us move swiftly."

Roadside Services embarked in a geographical expansion across Spain in what they called "conquering new geographical territories." The Yellow Car project is part of this effort.

Roadside Services' strategic initiative: brand leverage

The yellow car project comprised extending the model of roadside assistance to the rest of Spain and in so doing communicate their brand. This impulse for growth appeared inadvertently. Although Roadside Services' intention to grow was well established, the marketing budget did

not match such ambitions. This was very frustrating for the marketing manager, who explained it as follows,

> "Outside Catalonia we were either unknown or known for the wrong reasons. Creating an image was a must if we were going to achieve a sustainable expansion. But what am I to do when it turned out there was no money to do this"

The lack of financial resources forced the marketing manager to develop other innovative ideas instead and only to use the limited resources already available. Disappointed and frustrated by the lack of available resources and to let off steam, he shared his predicament with other executives over a cup of coffee. In his exasperation, complaining to those around him, the road assistance manager who was present inadvertently overheard him.

The road assistance manager oversaw a fleet of road assistance vehicles, compact bright yellow small cars that nimbly negotiated the often heavy traffic in Spanish cities to arrive quickly and promptly to provide roadside assistance to those in need. In almost 90% of these emergency cases, the issue was often a flat battery so that larger and more bulky vehicles were often not needed. Their distinctive contribution was the speed and quality of service they were able to provide for common roadside problems. As an added feature, these little cars also showcased the name of the company in big letters on a bright yellow background and this gave them incomparable visibility and enduring presence.

At that time, top management was pondering on which services would be rolled out first to the rest of Spain and these yellow cars were not high up on the list. Joining forces appeared like the natural thing to do. The road assistance manager offered the marketing manager a way to increase the visibility of the brand across the new markets targeted and this came to be the "yellow market project." Recollecting the event, the roadside assistance manager said,

> "Let's not fool ourselves, all those yellow cars out and about in Alicante or Valencia and providing an excellent service… it's got to have a publicity impact, a

> communicational impact. People see it, you know. How can we quantify the benefit of that impact? I have no idea but I know it is there."

Reflecting on the success of rolling the yellow car, the service managers commented, "this project was not part of the strategic plan, but if I had been the service manager then, it would have been." This assertion evidences the spontaneous emergent nature of the project. However, it also shows how the service manager felt a tad embarrassed of the spontaneous origin of the project and attempted to increase its status claiming a plan would have been in place.

In order to synthesize the narrative analyses shown above, table 3 presents the sequence of events that generated each cross-business strategic initiative. Subsequently, we discuss the theoretical implications.

[Insert table 3 about here]

ORGANIZATIONAL CHARACTERISTICS THAT FAVOR THE EMERGENCE OF CROSS-BUSINESS STRATEGIC INITIATIVES FORMULATED AT THE BUSINESS UNIT LEVEL

The cross-business initiatives discussed in the previous section appear in stark contrast with the most conventional corporate-centric ones, which were present in a higher proportion in the cases we studied, as referred in Table 2. Conventional initiatives responded to a specific corporate mandate and they had been developed following the standard corporate level-business unit hierarchy. By contrast, as seen in Table 4, across the four cross-business strategic initiatives studied, we identified four characteristics that together provided a fertile ground for such initiatives to emerge. First, a sense of urgency at the corporate level ("sense of urgency under resource scarcity") due to competitive pressures faced by the firm and the inability of the units to

respond to certain challenges in isolation; second, the existence of clear corporate strategic guidelines; third, the existence of formal and informal horizontal cross-business integration mechanisms ("integration mechanisms"); and finally, a cultural proneness to collaborate within the firm ("culture of collaboration"). Such characteristics boosted impetus to find new opportunities and enhanced persistence to maintain momentum. Of importance was the willingness to overcome difficulties and make them work out, as well as the provision of necessary vertical and horizontal coordination of efforts.

[Insert Table 4 about here]

Sense of urgency under resource scarcity (New strategic needs)

The existence of a call for immediate strategic action from HQs as a result of competitive pressures helped to trigger the firms' impetuses to search for partner business units with whom they could engage in rapid joint strategic initiatives. At the same time, the sense of urgency ensured momentum as initiatives developed. Partnerships between business units constituted effective platforms for strategic initiatives when urgent implementation of such initiatives was necessary. In addition, across all of the initiatives, we observed that business units lacked the portfolio of resources and capabilities required to engage in the initiative on their own. Such scarcity of resources reinforced their sense that the corporate call would only be addressed by pooling together their resources with those of their peer business units in order to build the required portfolio of resources together.

