Researching Corporate Entrepreneurship: Findings of the Corporate Entrepreneurship track at Chalmers School of Entrepreneurship 2025

by

Ida Ahlström, Isabell Andersson, Joar Bergström, Agnes Ederberg, Olle Evertsson, Marlene Maria Fröhlich, Hanna Garphem, Tim Holst-Nielsen, Haina Liu, Natalia Alejandra Leano Saavedra, Filippa Malmenstam, Ivar Nordblom, Julius Olsson, Johanna Rapp, Otto Ruthagen Franzén, Jon Ryman, Sara Sabatini, Kimia Ashley Sedghi, Anand Toelaram, Bidita Zaman, Tobias Åberg

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Preface

Tobias Fredberg & Johanna Envall Pregmark

The academic year 2024-2025 has meant major advancements for the corporate entrepreneurship track at Chalmers School of Entrepreneurship. First, the track has doubled in size, with ten projects having been run by our excellent students in the past year. Second, while the students have always researched “What stops and supports entrepreneurial initiatives in established structures”, the additional number of students has meant that we have added two perspectives to the studies that the students do. They now look at this overarching question from six different perspectives:

- Strategy and structure
- Organization development
- Entrepreneurial finance
- Managing Intellectual Assets
- Transformation and Leadership
- “Death by a 1000 cuts”

The last two perspectives were added to this year. While the analysis of leadership in entrepreneurship driven transformation may conceptually be relatively easy to understand, the “Death by a 1000 cuts” may demand more of an explanation. We introduced this perspectives after having noticed for several years how minor issues related to organizational systems, processes, norms and habits disrupted potentially major ideas. The students have made a very interesting analysis of such minor disruptions – when they occur, their severity and how different kinds of disturbances appear in different kinds of firms.
We believe that the continuous analysis made by our students provides important insights into the process and the conditions for driving entrepreneurial initiatives in established structures. Following the analyses of earlier years, this cross analysis indicates that innovation is less about breakthrough ideas and more about enabling conditions: structures that reduce friction, leadership that fosters emotional safety, metrics that balance short and long term, and the ability to see and manage intangible assets. Across all chapters, the need for strategic ambidexterity, legal and compliance clarity, and interpersonal legitimacy emerges as central to corporate entrepreneurship success.

Some core ideas from the different chapters are summarized below:

The analysis of Managing Intellectual Assets (MIA) suggests that effective IA management is not just about legal ownership — it's about operational control, compliance awareness, and strategic alignment. Many companies have untapped value in their IAs due to lack of structure. One reason is that many companies lack clarity on legal control of their IAs (e.g., trade secrets, copyrights), which creates risks in collaborative settings. Further, regulatory compliance (e.g., GDPR, ISO) is often overlooked, especially when data is handled across multiple systems, and issue made worse due to the fact that few projects had defined strategies to handle compliance, dependency, or IP leakage risks.

The work being done by the students on organizational change suggests that it succeeds when individual motivations are acknowledged, emotional and structural friction is managed, and decentralization is embraced. Conditions for this includes alignment between personal purpose (of employees) and organizational goals, local empowerment and the view of change as a (middle managers, innovation teams) is essential for sustainable change, especially in complex environments (Fredberg & Pregmark, 2022). Change, here, is experienced less as a linear rollout and more as a networked, iterative process that requires continuous engagement.

For strategy, the students' analysis focuses on the impact of purpose on strategic and innovative work, including communication, the providing of meaning and direction, creativity and new solutions, alignment during strategy execution, as well as collaboration and learning. They conclude that although purpose can be a catalyst of strategic change, organizations must move beyond symbolic purpose statements to embed purpose into leadership, structure, and daily behavior (see also Beer et al., 2011).

In our new focus on Transformation and Leadership, the students use Amy Edmondson's (1999) ideas of psychological safety to dig deeper into issues of how leaders act in situations of change. A core idea is that psychological safety is radically reduced in periods of change, which contributes to the often held assumption that people resist change (which may not necessarily be the case, see Fredberg, Norrgren & Shani, 2011). The chapter provides a very interesting read where the students focus on what leaders can do to address these issues in various way.

The study of entrepreneurial finance explores how companies monetize technological innovations through various revenue strategies, analyzing financial viability, risks, and strategic rationales across sectors. While traditional direct sales remain dominant, hybrid and subscription-based models are gaining ground, driven by digitalization and recurring revenue goals. Adoption depends on regulation, technology, internal readiness, and market conditions. Firms with strong margins can experiment more freely, while others face constraints. The study reinforces frameworks like RBV and BMC, emphasizing the need for strategic alignment and adaptability in evolving markets.

The findings in the thorough report highlight how entrepreneurial initiatives in large organizations are shaped by the balance between autonomy and attachment. The study reveals that fostering innovation requires intentional organizational design that enables employees to explore new ideas (autonomy) while remaining anchored to core processes and strategic direction (attachment). Successful initiatives often depend on ambidextrous leadership, capable of navigating tensions between experimentation and structure. Psychological safety, trust-building, and cross-functional collaboration emerge as critical enablers for navigating uncertainty and driving transformation. Furthermore, strategic alignment and internal legitimacy are shown to influence whether ideas gain traction and resources. Ultimately, the findings emphasize that innovation within established firms is not merely about ideation but about integrating and legitimizing new concepts within existing frameworks, requiring both structural support and cultural readiness. This underscores the importance of leadership, communication, and iterative adaptation in scaling entrepreneurial efforts.

1. Managing Intellectual Assets

Marlene Maria Fröhlich, Tim Holst-Nielsen and Anand Toelaram

1.1 Introduction

Management of Intellectual Assets (IAs) is becoming an increasingly important aspect of business for companies. The companies that actively manage their Intellectual Property (IP) as a financial asset outperform their peers by up to 30% (European IP HelpDesk, 2018).

Businesses adapt different models to manage IAs. For instance, the model proposed by Silviana (2019) begins with the identification and ownership of an IA. It then progresses to the protection and secure storage of the asset, ensuring its integrity and accessibility. Finally, the model emphasizes the strategic exploitation of the asset, which can result in various forms of profit for the company, not limited to financial gains but also including competitive advantages, enhanced market positioning, and innovation-driven growth.

There are also models developed by companies like The Dow Chemical Company (McConnachie, 1997). The company has developed a six-step model for managing IAs. This model includes setting strategic goals, identifying and categorizing current IAs, assessing their value, making decisions about investing in new knowledge through either developing or acquiring technology and skills, and finally, organizing these IAs into knowledge portfolios tailored for each of Dow's global business units.

Overall, successful companies have recognized various advantages in leveraging their IAs (Edvinsson & Sullivan, 1996). In the traditional approach to business, if an innovation addressed a market need, it was legally protected and introduced to the market ahead of competitors. However, this strategy often fell short of achieving the anticipated business success. Successful commercialization of innovation requires more than just the innovation itself. Firms often underestimate the importance of complementary assets such as trademarks, copyright and other business units which are crucial for delivering value to the market. Meaning all expertises has to be combined to have a successful business.

In contrast, modern successful firms have identified the critical importance of the infrastructure surrounding their human resources. These firms understand that innovations are generated by the collective expertise and intellectual capital of their employees, which subsequently become valuable IAs owned by the company. By effectively managing and utilizing these IAs, companies can derive significant value, translating into various forms of profit.

In conclusion, managing IAs effectively is crucial for business success. By leveraging their workforce's expertise, companies can turn IAs into significant competitive advantages, driving both financial and non-financial gains. This modern approach emphasizes the importance of active IA management in achieving sustained growth and market leadership.

1.1.1 Background

The management of IAs and development of strategies to leverage them are critical business functions that frequently reach top management levels due to their intrinsic connection to overall company strategy. Within CORP projects, understanding how participating companies leverage their IP is essential. As Edvinsson and Sullivan (1996) demonstrated, companies that effectively manage IAs achieve greater success, particularly when these assets are integrated with other elements of a knowledge-based company.

1.1.2 Purpose

The purpose of this report is to analyze how IAs are identified, managed, and leveraged across various CORP projects at the Chalmers School of Entrepreneurship. By conducting a structured cross-analysis of multiple real-world corporate entrepreneurship projects, the report aims to shed light on patterns, best practices, and common challenges in the strategic use of IAs. The goal is to provide both academic insight and practical guidance on how organizations can utilize their resource base, especially intangible assets like data, software, and proprietary knowledge, to generate competitive advantage, ensure legal compliance, and reduce risk. This report serves as a foundation for improving IA management practices within entrepreneurial and innovation-driven environments.

1.1.3 Aim and Research Question

To all CORP projects, IAs are integral to achieving set project goals, serving as enablers of value creation. While these IAs are context-specific, they may include, for instance: technical solutions, software, hardware, data, IP or cloud infrastructure. The ownership and control of these IAs, whether internal or external, significantly influence their effective utilization and expose the project to varying degrees of compliance risk and dependencies. Importantly, risk is not limited to patent-related issues (IP), it also encompasses the need to evaluate relevant compliance and regulatory requirements to ensure that the use of a particular technology does not result in infringement or violations. Eventually, Sub-RQ1 not only seeks to explore the role of identified IAs critical for value creation but also aims to assess the associated risks and how to mitigate it, ultimately offering valuable insights into their impact on the project's success.

Main-RQ Question:

1. *How do organizations leverage their resource base to generate competitive advantage through IAs?*

Sub-RQ Questions:

1.1. What types of IAs are associated with the CORP projects, and how do they contribute to value creation?

1.2. How are the IAs controlled legally and who has the knowledge to utilize the asset?

1.3. What market and compliance risks are connected to the use of these IAs?

1.2 Theoretical Framework

The following chapter provides an overview of the various theoretical frameworks that are essential to understanding the general concepts and empirical findings of the thesis.

1.2.1 Intellectual Asset Management Framework

The Intellectual Asset Management (IAM) Framework is a strategic tool designed to help organizations effectively manage their IAs throughout their lifecycle. Some benefits are legal protection, maximized value creation and informed decision-making which leads to a competitive edge in the knowledge economy. In the context of the CORP projects at the Chalmers School of Entrepreneurship, this study will focus on the categorization of the IAs, which will provide each project with a clear overview of the IAs at hand, who controls them and how they can be effectively utilized. Before diving into the framework itself, some definitions need to be made, according to the definitions made by the European Commission (2023):

- Intellectual Assets (IA): Any result or product generated by research, creative and or innovation activity. For example IP rights, data, know-how, prototypes, processes, practices, technologies and software. *Comment: In the context for this thesis, the below framework 2.2 outlines examples of intellectual assets that will be used for the analysis. Our interpretation therefore differs slightly from the EU:s, which include IP-rights as intellectual assets, while this study separates them as legal control mechanisms for intellectual assets. Therefore, an IPR is not an IA, but could have an IA connected to it if it has been explicitly captured and objectified.*

- Intellectual Property (IP): Results and findings of intellectual activities that are eligible for legal protection of which some include technical inventions, literary and artistic works, symbols, names, images and designs.

- Intellectual Property Rights (IPR): Patents, trademarks, design rights, copyright, trade secrets.

Importantly, IAs need to be captured and objectified, in essence claiming and protecting it to deliver value, they do not exist autonomously (Petrusson, 2016). While individual assets offer limited benefit, a strategically constructed portfolio significantly enhances company resources (Petrusson, 2016).

1.2.2 Framework for Categorization of IAs

The proposed framework helps categorise IAs and IP, which is crucial not only for systematically managing and leveraging assets, but also for their utilization, particularly in collaborative or regulated environments such as those in which the CORP projects are situated. Further, categorising the assets and capturing their utilization supports the idea of addressing the nature of the IAs: the potential for maximum value creation in their specific contexts.

The framework categorizes IAs across *four levels*, each focusing on specific dimensions of asset management and value creation (see Fig. 1). As this theoretical framework focuses on research results within academia, only levels 1 and 2 will be applicable in the context of the CORP projects, hence levels 3 and 4 will be excluded.

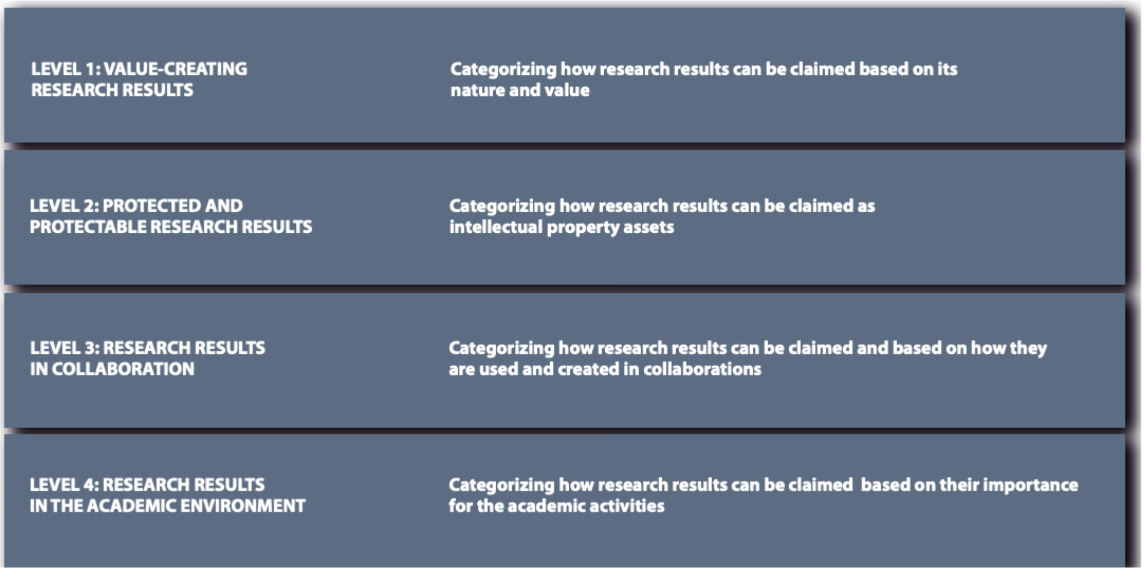

Fig. 1: Four Levels of Categorizing IAs (Petrusson, 2016)

This first level categorizes assets based on their inherent and practical value (see Fig. 2). It addresses the need to objectify assets while maintaining their communicative and intellectual nature. The categories here include: Data (e.g. raw data from studies or experiments), Database, Observation (e.g. empirical conclusions or correlations derived from studies), Theoretical Framework, Solution (e.g. technical innovations addressing specific problems), Visualization (e.g. tangible presentations like prototypes, models, or designs), Instruction (e.g SOPs, guidelines, or manuals providing practical methodologies), Software, Narrative (e.g. user stories, case studies offering contextual insights) and Creation (e.g. artistic outputs).

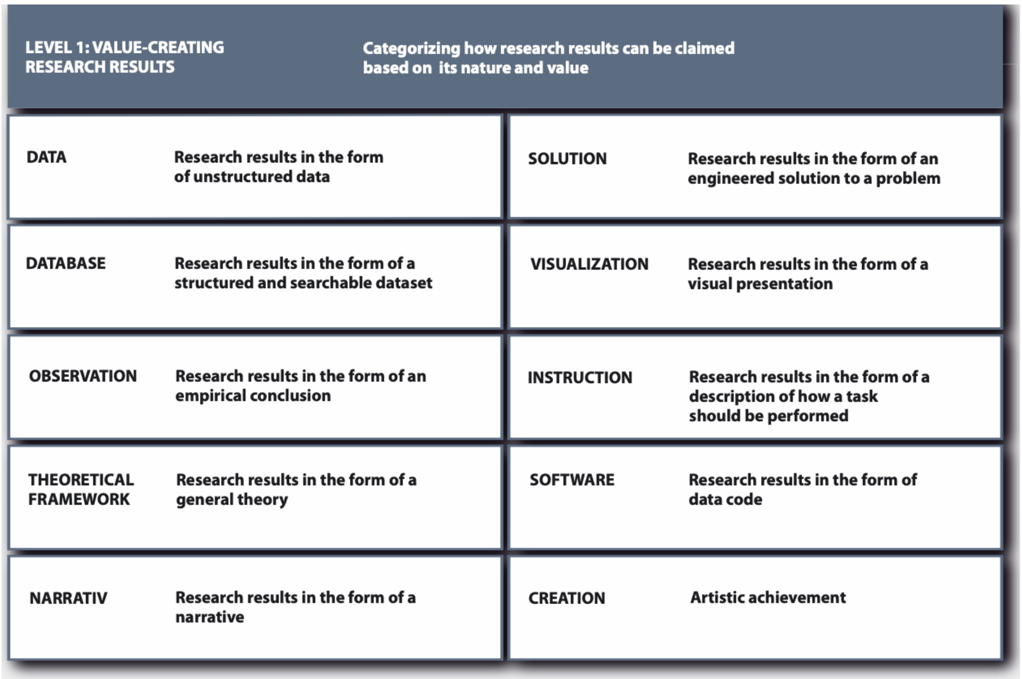

Fig. 2: Level 1: Categorizes assets based on their inherent and practical value (Petrusson, 2016)

At the second level, assets are categorized as IP based on their protectability under legal frameworks. This categorization connects knowledge assets with IPRs, laying the ground for proper management of it. Key categories include for instance: Patentable Inventions, Registered and unregistered design rights, Trade secrets, Copyrights and Trademarks..

The purpose of the above elaborated framework is to provide a comprehensive view of the assets, how they are getting utilized and ultimately controlled. Secondary to this main objective, and based on this overview, it is crucial to conduct a thorough compliance-analysis, examining whether there are any compliance measures required for the IAs within regulations or legal and market requirements (e.g. international or national standard, ISO frameworks, GDPR etc.). This not only enables companies to navigate potential markets by addressing essential requirements for project organization but also helps define critical roles, mitigate or avoid risks, and drive overall project success.

Lastly, one disclaimer: Given the diverse nature of CORP projects, it may not always be practical to deconstruct assets at an individual level. A more practical approach might be to start by focusing on the value offering, whether as a product, service concept, or system. From this perspective, the typical IAs and properties, as well as their legal control, can be evaluated in alignment with the principles outlined in levels 1 and 2.

1.2.3 Resource-Based View

The Resource-Based View (RBV) is another strategic management framework that explains how firms can achieve and sustain competitive advantage by effectively utilizing their internal resources and capabilities (Barney, 1991). According to RBV, not all resources are equal, only those that are valuable, rare, inimitable, and non-substitutable have the potential to deliver long-term competitive advantage. Within this perspective, IAs such as data, software, trade secrets, patents, brands, and internal knowledge (e.g. SOPs) are considered strategic resources. These assets contribute to a firm's intellectual capital, which, when embedded in an organization, can become a source of sustainable differentiation (Grant, 1996; Teece, Pisano & Shuen, 1997).

Importantly, a distinction exists between human capital and structural capital (See Figure 3:. When knowledge resides exclusively within an individual or team and can not be transferred, it constitutes human capital. Conversely, when knowledge can be codified and shared, it qualifies as a structural capital. This distinction necessitates separate and appropriate management approaches for each type of asset, as their characteristics and value-creation mechanisms fundamentally differ. In the context of this research, structural capital is the type of capital on which the focus is placed, as it is the overarching category for IAs. According to Fig. 3, IAs can be either technology and knowledge assets or intellectual property assets.

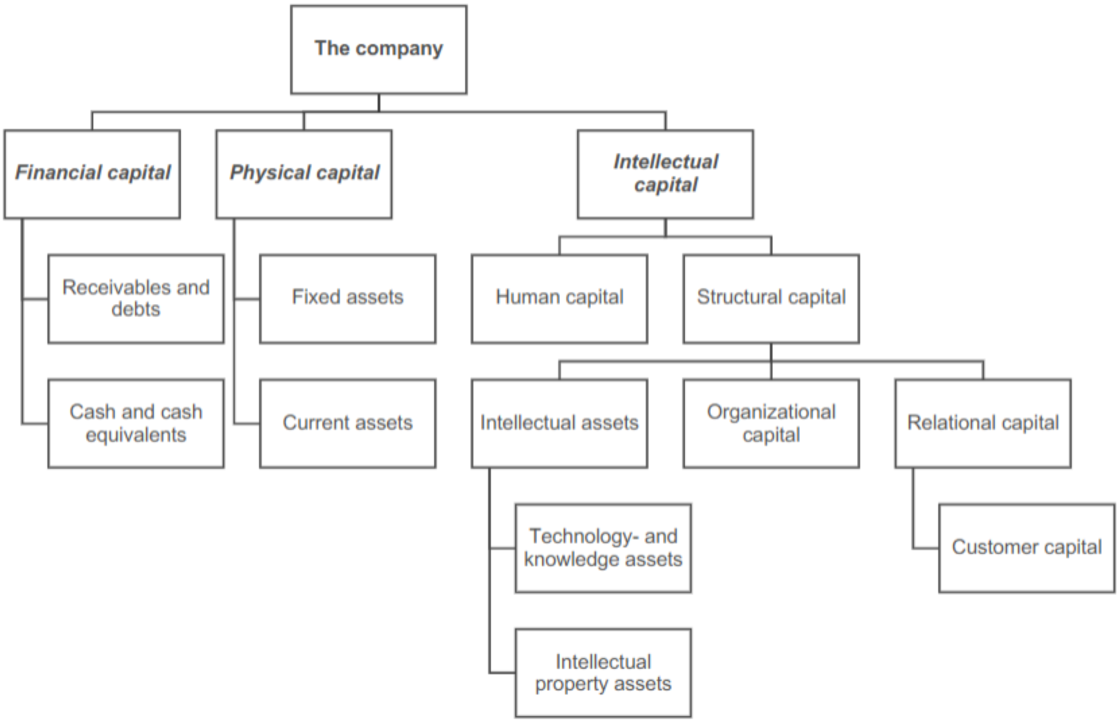

Fig. 3: Classification of a Company's Capital Structure (Hermansson & Petrusson (2023); (Stewart & Malone, 1997))

In knowledge-intensive industries, IAs often represent the most critical elements of a firm's resource base. Their value is not only derived from their intrinsic characteristics but also from how well they are integrated into processes and business models to support innovation, efficiency, and customer value creation (Teece, 2000). Thus, RBV provides a useful lens to understand how firms leverage IAs not merely through ownership, but through their strategic deployment and continual development to maintain competitiveness in dynamic environments.

1.3 Research Method

This study utilizes a qualitative and inductive approach combining it with an action research method (Bell et al., 2022). It proceeds with a collective cross-analysis of responses from the various projects, culminating in general conclusions and insights.

1.3.1 Data Collection

Semi-structured interviews are used as the main means of data collection which provides a foundation of six pre-set questions and the opportunity for the interviewer to ask clarifying questions and or questions that help deepen the answer. Additional data collection methods for the company-specific results are information search online and within the specific company. The interviews per project companies were conducted with a minimum of two employees from the legal and/or the IP department or the equivalent role in the company. The information received during the interviews were partly supplemented by online documents from the company where necessary.

1.3.1.1 Guidance on Semi-Structured Interview

The research team provided the following six guiding questions for the interview, which provided a framework for conducting the interview, but also allowed for subsequent streamlining:

1. What IA are you dealing with in your project (question for yourself) What IA are crucial for the company's performance?
2. Are these IA also registered as IP?
3. How does the company make sure to comply with these IA/IP and how are you mitigating risks associated with the IA and IP?
4. Does the company capture the value of the IA/IP and if yes, how?
5. How does the company make sure to comply with these IA/IP and how are you mitigating risks associated with the IA and IP?
6. Does the company capture the value of the IA/IP and if yes, how?

In addition to the questions, the research team provided each project team with a spreadsheet. The aim was to have the teams deriving some first IAs from their interview and transfer and structure them in the overview. This spreadsheet included the following columns:

1. Intellectual Asset
2. Who controls the asset legally?
3. Who has the knowledge to utilize it?
4. Contribution to value creation (intended use)
5. Risk (Compliance, Regulatory Standards, Market etc.)
6. How to mitigate the risk?

This approach allowed the research team to gain an initial understanding of where the projects are currently "located at" from an IA perspective. It also provided a starting point for preparing and running the workshop effectively.

1.3.1.2 Realization of the Co-Creation Workshop

The research team held a co-creation workshop on 3 March 2025. While the spreadsheet formed the basis of the workshop, the aim was to iterate and refine the data. In fact, what the research team had suspected in advance had come true. Almost every project team had mixed human capital with structural capital. For this reason, the first step was to sort them out. As a few teams provided up to ten IAs, the second step was to prioritise three IAs per team with the greatest impact on the project. Finally, the remaining three IAs per team were subject to the rest of the workshop and the following three sprints:

1. Sprint: Description of the three IAs
    - What is the object, function and utility of the IA?
2. Sprint: Legal Control
    - Firstly: Can we claim whatever you have as a trade secret? What qualifies as a trade secret? Is it a patentable invention? Copyrighted work, design?
    - Secondly: Is it controlled by the company or an external party? Which function/department/individual has legal control and or knowledge to utilize it?
3. Sprint: Risk & Mitigation
    - What compliance risks are connected to the use of these IAs? (Any risk associated in relation to the project / for a bigger system)
    - How to mitigate the identified risk?

To ensure consistency, the research team again provided a template for the teams to record the data collected. The template included the following columns:

1. Sprint: Description of the three IAs

- Objectification: Answering what type of IA it is.
- Function: Answering why the IA is important and what role it plays in project
- Utility: Explaining the usefulness or benefits of the IA to the project

2. Sprint: Legal Control

- Legal Control: Answering what rights or protections apply
- Who controls it?: Answering which party/individual owns or has access rights.

3. Sprint: Risk & Mitigation

- Compliance: Answering what the risks or regulatory considerations are
- Compliance Measure: Answering how are risks is mitigated

In the end, six companies provided three IAs each, leaving the research team with a total of 18 IAs at the end of the workshop.

1.3.2 Data Analysis

The data collected from the workshop formed the basis of the cross-analysis. Finally, the research team analysed the data to look for recurring patterns, similarities, differences and other insights.

1.3.3 Data Reliability

Given the small sample size, it can be hard to draw conclusions that are applicable to the masses. Nevertheless, the findings served as a valuable starting point for analysis and discussion to facilitate learning. Furthermore, by using a structured set of questions for the semi-structured interviews each team had control over how thoroughly they addressed the research questions, which introduced a level of subjectivity. In light of this, the researchers aimed to compare and contrast the responses in a satisfactory manner. From the researchers' perspective, the varying approaches each team took in conducting interviews and collecting data did not negatively impact the overall results.

1.4 Empirical Findings

This chapter presents the empirical findings based on data collected from the companies, focusing on IAs and their role in value creation, as well as aspects related to legal control, risk management as well as compliance

1.4.1 Intellectual Assets and Value Creation

The first section presents a cross-analysis of the IAs: *Data, Databases, Software, Instructions, Technical Solutions and Visualizations* (see Fig 2). Furthermore, this section shows how each IA contributes to value creation across the CORP-projects. The cross-analysis reveals a broad landscape of IAs that have varying degrees of importance in relation to the projects given that some IAs affect the whole organization, while some only apply to the specific CORP projects.