Across the cases studied, this sense of urgency was the consequence of rapid market changes. Although these changes represented a pressure for strategic change at HQs, in turn these corporate pressures were translated into pressure for action at the business unit level. Although in the cases of Car Systems and Roadside Services such sense of urgency led to expansive moves of proactive nature, in the case of Optical Products, the sense of urgency

related to the need to defend the firm's position in its core market (the firm's "cash cow"), and their goal was to generate further resources for its internationalization plans.

For instance, Car Systems' growth through "multiplants" was justified by the urgent need to expand internationally beyond its natural European market. Their aims were to "follow" the Original Equipment Manufacturer OEM's expansion and also to achieve critical economies of scale and scope in R&D and purchases. Confirming this, a business unit managing director involved in the expansion of the firm to Latin America noted that,

> "…rented 'multi-plants' enabled all the three international business units, Rear View Systems, Command and Control Systems and Plastics and Electrical Systems to enter Mexico and Brazil. While multi-plants were far from ideal (each division had different operational and administrative procedures) they helped us in that critical first internationalization step in those countries."

This strategic imperative was coupled with severe financial restrictions derived from the opposition to raise capital in public financial markets by controlling shareholders. In this regard, an external board member appointed specifically to provide financial advice commented that:

> "…by the mid-1990s, the success of the international expansion was based on working with very low margins. As supply contracts with OEMs lasted for the whole life of a model, this meant that the company would be financially stretched for the next four or five years. It would have been madness to go public at this stage, as the combination of tiny free cash flows in the foreseeable future plus the high risk associated to the incipient globalization strategy would have resulted in a low IPO price for the shares."

By sharing rented "multiplants," the international business units of Car Systems found a way to accommodate expanding their operations abroad while incurring very low capital expenditures.

Similarly, Optical Products' bundling offers resulted from the urgency to grow in the mature and saturated Spanish market as a way to obtain the financial resources required to pursue international expansion plans. The head of Optical Products' Equipment division explained that:

> "...the Spanish market was the cash cow that enabled us to fund our international expansion. However, as the 98% of the Spanish opticians already owned edging machines, our only opportunity for growth was by offering creative and attractive financing. Leasing contracts bundling machines and frames were valuable for some of our customers, especially those starting their practices."

For Roadside Services, the need to position the brand in new markets quickly, preempting its main national and regional competitors triggered a creative way to achieve it. In this regard, one of the managers commented:

> "Our only competitor with national scope had been very complacent, but we all knew that if they 'woke up' we would be dead. I do not know if we were cleverer than the rest, but maybe the fact that we were on top of the business is what made us move swiftly."

As can be seen in these examples, the existence of strategic imperatives demanding urgent action acted as impetuses leading business units to the exploration of cross-functional strategic initiatives, where impetus is momentum favoring action.

These findings are summarized in the following proposition:

Proposition 1. Impetus favoring the formulation of cross-business strategic initiatives at the business unit level benefit from the existence of a corporate sense of urgency in a context of resource scarcity at the business unit level

Corporate strategic guidelines (realization of different unit's needs).

We found that corporate guidelines were also effective as sources of impetus for the development of cross-business strategic initiatives. These strategic guidelines were present in the form of explicit and widely communicated mission and vision statements at Car Systems and Optical Services. Perhaps more importantly, they were reinforced in executive committee meetings, where business unit and divisional top managers attended. The managing director of

one of the Car Systems' divisions explained that the interdivisional discussions, which eventually lead to the proposal of integration of procurement, were triggered by the strong corporate message regarding the need for a global company to adopt global management processes. He recalls that:

"We realized that we had two problems. First, we were a global company sourcing 70% of our raw materials just 100 km around Barcelona. Second, there was a lot of overlap in the purchase requirements of the three divisions. We realized that it was worthwhile to give up some divisional control over the purchasing process for the sake of overhead reduction and volume discounts in a scenario of margin squeeze."

This insight can be summarized in the following proposition:

Proposition 2. Clear corporate strategic guidelines create impetus for business units to formulate cross-business unit collaboration initiatives and also provide a form of loosely coupled vertical coordination that increases the likelihood that business-level cross-business strategic initiatives may emerge.

These corporate guidelines provide internally existing selection criteria to the business units (Burgelman, 1991) or "simple rules" (Galunic & Eisenhardt, 2001). They were used by corporate management to spread "the virus of the vision" (impetus) and also provide some degree of vertical integration, defining the boundaries of the firm in such a way that middle managers within the business units self-organized to achieve a common goal (Clippinger, 1999).

Formal and informal horizontal integration mechanisms: Mechanisms that fostered communication and interaction increased the likelihood that information about potential cross-business initiatives was made available. These mechanisms created impetus for collaboration and provided forums in which such opportunities could be explored and negotiated bilaterally by

business units. In the cases we studied, several mechanisms that fostered the development of such integration were present. These mechanisms included the existence of: a corporate Intranet spreading relevant (and specifically targeted) business news about the organization (Car Systems); interdivisional committees for discussion of technological, quality, and operational practices (Car Systems); the participation of business unit leaders in the firms' strategic reviews (Car Systems and Optical Products); the physical proximity between the business unit leaders (Car Systems, Roadside Services, and Optical Products); social cross-business activities around themes important for the corporation overall (Optical Products); and a "hands off" corporate organizational design that enabled business unit leaders to run their units with little corporate interference (Car Systems and Optical Products). The head of one of the business units referred to how informal communication with his/her peers enabled to improve internationalization decisions:

> "'...coffee chat' between us enables us to prevent making clumsy mistakes such as that everybody going to the same country on their own. Coordinating market entry strategy enabled us to do things that we could not have done individually and also helped us to optimize capacity decisions."

Roadside Services' integration mechanisms operated via the Planning and Control unit. Planning regularly visited the different business units operating in an unusual way, as collector and redistributor of information and ideas, going beyond normal planning tasks,

> "Here the work of the Planning unit has shaken up old habits. They talk to all units, so if we need something they will know where to find it or they will come to us with ideas from other places. They are on top of things"

These integration mechanisms created the conditions that favored the development of cross-business collaboration processes. Such processes were made possible as integration

mechanisms drove cross-business collaboration by means of the availability of in-depth information of peer business units' activities, and the existence of forums in which opportunities for collaboration could be explored and developed. This observation is captured through proposition 3:

Proposition 3. Firms characterized by the existence of formal and informal coordination mechanisms are more likely to formulate cross-business collaboration initiatives at the business unit level, as such mechanisms catalyze the process of exploration (impetus), negotiation, and implementation of such initiatives.

Previous literature identified specific mechanisms that favor the horizontal coordination of the firm. Examples of such mechanisms are liaison managers, (Mintzberg, 1978) cross-business committees related to different activities, a corporate Intranet or cross-participation of executives in the strategic reviews of peer divisions (Chakravarthy, et al., 2001).

Collaboration embedded in corporate culture.

Corporate culture has been defined as "A pattern of shared basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration" (Schein, 1992). In the three firms, corporate cultures encouraged the persistent exploration of cross-business strategic initiatives. As one divisional manager from Car System remembered,

> "…the need to develop operations within NAFTA was out of the question and we could not do it on our own. We knew that the guys from the M division had the same problem. It took some time for us crack a deal, especially as uncertainty on future orders was very high. Yet, the will to agree was strong as we both preferred to partner with a peer division than finding a third party."

Car Systems cites one of its corporate values "Teamwork and Joint Learning." This is further defined as "sharing knowledge, communicating openly, learn from mistakes, cooperate and understand that none of us is more than all of us" (Extracted from Car Systems' leaflet "Our Vision of the Future" distributed among all employees).

Optical Products presented its Mission and Vision Statement to all its employees in 2000, highlighting as the firm's first value "Teamwork." The specific phrasing was

> "to promote teamwork, both within and between departments, involving and committing ourselves through each one's contribution through complementary actions with other members, avoiding individualistic behaviors and encouraging participation, communication, information exchange and understanding" (Optical Products, Annual Report, 2000).