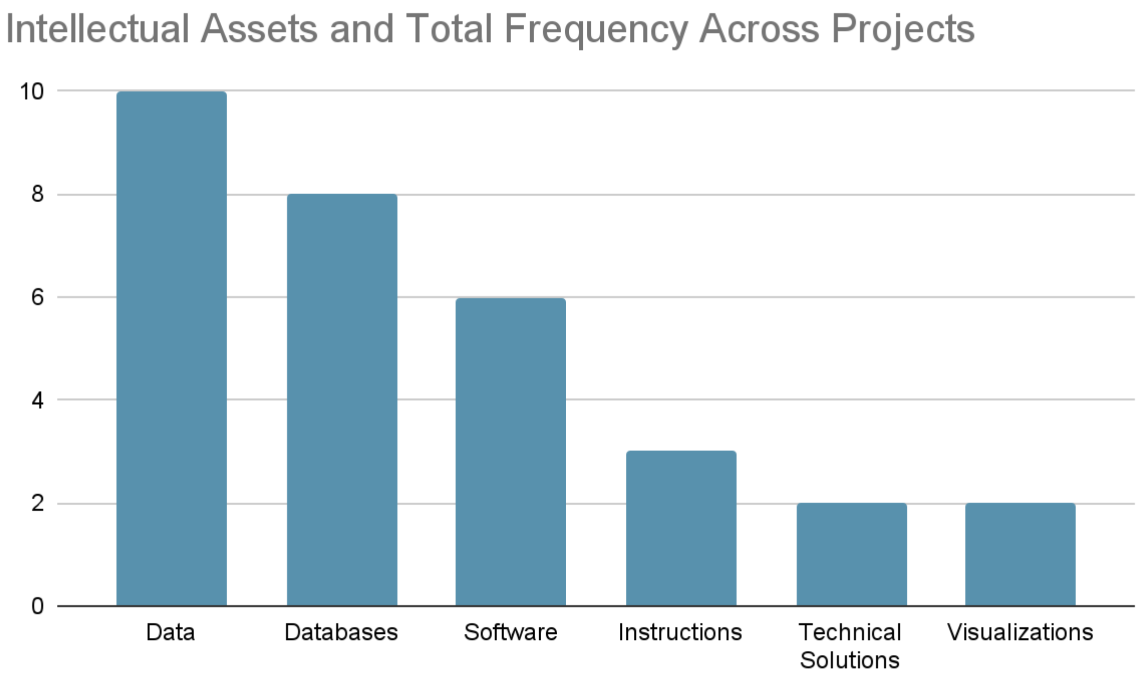

Fig. 4: Identified IAs and their frequency across all six corporate entrepreneurship projects.

1. *Data* emerges as the most prevalent IA, frequently cited as collecting customer, product and historical data as a way to improve and optimize operations and allow for innovation in existing services and value-offerings. The respondents emphasize the use of historical and real-time data to allow forecasting, service optimization, and predictive maintenance. For example, data enables companies to calculate payback times on potential investments for customers, analyze machine usage at client sites, and suggest process improvements. Data also allows for tailored offerings to clients by tracking sales history and customer relationships. In some cases, data is extracted from client-facing software interfaces, providing live operational feedback and performance monitoring, which can strengthen service delivery and increase transparency. Some respondents also mentioned the use of data to track product performance and customer behavior, such as monitoring engine use to enable uptime-based invoicing or improve service offerings. Moreover, data is in some cases crucial in driving sustainability-related outcomes. One respondent highlighted how the use of data makes CO_2-reduction certification possible. Together, these uses showcase how data acts not only as a

diagnostic-and improvement tool but also as a way to facilitate new business models, which illustrates the strong innovation potential of data-driven operations.

2. Unlike raw data, which primarily supports analytical and operational decision-making, *databases* are more relational in nature, contributing to customer insights and lifecycle value management. This distinction illustrates how the architecture of data and not just its presence, is critical to its value-generating capacity. Respondents emphasized how customer databases facilitate upselling, service tailoring, and lead generation. Databases also support companies in maintaining a continuous connection to their installed base, allowing them to issue sustainability certificates, optimize product recommendations, and deliver customized service upgrades.

3. What differentiates *software* from databases is that software interprets, transforms, and acts on data, making it a dynamic contributor to value creation. The respondents' answers illustrated that software is central to value creation and several projects demonstrated how it was used to automate calculations for investment cases, generate invoices, analyze engine health, and perform customer-specific configurations. In a robotics project, software enables high-speed, complex operations that exceed competitors' capabilities, and in some cases, supports continuous self-learning and adaptation. For instance, proprietary software developed by Company D enables robots to improve their handling of diverse products over time, contributing directly to improved performance. Furthermore, software tools and programs connect to customers through dashboards and interfaces. This allowed for cost-effective assessments that required less manual effort than traditional consulting-based approaches, and acts as decision support for customers. In some cases, software was directly linked to the installed base, highlighting its role in continuous value delivery to existing customers.

4. Compared to data and software, *instructions* are more static, yet they serve a vital function in scaling and replicating quality across organizations. In the projects, these IAs are used to codify tacit knowledge and standardize processes which to some respondents projects implied maintained quality standards and minimized operational downtime by spreading and therefore decentralizing knowledge in easy-to-follow instructions. For example, the creation of troubleshooting guides for warehouse workers, allowing them to independently resolve common issues when a machine has a breakdown. This not only increases system uptime for clients but also reduces the service burden for the provider which enables both customer satisfaction and internal efficiency gains. Another usage of instructions was for creating standard operating procedures by technicians for executing specific jobs. This will in turn increase customer satisfaction from using best-practice methods across all different technicians, as well as streamlining the on-boarding and knowledge transfer to new employees. SOPs also support internal learning and pricing logic, for instance in one project by creating reference points for pricing new services. SOPs role in transferring expertise makes them particularly valuable in service-intensive or technically complex environments such as advanced robotics and pest-control.

5. *Technical solutions* represent novelty and innovation, often stemming from research and development, which in the CORP-projects imply a differentiating factor in the market. The empirical findings highlight that technical solutions play a central role in enabling firms to protect, enhance, and operationalize their technological capabilities.

Instead of only relying on formal mechanisms such as patents, firms leverage technical solutions more broadly, including the interplay between hardware, software, and process innovations to create and capture value. For Company D, technical solutions are critical in developing autonomous robotic systems. For instance, by integrating proprietary AI software with robotic hardware can generate new movement patterns based on real-time data and training inputs. This capability not only improves the speed and complexity of tasks the robots can perform compared to competitors but also allows for continuous self-optimization. Likewise, in Company H, technical solutions entailed fuel refinement processes that were essential to the sustainability products, and had to be kept secret so competitors wouldn't copy them. As a result, technical solutions become a source of differentiation and operational superiority, making it harder for competitors to replicate the service without access to the technical solutions behind them.

6. *Visualizations* such as brands and trademarks, although breaching the barrier to relational capital, contribute to value creation through trust, loyalty, and perceived reliability. Although it was only mentioned explicitly twice in the dataset, a brand's role as an IA is reinforced through its value creation regarding customer trust, service continuity, and the importance of maintaining a professional image in client relationships. Although this IA was mentioned less frequently, its intangible value lies in customer perception, affecting purchase decisions and enabling price premiums. In this sense, a brand is the glue between intellectual capital and relational capital, amplifying the perceived value of the underlying products and services.

1.4.2 Legal Control

Legal control is a crucial part in the management of IA because it protects ownership rights, prevents unauthorized use, and ensures the company can benefit from its innovations and competitive advantages. Following will explain how the IA mentioned can be legally controlled and how the companies are managing the legal control in practice.

IA	**IPR-based Legal Control**
Data	Trade secrets
Database	Database protection, trade secrets and copyright
Instructions	Trade secrets
Software	Copyright and trade secrets
Technical solutions	Patents, trade secrets
Visualizations	Trademark

Fig. 5: Overview of how IAs can be protected legally via IPRs

A clear pattern that emerges from the analysis is the centrality of data-related IAs in creating and sustaining competitive advantage. This includes both proprietary databases and trade secrets, each offering distinct yet complementary forms of strategic value.

The increasing digitization of business has positioned data not only as a resource but also as a capability. Organizations with the ability to extract insights from structured and unstructured data position themselves more competitively. This ability becomes a competitive advantage, especially in industries where innovation and speed are critical. The legal control IAs will be explained in the following.

1. *Database protection:* The most common legal protection that is mentioned is sui generis. Sui generis rights enables firms to formalize and defend their investments in data. The Sui Generis database right, granted by the EU, recognizes the substantial effort required to develop and maintain databases, even without originality. This incentivizes continual investment in data infrastructure, while also offering renewable protection periods. Basically all companies mention that Sui Generis can be used as legal control for their data but it is unknown if the companies actually registered it.

2. *Trade Secrets:* Similarly, trade secrets, though unregistered, require active organizational governance. Centralizing legal ownership within departments like IP or legal helps companies mitigate risks and protect value-creating knowledge. Cross-functional collaboration with R&D, HR, and IT ensures comprehensive data governance and strategic alignment. Almost all companies mention that their IA can be protected through trade secrets but it is unknown if the companies are taking active measures to protect their IA through trade secrets.

3. *Copyright:* Copyright protection plays a key role in safeguarding data and databases, particularly in how they are structured and presented. While individual facts or raw data, like names, dates, or statistics, are not eligible for copyright, the creative organization, selection, and arrangement of this information can be protected. This means that if a database reflects original choices in how data is compiled or displayed, the database as a whole may qualify for copyright protection. For businesses, especially those developing data-driven products or platforms, managing copyright effectively is essential. This includes documenting the creative decisions behind the database design, maintaining clear ownership of IP, and ensuring licensing agreements are in place when data is sourced externally.

4. *Patent:* Patents offer strong legal control by granting the holder exclusive rights to use and commercialize an invention for a limited time, typically 20 years, in exchange for publicly disclosing the details of the invention. This ensures that competitors cannot legally copy or exploit the protected technology without permission, offering a competitive edge and safeguarding future commercial value. In contrast, while the other companies in the industry are larger in size, there is not any mention of any form of patent protection. This could be due to several reasons: the companies may not be working with novel or patentable technologies that require formal legal protection, or the companies may prefer to maintain exclusivity through restricted access, trade secrets, or contractual agreements instead. It is also possible that their innovations lie more in service models or operational know-how, which are harder to protect through patents and are instead managed through internal policies and strategic secrecy. Company D mentions an active protection of their technology through a patent in Sweden, highlighting a clear strategy to legally secure their innovation.

5. *Trademark:* A company can protect its brand and visualizations through trademark registration, which secures exclusive rights to use names, logos, or slogans and helps

prevent others from using similar identifiers that could cause confusion. The data analysis has shown that only one company explicitly mentioned trademark protection, indicating a more proactive approach to securing brand identity compared to the others.

Examples like Company Z PLMS and Company A & B's data-driven services illustrate how companies operationalize their technology assets. These initiatives enable better forecasting, tailored services, and enhanced decision-making, translating intangible resources into concrete market performance. The role of legal instruments like sui generis rights and trade secret protections further reinforces the strategic value of these IAs.

1.4.3 Compliance and Other Risks

The following chapter presents the empirical findings regarding compliance requirements (see A: Compliance Requirement) associated with the 18 IAs in scope. Furthermore, it examines the challenges of adhering to these compliance requirements (see C: Examples Cross-Analysis), as well as the resulting risk exposure and consequences of non-compliance (see B: Consequences of Non-Compliance). Based on the empirical findings, the research team formulated a call-to-action that applies to all companies in terms of risk mitigation and compliance adherence (see D: Call-to-action). Across the six companies, compliance risks related to IAs are predominantly centered around four themes, which can be categorized into those stemming from external sources and those arising from internal sources (see Fig. 5). This distinction helps clarify where vulnerabilities originate and how they can be addressed.

External SPource of Compliance Risk	**Internal Source of Compliance Risk**
1. Data Privacy and Protection	3. Internal Awareness and Process Compliance
2. Sector-Specific Compliance	4. Legal Uncertainty

Fig. 6: Categorisation External or Internal Source of Risk

1. *Data Privacy and Protection* is the first common compliance risk identified and pertains to the handling of personal or sensitive data.
    a. *Compliance Requirements:* As every organization in scope is dealing with data, they all must comply with privacy regulations such as the General Data Protection Regulation (GDPR). Further, it is suggested to adhere to quality standards like ISO 27701, a standard for Privacy Information Management Systems, designed to help organizations manage personally identifiable information. In addition, ISO 27001 plays a crucial role by establishing a comprehensive framework for securing IAs, supporting GDPR compliance and strengthening internal information security governance.
    b. *Consequences of Non-compliance:* While the focus is on data privacy, the actual risks involve data breaches, unauthorized access, and cyberattacks. All of this could cause organizations to get caught in financial penalties, legal and litigation costs, reputational damage, and, in extreme cases, restrictions or bans from operating in certain markets or regions.
    c. *Examples Cross-Analysis:* For instance, Company F and Company Z deal with sensitive customer data which is subject to GDPR regulations. To mitigate the risk, compliance requires e.g. data anonymization, explicit consent of

individuals, and clear data retention policies. Company F highlighted blurring of identifiable individuals while flying drones and enforced a data retention policy. Company A and Company B on the other hand elaborated on the need for NDAs and restricted data sharing to prevent breaches.

d. *Call-to-Action:* ISO 27701 suggests that companies should implement a structured Privacy Information Management System to systematically address data privacy risks. While it helps to organise the company internally, it is crucial to avoid external risk factors. Concrete steps in achieve that could be:
    i. Appointing a *Data Protection Officer* (see GDPR Article 37), while the tasks would be of an advisory and information nature (see GDPR Article 39) as well as monitoring compliance. Further, clear definitions of roles such as *Data Controllers* or *Data Processors* are suggested. (see GDPR Articles 4(7) and 4(8) and ISO 27701, Clause 6.3.3.). As per definition, the Data Controller decides why and how data is processed (e.g. purpose and means of processing) while the Data Processor is processing data on behalf of the controller (e.g. execution of instructions).
    ii. Implementation of an Information Security Management System (ISMS) is suggested (based on ISO 27001, complementing GDPR and ISO 27701 compliance efforts) to systematically protect the confidentiality, integrity, and availability of information assets. This includes risk assessments (Clause 6.1.2), security controls (Annex A), incident management (Annex A, Control A.5.24), and continuous improvement processes (Clause 10.2).
    iii. Conduction of mandatory employee training programs on data protection principles (see ISO 27701, Clause 6.3.2.), as it is fundamental to effective data protection compliance that employees understand their obligations in handling personal data. Hence, organizations must develop, implement, and maintain appropriate awareness and training programs for all personnel involved in processing personal data.

2. *Sector Specific Compliance* refers to risks linked to broader industry standards or regulations.
    a. *Compliance Requirements:* organizations operating in specific industries must comply with industry-specific regulations and standards. As the requirements are industry-specific, no general answer applying to all organizations can be made here. However, healthcare, food safety and pest control are highly regulated sectors, which means that companies must comply with mandatory health, safety, and environmental standards to lawfully operate.
    b. *Consequences of Non-compliance:* Failure to meet sector-specific compliance requirements can result in revoked business licenses, regulatory fines, reputational damage, and exclusion from key markets. Additionally, it can elevate operational risks, such as health hazards and customer claims – depending on the industry.
    c. *Examples Cross-Analysis:* Company F provides an example that makes this tangible, as this organization executes pest control services that must align with health standards as well.
    d. *Call-to-Action:* Organizations should systematically identify and map the relevant sector-specific standards that apply to their operations. Concrete steps to achieve that could be:

i. Appointment of a Quality Management System (see ISO 9001) ensuring continuous improvement of operational processes and service quality (see ISO 9001:2015, Clause 4).
ii. Regular compliance audits and certification renewals to verify adherence to sector-specific legal and regulatory requirements (e.g. via external third-party audits).
iii. Appointment of a Compliance Officer tasked with monitoring changes in industry-specific regulations and coordinating compliance activities.

3. *Internal Awareness and Process Compliance* relates to how well employees and departments understand and adhere to compliance measures linked to IAs. In this sense, it represents a risk stemming primarily from the inside of an organization.
    a. *Compliance Requirements:* organizations must ensure awareness of compliance obligations and the consistent application of internal policies and procedures. The empirical data suggests that organizations are at varying levels of maturity in this area.
    b. *Consequences of Non-compliance:* Insufficient internal awareness can lead to inconsistent application of compliance measures. Furthermore, poor internal governance can result in weakened accountability structures, making it harder for organizations to defend against compliance failures during e.g. audits or investigations.
    c. Examples Cross-Analysis: For instance, both Company B and Company Z highlight challenges in harmonizing compliance practices across departments and emphasize the need for internal education through tools like training programs, SOPs and manuals.
    d. Call-to-Action: To mitigate internal compliance risks, companies should take concrete steps such as:
        i. Establishing clear internal compliance procedures (e.g. SOPs and process manuals) that provide employees with practical, actionable guidance on compliance requirements.
        ii. Designating Compliance Officer (see. 2., d., III.)
        iii. Integration of compliance objectives into employee performance reviews (e.g. KPIs), as it promotes a culture where adherence to internal policies is incentivized.

4. *Legal Uncertainty* refers to unclear legal control and/or ownership of IAs.
    a. *Compliance Requirements:* Organizations must establish clear ownership structures and legal protection mechanisms for IAs, in line with relevant IPR laws (e.g. copyright law, trademark law, patent law, trade secret regulations).
    b. *Consequences of Non-compliance:* For example, if IP boundaries are not well-defined, companies might accidentally infringe on others' rights or struggle to defend their own. This lack of clarity could unfold in disputes or weaken the enforceability of rights.
    c. Examples Cross-Analysis: Company Z and Company H specifically mention the importance of their legal departments in enforcing control and mitigating misuse. Another example is about trade secrets, which are common legal forms of protection across companies but vary in formalization. Company D emphasized that control is decentralized which could potentially lead to internal risks.

d. *Call-to-Action:* To mitigate risks associated with legal uncertainty, companies should take the following steps:
    i. Implementation of a formal IP Management Framework following best practices (e.g. ISO 56005), incl. documenting ownership, registration processes, and clear contractual terms.
    ii. Conduction of regular IP audits to map rights, identify gaps, and address ambiguities proactively.
    iii. Standardisation of trade secret management policies, incl. NDAs.

Finally, while not a compliance risk in the traditional sense, *Proprietary Technology or Data* presents a critical strategic and operational risk that can have significant legal consequences under certain conditions. Several companies in scope rely heavily on specialized in-house technologies, algorithms, or data systems to deliver their core services. For instance, Company A's engine monitoring system or Company Z's diagnostic tools. This kind of dependency can create vulnerabilities, particularly if systems are compromised or disrupted. While this reliance is not inherently a legal or compliance issue, it can quickly become one in the event of a data breach or system compromise. In such cases, what starts as an operational disruption can escalate into a serious legal and compliance risk – which is IA-related. This highlights the need to treat *Tech and Data* not just as Technology Assets, but as integral components of compliance – especially when data privacy and regulatory obligations intersect with technology.

1.5 Discussion

This section presents insights on patterns and synergies identified in the empirical findings. It also explores how organizations leverage their RB to gain competitive advantage through IAs.

1.5.1 Intellectual Assets and Value Creation

The preceding analysis of the six IAs: *Data, Databases, Software, Instructions, Technical solutions and visualizations* reveals a set of patterns in how organizations strategically use their resource base to generate value.

A key finding from the cross-analysis is that IAs can be grouped in two main areas, operational improvement and strategic positioning. On one end, IAs such as data, software, instructions, and databases serve as enablers of efficiency, automation, and decision-making. These IAs often tie to the firm's core operations. Their contribution to value is largely internal, focused on enhancing productivity, reducing costs, and improving service reliability, which Company F outlined regarding the collected data from drone flights. On the other end of the spectrum lie technical solutions and visualizations, which contribute primarily to market-based differentiation and value capture. These IA protect proprietary knowledge (trade secrets), technological novelty (patents), and customer trust (via brands), enabling firms to maintain their market positions utilizing a more defensive mechanism. For example Company D which has a technical solution with a granted patent, which in turn can mitigate or “scare off” competitors. Unlike the IAs that were important for operational efficiency, the IAs connected to strategic positioning are more directly linked to competitive advantage through market exclusivity, brand reputation, proprietary knowledge, and legal protection.

Beyond categorization, the cases suggest that IAs rarely operate in isolation. Rather, synergistic combinations are often the key to unlocking higher value. For example, databases enhance the effectiveness of software, which in turn leverages data to deliver intelligent decision support. Similarly, instructions often codify trade secrets and proprietary knowledge to make them replicable across organizations or service teams. Company Z utilized the development of software for calculating customer savings, which relied on a structured database of previous upgrades, drew on data analytics to generate forecasts, and was protected by instructions and internal know-how. Here, the interplay between different IAs demonstrates that value creation emerges not from any single IA, but from the orchestration of multiple types into a larger system of IA working together in synergy.

These organizations also use instructions to scale and crystallize tacit knowledge, along with protecting process innovations through a balance of patents and trade secrets. And finally, they build trust and differentiation through strong brands and customer relationships. These insights reinforce the importance of intellectual capital management as a deliberate and ongoing organizational capability. IAs are not static or isolated; their value is contextual and synergistic to each CORP-project’s unique situation.

1.5.2 Legal Control

The actual management of legal control over these IAs in scope appears to be somewhat unknown or unaddressed in the available information. This gap makes it difficult to assess whether companies are actively protecting their IA or simply overlooking its strategic importance. For instance, while one company explicitly mentioned trademark protection for its brand and another referred to patenting a key technology, the majority of companies did not disclose how they fulfill the requirements for legal control or how they manage the legal control. This observation leads to three possible hypotheses:

- *Hypothesis 1* suggests that the research may not have gone deep enough to uncover how these companies manage the legal control of their IA. It is possible that protective measures are in place but were not explored during interviews or data collection.
- *Hypothesis 2* proposes that companies may deliberately avoid disclosing details about their legal protection strategies. This could be due to confidentiality concerns, competitive reasons, or a general reluctance to share internal practices related to IA management.
- *Hypothesis 3* considers the possibility that companies are simply unaware of how to manage the legal control of their IA effectively (especially related to data). This would reflect a lack of strategic IA management and could expose companies to unnecessary risks, such as imitation, loss of competitive advantage, or missed revenue opportunities (see. Chapter 4.3. Internal Source of Compliance Risk, "Legal Uncertainty").

In conclusion, while IAs are acknowledged to some extent, the limited transparency around legal control suggests either a lack of disclosure, a gap in research depth, or a broader unawareness within the companies. This highlights the need for increased focus on IA education, legal strategy, and awareness-building among firms to ensure their IAs are fully protected and leveraged.

1.5.3 Compliance and Other Risks

Building on the empirical findings that outlined common risks in the context of IAs, the discussion develops these further and translates them into patterns that can be derived. In that regard, the research team has identified four patterns:

1. *Dominance of Data-Driven Risk*: The first pattern is one that has not been really a surprise. It is apparent that all IAs across the companies are built around e.g. data, ranging from customer information to sensor-generated insights. Hence, the companies rely heavily on it. This positions data not just as an important "asset" but as a liability if not properly managed.

2. *Legal Protection and Compliance Strategy (incl. IP Strategy)*: This pattern captures how companies approach the legal protection of their IAs, combining broader compliance considerations with targeted IP strategies, ranging from trade secrets over more formal protections like patents. In fact, the most common mode of legal protection seems to be through trade secrets, often because patents may not be applicable or desired. However, the enforcement and formalization of trade secrets differ widely.

3. *Internal vs. External Risk Sources*: In essence, this pattern widens the view on risk by distinguishing between risks arising from external regulations (e.g. GDPR) and those emerging internally (e.g. operations gaps such as lack of process or awareness). While the data suggests that organizations are usually aware of external risk sources, the internal ones are not to be underestimated. One example would be the improper handling or lack of access control, which are frequently under-addressed.

4. *Synergies and Discrepancies:* The last pattern highlights the differences of how consistently companies align their risk and compliance efforts with their broader IP

strategies and business goals. In that regard, *Synergy* refers to cases where companies successfully integrate compliance into their IP strategy. These companies treat IAs not just as a legal obligation but as a way to strengthen their business model. For example, some companies use compliance as a tool to enhance reliability, customer trust, and long-term value creation. *Discrepancy*, on the other hand, points to gaps and mismatches. Some companies for instance show fragmented unclear processes, which not only increases their exposure to risk but also reduces the value extraction of their IPs (e.g. monetization, competitive edge).

As has been shown, the management of IAs and their associated compliance risks are directly connected to the competitive edge of an organization and therefore to its positioning in the competitive landscape. The patterns identified in this research indicate that well-managed IAs empower organizations to operate in regulated markets more confidently. Contrary to the common perception that organizations have of IAs, which includes fearing regulatory compliance, these IA management strategies can serve as strategic benefits when properly embraced.

1.6 Conclusion

As introduced in the theoretical framework, understanding and actively managing the RB is crucial for value creation of companies. The analysis shows how organisations that leverage their IAs, a key category of resources, gain sustainable competitive advantage.

The empirical findings demonstrate that IAs play both distinct and complementary roles in value creation. Operationally important IAs such as data, software, and instructions enable automation, predictive maintenance, quality assurance, and resource optimization. Strategically important IAs like technical solutions and visualizations facilitate innovation, support market exclusivity, and reinforce customer trust. When integrated, these IAs form systems of capabilities that unlock higher-order value, such as enabling customer-tailored solutions or scalable service offerings. Furthermore, IAs are most valuable when they are deliberately embedded into a firm's processes, offerings, and business models, not just merely owned. Firms that succeed in leveraging IAs do so by treating them as dynamic, interrelated components of innovation. This shift from possession to purposeful utilization is what drives competitive advantage. The analysis further shows that the role and impact of IAs vary across industry contexts and innovation objectives. For example, sustainability-oriented firms rely heavily on data to demonstrate environmental impact, while technology-driven firms capitalize on proprietary software, patents, and trade secrets. This underscores the importance of context-specific strategies in managing IAs This means, IAs are not passive byproducts of innovation but active enablers of value creation and strategic differentiation. As organizations operate increasingly in knowledge-intensive and service-driven environments, the ability to orchestrate and integrate IAs will be central to innovation, growth, and long-term competitiveness.

In regards to legal control, the findings have several practical and theoretical implications. Practically, organizations must establish robust management frameworks to manage and protect their IA through legal control. This includes assigning clear legal ownership of the IA and maintaining secure access protocols. Legal and IP departments should play a central role in overseeing these protections, while cross-functional training can cultivate a company-wide culture of confidentiality and data awareness. Theoretically, this discussion reinforces the Resource-Based View by highlighting data and databases as strategic, intangible assets that are valuable, rare, inimitable, and non-substitutable. It also suggests that traditional IP frameworks are evolving, with legal mechanisms like the sui generis right and trade secret laws becoming essential tools for protecting and capitalizing on IAs. This integrated perspective bridges legal infrastructure and strategic management, emphasizing the growing importance of managing the legal control of IAs in sustaining competitive advantage in a data-driven economy.

On the note of risk and compliance, a major conclusion is that organizations that take a proactive approach to compliance are better positioned to benefit long-term value from their IAs. What these organizations have in common is that they do not view compliance as a box-checking exercise but as a value-adding opportunity. Very few companies exemplify this very mature mindset in that regard as compliance is integrated into product development, data handling, and customer interaction processes. By doing so, they not only reduce risk exposure but enhances trust, operational efficiency, and most likely market resilience. Conversely, organizations in the early stages of compliance maturity often show fragmented practices and unclear responsibilities in the field of compliance. Another conclusion is that this certainly represents a missed opportunity to formalize the protection and use of IAs. In such cases, compliance tends to be reactive rather than strategic, which in turn limits the organization's ability to scale and operate with confidence. Eventually, *mature compliance practices are not a constraint, but rather are a competitive capability.* When organizations understand the regulatory landscape and build internal systems and practices that align with it, they create conditions for their IAs to thrive and generate value beyond their original context. For this reason, organizations that understand compliance only as something that helps them stay out of trouble are on the wrong track. Instead, compliance is an enabler which allows to unlock the full potential of the RB. The study is a starting point that shows that those organizations who embrace this way of thinking of compliance are more likely to turn their IAs into real strategic advantage.

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2. Organizational Change

Isabell Andersson, Johanna Rapp, Sara Sabatini and Bidita Zaman

2.1 Introduction

Organizations increasingly recognize the benefits of cross-departmental collaboration and strive to effectively communicate the purpose and vision of these collaborations to achieve cohesiveness during change initiatives. Clear and transparent communication fosters employees' shared understanding, commitment, and adaptability, aligning efforts with organizational goals. Effective communication goes beyond merely sharing information; it involves crafting messages that resonate logically and emotionally with various teams and utilizing channels that make complex information accessible and engaging. Impactful communication resonates with diverse teams and encourages feedback, creating a culture of collaboration and reducing resistance. This research explores the effectiveness of communication in cross-departmental collaborations, focusing on two key parameters: clarity in message delivery and transparency of information sharing.