A culture putting collaboration as a central corporate value provides impetus to cooperate and also encourages managers to be well informed of what was going on in the peer business units. A strong call was made for "being in the loop" regarding the firm's major initiatives across its different businesses coupled with an intensified informal communication between business units within Car Systems. One divisional managing director of Car Systems commented that:

> "...in our meetings at headquarters it was taken for granted that everybody was aware of all the major initiatives going on throughout the firm. Otherwise, people would stare at you in disapproval."

Road Services' CEO stated that "what lies at the core of our success is the culture of collaboration produced by carrying out strategic planning." Such a culture led the organization to be persistent in the search for cross-business strategic initiatives. Another manager commented that:

> "We had to learn to cooperate by learning to listen to each other and to value each other's viewpoint. It was tough. Different parts of the organization had different ideas about how best to achieve the company's objectives and it was through listening, challenging, and presenting our own ideas that we eventually developed a coordinated solution."

This observation is synthesized in the below proposition:

Proposition 4. Firms with a strong cultural proneness toward collaboration are more likely to formulate cross-business strategic initiatives as the business unit level, as its business units will

have the impetus to explore possible joint initiatives and do it resiliently and persistently.

Previous literature associates an organizational propensity to collaborate to the deliberate choice by the firm to create an organizational environment that rewards collegiality and collaboration. Such an objective may be accomplished through organizational features, as it is, for example, the firm's incentive system (Kerr & Slocum, 1987; Marginson, 2002) or a statement of corporate values (Collins & Porras, 2002; Lencioni, 2002) that emphasize the importance of collaboration.

We did not observe examples in which one business unit agreed to help another one with an expectation of getting a later reward in the form of corporate recognition or similar. It is worth remarking, although that in all the cases of business-level cross-business strategic initiatives discussed above, all business units expected to secure mutual and proportional benefits from the partnership itself. For instance, at Roadside Services,

"…it is obvious that we would be wrong if we only take into account the costs of our road assistance service in a city like Seville. There are also important benefits; savings because we don't outsource anymore; improvement in quality as we use our service-based trained mechanics, which will trigger word of mouth. On top of that, the Sales people expected that this initiative would lead to an increase in the number of new members easily >10% more than otherwise."

Hence, we concluded that cross-business initiatives developed at the business level are in this sense similar to strategic alliances between independent firms, in which balanced contributions by both partners constitute a prerequisite for any agreement (Ariño & De La Torre, 1998). Balanced contributions are balanced when none of the partner undermines the other. Such feature may explain why these initiatives were rather scarce versus those resulting from corporate-centered processes. This feature is described by the following propositions:

Proposition 5. Cross-business strategic initiatives are more likely to be formulated at the business unit level in situations in which the extent of the benefits captured by the business units from the initiative is balanced.

Figure 1 sums up our theoretical development. The four characteristics together produce impetus while a culture prone to collaboration fosters a proactive and determined attitude (resilience) and the persistence in the search of cross-business initiatives; guidelines allow vertical collaboration and integration mechanisms foster implementation. Although these characteristics and their effects do not guarantee the development of cross-business strategic initiatives at the business level, in the initiatives we analyzed they aided the development of cross-business collaboration. In all the four cases, the four conditions contributed to create the *impetus,* the driving force that creates and maintains the momentum to search collaboration across business units. Such impetuses were necessary for the development of cross-business collaboration initiatives as they triggered processes of discovery and analysis of potential initiatives by the business units.

[Insert Figure 1 about here]

In addition to creating such impetuses, three of the characteristics identified also helped to support the process of exploration, negotiation, and implementation of initiatives. Corporate strategic guidelines provided the necessary vertical coordination to encourage businesses to explore initiatives that fall within such guidelines. Such vertical coordination was not tightly imposed but just loosely linked to the formulated initiatives, as the corporate level does not prescribe the units what to do but just which are the strategic objectives are highly desirable to achieve by the company. Integration mechanisms eased the horizontal coordination across-business units in two ways. First, they eased the circulation of relevant, in-depth information on the current activities of peer business units, and second, provided forums for the formal and

informal exploration to develop collaboration initiatives. Finally, the firms' cultural proneness toward collaboration led to a resilience search for collaboration opportunities as well as to persistent efforts when pursuing cross-business initiatives.

DISCUSSION AND CONCLUSIONS

This paper set off asking two questions: First, what organizational characteristics of multibusiness firms are conducive to the formulation of cross-business strategic initiatives at the business unit level? And second, in what way do such characteristics contribute toward the formulation of these initiatives? We observed that certain organizational arrangements, such as the existence of integration mechanisms across-business units; a cultural proneness toward collaboration; the existence of corporate strategic guidelines; and a business environment stimulating a sense of urgency at the corporate level, converged as factors that helped firms encourage and support processes leading to cross-business collaboration. In turn, we theorize that these characteristics have a direct effect on impetus, resilience/persistence, loose vertical integration and horizontal integration, as well as collective effect on impetus.

Our analyses of the cross-business initiatives generated at the business level, which we identified across the three firms studied, showed that cross-business collaboration need not derive necessarily from corporate-centered processes. This complements Burgelman's (1983b) notions of induced and autonomous behaviors by adding nuance to the creation of the initiatives. The initiatives portrayed above were developed within business units and in the absence of specific corporate mandates but under a general umbrella strategy similar to Mintzberg, et al. (1998). By adding to our understanding of the relationship of autonomous and induced behaviors, the concepts developed here help better understand the impact on coordination in multibusiness firms, which adds to Ambos, et al. (2010); Birgitte (2011). Moreover, the cultural

aspect highlighted by our data aids to our understanding of the social structures that allow cooperation (Casciaro & Lobo, 2008; Hansen & Lovas, 2003; Kleinbaum & Tushman, 2007; Martin & Eisenhardt, 2010).

Three implications can be drawn from our research. First, cross-business strategic collaboration does not happen without certain organizational characteristics. Multibusiness firms interested in achieving a high degree of autonomous collaboration among their business units may benefit from securing the existence of clear corporate agenda in the form of corporate strategic guidelines, promoting a proactive sense of urgency at HQs, providing adequate integration mechanisms, and encouraging a collaborative corporate culture. These characteristics neither guarantee the emergence of initiatives nor their success, but proved to be conducive for such collaboration to emerge in the case studies discussed above. Second, we found that the fertile ground created by these features enabled the development of three factors that drive cross-business collaboration extending the work of Bowman and Helfat (2001) and Goold and Campbell (1998). These factors are the existence of an impetus for cross-business collaboration, the availability of valuable information on the activities of peer business units and the existence of forums that enabled the exploration and development of cross-business strategic initiatives. Third, as shown in Table 2, successful cross-business strategic initiatives occur in a relatively low proportion vis-à-vis corporate centric ones, albeit having a significant effect. It seems apparent that initiatives that manage to emerge and gain momentum to become eventually part of the officially enforced or induced strategy (Burgelman, 1983b) follow a pattern. Our proposed model is similar to Mirabeau and Maguire (2014) who stress the importance of impetus to start momentum but it differs thereafter. Although in our model coordination becomes essential, given that the initiatives fall within an umbrella strategy, for Mirabeau and Maguire (2014), there is a need to legitimize the initiative, hence harmonization the strategic and structural contexts in their

model.

In this paper, we develop further the theoretical discussion on corporate strategy and extend work on autonomous strategic behavior by shedding light on the phenomenon of cross-business strategic initiatives in multibusiness firms where the business level nurtures initiatives. Our work helped to shed light on Bowman and Helfat's (2001) claim that corporate advantage is not necessarily a privilege of corporate managers and, in doing so, we help to extend our understanding of strategies with some degree of autonomy by studying these in the realm of corporate strategy. In addition to the existence of objective possibilities for collaboration derived from factors such as business or resource relatedness, we found that a firm's ability to develop cross-business collaboration derives from the existence of characteristics that are conducive to the development of cross-business initiatives. By identifying these specific conditions that nurture the development of such initiatives and explaining how they contribute to generate corporate advantage, we outlined how cross-business collaboration can be developed, which complements previous work of Kleinbaum and Tushman (2007). The challenge for practicing corporate managers is then to secure the existence and "health" of such conditions in their organizations. In other words, we posit that cross-business initiatives developed at the business level are essentially context dependent. This study has uncovered some of the conditions that determine such dependence. Yet, further research might identify new ones.