2.1.1 Theoretical Motivation

Organizational change is a systemic and iterative process that requires the alignment of strategic and operational factors to enable adaptability and learning in dynamic environments (Pregmark, Finnström, & Fredberg 2023). It involves developing new skills, methods, and organizational structures (Worley and Mohrman 2014). This process extends beyond mere structural reorganization to address evolving market demands and stakeholder expectations.

An organizational change initiative is a structured effort to transform procedures, frameworks, or strategies in response to external and internal demands to improve performance. This entails deliberate measures meant to accomplish specific goals, where managing employee engagement through communication is critical for successful implementation (Atshan 2022). According to Pregmark, Finnström, and Fredberg (2023), successful initiatives must align the organization's strategic direction, operational frameworks, and cultural components.

Given the complexity of change initiatives, communication is essential during implementation. Change communication is the strategic process of planning, executing, and managing communication during organizational transitions to ensure stakeholders are informed, engaged, and aligned with change objectives. Clampitt, DeKoch, and Cashman (2000) emphasize that "a well-developed communication strategy cultivates the kind of environment more accepting of change and innovation.".

Clarity and transparency emerge as particularly critical parameters in cross-departmental communication during change initiatives. Clarity in message delivery ensures complex information is presented in a structured, accessible manner, reducing misunderstandings and promoting shared interpretation of goals across diverse departmental cultures (Bischof and Eppler 2011). Transparency fosters trust among departments by ensuring information is shared openly, which reduces uncertainty and resistance while increasing buy-in from all involved teams (Schnackenberg and Tomlinson 2016). When effectively implemented, these parameters create a foundation for successful cross-departmental collaboration during organizational transitions.

While existing research has established the importance of communication in change management, there remains a gap in understanding how clarity and transparency function across departmental boundaries. While prior studies have examined communication effectiveness within single departments or from leadership to employees vertically, less attention has been given to horizontal communication dynamics during change. This study addresses this gap by examining how clarity and transparency manifest in cross-departmental settings during change initiatives, contributing both theoretical understanding and practical guidance for organizations navigating complex transformations. This approach responds to calls for more nuanced exploration of organizational communication during periods of strategic change (Lewis 1999; Cameron & Green 2020).

2.1.2 Aim and Research Question

This study aims to strengthen the literature on how clear and transparent communication creates a shared understanding of common organizational goals across different teams or departments working on the same project. Specifically, the research examines the effectiveness of cross-departmental communication during organizational change initiatives, focusing on two key parameters: clarity in message delivery and transparency of information sharing.

The research question guiding this study is:

How do organizations effectively communicate across teams or departments during organizational change initiatives?

2.2 Theoretical Framework

This section presents the key definitions and theoretical models that frame our understanding of communication during organizational change. It explores how Kotter's and Lewin's change models conceptualize communication's role, providing a foundation for analyzing clarity and transparency in cross-departmental interactions.

2.2.1 Key Definitions and Interpretations

Organizational Change Initiative

A structured organizational effort to transform procedures, frameworks, and strategies in response to external and internal demands, to improve organizational performance (Atshan 2022). These initiatives require systematic planning and implementation alongside active employee engagement.

Clarity in Communication

The delivery of messages in a precise and well-structured manner to facilitate easy understanding across organizational levels (Bischof and Eppler 2011). Clarity focuses specifically on how information is presented to ensure comprehension and reduce misunderstandings across departments (Schnackenberg and Tomlinson 2016).

Transparency in Communication

The openness and honesty in sharing accurate and timely information to foster trust and accountability, helping reduce resistance and promote understanding of change at both individual and organizational levels (Schnackenberg and Tomlinson 2016).

2.2.2 Kotter's 8-step Change Model

Kotter's 8-step Change Model presents a structured approach to managing organizational change that emphasizes the role of communication in creating alignment across teams (Kotter 2012). This framework is particularly valuable for understanding how organizations establish and disseminate a shared vision during change processes. According to Pollack and Pollack (2015), successful implementation of Kotter's model requires adapting communication strategies to different organizational contexts and stakeholder groups.

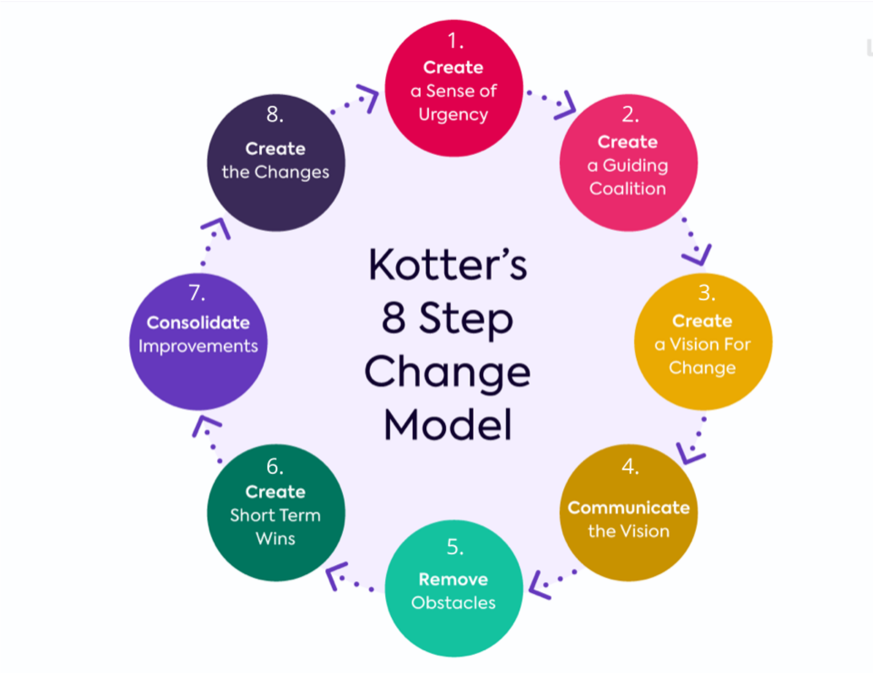

Figure 1: The steps of Kotter's 8-Step Change Model.

Two steps of Kotter's process are especially relevant to cross-departmental communication. First, *creating a vision for change* involves (step 3) clearly articulating the purpose and goals of the change initiative in ways that resonate with diverse stakeholders (Appelbaum et al. 2012). When examining cross-departmental communication, this highlights the importance of developing messaging that transcends functional silos and creates a common understanding of direction. As Hughes (2016) notes, the quality of this vision significantly impacts how different departments interpret and engage with change objectives.

Second, *communicating the vision* (step 4) emphasizes that effective change requires consistent, multi-channel communication efforts that reach all organizational levels (Kotter 2012). In cross-departmental contexts, this means developing communication strategies that account for different professional languages and priorities across functional areas. Gallos (2006) emphasizes that frequent and effective communication ensures employees understand not only the general direction but also their specific roles within the broader transformation process.

This study applies Kotter's model to examine how organizations establish clarity in their messaging to foster understanding and alignment among cross-functional teams during periods of change. The model provides a framework for analyzing whether communication practices support or hinder the development of shared understanding across departmental boundaries.

2.2.3 Lewin's Change Management Model

Lewin's three-stage model of change: *unfreeze*, *change*, and *refreeze*, provides a dynamic framework for understanding the psychological and social dimensions of organizational transformation (Lewin 1947; Burnes 2004). Unlike more procedural approaches, Lewin's model emphasizes the underlying forces that drive or resist change, making it valuable for examining communication's role during transitions. Hussain et al. (2018) argue that leadership communication is especially critical in managing the psychological aspects of change that Lewin identified.

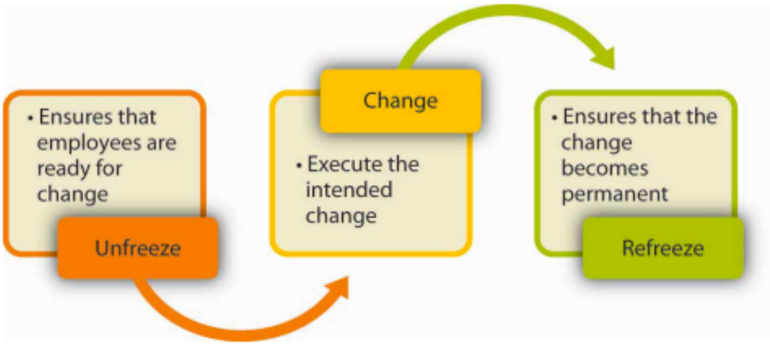

Figure 2: Lewin's Change Management Model, visualizing the three stages of organizational change (Carpenter et al. 2010).

The unfreeze stage represents a period where communication plays a fundamental role in preparing the organization for change. During this phase, clarity in messaging helps establish the need for change by disrupting established patterns (Schein 1996). Burnes and Bargal (2017) note that effective communication during unfreezing creates psychological safety while still generating sufficient discomfort with the status quo to motivate change. In cross-departmental contexts, clarity becomes especially important as different functional areas may have varying levels of commitment to existing practices. This study examines how clarity in communication during the unfreeze stage helps establish a shared understanding of why change is necessary.

The change stage presents distinct communication challenges as teams navigate uncertainty and experiment with new approaches. During this transitional period, transparency in information sharing becomes paramount (Cummings et al. 2016). In cross-departmental settings, transparency supports collaboration by providing teams with the knowledge and context required to adapt their behaviors and processes in coordination with other organizational units. As noted by Rosenbaum et al. (2018), transparent communication during this phase helps reduce anxiety and resistance that naturally emerge during transitions.

This study applies Lewin's model to understand how communication practices evolve during the first two phases of change and how they influence cross-departmental collaboration. By examining communication through this three-stage lens, the research captures the dynamic nature of information sharing as organizations progress through the change journey.

2.2.4 Framework Application

The integration of Kotter's and Lewin's theories provides a complementary lens for examining cross-departmental communication during change. This framework guides the analysis of three key aspects: how communication practices align with strategic change objectives; how clarity reduces ambiguity between departments with different priorities and professional languages; and how transparency affects trust and collaborative relationships across organizational boundaries. By combining these theoretical perspectives, the study can evaluate whether communication strategies support cohesive outcomes during organizational transformations, particularly focusing on the parameters of clarity and transparency as they manifest across departmental interactions.

2.3 Methodology

This study was conducted at the Corporate Innovation track of Chalmers University of Technology. The method was divided into collecting and interpreting the data to answer the research question on organizational change communication. It involved a three-tiered approach: first, data collection by seven student pairs at their respective partner companies; second, analysis and compilation of company-specific reports by each student team; and finally, a cross-analysis of all seven reports performed by the authors of this paper.

2.3.1 Data Collection

The data was collected using an action-based research approach. This involved master's students conducting two to three semi-structured interviews about organizational change initiatives at their respective partner companies. Projects selected for analysis involved more than one department and were based on an organizational change initiative. Interview participants worked with or had previously worked on the selected project, had been with the organization during the implementation of the change, and where possible, represented different departments. The interview questions are set out in Appendix A, and addressed cross-departmental communication during change initiatives, focusing specifically on clarity in message delivery and transparency of information sharing.

In addition to interviews, the action-based research approach involved observing communication practices during daily project work. This allowed students to gather information by being observant of what happened around them, particularly related to clarity and transparency in communication. This observational approach provided valuable insights into the actual communication practices that might not be captured through interviews alone. The data gathered through action-based research complemented the interview data, creating a more nuanced understanding of communication dynamics during change initiatives.

As a complementary method, document analysis was conducted where relevant. By studying project-related documents from different departments, students identified inconsistencies between stated communication policies and actual practices. This triangulation of data sources enhanced the reliability of findings at each organization.

2.3.2 Analysis

At the individual company level, each student team analyzed their collected data to identify key communication patterns and challenges within their specific organizational context. This analysis involved examining interview transcripts, observation notes, action based research, and relevant documents to identify recurring themes related to clarity and transparency in communication during change initiatives. The findings from each company were compiled into a company-specific report that outlined the unique communication practices, challenges, and effectiveness within that organization.

After completing their company-specific report, all students reported the data they gathered to the authors of this paper. For the cross-analysis, data from all seven companies were compared from the perspective of the research question. To help this process, we held a workshop where all seven student pairs focused on identifying patterns, similarities, and differences in communication practices and their effectiveness across different organizational contexts.

2.3.3 Research Limitations

This study faces methodological limitations inherent to the research design. The action-based approach, while providing authentic insights into organizational practices, created variations in data collection conditions as student teams navigated different corporate environments. The interview protocol required adaptation to each organizational context, which may have affected response consistency across cases.

Access to internal documentation varied between organizations due to confidentiality policies, limiting the depth of document analysis in some instances. Additionally, time constraints associated with the master's thesis timeline restricted observation periods, creating a snapshot view of communication practices rather than capturing their evolution over extended periods.

To address these limitations, the research team implemented consistent analytical protocols across all cases and conducted collaborative review sessions to ensure methodological coherence in the cross-analysis process. These measures helped maintain analytical rigor while acknowledging the inherent constraints of the research design.

2.4 Empirical Findings

This section presents case studies from seven organizations examining cross-departmental communication during change initiatives. Each case study analyzes strategic context, communication methods, clarity of messaging, transparency in information sharing, and key challenges. The findings provide the foundation for the subsequent cross-analysis and discussion.

2.4.1 Company A

From the two interviews at Company A, the empirical findings highlight the implementation of "Project A". This initiative marks a major organizational shift, moving from conventional software update processes to a more streamlined, digital-first approach that improves remote accessibility and operational efficiency.

Strategic Context and Cross-Departmental Communication

Project A represented a major technological and process shift, requiring cross-functional collaboration across multiple teams. As the project lead explained, "It was clear to me because I initiated the project, but cross-functionally, we do not always align on priorities.". The project involved departments such as IT, connectivity, design, aftermarket services, and external stakeholders, emphasizing the necessity of coordination.

Beyond this, a broader effort to enhance information-sharing between departments highlighted systemic communication challenges. Employees who were not directly involved in ongoing projects often lacked timely access to decisions, leading to gaps in awareness and alignment. These initiatives aimed to create a more transparent and structured approach to cross-functional collaboration.

Communication Practices

Microsoft Teams served as the primary communication platform, with one interviewee stating, "You make a presentation and then put it in a Q&A session. But the bravest people ask questions, while the majority stay silent.". This digital approach streamlined collaboration but also exposed engagement limitations.

Kickoff meetings were integral to aligning expectations at the outset of projects, complemented by steering committee meetings to ensure continuous coordination. However, information flow varied across teams, with direct project members receiving timely updates, while those outside the core group often experienced delays.

Clarity in Message Delivery

Company A adopted structured communication processes to maintain alignment within project teams, but cross-departmental clarity remained a challenge. One instance of misalignment involved the designed team, which was not engaged early enough, leading to unforeseen complications. "We assumed the validation process covered everything, but the systems engineering team had different requirements" the project lead explained.

Transparency and Feedback Integration

The organization utilized structured feedback mechanisms, such as the 'White Book' project review process, to document key learnings. However, its practical impact varied. "The White Book should be a great tool, but I do not know how often people go back and review past mistakes" an interviewee remarked.

Top-down communication ensured structured information dissemination, but engagement in decision-making was limited. "The decision is taken, and then it is just about informing and guiding, there's little discussion before decisions are finalized" one respondent noted. This highlighted the need for enhanced pre-decision dialogue and better horizontal information-sharing between teams.

Key Challenges

Company A encountered several communication challenges during its organizational change initiatives. Misalignment between departments, driven by differing priorities, made cross-functional coordination difficult. Engagement outside of core project teams remained limited, which restricted the flow of diverse input. Delays in sharing updates across teams contributed to information gaps, while the absence of structured bottom-up feedback processes hindered inclusive decision-making. Additionally, the hierarchical nature of the organization limited transparency between departments. Despite these obstacles, Company A maintained a structured communication approach within project teams. The findings highlight the need to strengthen horizontal information-sharing and promote earlier dialogue to improve cross-departmental collaboration and transparency.

2.4.2 Company B

The empirical findings from Company B focus on the organizational strategic transformation from traditional product-focused sales to service-oriented solutions, representing a fundamental shift in the business model.

Strategic Context and Cross-Departmental Communication

Company B's change initiative was driven by a strategic move toward servitization, shifting from traditional product sales to solution-based services (project B). This transformation involved multiple business areas within the parent organization, with the global department leading the change and market-level entities responsible for execution.

Coordinating communication across departments proved challenging, as teams had varying levels of involvement and awareness. This led to a dilemma between broad communication, which risked overload, and tailored messaging, which risked fragmentation. The most effective communication occurred in joint sessions where, as one participant noted, "Everyone gets to hear the same message at the same time, from the same people.".

Communication Practices

Email was identified as the main communication channel, handling the majority of interactions, while the company intranet, was used for formal announcements and company-wide updates, as stated: "All news are published on our intranet violence, so everyone can read it there.".

Large organizational meetings, such as town halls or broader team gatherings led by business area heads, were held infrequently, typically only once a year. This limited cadence led to concerns among several interviewees, who felt that communication across the organization lacked regularity and consistency. One interviewee remarked, "I think there is a lack of communication, to be honest. It is not done often enough.".

Additionally, communication approaches differed between departments. Updates were often confined within individual teams or verticals and shared only when considered directly relevant to others. For example, in the case of Equipment-as-a-Service (EaaS), internal updates were circulated within the team but not extended to other verticals unless the information impacted them directly. This selective dissemination contributed to silos and a fragmented understanding of broader organizational developments.

Clarity in Message Delivery

The interviews revealed varied experiences with communication clarity. In some cases, a lack of clear and aligned messaging led to significant collaboration challenges, especially when the change impacted multiple business areas and teams had differing views on goals and approaches. However, for specific initiatives like Project B, the objectives were more clearly outlined. One respondent explained that, "It was very clearly communicated about the roads as possibilities. What are the purposes? Because there were multiple purposes on this one… those things were clearly kind of communicated.". Still, even in these cases, certain elements, such as tone and timeline, remained somewhat vague.

Transparency and Feedback Integration

Despite certain communication challenges, respondents generally perceived the organization as transparent. Many were satisfied with the flow of information and reported no significant lack of openness. Access to information often depended on a combination of direct communication and individual initiative. Gaps in understanding typically occurred not because information was deliberately withheld, but because those in possession of key details did not always realize others needed them. The organization's size and division of responsibilities made it difficult to access certain types of information, such as financial data, on a routine basis. Proximity to central offices also played a role, as employees based at headquarters often benefited from informal information sharing through established internal networks.

Opportunities to provide feedback were available, particularly for employees in structured, communicative roles. These individuals often found their perspectives acknowledged and valued. However, the impact of feedback was limited by ongoing organizational flux. Frequent changes in leadership, differing managerial styles, and evolving priorities made it difficult to establish consistent processes for gathering and acting on employee input. One respondent reflected that "We have had many organizational changes, new managers with new ideas, and different approaches." which disrupted continuity and reduced the effectiveness of long-term feedback mechanisms.

Key Challenges

Company B experienced several communication challenges during its change initiatives. Aligning different business areas proved difficult, as departments often received varying directives, leading to friction and confusion. The scale of the organization also contributed to challenges in tailoring messages appropriately across distinct groups such as market companies, financial teams, and marketing departments. Meeting participation was another concern; while meetings were seen as useful, inconsistent attendance limited their effectiveness and highlighted the need for more engaging formats. Frequent leadership changes introduced inconsistent messaging and shifting priorities, which complicated alignment efforts. Despite these issues, the overall communication climate was perceived as open, where employees generally felt comfortable voicing concerns.

2.4.3 Company C

The empirical findings from Company C focus on two major organizational change initiatives. The first represents a strategic shift from a purely transactional business model to a hybrid approach, integrating service-based and solution-oriented offerings alongside traditional equipment sales. The second initiative involved restructuring the Equipment-as-a-Service (EaaS) division to decentralize critical knowledge and responsibilities, thereby addressing operational bottlenecks.

Strategic Context and Cross-Departmental Communication

The first initiative demanded that Company C balance two business models simultaneously, requiring strong cross-functional collaboration among strategy, market research, and business intelligence teams. In parallel, the second initiative restructured the EaaS division into four distinct service categories, Digital Services, EaaS, Consultation Services, and Sales Organization, to improve operational efficiency. One respondent mentioned, "We had different departments pulling in different directions, it was difficult to get everyone aligned around the same goal." This dual approach aimed at enhancing both the strategic positioning and internal alignment of the company but that also created lack of focus on a specific objective.

Communication Practices

Company C employed a multi-layered communication strategy that combined formal, structured updates with informal, direct interactions. Formal channels such as town halls, business updates, workshops, structured leadership meetings, and the use of Memorandums of Understanding (MOUs) ensured that broad strategic objectives were disseminated across the organization. In addition, webinars and digital communication tools were leveraged to support consistent messaging. Informal channels, including direct discussions with leadership and cross-functional meetings, allowed employees to clarify their roles and express concerns during the transition.

Clarity in Message Delivery

While multiple communication channels were established, the organization faced challenges in conveying clear and actionable messages. Face-to-face discussions emerged as particularly effective in clarifying complex changes, especially when employees found that written reports and presentations did not fully capture the impact of the initiatives."The PowerPoints and written updates were too abstract, only when we sat down together did things start to make sense." - one interviewee said. This highlighted the importance of tailoring communication methods to ensure every team member understood their evolving responsibilities.

Transparency and Feedback Integration

Company C demonstrated a commitment to transparency by providing structured opportunities for feedback through leadership discussions and transformation workshops. The introduction of MOUs further enhanced accountability by shifting from informal verbal agreements to documented commitments. However, the degree of engagement varied: employees closer to decision-making processes had clearer insights. One interviewee shared, "If you were not close to the transformation team, you had to rely on second-hand updates, and that created confusion." This expressed that while those in more operational roles sometimes experienced delays in receiving key updates, which led to feelings of disconnection.

Key Challenges

Throughout the transformation, several challenges emerged. Strategic ambiguity resulted in varying interpretations of the high-level vision, which led to misalignment across different organizational levels. Persistent departmental silos hindered effective cross-departmental collaboration, and resistance to change was exacerbated by existing incentive structures that conflicted with new operational models. Additionally, balancing the demands of new initiatives with ongoing daily tasks further complicated efforts to fully embrace the transformation.

2.4.4 Company F

The empirical findings from Company F highlight two key organizational changes: the acquisition of a new service and a restructuring of leadership responsibilities from one manager to four. These initiatives reflect a broader shift toward service integration and decentralized leadership.

Strategic Context and Cross-Departmental Communication

Company F underwent two major organizational changes: a strategic acquisition and a leadership restructuring. The acquisition, described as "the biggest change that this company has experienced" initially involved only a small leadership team due to confidentiality. It aimed to integrate complementary services and create long-term synergies across the business.

Internally, the leadership restructure promoted four former technicians into managerial roles, redefining reporting lines and requiring new forms of cross-departmental coordination. These changes, along with ongoing system updates, sought to improve field operations and customer interactions.

Effective communication across teams, such as HR, claims handling, and field technicians, was essential but challenging. Geographic dispersion and varying stakeholder concerns, particularly in regions directly affected by the acquisition, added complexity. Tools like Microsoft Teams and SharePoint helped bridge gaps, though IT restrictions limited access to certain features. Communication needs also varied by role: newer employees adapted more easily, while longer-serving staff often required additional guidance. These differences underscored the need for tailored communication strategies throughout the organization.

Communication Practices

Microsoft Teams served as the primary communication platform, supporting the organization's geographically dispersed workforce. This digital-first approach was complemented by monthly all-staff meetings and weekly team check-ins. Large-scale changes, such as the acquisition, were addressed through structured meetings, while smaller updates relied on acknowledgment-based confirmation to ensure that employees had received and understood the information.

To manage confidentiality during the acquisition phase, early interest was maintained strategically without revealing sensitive details. Agile communication practices were also adopted during system updates, allowing quick rollouts with post-implementation problem-solving. As one manager summarized, this approach ensured clarity while keeping the process dynamic: "They need to get a thumbs up so we can see that everyone actually read stuff.".

Clarity in Message Delivery

Company F prioritized message clarity through the use of Company Hptive Q&As, gradual engagement strategies, and strong internal promotion of key initiatives. A notable example was a January software update that was well-received due to early and consistent communication. While some employees adapted quickly, others required more support, highlighting the need for tailored communication. Leadership emphasized accessibility and maintained an active presence to ensure that teams had the information and guidance needed throughout change processes.

Transparency and Feedback Integration

Company F maintained a balance between transparency and information management, sharing relevant updates while avoiding overload. The organization combined structured feedback tools, such as the anonymous 'Winning Temp' system, with open, direct communication between employees and leadership. HR actively monitored feedback channels to identify and address potential concerns early. Leadership emphasized accessibility and acknowledged the value of involving a wider group in change processes, recognizing that broader inclusion can strengthen both engagement and ownership.

Key Challenges

Company F faced several communication challenges during its organizational changes. Ensuring consistent messaging while maintaining confidentiality was a recurring issue, particularly during sensitive initiatives. The restructuring of leadership roles also required targeted communication efforts to support alignment across newly defined teams. In addition, IT security constraints limited access to certain digital tools, complicating cross-functional collaboration. A further challenge involved shifting ownership of change from individual leaders to broader teams, requiring a more inclusive communication strategy. In response, Company F adopted a structured approach that combined accessible leadership, digital communication platforms, and systematic feedback processes to maintain coordination and adaptability throughout the organization.

2.4.5 Company G

The empirical findings from Company G focus on implementing a personalization program, specifically “Project G” which is a digital service in an app. This initiative represents a significant shift from an anonymous customer model to a data-driven approach that creates more tailored customer experiences.

Strategic Context and Cross-Departmental Communication

According to one interviewee, the personalization initiative at Company G functions as “a program, an initiative, and a new strategic area.”. Project G aims to bridge the gap between in-store personal customer experiences and digital interactions, serving as “a way to help you create a personal filter when searching.”.

The implementation required extensive collaboration across multiple departments, bringing together expertise from beverage experts, analytics, IT, business development, communications, sales, and legal teams to create a comprehensive digital solution.

Communication Practices

Company G implemented a multi-channel communication structure with Microsoft Teams as the main communication channel for cross-departmental communication. This was complemented by regular project meetings (approximately once a week), daily stand-up meetings between team members, and the internal intranet which provided a comprehensive organizational overview.

A particularly innovative communication tool was their issue management system, which created a transparent process for tracking ideas from operational to strategic levels. The company's project management framework was used as a standardized method for tracking and sharing project information, ensuring that ideas could be submitted by any employee and that projects were documented with clear backgrounds and potential consequences.

Clarity in Message Delivery

A notable observation was the increased effectiveness when communicating concrete versus abstract concepts. One interviewee stated, “Project G has a very clear roadmap... it becomes much easier when you are super concrete than when you are at a more fluffy level.”. The project had reached a stage where the concept was concrete enough to avoid interpretation issues, while the overarching personalization program remained at a more abstract level.

The organization benefited from having clear visual representations of the Project G concept, with pictures of what it means, and how it is expressed, which facilitated understanding across departments with different expertise and priorities.

Transparency and Feedback Integration

Company G's communication culture was characterized by remarkable openness and accessibility, with what one interviewee described as a "high ceiling" for communication. The team implemented Project G in a test environment within their app (a section where users could voluntarily try new features), openly requesting feedback from both employees and users even before full development. This demonstrates a commitment to transparency and continuous improvement by incorporating input from both internal and external stakeholders before proceeding with a full rollout.

Key Challenges

The implementation of Project G and the broader personalization initiative presented several communication challenges. The most prominent was strategic ambiguity from top management, where overly broad directives created confusion across departments. This led to competing priorities and divided focus.

Another substantial challenge was helping the broader organization understand the value of personalization. This represented a significant shift in approach, and many employees struggled to comprehend and buy into the personalization initiative.

The organization also navigated the delicate balance of implementing new initiatives while maintaining ongoing operations. As one interviewee emphasized: "It's about balance - it is not either/or. We have lots of things we do in our daily work to secure the foundation and improve here and now. The challenge lies in balancing this while simultaneously taking steps toward what we need to do in the longer term."