Like most others, our work has some limitations. Although we gathered some evidence showing that the initiatives studied were successful from the point of view of the business units developing them, our data neither enable us to make robust statements on the performance of such initiatives nor to contrast their relative success against those created out of corporate-centered processes. Yet our interest was not on such performance implications, but on shedding light on the characteristics that support the development of these initiatives. The elements

presented in this paper reflect a way to bring together a fresh empirically inducted theory with what we already know from the extant literature. By combining these sources, we provide a broader view of how the potential of firms to develop cross-business initiatives at the business level may be exploited. This view can be developed further by the particular effect of the characteristics identified in our work, or into the existence of additional characteristics. For instance, longitudinal studies could help to investigate whether these characteristics are stable over time and what are in turn the circumstances that determine their appearance. In addition, our research design was not equipped to observe the potential existence of characteristics conducive to cross-business collaboration at individual level, such as aspects related to managers' education, experience or personality, and at the level of the team, the composition of the management teams at the business unit level. Finally, further work could focus on studying in detail the process of development of decentralized corporate value creation initiatives through time. In this way, the roles of the different decision levels of the firm in making initiatives move from the idea stage toward their full accomplishment could be better understood.

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Tables and Figures

TABLE 1

		Number of	
Roadside Services			
Corporate	Chief Executive Officer	2	
Corporate	Planning and Supervision Head	2	
Corporate	Head of Operations and Postsales Area	1	
Business Unit	Marketing and Corporate Communications Director	1	
Business Unit	Head of the Commercial Area	2	
Business Unit	Head of the Products and Services Area	1	
Support Staff	Head of Strategic Planning and Development	3	
	Subtotal		**12**
Car Systems			
Board of Directors	Chairman	1	
Board of Directors	Nonexecutive Director	1	
Corporate	Chief Executive Officer	2	
Corporate	Executive Vice President	1	
Corporate	Director of Human Resources	1	
Corporate	Chief Financial Officer	1	
Corporate	Director of Corporate Planning	1	
Corporate	Director of Sourcing and Logistics	1	
Business Unit	Director of Rear-View Systems	1	
Business Unit	Director of Command and Control Systems	1	
Business Unit	Director of Plastic and Electrical Systems	1	
	Subtotal		**12**
Optical Products			
Corporate	Chief Executive Officer	1	
Corporate	Chief Financial Officer	2	
Corporate	Director of Human Resources	1	
Business Unit	Director of Lenses	1	
Business Unit	Director of Frames	1	
Business Unit	Director of Equipment	1	
	Subtotal		**7**
	Total		**31**

TABLE 2
STRATEGIC INITIATIVES AFFECTING MORE THAN ONE BUSINESS

Firm / Initiative	Year	Origin	Intended "corporate effects"
Car Systems			
Creation of Corporate Logistics Department	2001	*Corporate Center*	Synergy overheads of Logistics among units
Creation of Corporate Purchases Department	***2001***	***Divisions***	***Synergy overheads of Purchases among units***
Sharing Plants	***1995 Mexico 1997 Brazil***	***Divisions***	***Sharing overheads of operations abroad***
Matrix organization within Divisions	1999	*Corporate Center*	Better governance of the process of allocation of manufacturing among production facilities between business units within Divisions.
Interdivisional committees of Operations	2001	*Corporate Center*	Transferring skills between Divisions regarding Operations
Centralization of Resource Allocation	1998	*Corporate Center*	Improving efficiency of Capital Expenditures across Group
Creation of Corporate HRM department	2000	*Corporate Center*	Developing uniform HRM systems across units
Partial centralization of R&D	2000	*Corporate Center*	Sharing activities and knowledge in stages of R&D common to different Divisions
Global Market Expansion	1995–2002	*Corporate Center*	Achieve economies of scale in manufacturing, purchasing, and R&D
Offshoring of manufacturing to emerging markets	1995–2002	*Corporate Center*	Reduce cost of manufacturing
Entrance of private equity minority shareholders	1997 and 1999	*Corporate Center*	Reinforce funding for the divisions' expansion processes
Optical Products			
Homogenize Management Systems worldwide	2001–2003	*Corporate Center*	Ease comparability of performance between Business Units
Outsourcing of Logistics for all divisions	2001	*Corporate Center*	Synergy overheads of Logistics among units
Offshoring of manufacturing to emerging markets	1998–2004	*Corporate Center*	Reduce cost of manufacturing
Global Market Expansion	2000–2005	*Corporate Center*	Achieve economies of scale in manufacturing, marketing, purchasing, and R&D
Creation of Corporate Materials Department	1998	*Corporate Center*	Optimize purchasing and procurement functions for all units
Institutional advertising	2002	*Corporate Center*	Increase the firm's public profile across all its business portfolio
Bundling market offers of lenses and equipment Offering complete eyeglasses	***2004***	***Business Units***	***Increase joint sales of Equipment and Frames. Decrease overhead of Sales. Increase joint sales of Frames and Lenses. Decrease overhead of Sales***
Roadside Services			
Territorial Expansion	2001–2003	*Corporate Center*	Expand to the rest of Spain
Credit Card Expansion	2002–2004	*Corporate Center*	Increase number of customers
Driver's Academy	2003	*Corporate Center*	Penetrate new markets
Lobby	2002	*Corporate Center*	Offer an additional service
Travelling Service	2001	*Corporate Center*	Optimize existing products
Positioning and Road Assistance	***2001***	***Business Units***	***Expand brand name and recognition across new markets to help growth Penetrate new markets with flagship product transferring a proven product to new geographic markets***
Corporate Travelling	2003	*Corporate Center*	Emergency response to falling market
Channel Development	2001	*Corporate Center*	Generate new distribution channels
Back Office	2002	*Corporate Center*	Reorganize back office
Insurance	2002–2003	*Corporate Center*	Respond to market threat
High end travelling	2001	*Corporate Center*	New product for high end market

TABLE 3
Comprehensive Overview of the development of cross-business strategic initiatives

Initiatives (Organization)	Origin	Key Events	Descriptions from interviews
Bundling market offers **(Optical Products)**	The aim was to take the opportunity of focusing on the optician as the common customer despite each business unit independent operation.	Several synergies between business units were exploited. The offer was based on selling new cutting machines financed by means of a lens and/or eyeglass purchasing contract with a below average discount.	"We needed to grow our cutting machines business when every optician already owned one. Leasing contracts including purchases of our lens or frames looked like a good idea. The Lenses and the Frames people were also struggling with very low growth, so they signed up quite quickly" (Managing Director Equipment Division)
Bottom-up organizational integration **(Car Systems)**	Despite important international growth they sourced their supplies locally and local plants had prevalence over international plants. These caused frequent clashes.	The three international divisions, independently from HQs devised an integrative logistic system that avoided inefficiencies and took power away from local plants.	"While all business units valued their independence, we all knew we needed to integrate logistics. The recession climate of 2001 was the chance to do the homework once and for all." (Logistics Director)
Critical mass for market entry **(Car Systems)**	They frequently lacked key resources or a sufficient local demand to justify a full deployment of anyone business in any target market.	Their solution was to the open "multiplants" managed by whoever division had entered the country first.	"The firm was too stretched after its European expansion but we had to be in Mexico. The multi-plant was a low cost/low risk entry strategy that enabled us to make that otherwise impossible move." (CEO)
Brand Leveraging **(Roadside Services)**	Marketing budget restrictions prevented brand positioning	Marketing director joined forces with Operations director thinking out of the box both launched their beachhead product to foster positioning	"We had a marketing plan but no resources; they had a product to launch where I wanted to position the brand. We killed two birds with the same stone" (Marketing Director)

TABLE 4
Characteristics that favor the Emergence of cross-business strategic initiatives