2.4.6 Company H

The findings from Company H examine a significant organizational restructuring centered on project assignment practices. The change involved moving away from a model that frequently relocated employees across departments and altered reporting lines, toward a system where staff stay within their home departments and are temporarily assigned to projects as needed.

Strategic Context and Cross-Departmental Communication

The implementation required extensive cross-departmental collaboration, involving units such as technical management, process engineering, project management, business development, environmental development, and operations. As described by one respondent, project teams are gradually assembled by "bringing in one or two people from nearly every department", especially during intensive phases like Basic Engineering Design (BED) and Front-End Engineering Design (FEED). This model aims to balance continuity, flexibility, and collaboration while also supporting communication across diverse teams and responsibilities.

Communication Practices

Company H employed a multi-channel communication approach to support coordination during change initiatives. Formal meetings were held to deliver structured updates and guide decision-making, while email was used to document key information, ensure a shared understanding, and provide clear follow-up actions. For day-to-day collaboration and cross-departmental communication, Microsoft Teams was the primary tool, enabling quick coordination across geographically dispersed teams.

A key strength of Company H's communication approach is its structured yet flexible nature, allowing teams to adapt based on project needs. Leadership and HR play an active role in ensuring consistency in messaging across departments, and employees receive regular updates regarding organizational changes.

Clarity in Message Delivery

Employees at Company H experience a high level of clarity in communication, supported by leadership's commitment to structured and well-organized information sharing. Goals and changes are generally conveyed in a clear and direct manner, helping employees stay aligned with ongoing projects and broader organizational priorities. Even when projects shift due to regulatory or political constraints, employees tend to trust the decision-making process.

Although one interviewee noted that certain technical decisions could benefit from more factual background and explanation, communication overall is perceived as effective. In some cases, however, it is apparent that leadership has not fully thought everything through before communicating, which can cause some initial confusion or hesitation. As one of the interviewees stated, "When you ask questions, it is clear they sometimes have not thought it through.". Despite this, the overall structure and transparency of messaging contribute to a sense of stability and direction within the organization.

Transparency and Feedback Integration

Transparency is a core strength of Company H's organizational structure. Employees feel well-informed and have direct access to decision-makers, contributing to a workplace culture that prioritizes openness and trust. Information is typically shared proactively and directly, reducing the need for employees to seek out updates through informal channels.

Leadership is consistent in providing clear justifications for decisions, helping employees understand the reasoning behind organizational changes, even when those decisions may not be universally agreed upon. As one employee noted, "At Company H, they are very transparent. Whether the decisions are right or wrong is another question, but they are always clear about why a decision has been made.".

Opportunities for feedback are available through various channels, including direct conversations with managers, union-mediated discussions, and input during project meetings. While leadership is receptive to employee input, strategic decisions are often shaped by external regulatory constraints. As a result, there are limits to how much feedback can influence final outcomes, even when the organization encourages open dialogue.

Key Challenges

Despite Company H's generally strong communication and transparency practices, several industry-specific factors presented notable challenges. Regulatory and political constraints often shaped strategic decisions, limiting leadership's flexibility and reducing the influence of employee feedback. While feedback mechanisms were in place, they were typically activated after decisions had been made, which restricted opportunities for staff to contribute meaningfully to key outcomes. Additionally, differences in communication preferences across locations, such as the contrast between more direct styles in one region and structured approaches in another, required careful coordination to maintain clarity and consistency throughout the organization.

2.4.7 Company Z

The empirical findings from Company Z emphasize internal communication practices during organizational change initiatives. The study investigated the effectiveness of communication during significant organizational restructuring and smaller departmental adjustments, specifically through "Project Z" initiative.

Strategic Context and Cross-Departmental Communication

Interviewees identified that communication at Company Z, particularly during Project Z restructuring, involved multi-channel strategies combining formal platforms, such as the intranet, Microsoft Teams, company-wide emails, and Viva Engage social media, and informal interactions including direct team conversations and casual corridor talks. One interviewee stated informal communication was essential, noting, "Usually the people I work closely with, we have an open communication… that is word-of-mouth as well.".

Effective cross-departmental communication required significant collaboration, notably bridging information gaps that formal channels could not address entirely. Company Z faced challenges due to siloed structures, highlighting the critical role of informal networks in aligning departmental priorities and understanding change implications across teams.

Communication Practices

Structured communication practices at Company Z incorporated regular formal announcements through webinars, newsletters, and targeted meetings. However, consistency in updates varied significantly, with larger initiatives sometimes lacking detailed and frequent updates, causing uncertainty among employees. Smaller, routine changes were rarely formally communicated, leading to informal discovery and confusion. As one interviewee explained, formal channels effectively announced broad strategies but failed to clarify individual-level implications, leaving employees reliant on informal sources for deeper understanding.

Microsoft Teams and similar platforms facilitated regular but informal dialogues between departments, complemented by direct manager interactions, although interviewees highlighted a desire for increased dialogue frequency with direct managers to reduce speculation and misinformation.

Clarity in Message Delivery

Clarity in communication was positively perceived overall but varied depending on the scale of change. Project Z initiative was clearly branded, which eased internal discussions, although initial abstract strategic visions lacked individual clarity. Employees expressed that clear, visual representations and explicit details regarding role impacts significantly enhanced message comprehension, reducing ambiguity.

Transparency and Feedback Integration

Transparency practices showed mixed satisfaction among employees. High transparency was valued, especially proactive communication from managers, while delayed or superficial communication created anxiety and frustration. Transparency levels were notably inconsistent during smaller departmental changes, with one interviewee discovering a colleague's department change casually during a coffee break, which created uncertainty in ongoing project collaborations.

Company Z incorporated structured feedback opportunities through team meetings, surveys, and informal dialogues. However, employee influence on strategic decisions was limited during large-scale changes, contrasting with smaller, departmental adjustments where feedback visibly influenced implementation. Active managerial engagement significantly enhanced trust and reduced uncertainty among employees.

Key Challenges

Company Z encountered several communication challenges during its change initiatives. Strategic messaging often lacked clarity and failed to address the personal implications for employees, which contributed to uncertainty and confusion. Communication was further hindered by organizational silos, limiting cross-departmental understanding and collaboration. Inconsistencies in how information was shared also posed problems, major changes were communicated infrequently, while smaller adjustments lacked formal updates, leaving employees to rely on informal or speculative sources. Additionally, the pace and frequency of organizational shifts prompted skepticism among staff, making it difficult to sustain morale and engagement throughout the process.

2.5 Cross-Analysis

The cross-analysis examines how seven organizations approached cross-departmental communication during organizational change initiatives, focusing specifically on the clarity of message delivery and the transparency of information sharing. The objective is to identify recurring patterns, effective practices, and contextual challenges that influenced communication outcomes during change.

Table 1: Key findings from the cross-analysis.

Company	Strategic Context and Cross-Departmental Communication	Communication Practices	Clarity in Message Delivery	Transparency and Feedback Integration	Key Challenges
Company A	Shift to a digital-first software update model requiring multi-team collaboration.	Kickoff meetings, Teams, steering committees; Q&A encouraged but limited engagement.	Clear within project teams, but misalignment across departments.	Limited engagement; communication mainly top-down with little pre-decision dialogue.	Cross-departmental misalignment, limited broad engagement, information flow delays.
Company B	Shift from product sales to service-oriented business model, global and local coordination.	Emails, intranet updates; rare but impactful joint sessions for unified messaging.	Varied clarity; some initiatives clearly outlined, others vague or fragmented.	General transparency; access depended on proximity and initiative; feedback disrupted by leadership changes.	Fragmented understanding, information overload vs. exclusion, leadership turnover.
Company C	Strategic shift to hybrid business model, decentralization of service knowledge.	Town halls, MOUs, webinars, direct leadership interactions.	Face-to-face discussions clarified complex changes better than formal documents.	Structured feedback available; operational staff felt distanced from decision-making.	Strategic ambiguity, silos, resistance from conflicting incentives.
Company F	Acquisition and leadership restructuring requiring cross-department collaboration.	Microsoft Teams and SharePoint; required acknowledgment for information receipt.	Preemptive Q&A, gradual engagement strategies, accessible leadership improved clarity.	Balanced structured tools with open dialogue; anonymous feedback and HR monitoring.	Confidentiality management, IT restrictions, ensuring consistent messaging.
Company G	Extensive collaboration for personalization initiative involving e.g. analytics, IT, business development, beverage experts, communications, sales, and legal teams.	Multi-channel platforms; standardized project framework; transparent issue tracking system.	Clear roadmaps; concrete visual representations; specific conceptualization over abstract discussion.	"High ceiling" culture; test environment in app; early feedback from employees and users.	Strategic ambiguity; communicating personalization value; balancing operations with innovation; limited resources.
Company H	Restructuring toward project-based assignments across home departments.	Structured formal meetings, emails, Microsoft Teams coordination; regular leadership updates.	High level of clarity overall, structured communication reinforced understanding.	Highly transparent; rationale for decisions explained; feedback welcomed but limited by regulations.	Navigating regulatory constraints, maintaining communication across locations.
Company Z	Restructuring through Project Z with heavy reliance on formal and informal communication.	Combination of formal announcements (webinars, newsletters) and vital informal communication.	Clarity varied; strategic branding helped but individual impacts were often unclear.	Mixed; structured feedback opportunities existed but had limited strategic influence.	Silos, inconsistent communication, and strategic messages lacked personal implications.

A notable pattern observed across several organizations is the tension between abstract strategic visions and the need for clear, concrete messaging. In multiple cases, broad or high-level objectives were communicated without a sufficient explanation of what the changes meant in practical terms for individual roles or departments. Company Z reported that strategic announcements often lacked specificity, which left employees uncertain about the personal implications of the change. Similarly, employees at Company C noted that objectives were interpreted differently across levels, leading to confusion and inconsistent implementation. By contrast, Company G adopted a more structured approach through the use of detailed visualizations and clear roadmaps, which helped employees across departments understand the project's purpose and their contribution to it. Company H also provided consistent framing and documented explanations for decisions, which supported a shared understanding across diverse functional areas.

Communication methods varied, but all organizations relied on a combination of formal and informal channels. Company H maintained a clear structure with regular meetings, email documentation, and digital coordination tools. Company Z combined formal channels such as newsletters and webinars with informal conversations that proved essential in filling gaps, particularly in contexts where formal updates were infrequent or incomplete. Company F required confirmation from employees to ensure critical information had been received and understood, while Company B saw particular value in joint sessions where stakeholders received unified messaging. The findings indicate that effective communication often results from a balance between formal mechanisms, which ensure consistency, and informal exchanges, which allow for adaptation and clarification.

Transparency in information sharing and the integration of feedback were addressed in differing ways. Company H was perceived as highly transparent, with employees having direct access to leadership and a clear understanding of the rationale behind decisions. Company G was similarly open, creating space for feedback early in the implementation process and encouraging high-engagement discussions. Company F employed both structured tools and informal communication practices to support open dialogue. However, Company A revealed a more limited approach, where decisions were largely communicated after they had already been made, reducing the opportunity for employee input. At Company C, despite having formal feedback channels in place, employees who were more distant from leadership expressed frustration about their limited influence on decision-making.

The analysis also highlights several common challenges in cross-departmental communication. Organizational silos were frequently mentioned, especially at Company Z and Company C, where isolated structures reduced alignment and made it more difficult to coordinate across departments. In other organizations, overlapping priorities created confusion about which initiatives should take precedence. Company G noted that a lack of prioritization led to the simultaneous execution of multiple initiatives, weakening focus and clarity. Company B faced the dilemma of deciding whether to disseminate all available information broadly or to tailor communication more narrowly, which risked either overwhelming employees or excluding them from the broader strategic picture. Companies also grappled with the challenge of maintaining effective communication while managing ongoing operations. In both Company H and Company C, employees found it difficult to fully engage with change initiatives while continuing to deliver on routine responsibilities.

Several contextual factors shaped how communication was experienced and managed. Organizational structure emerged as a key influence. In more hierarchical settings, such as Company A, communication was often top-down, which limited the flow of information across departments. By contrast, more flexible organizational models, such as those in place at

Company H, allowed for more agile information exchange. Geographic dispersion also played a role. Company F, for instance, had to rely heavily on digital communication platforms due to the physical distance between employees, whereas Company B benefited from co-location, which allowed for faster and more informal sharing of updates. Cultural expectations within organizations also made a difference. Open communication environments, as seen at Company G and Company H, supported transparency and encouraged proactive engagement with change processes. In some cases, however, external pressures shaped communication limits. Regulatory constraints, for example, restricted how openly leaders at Company H could respond to employee feedback. Finally, the scale of the change influenced how extensive communication efforts needed to be. Larger transitions, such as Company G's move toward personalization or Company B's shift to a service-based business model, required more comprehensive and sustained communication compared to smaller, localized adjustments.

Taken together, these findings demonstrate that effective cross-departmental communication during organizational change depends not only on the availability of information but also on how it is structured, delivered, and received. Organizations that succeeded in promoting clarity and transparency did so by developing communication practices that combined structure with flexibility, visibility with responsiveness, and formality with dialogue. The experiences documented across the seven companies offer a foundation for identifying more generalizable patterns in communication effectiveness and point to important areas for continued attention and improvement.

2.6 Discussion

This discussion reflects on the empirical findings and cross-analysis presented in previous sections, interpreting them through theoretical and practical frameworks. The patterns observed across seven organizations highlight how clarity and transparency in cross-departmental communication significantly influence the success of change initiatives. Organizations demonstrated varying approaches to communicating change. These differences in approach produced distinct outcomes in terms of employee understanding, engagement, and alignment. By examining these variations through established change management theories and emerging perspectives on organizational communication, we can extract meaningful insights for both theory development and practical application.

2.6.1 Theoretical Implications

The findings support and extend established theoretical models of change communication. Kotter's (1996) eight-step model highlights the importance of establishing a clear vision and communicating it consistently to ensure engagement and direction. This was evident in cases such as Company G and Company Z, where vision was expressed through concrete documentation, structured roadmaps, and visual branding. These practices align with Kotter's emphasis on making the change vision understandable and emotionally resonant.

However, cases such as Company H and Company A revealed that when strategic communication remained abstract or failed to address the specific implications for individual roles, the intended clarity weakened significantly. In Company H, for instance, broad strategic intentions were communicated without clear links to day-to-day responsibilities, leaving employees uncertain about how the change would affect their work. Similarly, Company A communicated high-level changes in a top-down manner but did not contextualize these messages for different functions, resulting in fragmented understanding. This pattern challenges Kotter's (1996) emphasis on vision communication as a central pillar of successful change. While Kotter underlines the importance of articulating a compelling vision early in the process, these findings suggest that without role-specific framing and continuous contextualization, even well-intentioned strategic messaging may fail to foster alignment across departments. These findings suggest that for communication to be effective in large, diverse organizations, vision alone must be supplemented by targeted, function-specific translation of strategic goals that connects abstract strategy to concrete implications for different roles and departments.

Lewin's (1947) three-stage model provides a process-based lens to assess communication effectiveness across change phases. The findings indicate that clarity played a particularly critical role during the unfreezing phase, where employees needed logical justifications and personalized explanations to let go of established routines. In the change phase, transparency became more vital, especially when change efforts were iterative or evolving. Companies that employed interactive feedback mechanisms (e.g. Company G and Company F) demonstrated greater alignment and trust-building, supporting the dynamic interplay between the communication process and employee adaptation (Lines 2004). This aligns with Lewin's view of change as an ongoing transition requiring reinforcement through inclusive and responsive communication strategies.

Interestingly, the findings challenge the assumption implicit in both models that clarity and transparency function independently (Kotter 1996; Lewin 1947). Instead, our results suggest they are interdependent and time-sensitive. For example, clear but top-down communication in Company A did not yield engagement when transparency and dialogue were missing during the change phase. We argue that this interplay is critical to successful change and propose that future adaptations of these models explicitly account for this relationship.

This research contributes to the organizational change literature by foregrounding cross-departmental communication, an area that remains underexplored. Most existing studies have concentrated on vertical communication, emphasizing the role of leadership in setting and communicating vision (Kotter 1996). This study extends that focus by examining how communication flows across departments and how it is interpreted at various organizational levels.

Our findings align with Kotter's (1996) view that clarity in vision helps reduce ambiguity during change, and with Lewin's (1947) model, where transparent communication plays a central role in building trust during the transition phase. However, the findings also suggest that the effectiveness of clarity and transparency depends not only on their presence but on their execution. For instance, in Company A, clear but infrequent top-down updates led to confusion and disengagement due to a lack of dialogue. Similarly, in Company H, transparency was limited to post-decision communication, which failed to foster meaningful involvement. These cases indicate that without timely delivery and contextual framing, communication efforts may fall short of promoting genuine engagement. This challenges simplified views of these concepts and supports more nuanced models that consider delivery timing, interactivity, and structural context, an approach emphasized by Cameron and Green (2020) in their comprehensive framework for leading change.

Additionally, this study highlights how communication during change works best when it is treated as an ongoing conversation rather than a one-time plan. In several cases (Company G and Company B), feedback was gathered continuously; not just at the beginning, which helped build trust and keep people aligned as things evolved. This supports the view of Cameron and Green (2020), who argue that communication should stay flexible and responsive throughout the entire change process.

2.6.2 Practical Implications

From a practical perspective, this study offers several takeaways for organizations navigating change. First, communicating a vision is not enough on its own, it needs to be made real in people's everyday work. This means using things like visuals, practical examples, and repeating key messages in different formats. Company G's use of visual representations shows how this can be done in practice. It reflects Kotter's (2012) point that successful change depends on reinforcing the vision at every level, not just announcing it once and hoping it sticks.

Second, transparency should not just mean informing employees after decisions have been made. Instead, it needs to involve two-way communication that gives people a chance to contribute before choices are finalized. This connects to Lewin's (as discussed in Hussain et al. 2018) idea that lasting change requires employee involvement, especially during the early stages. Company H's approach, which included structured feedback loops before implementation, helped build trust and a sense of ownership across teams.

Finally, communication strategies should be adapted to how the organization is structured. In hierarchical settings like Company A, a top-down approach was not enough. Information did not flow freely across departments. Creating more horizontal channels, such as cross-team meetings or collaborative planning spaces, could support better understanding. For dispersed organizations like Company F, the challenge was not just sending information efficiently but making sure the tools used (like Microsoft Teams) actually supported meaningful interaction. As Cameron and Green (2020) suggest, change communication must be flexible and context-sensitive to be effective.

2.6.3 Limitations and Future Research

This study faced several methodological constraints that should be considered when interpreting our findings. Our cross-sectional approach limited observation of how communication strategies evolved throughout the change process, particularly relevant when considering Lewin's three-stage model which suggests shifting communication needs across unfreezing, change, and refreezing phases. Additionally, our reliance on retrospective interviews may have captured rationalized perspectives rather than real-time experiences of change communication.

The organizational diversity in our sample, while providing rich comparative insights, created challenges in identifying universal patterns. Companies operated under different constraints, regulatory limitations (Company H), market-driven pressures (Company B), or organizational maturity levels, which influenced how clarity and transparency manifested in their communication practices.

Future research could address these limitations through longitudinal studies tracking communication patterns from change inception through implementation, providing deeper insights into how clarity and transparency requirements evolve over time. Such research could better assess the applicability of Kotter's sequential change steps and determine whether certain communication practices become more critical during particular phases.

As digital transformation accelerates, research examining how digital communication platforms shape cross-departmental understanding is needed. Our findings from Companies F and G suggest that digital tools can both enable and constrain effective communication, yet their specific impact remains underexplored in change management literature.

Finally, future studies should examine the power dynamics inherent in cross-departmental communication. The variance in feedback effectiveness observed between organizations like Company G (where feedback visibly influenced implementation) and Company A (where communication remained predominantly top-down) suggests that organizational hierarchy significantly impacts how messages are received and interpreted. Investigating these power dimensions could enhance understanding of why similar communication strategies yield different outcomes across organizational contexts and contribute to more nuanced adaptations of established change management theories.

2.7 Conclusion

This research explored how organizations communicate across departments during change, focusing on the roles of clarity and transparency. By examining seven different companies, the authors identified patterns that shed light on what helps or hinders effective communication during transformation. It was discovered that successful change is not only about sharing information from the top down. What made a difference was the ability to turn strategic goals into something that felt relevant and understandable to different departments. In Companies A and H, vague messaging led to confusion and slowed collaboration. On the other hand, Companies G and F used concrete examples and visuals to make their messages more relatable, which helped teams work together more effectively.

This study showed that transparency worked best when it included people in the process, not just when decisions were shared after they were taken. Organizations that created space for dialogue before finalizing changes built stronger trust between departments. This study highlights how and when information is shared can matter more than how much is shared. The findings also display that communication needs to evolve over time. The most successful companies adjusted their approach depending on where they were in the change journey; what worked early on was not always what was needed later. This flexibility helped teams stay aligned as things progressed.

While numerous previous studies focus on top-down communication, this research highlights the importance of communication across departments. It shows that understanding between teams requires careful attention to language, context, and timing. For change leaders, this means there is no one-size-fits-all approach. Communication strategies should be tailored to the structure of the organization, the differences between departments, and the stage of change. The best results came from companies that treated communication as an ongoing, two-way process rather than a series of announcements.

In essence, the study demonstrates that clear, timely, and inclusive cross-departmental communication is not merely supportive, but a critical enabler of successful organizational change.

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2.9 Appendices

A) Interview Guide

This guideline is constructed to create a sense of direction for the interview, and it is not meant as a manuscript. You do not have to ask every single question, but following this structure is what is expected of you. We want to specify that it is important that you make it clear what the purpose of the interview is and that this is for research purposes only. If the interviewee says "no" a lot, try to steer the questions so that you understand why certain answers are no instead of just leaving it as it is. For example, if the communication is not effective, try to get an understanding of what barriers might be causing this instead of just moving on to the next question.

1. Introduction

- **Getting started**
  - Introduce yourself, explain briefly what you are doing at the company etc. to give the interviewee an understanding of why you are conducting this interview.
- **Purpose/overview of the interview**
  - To explore cross-departmental communication strategies during organizational change initiatives.
  - To gather insights on practices, challenges and potential strategies related to communication across departments.
  - There are no right or wrong answers, the goal is to get an understanding of their experiences and perspectives.
  - All data collected will only be used for research purposes and the one interviewed will stay anonymous.

2. Background information

- What is your current role and how long have you been with the organization?
- Could you describe your role in the organizational change project?
- What was the main purpose of the project and which teams/departments were involved?

3. Main discussion

The expected outcome here is to know *how* people communicate at your company/organization, and *if* they communicate transparently and clearly.

General communication

- How does your company/organization typically communicate between departments?
  - In your opinion, which channels are most effective? Why?
- How does your company/organization ensure everyone is informed and aligned during a change?

Communication for the change

- How and when was the change initiative first communicated to you and your team? Was this consistent across departments?

- How were project updates handled? How often and through what channels?
- How did different departments collaborate during the project? Were there any specific challenges in cross-departmental communication?
- What opportunities did you have to provide input or raise concerns during the change process?

Effectiveness, Clarity and Shared Understanding

- How clearly were the project's objectives and vision communicated? Can you give examples?
- Were there differences in how different departments interpreted the project goals?
- How did your department ensure that their understanding of the project aligned with other departments?
- How were challenges or changes to the plan communicated during the project?
- What aspects of the communication worked well, and what could have been improved?

Transparency

- How openly were progress and challenges shared during the project?
- Were you satisfied with the way it was communicated? Did you feel it was communicated with full transparency? (WHY)
- Did you receive information directly, or did you need to seek it through other channels? Please explain.

4. Closing the interview

- Looking back on the change initiative, what could have improved the communication between departments?
- Something you want to add?

3. Transformation and Leadership

Ida Ahlström, Olle Evertsson, Filippa Malmenstam and Jon Ryman

3.1 Introduction

In today's volatile, uncertain, complex, and ambiguous (VUCA) world, organizational survival hinges on the ability to balance efficiency with innovation. The average lifespan of companies on the S&P 500 has declined from 60 years in the 1960s to less than 20 years today, highlighting the pressures created by rapid technological, social, and economic shifts (Johansen, 2017; Satell, 2014). To remain competitive, organizations must simultaneously transform and perform through sustaining current revenue-generating processes while pursuing new opportunities for growth and innovation (Reeves & Deimler, 2011; Satell, 2014).

This dual imperative presents significant challenges for leadership, particularly in managing the tension between decentralizing authority to encourage innovation and maintaining sufficient control to prevent chaos (Ancona et al., 2019). Somers (2021) states while top-level leaders are often seen as central to addressing these challenges, middle managers also play a pivotal role in guiding and executing transformations. Acting as intermediaries, they translate strategic visions into operational plans and manage the complexities of organizational change. These roles underscore the need for transformational leadership across all levels of the organizational hierarchy. Transformational leaders drive innovation and adaptability by fostering organizational ambidexterity and the ability to refine existing processes while exploring new opportunities. For instance, organizations like W.L. Gore leverages decentralized decision-making to create cultures where employees are empowered to innovate and refine processes simultaneously (Reeves & Deimler, 2011).

Lewin (1947) identified that employees may experience resistance, anxiety, and uncertainty when the organization's current processes are disrupted. Lewin argues that there is a need to support employees through transition by mitigating stress and fostering engagement, ensuring that the workforce adapts effectively to innovation and new ways of working.

Furthermore, psychological safety is stated by Edmondson and Kerrissey (2025) to be a key factor in supporting employees through periods of change and fostering a culture of innovation, as it creates the conditions where individuals feel secure enough to take risks, share ideas, and learn from failure. Knowing how to actively build and sustain psychological safety, especially during transformation, is therefore essential. While existing research highlights the value of transformational leadership, there are still significant gaps in understanding how leaders manage complex challenges while also fostering psychological safety. This is especially important when encouraging employees to innovate in environments that may feel uncertain or high-risk (Edmondson & Lei, 2014). Addressing these gaps is crucial for developing a clearer understanding of how transformational leaders can create the trust and support needed to help organizations adapt, grow, and succeed in the face of complexity and change.

3.1.1 Aim

This research aims to explore how transformational leaders navigate challenges and create conditions for innovation and change by promoting psychological safety in work environments.

3.1.2 Research Question

What key actions and strategies enable transformational leaders to create a psychologically safe environment that supports innovation and change?

3.2 Theory

In a VUCA world, the role of transformational leaders extends beyond traditional leadership approaches by fostering psychological safety, which in turn enables innovation and drives organizational transformation. This chapter develops the theoretical foundations for understanding how transformational leaders navigate an uncertain route when moving through a transformation and how they utilize psychological safety to achieve progress. By integrating *transformational leadership* theory with *psychological safety*, this research seeks to clarify key factors that facilitate successful transformation and change.

3.2.1 Psychological safety

Psychological safety, a concept introduced by organizational scholars such as Edmondson (1999) and Kahn (1990), refers to an individual's perception of the consequences of taking interpersonal risks in a particular context, such as a workplace. When psychological safety is present, individuals feel confident that they can speak up, ask questions, or admit mistakes without fear of embarrassment or rejection.

The construct of psychological safety has roots in early research on organizational change. Both Schein and Bennis (1965), and Frazier et al. (2016) discussed the need to create psychological safety for individuals to feel secure and capable of changing. More recently, Newman et al. (2016) argued that psychological safety helps people overcome the defensiveness, or "learning anxiety" that occurs when they are presented with data that disconfirms their expectations or hopes.

Kahn's (1990) grounded theory approach to understanding the differences between engaged and disengaged workers recognized the importance of individuals' psychological safety. Several factors can influence the level of psychological safety within teams and organizations:

- **Leadership Behavior:** Supportive leader behaviors, such as openness, accessibility, and inclusivity, are crucial. Leaders who encourage participation and value diverse perspectives foster an environment where team members feel safe to express themselves (Kahn, 1990; Newman et al., 2016).

- **Team Dynamics:** A positive atmosphere among colleagues and a high level of trust within teams contribute significantly to psychological safety. When team members respect and support each other, they are more likely to engage in open communication (Kahn, 1990; Newman et al., 2016).

- **Organizational Culture:** Organizations that prioritize learning, view mistakes as opportunities for growth, and discourage reactive responses to errors create a climate conducive to psychological safety (Kahn, 1990; Frazier et al., 2016).

- **Psychosocial Safety Climate:** The broader organizational context, including management commitment, priority, participation, and communication regarding psychological well-being, plays a pivotal role in shaping psychological safety (Kahn, 1990). Meta-analytic evidence further supports that top-down support for employee well-being significantly enhances psychological safety (Frazier et al., 2016)

In summary, psychological safety is a foundational element in organizational behavior that influences learning, innovation, and performance. By understanding and enhancing the factors that contribute to psychological safety, organizations can create environments where individuals and teams thrive, which often occurs and is needed in transformational processes (Kahn, 1990).

3.2.2 Transformational Leadership

To foster innovation and change through psychological safety, it is essential to understand the role of the transformational leader and the key qualities and actions required for them to succeed. Transformational leadership is a leadership approach that inspires and motivates individuals to transcend their self-interests for the benefit of the organization or a greater cause. It is characterized by four key components: *idealized influence*, *inspirational motivation*, *intellectual stimulation*, and *individualized consideration* (Hay, 2006).

- **Idealized Influence**: Leaders act as role models, earning trust and admiration through their values and actions. This component is particularly impactful during crises, as demonstrated by Lee Iacocca's leadership in revitalizing Chrysler during the 1970s and 1980s (Tichy & Ulrich, 1984).

- **Inspirational Motivation**: Leaders articulate a compelling vision, instill optimism, and foster a sense of collective purpose. Examples include Martin Luther King Jr.'s "I Have a Dream" speech and John F. Kennedy's call to land a man on the moon.

- **Intellectual Stimulation**: Transformational leaders encourage creativity, challenge assumptions, and foster an environment where individuals feel confident proposing innovative solutions without fear of criticism.

- **Individualized Consideration**: Leaders provide personalized support, mentoring, and growth opportunities to address the unique needs of their followers, fostering trust and psychological safety.

Recent research has emphasized that transformational leadership not only drives performance but also fosters the interpersonal climate necessary for psychological safety. Studies have shown that leaders who demonstrate transformational behaviors, particularly intellectual stimulation and individualized consideration, create environments where employees feel safe to take risks, voice ideas, and engage in innovation without fear of reprisal (Carmeli et al., 2014; Liu & Li, 2018). This connection is especially important in dynamic or high-stress environments, where psychological safety acts as a buffer against uncertainty and fosters adaptive learning (Sobaih et al., 2022).

Despite these findings, a theoretical gap remains in understanding *how* transformational leaders specifically shape psychological safety processes over time. As Yin et al. (2019) observed, while intellectual stimulation has a recognized impact, more empirical work is needed to explore the full mechanism by which transformational leadership builds and sustains psychological safety in organizational settings.

3.2.3. Summary of theories

By integrating transformational leadership theory with the concept of psychological safety, this research seeks to clarify the key factors that facilitate successful transformation. Supported by Amabile and Kramer (2011), whose longitudinal study of innovation across multiple organizations demonstrated that consistent progress and a psychologically supportive work environment significantly enhance employee creativity and motivation. Their findings highlight that innovation thrives not only on structural support but also on emotionally and cognitively safe environments where individuals feel free to take risks and make mistakes without fear of punishment.

Building on this, this study aims to fill the gap in understanding the deeper skills and behaviors that transformational leaders use to foster such environments. In doing so, it contributes to a more comprehensive understanding of how transformational leadership practices can drive meaningful and sustainable organizational change through psychological safety and empowered innovation.

3.3 Method

To explore how transformational leaders navigate various challenges within their organization, this section outlines the process for identifying relevant participants and the structure of the data collected and analyzed. A qualitative research approach was chosen, as it is well-suited for investigating complex behaviors and organizational dynamics. By focusing on open-ended questions such as *"how"* and *"why,"* this method enables a deeper understanding of leadership practices that are not easily captured through quantitative measures. This approach is particularly appropriate for examining the nuanced strategies transformational leaders use in real-world, evolving contexts (Tenny et al., 2022).

Additionally, the qualitative responses were gathered by researchers who were already embedded within an organization for approximately 9 months, allowing them to develop a "pre-understanding" of its culture and dynamics. As Coghlan (2007) explains, it provides in-depth and contextualized insights into how transformational leaders foster psychological safety and navigate change, which makes action-based research a suitable method for analyzing the results through an interactive workshop.

3.3.1 Data Collection

This study was based on gathering data from two transformational leaders from six established companies in different industries. The data was primarily collected through semi-structured interviews with employees and leaders identified as practicing transformational leaders.

3.3.1.1 Sampling

This study utilized a combination of purposive and convenience sampling strategies. Purposive sampling, a type of non-probability sampling, was used to deliberately select participants based on their relevance to the research question, specifically their experience with transformational leadership, and experience of working with inspiring others. This method is effective for identifying individuals with specialized knowledge or experience essential to the study's objectives (Palinkas et al., 2015). Participants were required to be actively involved in transformation efforts, such as leading organizational change, introducing or modifying business models, or guiding R&D projects toward market implementation.

Convenience sampling was applied to recruit participants who were easily accessible to the researcher, such as those within existing professional networks. While convenience sampling can introduce bias, it is often used in exploratory research for pragmatic reasons (Etikan, Musa, & Alkassim, 2016). To capture a range of perspectives, the study sought to include at least two types of transformational leaders to reflect different approaches to leading and inspiring teams.

3.3.1.2 Semi-structured Interviews

Data for this study were collected through semi-structured interviews with employees and leaders identified as practicing transformational leaders. These interviews captured qualitative insights into how leaders manage organizational tensions and drive innovation through fostering a psychologically safe work environment, as described by Tenny et al. (2022), to create structure and flexibility, offering scripted questions while allowing for deeper exploration and elaboration by both interviewers and interviewees. A total of twelve semi-structured interviews were conducted, guided by an interview protocol (appendix B). The interviews were recorded and transcribed to enable detailed analysis.

3.3.2 Data Visualization and Analysis

An action-based research approach was employed primarily as an interpretive framework to analyze and interpret the qualitative data gathered from six established companies. Rather than serving as the primary method of data collection, this approach facilitated collaborative reflection and iterative analysis through a structured workshop, where researchers and participants jointly examined the data. This process enabled the identification of recurring strategies and leadership practices associated with successful organizational transformations, while also uncovering perceived gaps in existing support structures. Cross-referencing within and across cases further strengthened the analytical depth by revealing patterns and relationships embedded in the data. The application of this framework aligns with existing research on organizational change and has been widely utilized in empirical studies to assess the practical enactment of transformation processes (Burnes, 2004).

The analysis provided a holistic understanding of transformational leadership's impact, focusing on its key characteristics, practices, and its role in shaping the organization's capacity for innovation. This integrated approach offers actionable insights into how transformational leaders drive meaningful and sustainable change (Bass, 1985).

3.4 Findings

Based on the data collected through interviews, and analyzing it through discussions during the workshop, three key challenges emerged as common among transformational leaders: *resistance to change, stakeholder management - communication and alignment issues*, and *balancing accountability with psychological safety*. This section outlines the key themes within each challenge and explores how transformational leaders responded, with a particular emphasis on the strategies they used to promote psychological safety within their organizations. Without an integrated understanding across functions, even well-designed strategies falter at the implementation level.

3.4.1 Resistance to Change

The results of the interviews with transformational leaders and the workshop with the researchers (Appendix C) concluded that a challenge that is recurrent in multiple organizations is *resistance to change*. The findings suggest that organizational structure plays a significant role in the ability to implement change. In both Company A and Company E, the reorganization processes have become more formalized, which appears to have reduced entrepreneurial behavior. Participants noted that employees are now more inclined to redirect change initiatives to others rather than take ownership. Additionally, leaders at Company A observed that resistance to change often stems from a fear of the unknown and a preference for the status quo, making it difficult to transition to new business models—such as shifting from transactional sales to service-based revenue.

In addition, a recurring theme was the lack of psychological safety during periods of change, which was linked to resistance to change. A leader from company G reflected, *"When you are so passionate, anxiety can arise. You might worry that changes are driving the organization in the wrong direction."* Similarly, a leader from Company B highlighted the uncertainty involved, stating, *"One of the things or one of the challenges that we have is uncertainty. We don't really know if it's going to be a good decision, or we don't really know what's really going to happen."* Furthermore, a leader from Company A also noted that this uncertainty is often linked to a fear of encountering resistance during the change process.

The results indicate that in order to navigate these challenges, transformational leaders can focus on both structural and cultural aspects of change. One way of doing this, mentioned by a leader from Company A, was that instead of enforcing large-scale changes immediately, leaders can introduce new initiatives in smaller groups, allowing changes to spread gradually like ripples across the organization.

Based on the conclusions from the workshop (Appendix C), many leaders work to overcome resistance to change by clearly communicating the *why* behind the change and gradually introducing new processes or projects. This was highlighted by eight out of the twelve interviewed transformational leaders, at four out of the six companies, whose method was to make the strategy clear early and then work to make the employees able to cope with that strategy.

A key strategy, according to one leader at Company F was to use persuasion tactics, such as highlighting the advantages and long-term benefits of change, which can also be effective in gaining buy-in. One leader in Company B stated that they served as an ongoing source of support, answering questions, addressing concerns, and acting as a "helpdesk" to reduce anxiety and foster psychological safety.

Encouraging openness to suggestions and creating a structured yet adaptable approach to improving standard operating procedures was - highlighted by three companies - to ensure that employees see change as a collaborative process rather than a directive. These strategies collectively ease the transition, reducing fear and resistance while fostering an environment where transformation feels both necessary and manageable.

3.4.2 Stakeholder Management - Communication and Alignment Issues

Clear, consistent communication was emphasized by ten out of the twelve leaders as a key challenge, where transformational leaders stressed that miscommunications, ranging from a lack of clarity in strategic objectives to ineffective cross-departmental dialogue, can lead to misunderstandings, and thereby leading to resistance. As a leader from Company A states, *"No changes will be done without communication"*, and *"/.../getting hold of people is a challenge"* mentioned by a leader at Company B, which indicates that communication is a root cause for many challenges a transformational leader encounters.

Leaders also reflected on how inconsistent messaging across hierarchical layers created alignment issues, which emerged from the lack of synchronization between departments. As expressed by a leader at Company F *"The headwind we face is often not because people oppose change, but because they don't see how it fits into their world… they haven't been brought into the 'why' of it."* Without an integrated understanding across functions, even well-designed strategies falter at the implementation level.

Furthermore, the data gathered also highlights that it is a challenge connected to alignment and relationship dynamics. It is suggested that the success of the project is heavily reliant on whether you have, or have not, gained the right relationship with key stakeholders and thereby supporting with the company buy-in. As expressed by a leader at Company E *"You have to be curious on the tricky parts of the organisation... we are exposed for more business dilemmas than right or wrong... if you are going to survive, you need to find this very, very interesting - why people are so much against [the change]... And that's the tricky part - how to use the elevator between those two categories of people."* Which is further highlighted by a leader at Company C *"So, knowing people, talking to people, I mean, that's how things move... To me, my biggest challenge, and also right now, is to create a relationship with people - not just the coffee thing, but I mean, to get someone's trust to make things happen."*

To address and navigate the challenges of communication and misalignment, transformational leaders have employed several key strategies that build upon creating psychological safety. One of the most utilized approaches, highlighted by nine out of twelve leaders, involved cascading techniques - starting with smaller, receptive groups to pilot change before broader implementation. This method was not only suggested to help build early momentum but also to create a safer space for experimentation and dialogue. Within these trust-based teams, early adopters were encouraged to voice uncertainties, test ideas, and contribute to shaping the rollout. This reinforced a culture where feedback and iteration were not only accepted but actively encouraged.

This participative approach, when combined with the consistent reinforcement of purpose, helped ensure that transformation efforts felt manageable rather than imposed. As highlighted by a leader at Company E, repeatedly going back to the *why* was crucial: *"Why, why, why. We repeated this on many occasions, with some individuals' conversations on several occasions, to explain why."* Such repetition not only clarified the strategic intent but also signaled that leadership was committed to transparency and inclusion, two pushed factors to create psychological safety.

In parallel, openness to suggestions was another critical driver. As emphasized by eight out of the twelve leaders, being receptive to employee input helped foster an environment where people felt comfortable speaking up, indicating it to be an essential condition for psychological safety. Leaders across organizations noted that this openness improves overall communication, particularly when coupled with structured opportunities for engagement. For instance, workshops were stated by leaders at both Company A and Company E as effective tools to bridge gaps between siloed departments, such as sales and operations. These workshops facilitated stronger cross-functional dialogue, reducing friction and enabling alignment around shared goals. By encouraging open conversation in a structured setting, it was suggested that these initiatives further supported a psychologically safe environment in which employees were not only informed but also empowered to participate in the change journey.

3.4.3 Balancing Accountability with Psychological Safety

The third noted challenge identified during the workshop, and noted by seven out of twelve leaders during interviews, was finding the right balance between holding teams accountable and creating an environment where they feel safe to experiment, voice concerns, and even fail. On the one hand, teams need to take ownership of their projects and be responsible for delivering results. On the other hand, they must also feel safe to experiment, challenge existing norms, and learn from failures without fear of repercussions.

One transformational leader from Company A described the issue, stating, *"Employees don't dare to act until they have permission from the manager."* Another leader from Company G shared a related concern: *"When you are so passionate, anxiety can arise. You might worry that changes are driving the organization in the wrong direction."* This suggests that even highly motivated employees can struggle with the emotional burden of making bold decisions in uncertain environments, particularly when psychological safety is lacking or inconsistently reinforced.

These concerns also reflect the broader leadership challenge of maintaining the right balance between accountability and psychological safety. As one leader from Company A acknowledged, *"Maybe in the beginning I was too rough and then people closed themselves, but if you get too soft then people don't deliver anything… it is a balance. It is difficult, to be honest. I still struggle with it."* This admission underscores the complexity of fostering an environment where employees feel both empowered to act and supported when navigating ambiguity, indicating to be an essential condition for effective transformation.

However, several strategies to address this challenge were identified during the workshop, drawing on insights from the interviews. In one interview, a leader from Company B emphasized that trust plays a central role and that it is important to trust that everyone is there to do their best. A leader from Company E emphasized the importance of alignment *"Being clear with decisions helps. Being united and saying 'yes, we will do that' or 'no, we won't do* *that' helps when driving change."* Encouraging risk-taking is also essential, according to a leader at Company A, *"When things don't work, we learn."* - as it further creates a psychologically safe environment.

3.4.4 Summary of results

Across the wide range of challenges faced by transformational leaders, several overarching themes surfaced that consistently supported their ability to navigate complex change processes. These themes reflect qualities and strategies that cut across different contexts and individual styles, providing transformational leaders with tools to lead effectively despite uncertainty and resistance. One of the most significant enablers was strong communication skills. These were suggested to be crucial not only for building and leveraging a broad professional network but also for creating meaningful relationships with people in the leader's immediate environment. Such relationships were seen as foundational in creating psychological safety, which the transformational leaders identified as a critical first step in enabling transformation.

In addition to communication, a clear and deeply internalized vision was highlighted as essential. Leaders who had fully convinced themselves of their direction were better able to formulate and articulate their *why* in a way that engaged others. The ability to clearly communicate this purpose was viewed as vital for building understanding and commitment. It was also important to give others time to process the vision, ask questions, and find personal meaning in it, making it a shared direction rather than a top-down directive. Furthermore, a common approach was to begin by identifying a small, trusted core team. This group served as an early support system, helping to build momentum before scaling the transformation more broadly. Finding the right pace for change was emphasized, as was the importance of reinforcing the vision at every stage of expansion.

Information sharing also emerged as an area where transformational leaders differed in approach, reflecting individual styles and organizational contexts. Six leaders preferred to keep discussions within the core team until the foundation was solid, while five gradually opened up communication to broader groups, and one leader reflected elements of both approaches, alternating between closed early planning and inclusive expansion depending on the project's phase or organizational sensitivity.. Regardless of approach, transformational leaders struggled with the challenge of balancing transparency with clarity, sharing too much risked information overload, while sharing too little risked misunderstandings or the spread of misinformation through informal channels. This again underscored the centrality of strategic communication.

Finally, fostering psychological safety within the core team was a deliberate and ongoing process. Transformational leaders emphasized listening, encouraging team members to challenge ideas, and creating space for risk-taking by gradually increasing the complexity of responsibilities. Rather than micromanaging, its suggested that successful transformational leaders paid close attention to each individual's development, adjusting their support to match readiness and building confidence through trust and empowerment.

3.5 Discussion

This chapter discusses the findings of the study in relation to existing theories on transformational leadership and psychological safety. It explores how transformational leaders, based on the experiences shared by twelve leaders from six companies, navigate challenges and foster environments conducive to innovation and change. The chapter starts by interpreting the main findings, examining how the observed leadership practices helped navigate key challenges, and how these practices align with and add nuance to established theoretical frameworks.

3.5.1 Navigating Transformation with Psychological Safety

The findings from this study suggest that transformational leaders employ distinct strategies to foster psychological safety, which in turn appears crucial for navigating organizational change and enabling innovation.

The study first emphasizes the importance of managing *resistance to change*, noting that leaders must listen to and understand their organizations. It also identifies *stakeholder management* as a separate but related challenge, both as a tool for addressing resistance and as a complex issue in its own. Leaders from Companies E and A responded to these challenges by clearly communicating their strategies early on and supporting employees through the transition. They often introduced initiatives in smaller, more manageable groups to help staff cope and feel heard, thereby easing fears around taking initiative. As part of their strategic communication efforts, they also used workshops to bridge departmental silos and improve information sharing. These approaches suggest that creating an environment of trust and psychological safety was key to navigating communication barriers effectively.

Building on this, another consistent theme across multiple interviews, particularly from leaders at Companies G, B, and A, was the active effort to create environments where employees felt secure enough to voice concerns and experiment. For instance, the leader from Company B described acting as a "helpdesk" to address anxieties and answer questions during change, thereby reducing uncertainty. This approach directly aligns with Edmondson's (1999) concept of psychological safety, where individuals feel safe to take interpersonal risks. Similarly, the leader from Company A emphasized that *"When things don't work, we learn"* fostering a culture where mistakes are viewed as learning opportunities. Such an approach is vital for overcoming what Schein and Bennis (1965), and Frazier et al. (2016) pusches as "learning anxiety" during periods of transformation, thereby encouraging engagement, as highlighted by Kahn (1990). The data suggest that these behaviors, including providing clarity and individualized support, were perceived by these leaders as prerequisites for employees to embrace change and uncertainty.

The majority of the interviewed leaders demonstrated behaviors characteristic of transformational leadership as outlined by Hay (2006). Regarding *inspirational motivation*, leaders from Company E and A explicitly mentioned the importance of *"repeatedly communicating the 'why' "* behind strategic changes. This effort to explain the organization's vision and create a sense of purpose was not a one-time event but an ongoing process, appearing to move beyond simply stating a vision to ensuring genuine buy-in.

Individualized consideration was also evident, as leaders adapted their style to support individual needs. For example, the transformational leader from Company F spoke about using persuasion tactics tailored to different stakeholders, and the leader from Company B served as an ongoing source of support, addressing individual concerns. This personalized approach, noted across several interviews, seems to foster trust and psychological safety, a link supported by Liu & Li. (2023), who found that individualized leadership behavior significantly enhances psychological safety by aligning with followers' personal needs.

While perhaps less structured, *intellectual stimulation* was fostered through the encouragement of experimentation and a constructive approach to failure, as highlighted by six out of the twelve leaders. This is consistent with findings from Carmeli et al. (2014), who demonstrated that intellectual stimulation enhances creativity and risk-taking, but only when psychological safety has first been established. Leaders from Company F and A also encouraged openness to suggestions for improving procedures, suggesting that intellectual stimulation, in these contexts, was often facilitated by first establishing psychological safety, a dynamic further reinforced by meta-analytic findings from Frazier et al. (2017)

One of the more nuanced challenges faced by transformational leaders in this study was the delicate task of *balancing accountability with psychological safety*. This tension, between driving performance and creating an environment where team members feel safe to speak up, take risks, and potentially fail, surfaced across multiple interviews, expressed by seven leaders. Rather than seeing these forces as opposing, leaders recognized that both were necessary, but challenging to sustain simultaneously.

The leader from Company A, for example, reflected on how their own approach had evolved over time. They admitted that being overly assertive initially led to team withdrawal, while being too lenient risked underperformance. They explained the challenge as an ongoing process, acknowledging, *"Maybe in the beginning I was too rough and then people closed themselves, but if you get too soft then people don't deliver anything… it is a balance. It is difficult, to be honest. I still struggle with it."* This reflection suggests that psychological safety is not about eliminating pressure but about fostering an environment where expectations are clear and delivered with empathy.

Similarly, the leader from Company G described the leadership journey as moving from being nice to being intentionally kind, suggesting that authentic care includes offering constructive feedback rather than avoiding discomfort. This more sophisticated view of psychological safety places emphasis not only on openness but on respectful challenge, reinforcing the idea that safety and accountability can, and must, coexist.

Among the twelve leaders, the approach taken by a leader from Company C stood out as particularly unique. Rather than viewing accountability and psychological safety as opposing forces, this leader designed operational processes that embedded both, notably through agile methodologies with built-in retrospectives and anonymous feedback loops. *"We always had retrospectives after each sprint to discuss what went well, what didn't, and how we could improve - without pointing fingers. That was part of the process."* This method operationalized psychological safety, normalizing reflection and collective learning, while preserving accountability by ensuring each team cycle had measurable deliverables. By embedding safety into structure, rather than relying solely on interpersonal leadership style, Company C's leader created a system where both safety and performance could co-exist by design, not just by intent.

Had other leaders adopted similar mechanisms, the outcome might have been a more sustainable and scalable model of psychological safety, less dependent on individual charisma and more resilient across teams or shifts in leadership. In contrast, the more relational or intuition-based approaches used by others, while effective, may be harder to replicate consistently across a large or distributed organization. This highlights the transformational leadership theory (Hay, 2006), where effectiveness ans success often depends on individuals who have developed specific interpersonal skills.

3.5.2 Contribution to Theory

This study contributes to the theoretical understanding of transformational leadership and psychological safety in several significant ways. Firstly, while Edmondson (1999) and Kahn (1990) establish the importance of psychological safety, this research provides qualitative evidence of how transformational leaders actively foster it during complex change initiatives. The "helpdesk" approach mentioned by the leader at Company B, or the iterative introduction of change starting with core teams as seen at Company A, illustrate concrete mechanisms that offer practical depth to broader theoretical models, suggesting these actions are perceived by leaders as essential for mitigating Schein's (1985) "learning anxiety."

Secondly, the study offers a nuanced perspective on *intellectual stimulation* within Hay's (2006) model. Our findings, particularly from leaders like the one in Company A who stated, *"When things don't work, we learn"* suggest that in practice, intellectual stimulation is often fostered through the establishment of psychological safety. It appears to be an outcome of an environment where experimentation is safe, rather than solely a leader directly challenging assumptions in isolation.

Furthermore, the study highlights a potentially looping relationship between transformational leadership behaviors and psychological safety. Effective leadership behaviors, such as the clear communication from the Company E leader or the individualized support from the Company B leader, seem to build psychological safety, which, in turn, enables individuals to be more receptive to transformational efforts. This introduces a dynamic interplay to existing models that often treat these as separate or linearly related constructs.

Finally, the practical challenges identified represent realities that current transformational leadership theories could further elaborate on. These include the difficulties leaders, such as those at Company E and A, experienced in managing information flow strategically despite their efforts, and the concern noted by the leader at Company A regarding the determination of an appropriate pacing for change. Our findings suggest a need for theoretical frameworks to incorporate more guidance on these operational aspects of leading change in uncertain environments.

3.5.3 Contribution to Practice

The findings of this study offer several actionable insights for leaders aiming to drive organizational innovation and manage change effectively by fostering psychological safety.

A primary takeaway for practitioners is the critical importance of prioritizing the building and maintenance of psychological safety as a foundational element for successful transformation. Leaders is suggested to actively and consciously work to create environments where team members feel secure to voice concerns, experiment, and learn from mistakes. This involves tangible actions such as establishing clear communication channels for anxieties, consistently framing failures as learning opportunities, and ensuring clarity in decisions and strategic direction.

Furthermore, the research underscores the practical value of consistent and purposeful communication, particularly in articulating the "why" behind change initiatives. Leaders are encouraged to move beyond initial announcements to engage in ongoing dialogue, ensuring that team members understand and can personally connect with the organizational vision. This helps in mitigating resistance and building collective commitment.

The study also suggests that adopting a phased and supportive approach to implementing change can be highly effective. Introducing new initiatives incrementally, perhaps starting with smaller, more receptive groups and allowing changes to diffuse, can be more manageable than large-scale, abrupt shifts. This should be coupled with visible leadership support and a genuine openness to feedback throughout the process.

Navigating the inherent tension between accountability and the freedom to innovate is another key area for practitioners. Leaders can achieve this balance by cultivating trust, being explicit about expectations, and simultaneously acknowledging and addressing the anxieties that often accompany change and risk-taking.

Finally, this research implies the significant practical benefit of leaders investing in and honing their relational skills. Active listening, demonstrating empathy, and focusing on building genuine connections appear fundamental to fostering the trust required for psychological safety, which in turn, is crucial for leading successful and sustainable transformations.

3.5.4 Limitations and Future Research

This study, while providing valuable qualitative insights, has several limitations that also suggest avenues for future research. The sample size and generalizability are constrained by the study's involvement of leaders from six companies; while this allowed for in-depth exploration, the findings may not be universally applicable across all industries or leadership contexts. Future research could benefit from a larger, more diverse sample. The leader-centric perspective is another limitation, as the data primarily reflects the views of individuals identified as transformational leaders. Their perceptions of psychological safety and strategy effectiveness might not fully align with those of their team members; future studies should consider incorporating perspectives from followers.

There is also the potential for social desirability bias, as leaders discussing their own practices might present idealized behaviors. Observational methods or anonymous team member surveys could complement interview data in future research. The deliberate exclusion of Emotional Intelligence (EQ), while maintaining focus, means a potentially influential factor was not explored. Future research could explicitly investigate EQ's role in the interplay between transformational leadership and psychological safety.

The study provides a snapshot in time, indicating a need for longitudinal aspects in future research. Tracking how psychological safety and transformational leadership dynamics evolve throughout different phases of organizational change, such as those described by Lewin (1947), could offer richer insights. Lastly, while this study's qualitative approach provided depth, future research could integrate quantitative measurement, such as validated psychological safety scales or leadership assessment tools, to triangulate findings and explore statistical relationships.

3.6 Conclusion

The aim of this study was to answer the research question: *What key actions and strategies enable transformational leaders to create a psychologically safe environment that supports innovation and change?*

The findings suggest that transformational leaders navigate organizational challenges and foster conditions for innovation and change primarily by actively and intentionally promoting psychological safety. This is achieved through a combination of core transformational leadership behaviors, such as providing inspirational motivation, exemplified by consistently explaining the purpose behind a project, and individualized consideration, as seen in methods like providing direct support and resources to team members. Other strategies include framing failure as a learning opportunity, encouraging open dialogue and suggestions e.g. through interactive workshops, and implementing change in a phased, supportive manner. It is clear from the data that developing trust and psychological safety is considered vital by these leaders, as it encourages open dialogue, fosters creative thinking, and ensures that team members are motivated to embrace change.

It is indicated that psychological safety is not merely a byproduct of good leadership but a foundational element that enables transformational leaders to effectively manage resistance, facilitate communication, and balance accountability with the need for experimentation. The leaders in this study seemed to understand, implicitly or explicitly, that without a sense of safety, their efforts to inspire, motivate, and intellectually stimulate their teams during periods of uncertainty would be significantly hampered. Therefore, the promotion of psychological safety emerges from this research as a critical mediating practice through which transformational leadership translates into successful organizational adaptation and innovation.