Characteristics	Case Evidence	Effect on business unit behavior and processes	Effect on cross-business initiatives
Sense of urgency	Cut costs quickly and drastically (**Car Systems)** Increase geographic scope (Car Systems) Grow profitably in core (but saturated) market to fund international expansion **(Optical Products)** Be first mover in national expansion before other regional players do (**Roadside Services)**	**Impetus** to find new opportunities	Trigger development of initiatives
Corporate Guidelines (Simple rules)	A vision of being global and a Tier 1 supplier, without compromising their family business style (**Car Systems)** Need to develop global sourcing process (Car Systems) To reinforce corporate image under the same brand (**Optical Products)** To take advantage of being only firm diversified around all needs of the optician (Optical Products) Coordination to achieve a high aspirations of expansion with minimal costs (**Roadside Services)**	**Vertical Coordination** of action through communication of priorities ("tagging") and by setting boundary conditions for strategic initiatives	Trigger development of initiatives and provides strategic focus
Integration mechanisms	Collaboration crystallized by increasing communication instances (**Car Systems)** Collaboration enhanced by clustering all business units management within the same building (**Optical Products)** All major businesses grouped in new territories **Roadside Services**	**Horizontal Coordination** of action through forums for analysis and discussion and exchange of relevant information	Trigger development of initiatives and facilitate the process of exploration, negotiation and implementation of initiatives
Collaboration strong part of national/corporate values	Mission and vision statements prioritize value of teamwork and knowledge sharing (**Car Systems)** Bonus partially linked to overall firm Performance (**Car Systems**) Informal expectation from corporate management that business unit leaders are well aware of their peer business units strategic initiatives (**Car Systems**) Mission and vision statements emphasizing importance of teamwork and warning against individualism **(Optical Products)** Bonus partially linked to overall firm performance (**Optical Products**) Enhance regional pride by occupying new territories (**Roadside Services)** Core operations in national environment/s supporting organic, relationship-based, collectivist view of organizations **(all the cases)**	**Impetus** to find new opportunities and **persistence** to make them happen	Trigger development of initiatives and creates drive to achieve positive outcomes

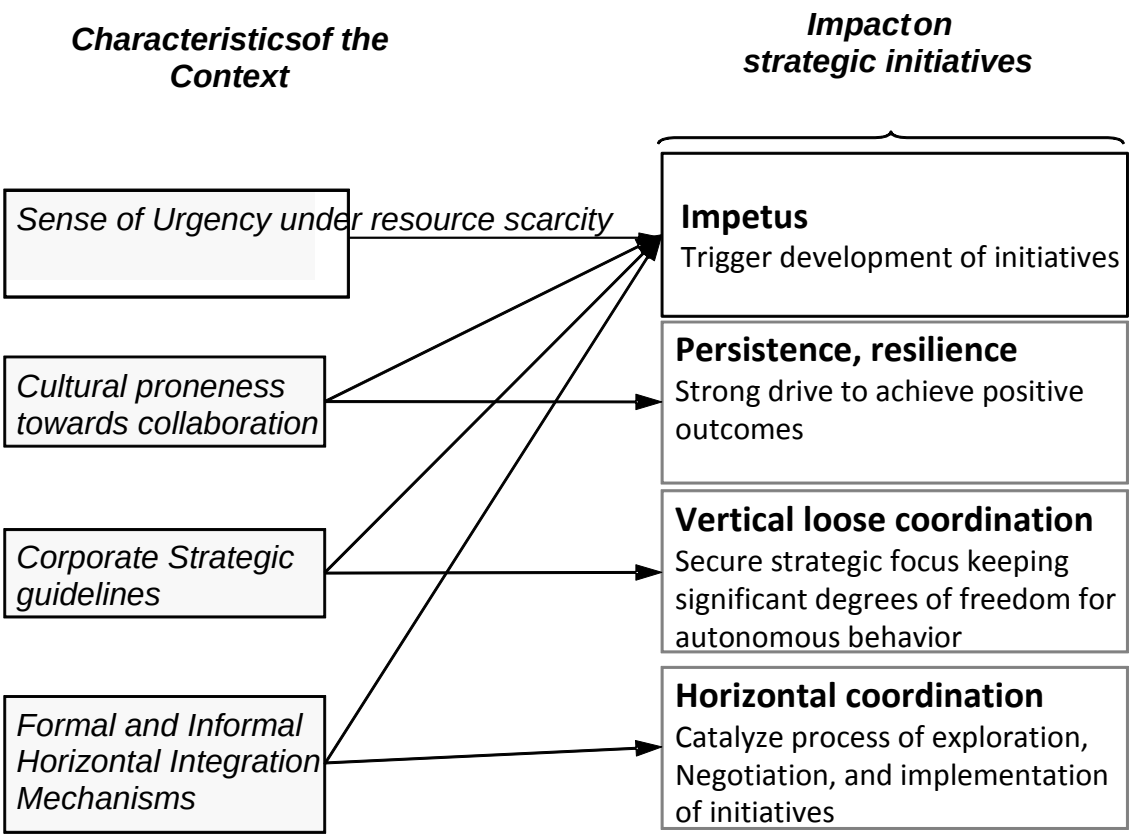

FIGURE 1

Characteristics and their impact on the development of cross-business strategic initiatives originated at the business level