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3.8 Appendix

A - Interview protocol

B - Workshop results

A - Interview protocol

Interview Guide: Exploring Transformational Leadership in Driving Innovation

Objective:

This research aims to explore the challenges transformational leaders encounter in fostering innovation and address a critical gap in the literature by examining how leaders:

- Foster safe spaces for failure in work settings
- Foster and sustain trust to bridge the gap between visionary strategies and practical execution
- Balance the dual demands of driving innovation while maintaining operational stability

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Key Notes for the Interviewer:

Connect questions to a specified example or narrative provided by the interviewee.

- Encourage the interviewee to share a specific storyline that highlights their experience with transformational leadership.
- Record the interview for transcription purposes or use a transcribing tool for easier corrections afterward.
- Consider sending this guide to the interviewee ahead of time to help them prepare.

Background Questions

1. Can you briefly describe your background and current role?
    - How long have you been in this role, and how long have you been driving transformation within this organization?

2. How would you describe the company culture, especially in relation to driving change?
3. Have you observed any shifts in the organizational culture during your time at the company, especially when it comes to feeling safe to share new ideas and take risks?

Transformational Work: Specified Storyline

Narrative Prompt: Please describe a specific storyline where you played a transformational leadership role.

1. Can you outline the ongoing transformation process and describe what the situation was like before, during, and after the changes you've been a part of?
    - How do you see the organization evolving as a result of your transformational efforts, even if the process is still ongoing?
    - Where did the initiative for the change originate, was it a directive, or something you identified as necessary?
2. How do/did you make sure the team around you felt comfortable and supported during the transformation? Were there specific actions you took to ensure people felt safe to speak up, challenge ideas, or express concerns?
    - How do you encourage creative thinking and new ideas during this process?
    - How do you make sure people feel supported and valued?
3. Did mistakes happen during the process? If so, what were they, and how did you use them to learn and grow, both personally and with your team?
4. Can you share your experience navigating the organizational ecosystem during your time in the transformation process? Specifically:
    - Did you face challenges or uncomfortable situations in high-stake settings, and how did you manage these?
    - What tools or resources did you rely on (e.g., networks, social skills, workarounds)?
5. Looking back, how do you think balancing creative thinking and personal support has affected the progress of the ongoing transformation?

Wrapping Up

1. Is there anything else you'd like to share that we haven't discussed?
2. Do you have any questions for us?

Definitions

*** Organizational ecosystem:**

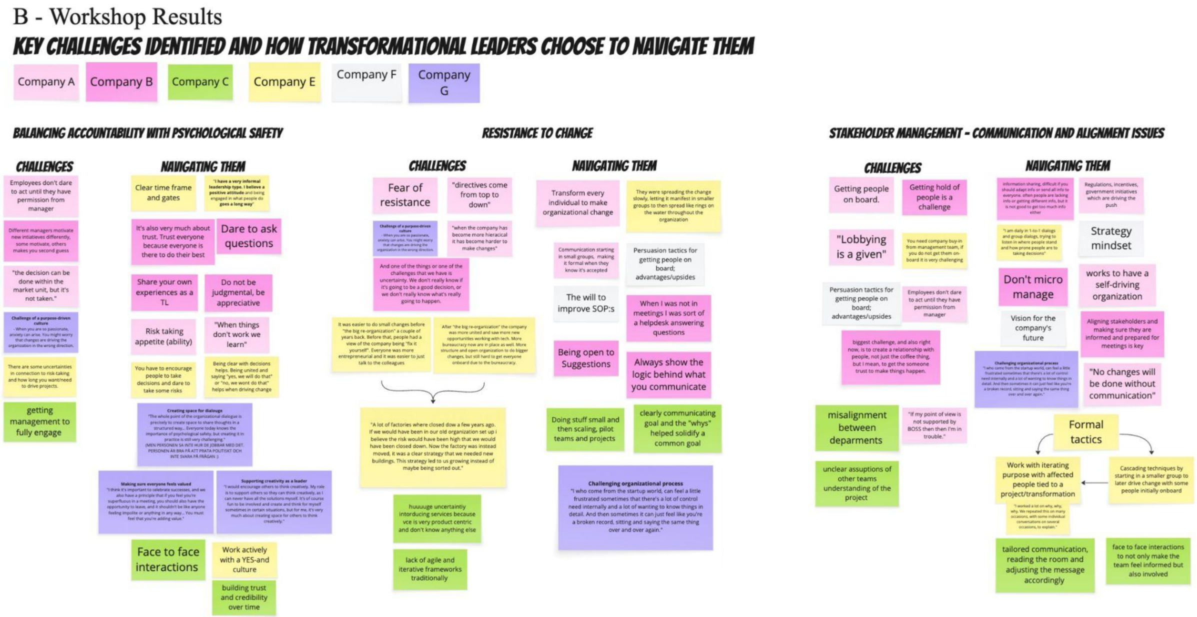
For clarity, we define the organizational ecosystem as follows:

- **Organizational Structure**: The hierarchy and reporting lines within the company.
- **Processes and Procedures**: The formal and informal rules that guide how tasks are completed.
- **Corporate Culture**: The shared values, beliefs, and behaviors that shape the work environment.
- **Communication Channels**: How information flows within the company.

Post-Interview Action Plan

- Transcribe the interview using a recording or transcription tool, and make possible corrections.
- Highlight insightful data from the transcription to simplify analysis for the workshop scheduled on April 4th.

B - Workshop results



4. Death by 1000 Cuts

by Agnes Ederberg, Hanna Garphem, Ivar Nordblom & Joar Bergström

4.1 Introduction

Projects play a central role in driving innovation (PMI, 2021), yet many fail not because of one big problem, but because of many small, often unnoticed issues - here referred to as "cuts”. On their own, these cuts may seem insignificant, but together they can have a serious impact on a project. The risk lies in how these insignificant cuts are often ignored or seen as unimportant when they first appear. By the time the full impact of these cuts are noticed, the damage can already have been made. Recognizing and fixing these cuts early on is key to preventing them from leading to a project’s gradual downfall through death by a thousand cuts.

The study aims to understand how minor cuts can lead to project failure through a cross-industry analysis of multiple companies in various industries. By looking at real-life cases and collecting insights from project managers and team members, the study hopes to find common patterns and behind the build-up of these cuts. The goal is to identify when in a project these cuts are more likely to happen and how they affect the overall success of a project.

4.2 Research questions

1. Main research question:

- How do minor, seemingly insignificant cuts affect project outcomes in larger organizations?

2. Sub-questions:

- What are the most common types of cuts that lead to project failure in corporate environments?
- At which stages of the project life cycle are cuts most likely to occur, and how do they impact overall project success?

4.3 Theoretical Framework

The phenomenon of project failure due to "a thousand cuts" illustrates how small, often overlooked issues can accumulate and collectively undermine success. Commonly referred to as death by a thousand cuts, this concept is better understood by looking at how systems work together - how teams make decisions and what happens when projects are not well-managed. In this study, "cuts" refer to seemingly insignificant events, problems or activities that if left unaddressed, gradually build up, causing a project or initiative to lose momentum or come to a standstill. In the worst case scenario, it can result in the closure of a project.

Cuts can vary widely in scope and involve both major events, such as sudden budget cuts or the loss of a key stakeholder, or minor cuts, like poor communication amongst team members or delays in receiving resources, which in some way can contribute to project failure. When cuts happen early on in a project, during the initiation or planning phases, they can cause delays or misaligned goals that affect the entire project (PMI, 2021). On the other hand, cuts that occur later, during execution or closure, often have immediate effects that create urgency and make them more difficult to resolve.

To understand why projects or initiatives may fail or end prematurely, the project life cycle (PLC) is used as a framework. The PLC divides a project into clear stages, see Figure 1, each with specific goals, challenges and risks (Cohen, 2024). By analyzing each phase, the aim is to identify where cuts are more likely to happen and evaluate how severely they can affect a project. Are perhaps some cuts more harmful than others, or is it their timing that causes the most disruption? Our goal is to understand the types and timing of different cuts, and how risks can be managed more effectively by minimizing cuts at each stage of a project.

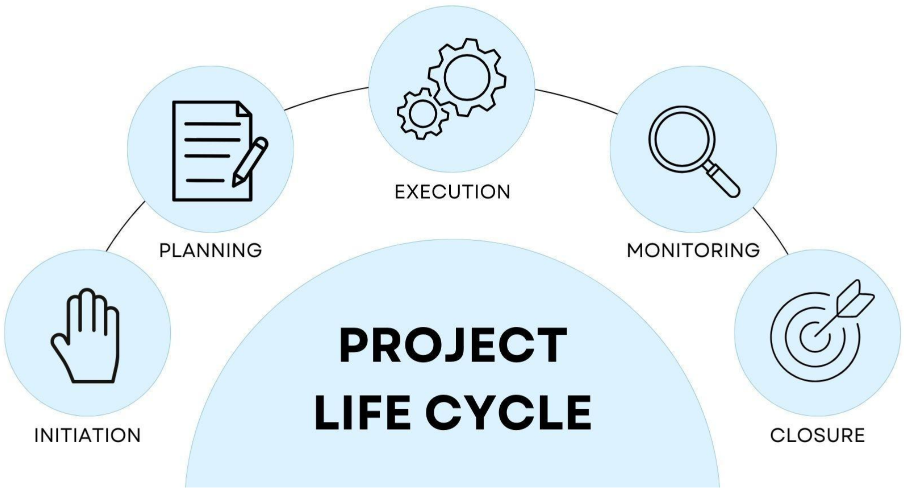


Figure 1: Project life cycle (Author's picture)

The project life cycle consists of five phases:

- Initiation is the start-up phase of the project, where important information and data are collected from key stakeholders. Here, the project's problems and goals are defined and a basic understanding of what needs to be done is established.
- Planning is the foundation of the project. In this phase, the implementation is planned in detail, and the necessary resources are identified for the project to achieve its goals.
- Execution and Monitoring are closely linked phases. During execution, the activities planned in the planning phase are carried out, while monitoring involves continuous monitoring of the project's progress to ensure that the objectives are met.
- Closure is the final phase, where the final documentation is delivered and everyone involved is informed that the project has ended.

Furthermore, the theory of constraints (TOC) is a method for identifying and managing constraints that prevent a project or an organization from achieving its goals. According to TOC, every project is only as strong as its weakest link, which means that success is often determined by one or a few critical factors that limit the progress of the project (Goldratt, 1984). These constraints can be physical, such as lack of resources, or non-physical, such as weak processes or poor communication. In relation to the *death by a thousand cuts* phenomenon, the limitations in the TOC can be understood as cuts that, if not identified and addressed, hinder the progress of the project. The theory will be used as a complement to the PLC by identifying at which phases the most critical constraints tend to occur and how these can be addressed to minimize the risk of project failure. For example, a limitation in the initiation phase, such as inadequate goal formulations, can have domino effects that affect later phases.

4.4 Method

The method primarily aims to identify potential cuts, but also to categorize them into frequency and severity. The data collection has been done by researchers in parallel to leading their own entrepreneurial project within the company, this means that the researchers are a part of the system rather than just there for the sake of collecting data. Insider action like this provides unique perspectives on systems, and helps gather deeper insights and more perspectives (Coghlan, D. 2007). The data collected is of a qualitative nature, in the form of semi-structured interviews and observations. The following chapter introduces the data collection and data analysis methods in further detail.

4.4.1 Data collection

In the following section, the data collection methods are stated and described.

Interviews

Semi-structured interviews have been conducted with the objective to gather data on what cuts exist, how frequently they occur, and how severe they are in order to paint a picture of what cuts look like in projects and how they are viewed, handled and affect a project. The students inside the companies have interviewed employees on their experiences with projects. Appendix

1 includes interview questions to guide the interviewer in the right direction to extract valuable information.

Observations

In addition to the interviews, data have been collected based on observations connected to the student-led projects, since these are typical projects within the scope of "Death by 1000 cuts". Observations took place in several settings, i.g. meetings, workshops, interviews, during lunch etc. Whenever a potential cut was identified in connection to the student project, it was observed and noted. When multiple occurrences of the same cut were identified, this was taken into account as well. In addition to this, the researchers wrote down a short reflection of how severe the cuts were. A more complete observation guide can be found in Appendix 2.

4.4.2 Data analysis

After all the data has been collected, a cross-analysis was conducted between the 7 different companies being part of the data collection phase. In this part, all cuts were identified. Patterns of how regular and severe these cuts are, were also analyzed. Finally, data findings from the cross-analysis were compared to the literature findings.

Empirical workshop

To summarize the empirical data gathered by the researchers within the different companies, a workshop was held. The goal during the first session of the workshop was to find overarching categories between the companies for the cuts. Researchers from different companies sat together and discussed patterns they had found within their companies and came up with suggestions for categories. After this, all researchers discussed and together decided which categories were relevant to capture all discovered cuts. To end this session, all teams divided their unique cuts into the overarching themes.

For the second session visual representation of the categories was created in the form of graphs, one color coded based on company and one color coded based on category. The graphs have severity and phase in project on the y- and x-axis. The quantity is represented by the number of cuts illustrated in the graphs. Discussions with the researchers then took place, with the graphs as a background, in order to find patterns. The patterns could then directly be discussed by the researchers to get deeper insights.

4.5 Results

This chapter presents the results from the study, focusing on the types of cuts that appeared in different projects and how they were categorized. The goal was to identify not only what types of cuts occurred, but also when in the project they were most likely to happen, how severe they were, and what patterns could be seen across companies. To present the findings in a clear and logical way, this chapter is divided into three parts. It begins with a summary of general trends and observations. This is followed by a deeper analysis of the results based on the identified categories of cuts. Finally, the chapter compares how different companies experienced and managed these challenges, revealing both shared difficulties and organization-specific patterns.

4.5.1 General findings

To understand which types of problems most commonly affect projects, all identified cuts were grouped into broader categories. *Figure 2* illustrates how many cuts fall under each category, offering a clear overview of which areas tend to be most vulnerable across different organizations.

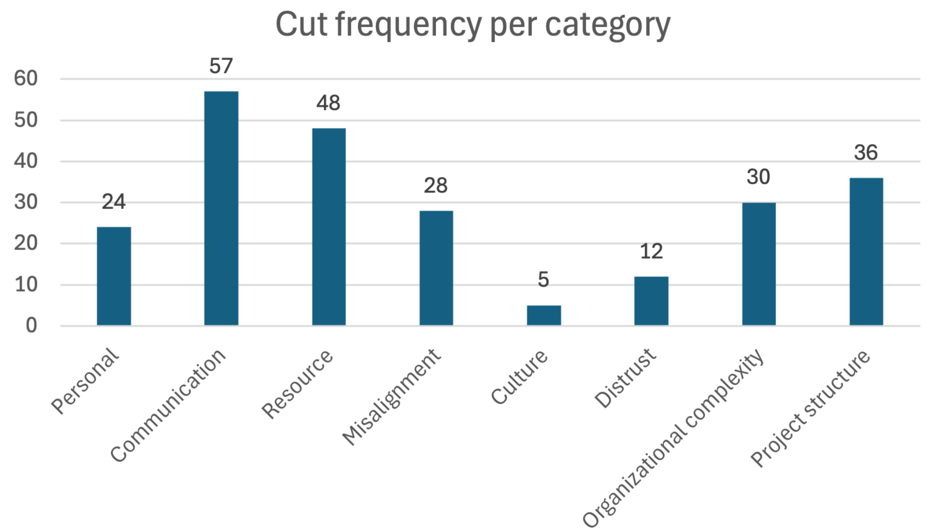


Figure 2: Distribution of Cut Frequencies by Category (Author's Data)

Looking at the frequency of cuts in the different categories it is clear that the most common category of cut is "*Communication*", followed by "*Resource*". Hence these are likely very important areas to be vigilant in when it comes to everyday cuts in a project. Communication issues often involve unclear messaging, delayed information, or poor coordination between team members. Similarly, cuts related to resources typically involve a lack of time, staff, funding, or access to the right knowledge or tools.

In contrast, "*Culture*" and "*Distrust*" are the smallest categories. It is however important to remember that the visual representation of what types of cuts are common is very affected by what categories were chosen. While these types of cuts occur less frequently, they can still have a significant impact.

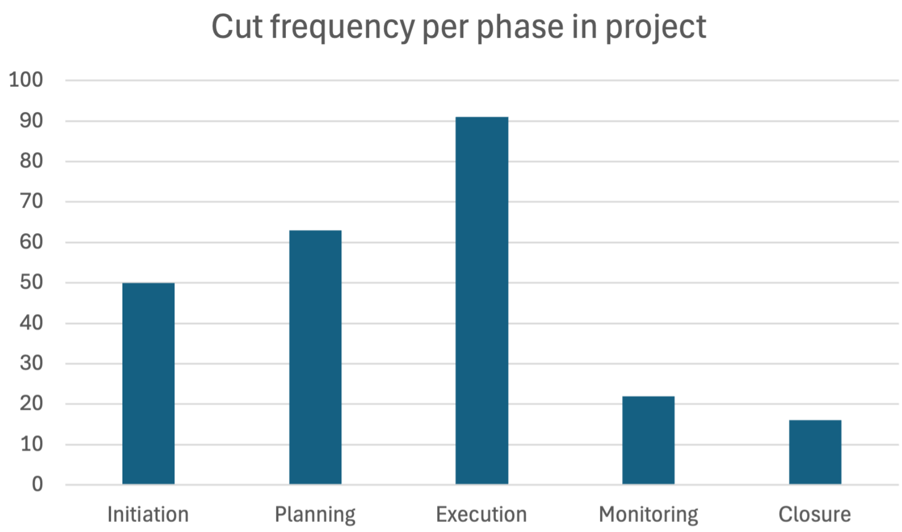


Figure 3: Distribution of Cut Frequencies by Project Phase (Author's Data)

Figure 3 illustrates how the cuts are spread across the different phases of the project life cycle, regardless of company or category. It clearly illustrates that most cuts happen during the initiation, planning, and execution phases, while far fewer appear in monitoring and closure. This pattern highlights a few important points:

- *Initiation and Planning:* These are the starting phases where key decisions are made. Many of the cuts here are related to unclear goals, lack of agreement among stakeholders, or missing resources.

- *Execution:* This phase has the highest number of cuts. It is the stage where the project plan is put into action, and earlier cuts, such as poor communication or unclear responsibilities, often become more visible. Because this phase often includes tight deadlines and many people working together, small problems can quickly grow and cause delays or confusion.

- *Monitoring and Closure:* Fewer cuts appear in these later phases. It is possible that cuts in these phases are less obvious or are not seen as very serious, even though they may affect future projects or learning opportunities.

4.5.2 Companies

To better understand how cuts appear in different organizational settings, this section presents a breakdown of findings, company by company, see *Figure 4*. This comparison highlights differences between industries, company sizes, and project approaches. For example, some companies experience cuts that are more severe but fewer in number, while others see a broader spread of smaller issues.

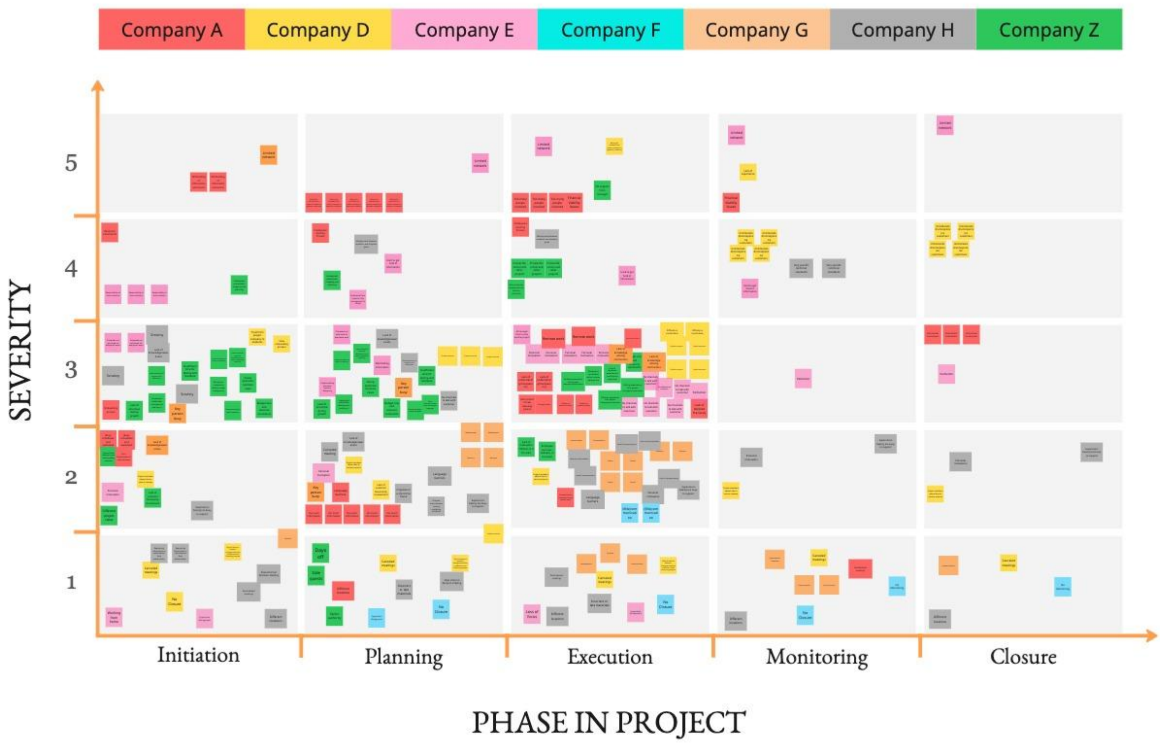


Figure 4: Distribution of Cuts by Company, Project Phase, and Severity (Author's Data)

Company E

Company E is a global, industrial company. In *Figure 4* cuts experienced in Company E are represented in pink, the cuts are spread out but trending towards quite high in severity compared to other companies. Similar to many other companies, most cuts are experienced between initiation and execution and after this many die off. With the exception of a few cuts later in monitoring and closure the spread of Company E is not too unlike that of Company Z.

Company A

Company A is a global Swedish engine manufacturer represented in red in *Figure 4*. Looking at the distribution of the cuts experienced in the company the concentration is similar to Company E with high concentration in initiation to execution.

Company D

Company D is a Swedish scale up company with around 7 employees. They are displayed in yellow in *Figure 4*. This is a company which has cuts all over the spectrum. There is a trend with higher concentration of cuts going from low severity in the beginning of the project with increasing severity the later the stage is in the project.

Company Z

Company Z is a global equipment manufacturer from Sweden represented in green in *Figure 4*. As mentioned it has similarities in spread to Company E and Company A. All recorded cuts happen in the first three phases of the project lifecycle. If this is a result of the data recording process or reflects how cuts actually appear in the company will have to be discussed further.

Company F

Company F has about 20 employees and is a small affiliated company to a big insurance firm. They are represented in blue in *Figure 4*. They stand out a lot compared to the other companies in being very low on severity on all their cuts. Something to bring into consideration is that they have a structure of not working so much in projects with start and end but more with what they call initiatives where they explore a direction or a process.

Company G

Company G is a government-owned organization distributing goods all over Sweden, represented in beige in *Figure 4.* In contrast to the other companies, Company G is not driven by profit but instead operates with a mission to do good in society. Severity is on average lower for Company G even though it is not as extreme as for Company F.

Company H

Company H is a large nordic corporation in the oil industry. They are represented in gray in *Figure 4*. With a few exceptions most cuts are a 1 or 2 in severity and have more cuts than most other companies in the later stages of the project life cycle, even if the bulk is still in the three first steps.

4.5.3 Categories

In the previous sections, the study explored which types of cuts were most common and during which project phases they usually occurred. In this section, a new graph is introduced to provide a clearer overview of the different types of cuts, see *Figure 5*. Each cut is shown in a specific color based on the category it belongs to. This means that each color represents a certain type of issue, such as communication, resources, or misalignment.

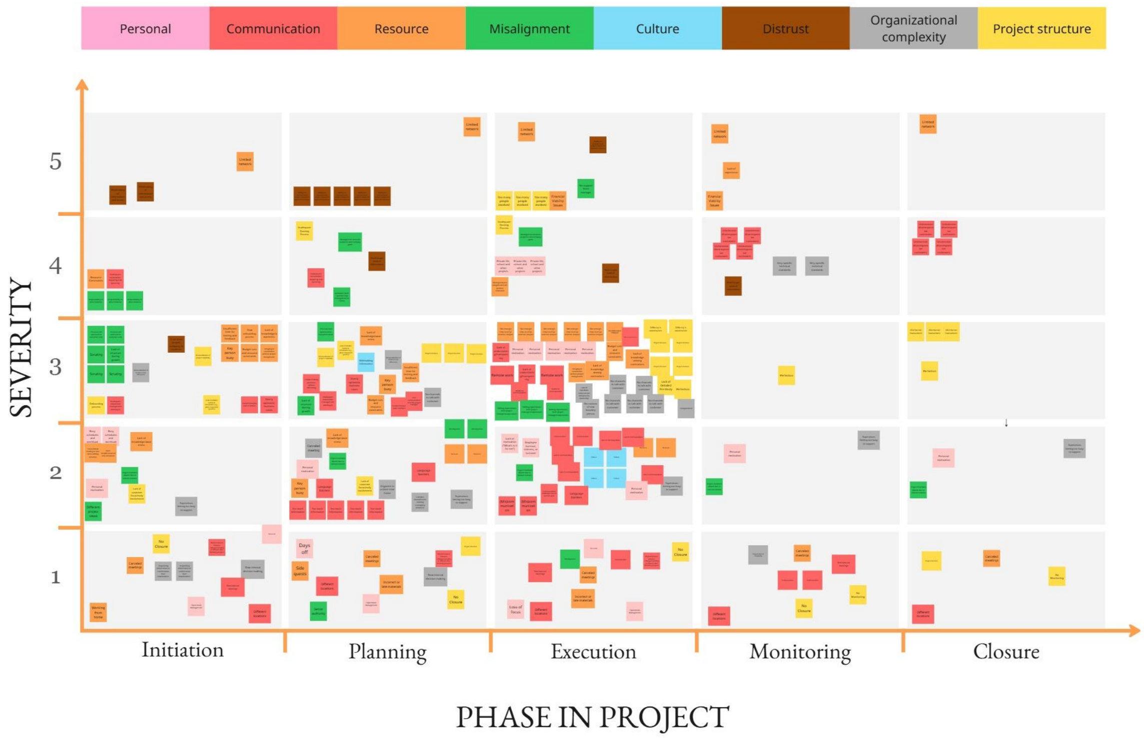


Figure 5: Distribution of Cuts by Category, Project Phase, and Severity (Author's Data)

By organizing the cuts this way, it becomes easier to see patterns, for example, if some categories are more common in certain phases or if some are linked to higher levels of severity. The visual also helps highlight relationships between different types of cuts and how they may affect the project at different stages.

The following text explains each category in more detail. Each description includes details on the type of cuts included, when they usually happen, and how serious they tend to be. This helps build a better understanding of what kinds of challenges often appear in projects and where organizations might need to focus to avoid failure.

Category 1: Personal

The category "*Personal*" includes cuts related to staffing and employee management within a project. Typical examples involve team size, availability of project leaders, skill levels among employees, and staff commitment.

Cuts in this category are common across projects and are marked in light pink in *Figure 5*. Most personal issues appear during the execution phase, though some also occur in initiation and planning. Early in the project, these cuts usually have lower severity ratings of 1 or 2. During the execution phase, the severity becomes more varied and can increase significantly, reaching levels as high as 4. Although personal issues often start as minor, they can escalate and impact overall project effectiveness. The most common personal-related issues include:

- There are not enough people working on the project.
- Important roles or leaders are missing.
- Staff do not have the right training or skills.
- Employees are not motivated or are away from work often.

Category 2: Communication

The category "*Communication*" covers cuts related to sharing information clearly and effectively within and between teams. Typical examples involve timeliness, clarity, team interactions, and challenges related to distance or differences among team members.

Communication-related cuts were identified as the most frequent across all companies and are marked in dark pink in *Figure 5*. These cuts typically appear during the planning and execution phases, with most rated at a severity level of 2 or 3. Although these issues occur frequently and regularly disrupt the workflow, they are generally not considered the most critical. Communication cuts also occasionally appear during monitoring and closure phases, especially related to customer interaction and international coordination. The most common issues related to communication include:

- Information is shared too late or not consistently across the team.
- Communication between team members is missing or unclear.
- Remote work reduces spontaneous interactions and follow-ups.
- Differences in language make it harder to understand each other.

Category 3: Resources

The category "*Resources*" includes cuts related to having sufficient conditions and support needed for the successful completion of the project. Typical examples involve availability of necessary people, knowledge, external assistance, and clarity regarding finances and funding.

Resource-related cuts commonly appear in the early and active phases of projects, specifically during initiation, planning, and execution. Most cuts in this category are rated at a severity level of 3, meaning they significantly affect the project and frequently slow progress. In some cases, resource issues can become severe (rated as level 5), particularly when the team encounters major gaps in experience, networks, or financial security. The most common issues related to resources include:

- Not enough time or staff allocated for the project.
- Key persons involved in the project are too busy.
- Limited access to knowledge or external support.
- Unclear or uncertain funding to complete the project.

Category 4: Misalignment

The category "*Misalignment*" includes cuts related to situations where goals, processes, or expectations are not clearly aligned within the project team or among stakeholders. Typical examples involve unclear structures for growth, inefficient processes, unclear responsibilities, and inconsistent directions from management.

Misalignment-related cuts are mostly identified in the early project phases, specifically initiation, planning, and execution. These cuts typically have a severity level of 3, meaning they frequently cause noticeable disruptions. However, a few cuts can escalate to higher severity levels of 4 or 5, often involving significant resistance from stakeholders or a lack of managerial support, leading to substantial obstacles. The most issues related to misalignment include:

- Structure for growth or improvement is missing or unclear.
- Work processes are inefficient or not well organized.
- Lack of clear responsibility to lead or drive initiatives.
- Project managers frequently change expectations or directions.

Category 5: Culture

The category "*Culture*" includes cuts related to behaviors and attitudes among employees that negatively affect the work environment and project outcomes. Typical examples involve openness in communication, collaboration between team members, willingness to adapt to change, and how team members handle setbacks or mistakes.

Culture-related cuts appear mostly during the execution phase of a project. They are typically rated at severity levels of 3 or 4, indicating that these issues noticeably impact teamwork, collaboration, and overall progress. The most common issues related to culture include:

- Employees hesitate to share important information.
- Employees blame each other when problems arise.
- Employees resist making changes or trying new approaches.

Category 6: Distrust

The category "*Distrust*" includes cuts related to limited transparency, and restrictive control in a project or between teams. Typical examples involve controlling access to essential information or contacts, requiring excessive approvals, and reluctance to openly communicate.

Cuts in this category occur across nearly all project phases, including initiation, planning, execution, and monitoring. They are typically rated at high severity levels of 4 or 5, meaning they substantially hinder progress, cause significant delays, and negatively impact relationships within and between teams. The most common issues related to distrust include:

- Employees deliberately withhold critical information.
- Approval is required before communicating with customers or partners.

Category 7: Organizational complexity

The category *"Organizational complexity"* includes cuts related to internal structures, decision-making processes, and the general complexity of the organization that can slow down or complicate project work. These cuts are not limited to a specific phase but appear across all stages of the project life cycle.

Cuts in this category typically have a severity level between 1 and 4, but most are rated on the lower end of the scale. While they may not seem critical on their own, they can still create delays, reduce clarity, and contribute to frustration among team members, especially when they occur repeatedly. The most common issues related to organizational complexity include:

- Supervisors being too busy to provide proper support to project teams.
- Needing to request information or confirmations from several stakeholders.
- Organizational complexity leading to overlapping initiatives or canceled meetings.
- Slow internal decision-making processes.

Category 8: Project structure

The category *"Project structure"* includes cuts related to how the project is set up and managed. These cuts often occur when the structure creates confusion, slows down work, or makes it harder to coordinate between people and tasks. In some cases, the structure may not fully match the needs of the project, which can lead to both small and large problems along the way.

Cuts within this category were observed in all phases of the project life cycle and appeared across the full range of severity, from minor issues (1) to very serious ones (5). This suggests that challenges related to project structure can look very different depending on the situation - some may be small annoyances, while others can seriously threaten the project’s progress or outcome. The most common issues related to project structure include:

- Too many people involved, causing confusion around roles.
- Project complexity underestimated in early stages.
- New team members not properly introduced or onboarded.
- Hard to coordinate tasks between teams or departments.

4.5.4 Summary of Result

Based on these findings, it becomes clear that successful project outcomes rely on more than just having clear goals and timelines. Each type of cut presents its own challenges and requires timely and appropriate responses. Some cuts, such as problems with communication or organizational complexity, are more frequent and usually have a moderate impact. Others, including distrust or major resource shortages, can quickly become serious and significantly slow down or even threaten the entire project. Even smaller issues can grow over time if they are not addressed early, which highlights the importance of identifying and managing cuts as early as possible.

Cuts from different companies are concentrated in different places and display different trends. Uncovering these patterns and comparing aspects of the organizations with each other and the nature of their cuts may provide valuable insights in terms of why cuts and to whom cuts occur.

4.6 Discussion

Several interesting trends emerge when visualizing the cuts in graphs. Overall, the severity distribution resembles a slightly left-skewed normal curve. In contrast, the phase-in-project axis shows a clear trend: over 85% of cuts occur during initiation, planning, and execution, with far fewer cuts in later phases. This pattern is significant and the reasons why we see this uneven distribution will in the coming paragraphs be explored further.

One reason why the graph in *Figure 5* looks like this could be that more projects go through the first phases, even the ones that die half ways. These projects will increase the frequency of cuts in the first phases but not the latter. Failed projects which only go through the first phases may also be projects which experience more cuts which amplifies this effect.

A second reason could be that the planning and execution phase which have the most cuts usually are more comprehensive, and depending on the project, might be more complex and include more parties which opens up the possibility for more cuts in these phases. The increased cuts could for example be more administration time, more complex network navigation, more people who can be sick, more parties to listen to and which may disapprove etc. There are for example a lot of communication cuts in these two phases and very few in the rest, which could be the effect of more parties being involved during these phases. Planning and execution can also be more sensitive to delays due to more deadlines, higher pace, and pressure on delivering compared to other phases. This causes cuts to have more severe effects should a cut for example delay the project a week, than what it would have had in the monitoring or closure phase. In the later phases things that would have been considered cuts in the earlier phases might not even have been brought up since the project is not as sensitive anymore.

A third reason could be that, depending on company and project, the phases are different in length. It could be that cuts are evenly distributed over time, but that planning and execution phase are just a lot longer than the rest, thus there is more time for cuts to happen.

A fourth reason could simply be the human factor and the phrasing of interviews. When asked to identify cuts in a project, people generally do not think of the later stages in the project lifecycle since they can tend to feel less tangible.

That leads on to a fifth potential explanation of the uneven distribution of cuts over the project life cycle. It is simply that the two last steps, which are important, are often overlooked and not much focus is put on them by the company. The last phases are important and bring among other things, learnings into the next project, if this scenario is the case it explains why not a lot of cuts have room to appear in these stages. It is also an indication that the company might want to look into how the project life cycle is handled.

A last explanation is that cuts that appear at the end of projects are of another type which may be easy to overlook. There are some cuts recorded in these phases which clearly affect the current project and which are rather severe. However, it could be that there are more cuts happening during the end of a project but which does not affect the current project. It instead affects future projects by missing out on learnings from which could be acquired from reflecting on the initiation, planning and execution of the project. If cuts appear which hinder these reflections, it will not be noticed so much in the current project but more in the next and making that connection is more indirect and possibly easier to overlook. For this reason some cuts may not have been recorded in the later stages.

4.6.1 Company Cross-Analysis

This section analyses and discusses patterns found in relation to the cuts organized by the different companies.

Company D

The most striking pattern appears at Company D, where cuts become increasingly severe as projects progress further into their lifecycle – see *Figure 6* below. One possible explanation is that Company D is still in a scale-up phase, operating with limited resources. As projects reach later stages, they demand more resources and faster execution. At this point, any cut that causes delays has a significant impact, making it harder to justify further investment.

A notable example of this occurs in communication-related cuts. Due to Company D's small size and highly niche product offerings, engaging in meaningful customer dialogues is challenging. The limited customer interactions make it difficult for projects to gain traction, which in turn restricts their access to additional resources.

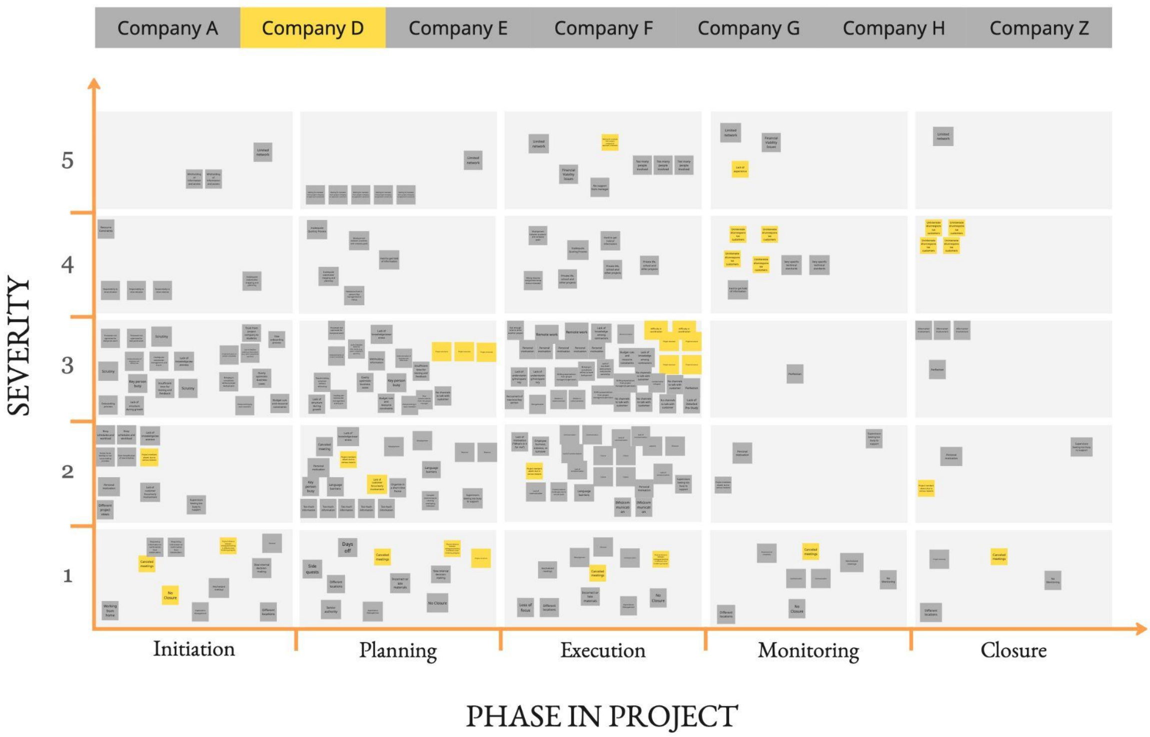


Figure 6: Pattern of Company D marked in yellow (Author's Data)

Company A, Company E & Company Z

Even though the cuts at Company E and Company A are a bit scattered, the cuts at these two companies, together with the cuts at Company Z, seem to be the most common in early stages of the project. They also seem to be in the range of 3-5 in severity more commonly than at other companies – see *Figure 7* below. This finding is interesting since they all are larger global industrial companies. One possible reason for this could be that these companies have more experience in driving projects, are more conservative and try to raise awareness of problems in earlier stages. One example is at Company E where they often try to work by "fail-fast", resulting in a lot of problems being highlighted early on.

Another possible explanation is the size and complexity of these global organizations. Larger companies typically have more layers of management, structured decision-making processes, and interdepartmental dependencies, which can lead to frequent cuts related to communication gaps, misalignment of priorities, and bureaucratic hurdles. In these environments, securing stakeholder buy-in and maintaining project momentum can be challenging, resulting in more adjustments early in the process. Additionally, misalignment between departments - such as R&D, production, and sales - can cause inefficiencies that necessitate course corrections before projects advance too far.

Worth noting is that the projects at Company Z usually range over a long time period, not uncommonly over a few years. This means that the projects stay in the first 3 stages of the project lifecycle for a long while, resulting in many cuts accumulating in these phases. Although not as common, this has been observed as one possible explanation at Company E and Company A as well.

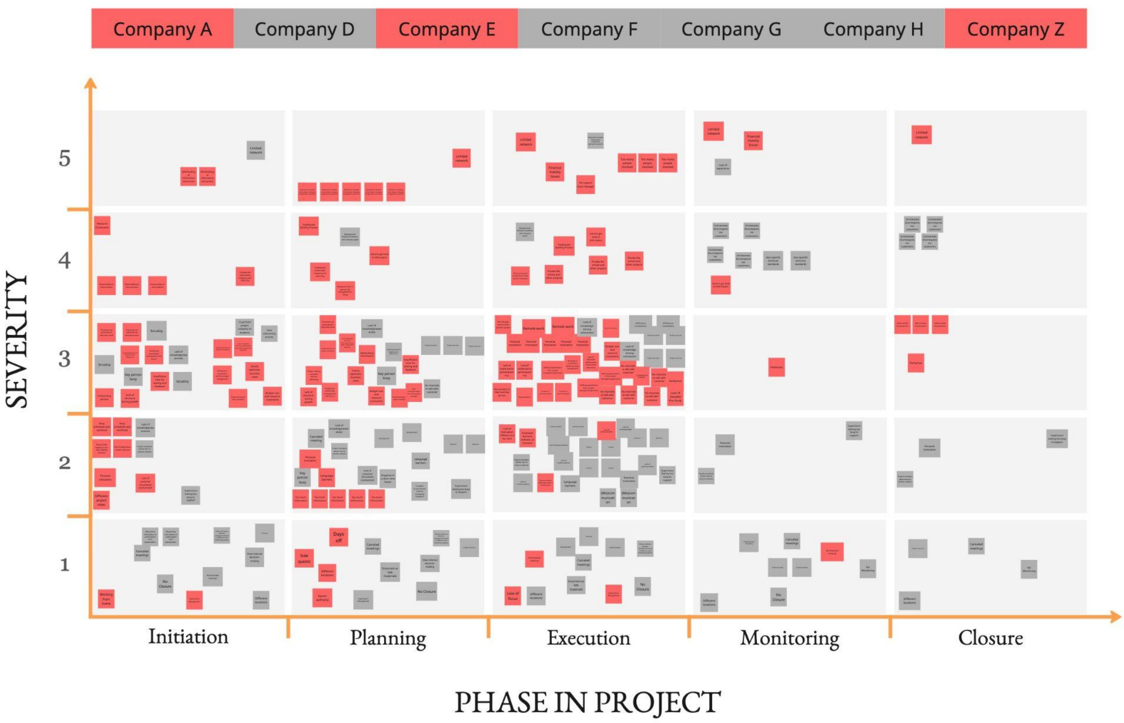


Figure 7: Pattern of Company A, E & Z marked in red (Author's Data)

Company H

Unlike the other larger organizations in this study, Company H's cuts are mostly of the severity 1-3. They are also relatively evenly spread out throughout the whole project – see *Figure 8* below. The reason why this might differ from the other global organizations is because the projects are more standardized at Company H. Because of this, they often know what they need to do, and also perform extensive risk planning where they allocate a large budget to projects. All of this results in cuts not being perceived as very severe when they occur, because they have already been accounted for. This further leads to a lot of projects being followed through, resulting in cuts being spread out over the whole project lifecycle.

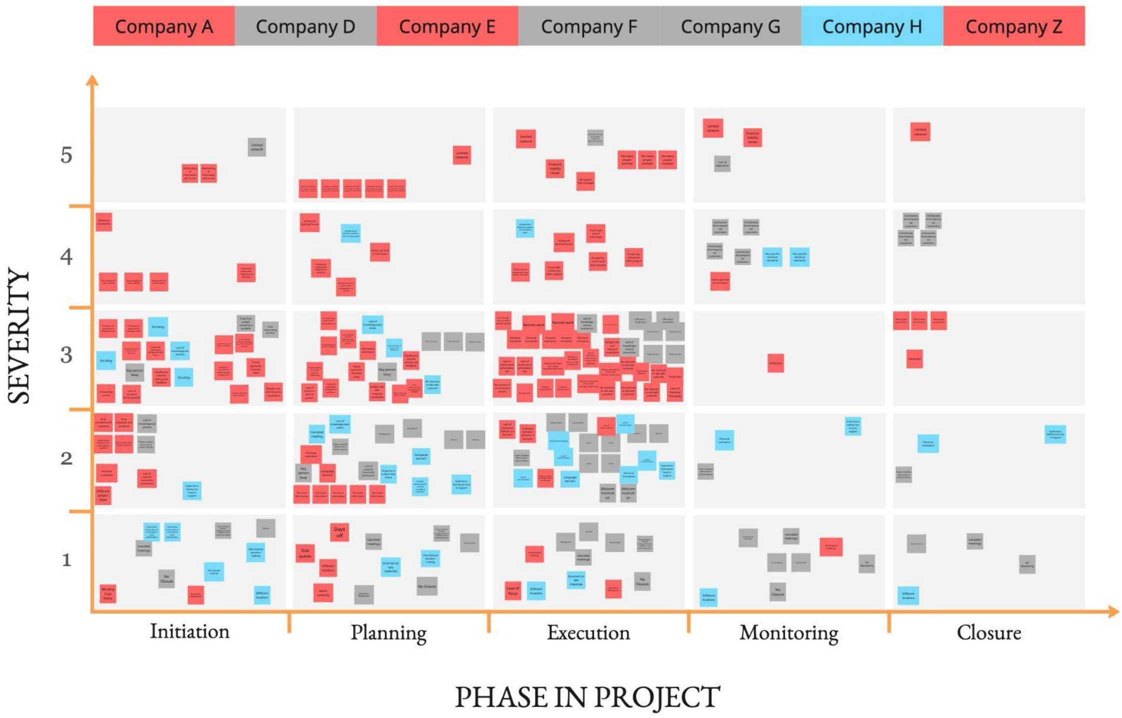


Figure 8: Pattern of Company A, E & Z marked in red, pattern of company H marked in blue (Author's Data)

Company G & Company F

Company G and Company F both stand out in the study for reporting cuts with very low severity, mostly at level 1 or 2 on the severity scale – see *Figure 9* below. There are several reasons that help explain this pattern. Firstly, both companies operate under relatively low external pressure. Company G is state-owned and does not need to generate profit like many private companies. Its mission is more focused on public health and responsible alcohol sales. Company F, on the other hand, is a small company with around 20 employees, and it is part of the larger Company F insurance group. As a smaller, affiliated unit, it is not exposed to the same kind of commercial pressure as independent businesses.

Secondly, the way data was collected at these two companies differs from most others in the study. While researchers at other companies were often involved in active projects within the organization giving them direct insights into ongoing challenges, those at Company G and Company F mainly recorded cuts they observed elsewhere in the organization, not in their own projects. This may have made them more likely to notice minor, everyday issues rather than severe challenges that could threaten a project's success.

Another key difference is how Company F organizes its work. Instead of working with fixed projects that have clear starts and ends, they often work with broader "initiatives" - long-term efforts to explore ideas or improve processes. This softer, more flexible structure makes it less likely that small issues build up or turn into major problems, since there is less time pressure or strict deadlines. In Company G's case, the lack of financial pressure allows them more time to address small cuts before they grow.

In summary, the low severity of cuts at Company G and Company F can be linked to their unique organizational structures, low external pressure, and the way data was collected. These factors help create environments where small issues are less likely to develop into major problems and are generally perceived as low in severity.

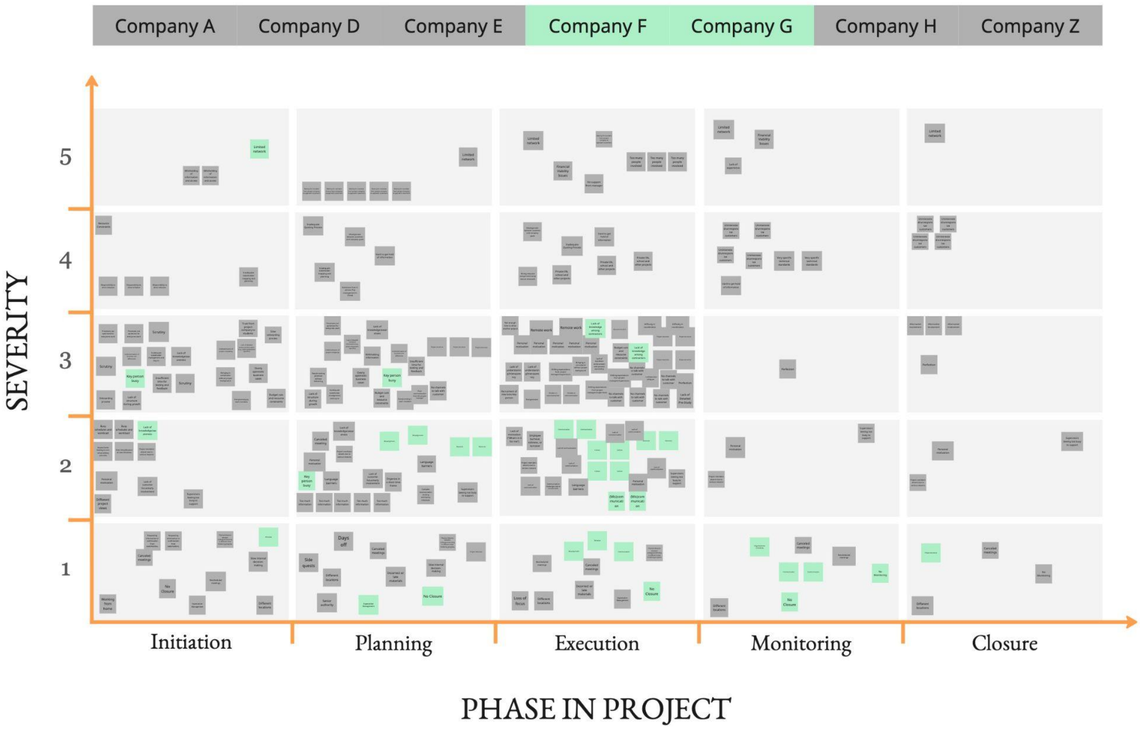


Figure 9: Pattern of Company F & G marked in green (Author's Data)

4.6.2 Category Analysis

The following chapter discusses and analyzes the developed categories; *Personal, Communication, Resources, Misalignment, Culture, Distrust, Organizational complexity*, and *Project structure.* The categories are analyzed based on their frequency, when in the project life cycle they occur, and how severe they are. Furthermore, the chapter includes a discussion around why cuts tend to occur and what underlying factors exist.

Personal

Personal factors, particularly issues related to individual motivation and responsibilities, were more pronounced during the execution phase, yet some did occur in the initiation- and planning phase. This indicates that individuals' motivation tends to decrease during the course of a project, or that roles and responsibilities become unclear as the project gains momentum. The execution phase is a critical phase, where it is important to continue to maintain good cooperation, so that motivation does not decrease, or areas of responsibility become unclear, it can be valuable to implement a mid-meeting, where new goals are set and responsibilities are reconciled.

Communication

One of the most frequent categories of cuts identified was communication, especially during the planning and execution phases. This can be related to the fact that the initiation phase usually involves more individual work - as one is not so dependent on communicating and informing all stakeholders about one's progress to a high extent. However, when the project takes off and it enters the planning and execution phase, the number of people involved increases and so does the complexity of communication. Communication problems were classified between two and three in severity, which indicates that these problems are not the most critical - but can still affect the project's progress, leading to misunderstandings and inefficiency.

Resource

Some of the most severe cuts were found in the category of resource. Resource constraints, whether financial, human, or timewise, were significant issues with high severity ratings across several of the phases. While resource limitations can hinder project progress, they can also be viewed from a positive perspective. The frequency of resource-related cuts suggests that many organizations and employees are highly ambitious, striving to achieve more than their available budget, workforce, or time would allow. This forward-thinking mindset is important when driving innovation and new projects within a company. However, it also highlights the need for companies to develop effective strategies for managing resource constraints. For instance, fostering a work environment with a problem-solving culture, despite limited resources, may help organizations navigate resource challenges and find alternative pathways to proceed the project.

Misalignment

Misalignment emerged as another significant issue in the analysis, particularly in the initiation, planning and execution phases. Misalignment in the organization could cause delays, resource misallocation, and collaboration issues within teams. The severity of misalignment was generally high, 3-4 on the scale. Misalignment issues may be linked to the involvement of multiple teams and employees at the start of the project, where one has to align with everyone's objectives and priorities. As more individuals are brought into a project, the higher degree of complexity when it comes to coordination and division of responsibilities. This complexity can lead to misalignment as stakeholders struggle to find common ground. However, cuts related to misalignment decreased in the later project phases, indicating that the amount of alignment improves as the project progresses and roles become more defined.

Culture

Cuts related to culture were the least common and frequent issues identified during the analysis. However, a few cultural challenges did emerge. The culture in a company can affect how team members interact, resolve conflicts, and collaborate. A strong and positive culture could foster trust, open communication, and create an environment which contributes to innovation. Conversely, a poor company culture can contribute to communication problems, mistrust, and conflict, all of which can negatively impact project outcomes. Therefore, companies should still consider the importance of cultivating a culture that prioritizes transparency and inclusivity, as it can enhance long-term progress.

Distrust

Additionally, distrust within teams was identified as one of the most critical factors affecting project success. High levels of distrust can hinder collaboration, decision-making, and create issues that affect all project phases. The role of trust in relation to teamwork is vital, which is why organizations should prioritize building a strong foundation of trust among employees. To prevent distrust from undermining a project's outcome, companies could work actively with cultivating a culture of transparency, mutual respect, and psychological safety. Lack of trust may lead individuals to pursue personal agendas instead of pursuing collective goals - ultimately weakening the team and project outcomes. Additionally, employees who feel untrusted may experience decreased motivation and well-being, which can contribute to workplace dissatisfaction and damage their performance.

Organizational complexity

Unlike other categories that showed specific peaks in certain phases, organizational complexity was distributed relatively evenly across the project phases. This suggests that complex organizational dynamics influence project success at all times, affecting resource allocation, decision-making, and overall efficiency. Interestingly, one participant in the class discussion noted that organizational complexity tends to increase in severity over time, indicating that these challenges often escalate rather than resolve themselves organically. This means that organizational issues should be dealt with directly, as they tend to get more critical as the project evolves.

Project structure

Project structure issues emerged mostly in the execution phase and were characterized by medium severity (typically level 3). This suggests that structural weaknesses become apparent as the project progresses, revealing the weak links that were not visible at the start of the project. A well-defined and coordinated project structure is crucial to navigating the execution phase successfully. Shortcomings in how to structure the project may disrupt workflows and cause delays as the project continues.

Connection between Categories

Although each category represents a specific type of cut, it is evident that they often interact and reinforce each other rather than existing in isolation. When viewed together, the identified categories reveal several patterns and overlaps.

A common denominator between some categories, such as communication, misalignment, and project structure, is that they primarily affect the early project phases, especially the initiation- and planning phases. It is evident that similarities in how communication problems and unclear division of responsibilities create grounds for misalignment and structural weaknesses. Another recurring theme is how interpersonal factors, such as distrust, culture and personal motivations, affect the development of the project over time. These issues are often less tangible, yet, they have an impact on teamwork, decision-making and the work environment. For example, distrust proves to be a serious obstacle in all phases, while personal factors mainly affect the early phases before roles and responsibilities have had time to settle. The cultural environment acts as a foundation, affecting how other issues emerge and interact, sometimes indirect. Furthermore, challenges in resource management have both a high frequency and a high degree of severity, which distinguishes them from other categories. Lastly, the analysis shows that some categories are phase-dependent, while others, such as organizational complexity and distrust, are more constant throughout a project. This suggests that some areas need targeted interventions in specific phases, while others require universal strategies within the organization, and a consistent awareness throughout the project life cycle.

4.6.3 Theoretical connection to the findings

From a theoretical point of view, this study demonstrates that several of the identified cuts take place during specific phases in the project life cycle (PLC). This underscores the importance of being aware of the risks that transpire in each phase. Issues related to communication arise in the planning and execution phase, which illustrates the degree of complexity that entails when multiple teams and divisions collaborate. This is supported by the PLC model, which notes that the planning and execution phases often require a higher degree of alignment and a predetermined framework. Thus, delays and liabilities may result from insufficient information sharing, and minor communication problems .

For instance, communication problems were more frequent in the planning and execution phases - indicating that these phases require cross-functional collaboration and a clear communication path. This is relatable to the PLC model (Cohen, 2024), as these stages often demand distinguished coordination and alignment as even small problems or setbacks in communication can exaggerate into risks and delays. Furthermore, resource constraints align with the principles of the TOC, Theory of constraints, (Goldratt, 1984), which states that a system is limited by its weakest link. In a project setting, the weakest components tend to manifest as lack of time, financing, or work tools. These constraints do not only slow the progress - they can also provoke secondary effects, such as lower morale or downsizing the project, which in turn result in new cuts of their own.

Misalignment and lack of project structure was present in the early PLC phases, indicating that initial shortcomings can result in setbacks in the future. This is aligned with TOC - if goals, roles, and expectations are unclear in the initiation and planning phases, the rest of the project is inclined to suffer from misunderstandings, rework, and project boundary expansion. Theoretically, these results demonstrated that organizations should incorporate a system-thinking strategy, recognizing interdependencies and proactively managing constraints before they result in a crisis.

Additionally, the evolved themes organizational culture and trust indicates that behavioural and psychological aspects need to be taken into account when a project is initiated. If a team, or an employee, experiences poor cultural alignment or lack of psychological safety, a risk of hidden constraints emerges. These ‘soft’ constraints can be just as limiting as physical ones, and one of the principles of TOC is that both tangible and intangible limitations must be actively addressed. Thus, combining PLC and TOC provides a lens through which the dynamics of project failure can be better understood. For instance, identifying when and where cuts are likely to occur become evident. Moreover, it highlights factors organizations can strengthen in order to gain resilience in a project, throughout its life cycle.

To summarize, this study suggests that a project rarely fails due to one substantial problem - rather through an accumulation of minor, often overlooked factors - cuts. By analyzing these cuts with the theory of constraints and the project life cycle, it becomes evident that certain phases are more vulnerable than others, and that early-stage issues tend to grow if they are not dealt with. This suggests that companies should implement a proactive way of identifying possible bottlenecks from the beginning of a project. Also, they could implement structures to guide the project when small issues occur, to reduce the possibility for it to turn into a large disruption. By integrating both structural and human perspectives, a better understanding of why projects fail and how to avoid such outcomes arises. When the two dimensions are integrated into both theory and practice, organizations can build projects that not only survive - but succeed.

4.6.4 Limitations

The first limitation with this study is that some cuts possibly have been missed. Since the study is discussing "death by 1000-cuts", every small cut matters. As the title suggests there are a lot of cuts in connection to every project, and therefore it is hard to remember all of them during an interview. In order to capture all cuts they would have needed to be recorded during the projects, from the initiation - all the way until closure. Even though the results of this report are a solid representation of common cuts and their severity, they are not a 100% true representation of how it looks like everywhere - the scope of the project needs to be taken into consideration.

Another limitation with the study is that a slight majority of the recorded cuts are in connection to ongoing projects. The result of this is that the projects have not yet reached phase 4-5 (monitoring and closure) in the project lifecycle. While the projects themselves are good examples to learn from, and the recorded cuts are valid, the number of cuts are a bit skewed towards the first three phases of the project lifecycle because of this. With this in mind, we can still see more recorded cuts in these phases when excluding the ones from ongoing projects.

Lastly, a limitation with the study is that the interviews were focused on discovering as many cuts as possible and how severe they were. This might have resulted in the most common cuts being discovered over and over again because they are easy to think of, while more rare cuts might have been left out simply because they were not thought of during the interview. While this makes a good representation of which cuts are most frequently occurring, more rare cuts might have been discovered if a list of potential cuts had been discussed beforehand. A focus on each project phase could also have been a beneficial approach during the interviews to force the interviewee to come up with cuts in all project phases. Then again, this could have given misleading frequency of the cuts, since rarer cuts might have appeared more frequent than they actually are.

4.6.5 Future research

While this study provides valuable insights into how small, cumulative cuts can lead to project death, several areas remain open for future research. First, a deeper investigation into long-term effects of early-stage cuts could offer further understanding of how minor issues in the initiation and planning phases develop throughout the project life cycle. Studies that follow projects over time would be useful in tracking how certain cuts evolve and interact with other variables across phases. Additionally, future research could benefit from a quantitative approach, using larger data sets across industries to measure the frequency, timing, and impact of different types of cuts. Such data could validate the patterns observed in this study and help develop predictive models for identifying high-risk projects early on. Further investigation into the relationship between organizational culture and project resilience could provide valuable insights. Future studies could examine how different types of organizational cultures affect the ability to mitigate or absorb cuts over time. Lastly, a deeper integration of behavioral and psychological theories into project management frameworks remains an important area for future development. Bridging the gap between technical planning and human dynamics could offer a more holistic understanding of what truly drives project success, and failures.

4.7 Conclusion

This study answers to the research question: *How do minor, seemingly insignificant cuts accumulate to cause project failure in larger organizations?* In simple terms, the findings show that even small cuts, which might seem harmless when they first occur, can cause significant harm to a project when they build up over time. In large organizations, the risk of small problems accumulating is even greater. This is because larger projects often involve complex structures, multiple departments, and many different stakeholders.

The most severe types of cuts found in this study are related to poor communication, lack of resources, and unclear project structures. These challenges often appear early on in a project and can take many forms. For example, when many teams work across different locations, language might be a barrier, emails may go unanswered, and important updates might not reach the right people. Similarly, if a project lacks the necessary budget, staff, or tools to complete tasks, delays and frustration can build up quickly. When responsibilities are not clearly assigned, team members may assume someone else is handling a task, resulting in mistakes or tasks being forgotten altogether. Later during the execution phase, these smaller problems can result in bigger cuts, such as misunderstandings, missed deadlines, or even loss of trust from a stakeholder. This highlights how small cuts become more difficult and costly to fix as a project progresses.

When looking at the different phases of a project, the execution phase is where most of the cuts occur. This is likely because this phase tends to last the longest and involves the most people and tasks. The planning phase comes next in frequency of cuts, as this is where project goals, roles, and resources are often defined. The initiation phase comes in third place, while the final two phases - monitoring and closing - show a very low number of cuts. However, that may be because many of the projects analyzed in this research had not yet reached these later project phases, and therefore any cuts related to them could not have been documented yet.

Additionally, the study points out that not all "cuts" are easy to see. Problems such as distrust among team members, lack of openness, or a negative team culture might not be immediately obvious but can deeply affect a project. When employees do not trust each other, important information is often withheld, conflicts remain unresolved, and teams struggle to collaborate together. For example, a team that lacks trust might hesitate to speak up about problems or mistakes, which can lead to even bigger issues later when these hidden problems finally emerge.

In fact, "*distrust*" was the category rated with the highest severity across all types of cuts. This might be because distrust makes it harder for people to work well together. While other problems can be solved by changing how things are done and adding resources, distrust affects how people relate to each other and can continue even after obvious problems are fixed. It also tends to make other issues worse, which slows down progress and makes solving problems harder. To stop small cuts from growing into major failures, organizations need to act early. Creating a workplace based on trust, openness, and honesty helps teams spot and solve small problems quickly, before they grow.

Finally, how small cuts show up and affect a project can look very different depending on the company. Things like company size, how developed its internal processes are, and where they operate makes a big difference. For example, small start-ups often struggle with not having enough resources for projects, while older and larger companies may be slowed down by internal polities and complicated organizational structures. Also, a company that only works in Sweden might face fewer communication issues than one with teams spread across many different countries. It is important to keep these differences in mind when trying to identify and manage small cuts in projects.

4.8 References

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4.9 Appendix

Appendix 1 - Interview guide

Number of interviews

- All interviews should be recorded, the more the better
    - At least 2 interviews (following the guidelines below).

Objective

The goal is to gather information on what cuts occur in your company, how severe and how frequent they are. The following is an interview guide which you may follow to get answers to these questions. It is fine to adapt the questions to your situation in order to efficiently reach the answers of the mentioned objectives. You may also write your own questions.

Have you been part of projects that have failed or dropped through, what were the causes of this?

Follow up: Do you think there could have been more small underlying reasons for the project dropping through?

What cuts have you seen happening to projects around you?

Follow up: Which of them are the most common?

How do employees and teams generally perceive and address minor setbacks or inefficiencies in projects? Are they seen as small annoyances, early warnings, or signs of bigger problems?

Follow-up: Do you think these perceptions influence how they are addressed?

Are there types of challenges that are often overlooked or underestimated in projects because they seem too small to matter? If so, what are they?

Follow-up: How do these overlooked challenges typically impact the project later on?

When in a project's life cycle do the different cuts happen and how common are they?

Severity

- For every cut you talk about, also make a quick note on how severe it is on a scale 1-5 (please do this according to the guide in *appendix 3*). This is preferably done together with the interviewee, but can be done by yourself too.

Appendix 2 - Observation Guide

Number of observations

- All observations should be documented in the "cuts documented template" excel, the more the better
    - At least <u>15 observations</u>, covering at least <u>7 different types of cuts</u> (following the guidelines below)

What observations are relevant and in which situations should they be made?

- All observations that could affect the survival of the project are of importance, no matter the size.
    - I.g. A person working from home making it hard to meet in person, or an executive shutting down the initiative by constraining the budget are both relevant. It is however important to note how big of an impact each cut has on the project.
- Observations can be done whenever, all cuts are relevant.
    - Most common would probably be when interacting with key stakeholders, i.g. in meetings, during workshops or when conducting interviews. But we would also encourage you to be observant in other situations, i.g. when eating lunch with people in your team, or talking with someone over a coffee.
- We are also interested in how often cuts appear. Therefore, please take a small note for <u>every time</u> you notice the <u>same cut</u>.
- Please note <u>when</u> in the project life cycle the cut happened.

Severity

- For every notation of a cut you make, also make a quick note on how severe it is on a scale 1-5. Please do this according to the guide in *appendix 3*.

Example of observation

- **Working from home:** During our project we had key person(s) working from home. We needed a lot of material from this person but it was hard to get in contact with them. It would have been a lot easier if the person was at our office so that we could go and talk with them.
    - **Frequency: 4** (three times with one team member at different crucial times + one time with another team member)
    - **Severity: 1** (three of the times), **and 2** (one of the times).
    - **Time in project:** Initiation - Execution.

Appendix 3 - Severity Guide

- All cuts should be rated on the severity scale from 1 to 5 below
  - **1: Minor impact on the project:** This kind of cut might slow the project down a bit but will not have any major impact on the project on its own.
  - **2: Some impact on the project:** This kind of cut also has a relatively small impact on the project. However, if not taken care of over time, or if many similar ones, they might become more severe.
  - **3: Impact on the project:** This kind of cut has a noticeable impact on the project. Alone, they still might not pose a large threat, but if not taken care of in time, they might risk becoming severe. A lot of these cuts have a large likelihood of jeopardizing the success of the project.
  - **4: Major impact on the project:** This kind of cut has some major effects on the project. They will slow down or even temporarily stop the project. They can usually be solved, but left unattended they might result in project termination on their own. A few of these at the same time will make even the most experienced project manager question the future of the project.
  - **5: Direct danger to the project:** These cuts are so severe that they might not even be considered cuts. They alone directly threaten to terminate the project. Sometimes, they might even be out of reach for the project manager to deal with. Hopefully you will not encounter any of these in your projects.

5. Strategy

by Natalia Leano, Julius Olsson & Kimia Sedghi

5.1 Introduction

As organizations navigate increasingly complex and dynamic environments, the concept playing a role as a possible cornerstone of innovation and strategic decision-making has emerged. Organizational purpose has been described as "/…/ *the ultimate reason for the organization's existence - what it contributes to society in exchange for the resources it requires"* (Adler & Heckscher, 2018, p. 82). This definition describes purpose as a unifying framework that aligns organizational efforts around a shared, higher-order societal goal rather than being limited to profit-driven motives. That definition will be used for this paper moving forward in reflections and discussions.

Although there is existing literature within this segmentation of organizational research, it often has a heavy theoretical background. Highlighting the potential of purpose to inspire innovation, alignment, and strategic direction, but not diving into actual practical implementation within organizations, warrants further exploration. This raises important questions about how purpose gets transformed into tangible action, strategies, and structural processes fostering innovation and alignment across teams.

The following are some definitions that will be used for this paper:

> Organizational purpose: *A unifying framework that articulates an organization's societal contribution, the ultimate reason for the company's existence beyond profit-driven motives.*
>
> Strategy: *The process which an organization efficiently transforms a seed idea into structured initiatives and projects.*
>
> Project Execution: *The development of a project from a seed idea to an established initiative within the organization. While the project doesn't have to be fully completed, it must demonstrate clear structure, strategy, and direction being established.*

5.1.1 Benefits of the Research

This research offers significant benefits by shedding light on the practical applications of purpose within organizations. Providing a clearer understanding of how purpose can guide organizations through uncertainty and complexity. The results also give insights into how companies can integrate purpose into their innovation strategies to enhance effectiveness and alignment. At the same time, it contributes to discussions on how organizations balance societal contributions with internal driving forces like ROI.

5.1.2 Aim and research question

The aim of this research is to uncover empirical insights into how organizational purpose is transformed into actionable practices that drive innovation, further categorizing the ways in which purpose facilitates and guides innovation within companies.

5.1.3 Research Question

How does purpose facilitate and guide innovation within a company?

- *How is purpose communicated within the organization?*
- *How does or does not purpose:*

    add dimension of meaning and direction?
    open up the solution space in projects?
    encourage continuous alignment?
    create a broad interest and facilitate learning?
    build a shared commitment

5.2 Theoretical framework

The structure of the theoretical framework is as follows: first, the role of purpose in organisational change and innovation is discussed; second, purpose as a driver of innovation and decision making is presented; finally, purpose in navigating change and ambidexterity is discussed.

5.2.1 The Role of Purpose in Organizational Change and Innovation

The concept of purpose has received increasing attention in recent years as a critical driver of organisational success (Pregmark, 2022). Despite its prominence, purpose lacks a universally accepted definition and often overlaps with related constructs such as vision, mission, and values, making its boundaries difficult to delineate (van Ingen et al., 2021). While Gartenberg et al. (2019) suggest that purpose serves to create meaning within organisations, its alignment with organisational behaviour remains a challenge. Misalignment of purpose occurs when the articulated purpose does not reflect actual practice, leading to scepticism and missed opportunities (Delmas & Burbano, 2011).

To address these issues, recent research emphasises a shift in focus from defining purpose conceptually to examining its practical application, impact, and implementation processes. Kotter (2011) highlights that the power of purpose is only realized when people share a common understanding and a vision of the future, which helps align efforts across the organization. Similarly, Kanter (2012) argues that purpose must offer coherence to guide behavior and decisions, especially during times of change. Fredberg and Pregmark (2018) further highlight how entrepreneurial initiatives can align with purpose to transform not only projects but the broader organizational context by fostering trust and enabling autonomy. These perspectives underscore the need to explore how purpose is translated into actionable strategies and behaviours, particularly in dynamic and innovative contexts. This paper seeks to contribute to this discourse by providing empirical insights into the role of purpose in driving innovation and managing organisational change.

5.2.2 Purpose as a Driver of Innovation and Decision-Making

A well-defined purpose provides organisations with a powerful tool for fostering innovation and guiding decision-making, especially in uncertain or complex environments. It acts as a catalyst for creative thinking by opening up new solution spaces and providing a meaningful rationale for exploration (Collins & Porras, 1994). Beyond inspiring innovation, purpose plays a crucial role in guiding decision-making during times of strategic uncertainty, ensuring

alignment and coherence across various initiatives (Quinn & Thakor, 2019). Furthermore, shared purpose builds trust and facilitates collaboration, providing a cohesive foundation for collective efforts even in rapidly changing environments (Adler & Heckscher, 2018).
Pregmark et al. (2023) also suggest that shared purpose can activate distributed change agency, empowering individuals to take initiative aligned with strategic goals even without formal authority. This dynamic is particularly important in innovation, where local decision-making and motivation are key.

5.2.3 Purpose in Navigating Change and Ambidexterity

Purpose also plays a central role in managing the dual demands of innovation and operational continuity, a balance referred to as contextual ambidexterity (Pregmark, 2019). Achieving this balance is essential for long-term success, but often creates tensions, such as competing resource demands between exploiting existing capabilities and exploring new opportunities (March, 1991; O'Reilly & Tushman, 2013). Purpose helps organisations manage these tensions by providing an overarching framework that integrates conflicting priorities, enabling managers and teams to navigate complexity with greater clarity (Poole & Van de Ven, 1989; Andriopoulos & Lewis, 2009).

In addition, purpose supports organizations in fostering learning cultures, where ongoing dialogue and collective sense-making enable teams to adapt to uncertainty and ambiguity. This approach equips organizations with the capacity to navigate challenges and seize opportunities in an evolving landscape (Shani & Docherty, 2003). As Fredberg and Pregmark (2018) emphasize, when purpose is actively used within entrepreneurial initiatives, it can trigger system-wide transformation, shifting not only behaviors but also the structures and logics within the organization. Their findings suggest that aligning with purpose, building trust, and attaching autonomy are key mechanisms through which purpose-led initiatives renew the broader organizational context.

Similarly, Pregmark et al. (2023) demonstrate how purpose can activate distributed change agency by giving individuals both the motivation and perceived permission to act. This contributes to managing ambidexterity not only structurally but also through engaged participation across hierarchical levels, making purpose a vital tool for continuous adaptation and innovation.

5.3 Method

To explore the role of purpose, this research had a qualitative, exploratory approach to investigate how organizational purpose facilitates and guides innovation. The method focused on gathering data through participant observation, reflection, and analysis during the execution of different projects within the companies. The method aimed to capture how purpose was considered in real-world contexts.

The study followed the steps below:

Preparation and Familiarization: Each team began by understanding the definition and role of purpose as outlined in the theoretical framework to ensure a common understanding of the concept. At the same time, each team analyzed the specific company’s purpose.

Data Collection: Teams observed and documented how purpose was expressed, communicated, and applied during key stages of their respective projects.

Reflection and Analysis: Teams analyzed the collected data to identify patterns, challenges, and best practices in how purpose informed innovation.

5.3.1 Data Collection

The data was collected primarily through observations, project discussions, short conversations, meetings, and similar interactions. Teams mainly focused on:

- Purpose Communication: *How purpose is communicated among team members and stakeholders.*
- Decision-Making: *The role of purpose in guiding decisions and resolving conflicts.*
- Innovation: *Situations where purpose helps find new solutions, encourages alignment, or fosters learning.*

A purpose evaluation template and an observation guide were provided for each team to document observations at relevant project stages (e.g., initiation, planning, execution, evaluation), ensuring data was structured without requiring inputs after every meeting (see *Appendix A: Observation Guide*). The analysis included information on all ongoing projects within the companies, not only those with which the research team was directly involved. This broader scope allowed for a more comprehensive understanding of the role of purpose across different contexts.

5.3.2 Data Analysis

The analysis involved categorizing the data to reveal recurring themes and insights related to the research questions:

- Communication of purpose
- Purpose adding dimensions of meaning and direction
- Purpose opening up the solution space
- Encourage continuous alignment
  Creating interest and facilitating learning
- Building a shared commitment

In addition to the collected data, a workshop was conducted with the students involved in the company projects. The workshop served as a collaborative space to discuss findings from each project and identify common challenges, themes, and insights regarding the role of purpose. This process facilitated a deeper understanding of patterns across the various companies and contributed directly to the thematic analysis. The structure and detailed agenda of the workshop are provided in *Appendix B: Workshop with Students*.

This approach ensured that the research was practical, comprehensive, and deeply connected to the real experiences of the teams within their respective organizations.

5.4 Findings

This section presents the key findings from the data collected across the different company projects. The results are first summarized in Table 1: Thematic Overview of How Purpose Guides Innovation, which highlights the main patterns and insights related to the role of purpose in organizational innovation. Each theme is then explored in more detail in the subsequent subsections.

Table 1: ***Thematic Overview of How Purpose Guides Innovation***

Theme	Key Findings
How organizations communicate purpose	Companies use a mix of formal and informal communication methods.
	Leadership plays a key role in reinforcing purpose, but challenges remain in ensuring consistent understanding, especially in larger organizations. Smaller companies integrate purpose better into daily work.
How purpose adds dimension of meaning and direction	Purpose guides projects at the beginning, but becomes secondary to financial metrics later.
	Smaller companies maintain a purpose-driven approach, while larger companies face competing priorities and employee disengagement in some cases.
How purpose opens up the solution space in projects	Smaller firms, purpose was naturally embedded in daily work, requiring fewer formal mechanisms.
	Larger firms saw inconsistencies due to missing structures, with employees relying on experience.
	Alignment often depended on team leaders, with stronger engagement leading to better integration.
	Meetings, workshops, and forums were used to reinforce purpose, though not always consistently.
	Visual cues and dashboards served as daily reminders of purpose.
	KPIs helped translate purpose into tangible goals, especially in sustainability efforts.
How purpose encourages continuous alignment	Purpose acted as a guiding principle, encouraging flexibility and iteration during ideation.
	Clarifying the “why” while keeping the “how” open fostered

	creativity and reduced uncertainty. Many companies link purpose to new business models, often tied to sustainability or customer needs. Leadership enabled creative experimentation, though gaps between direction and execution sometimes led to misalignment. Lack of structure and siloed communication limited purpose-driven innovation in some cases. Partnerships and cross-collaboration helped accelerate complex, purpose-aligned solutions.
How purpose creates a broad interest and facilitates learning	Purpose often serves as a background enabler rather than a direct trigger for collaboration and learning, with work processes themselves driving engagement. In some organizations, purpose actively supported collaboration when tied to strategic initiatives, particularly around innovation or sustainability. Inconsistent application of purpose in daily operations limited its influence, but when purpose-aligned ideas arose, they tended to boost motivation and commitment. Informal networks and individual motivation sometimes bridged the gap between purpose and collaboration, highlighting a nuanced interplay between personal drive and organizational narratives.
How purpose builds a shared commitment	Senior leadership communication plays a critical role in shaping shared understanding, especially when purpose is tied to clear goals and performance metrics, as this inspires collaboration. In cases of weak leadership engagement, commitment becomes fragmented, with employees relying on their own interpretations of purpose, which eventually reduces the level of alignment. Daily routines and rituals supported alignment, and interpretations of purpose varied across departments, reflecting different subcultural emphases (e.g., aspirational vs operational focus)

5.4.1 How Organizations Communicate Purpose

The cross-analysis of the different companies researched shows five key themes related to how they communicate purpose:

- Formal communication channels: Several companies use structured and formal methods to communicate their purpose. Some companies implement mandatory training that covers vision, mission, and purpose. Others communicate purpose in introductory meetings across different departments and areas, through company slides and townhalls usually led by top management. Corporate messaging platforms are also used to share the company's purpose. For example, one company widely mentioned its purpose in every introductory meeting, reinforcing it through slides and presentations led by managers. Corporate messaging platforms were also used to share the company's purpose.
- Informal communication: just as formal communications, informal interactions are important to ensure that all employees understand the company's purpose. Especially smaller companies show a more unstructured approach, where purpose is well known without being communicated in formal expressions. In this context, purpose tends to be mentioned in smaller discussions and meetings. In general, employees showed a better understanding of the company's purpose through direct conversations and word-of-mouth.
- Leadership and management influence: leaders and managers act as key agents in reinforcing the company's purpose. Some companies reported that members of the innovation team and other employees influence how purpose is perceived. Directors, managers, VPs, and the CEO play an essential role in translating and reinforcing the purpose within teams. This was particularly evident at one company, where the CEO played a central role in communicating and embodying the company's purpose of simplifying automation.
- Social media and external communication: social media platforms, corporate websites, and industry events are widely used to communicate purpose externally and internally. Slogans related to purpose are widely used as well in different situations, such as company presentations.
- Perception challenges: despite using both formal and informal communication channels, some companies face challenges in ensuring that everyone has the same understanding of the company's purpose. Some companies report that a significant number of employees do not fully grasp why they perform their work, accepting tasks without deeper reflection on their alignment with the company's mission, which means that there is a gap between the corporate purpose and its integration into daily operations.

Overall, companies employ a mix of formal and informal strategies to communicate their purpose. However, there are challenges related to keeping a consistent and widespread understanding across all organizational levels, especially in larger corporations. Smaller ones, on the other hand, are able to include purpose more easily in daily work, and employees relate to it.

5.4.2 How Purpose Provides Meaning and Direction to Projects and Decisions

The analysis of how purpose provides meaning and direction to projects and decisions revealed four interesting key topics:

- Alignment of projects with purpose: in most companies, purpose serves as a guide for project alignment, at least during the first phases. In some cases, at the initiation of an idea, there is a strong connection between purpose and the direction of the projects, ensuring that the initiatives are aligned with the general strategy and wanted outcomes.

- Influence of purpose in decision-making: regarding decision-making, the results are quite different across organizations. However, in most cases, in the early phases of a project, a clear purpose helps guide decisions and create alignment among teams. As projects progress, financial metrics begin to influence decisions more than purpose since, in most companies, good financial performance is required to push the project forward and get the funding needed for later stages.
- Competing priorities and cultural barriers: In some cases, purpose competes with other organizational priorities. Some companies revealed that many initiatives are driven by top management rather than a sense of purpose. Internal processes and traditional ways of working also act as barriers to change, limiting the role of purpose in guiding transformation. Discussions around purpose are limited, as, again, financial and operational metrics often take precedence.
- Employee perception and engagement with purpose: in this topic, the results are quite different among the different companies. In some cases, some employees feel a disconnection between the general strategic goals of the corporation and their daily work, making it difficult for the purpose to provide meaning at an operational and daily work level. For instance, in one company, many employees reported not understanding the deeper reasoning behind their tasks, pointing to a lack of meaningful connection to the organizational purpose. However, others feel personally connected to purpose, which influences their level of commitment. In other cases, employees tend not to critically engage with the company's purpose and just follow the tasks needed according to high management requirements.

Generally, purposes are considered to give direction at the start of projects and in organizations where leadership reinforces them continuously. However, larger companies have shown that financial realities often take over purpose in decision-making processes. Smaller organizations have fewer competing priorities and tend to maintain a purpose-driven approach throughout their projects.

5.4.3 Examine how purpose encourages creativity and alternative solutions

A common theme identified between different company insights is the concept of purpose serving as a direction and a sort of catalyst for creative and alternative solutions. Multiple companies came to the conclusion that purpose is a tool that is used as a guiding principle rather than a roadmap, enabling key concepts such as flexibility and iteration to be discussed. Additionally, solution spaces were opened up by solidifying the "why" while keeping the "how" open, a concept that multiple companies mentioned in different ways. One of the companies also discussed how in projects where teams had a clear purpose during ideations, such as in workshops, it was reported to be more focused on creative discussions, clearing uncertainty. For example, in one company, purpose was actively referenced in the innovation team's discussions and provided direction during the early stages of ideation.

Another identified theme is how multiple companies are working within similar concepts, displaying the shift in market trends and demand. Most companies discussed some sort of creative business model and offering being ideated, seeming to be a concept that needs creative solutions depending on the industry and case. Themes and topics such as purpose leading to new business models, especially subscription services, were found to have commonalities.

Creative solutions and offerings could also be credited to align with sustainability goals or customer demands, creating indirect solutions to the overarching purpose.

Furthermore, conversations about bottom-up innovation were mentioned across different companies. Multiple companies discussed the importance of leadership support for enabling purpose-driven innovation. Some noted that leadership provides direction from top-down, while smaller teams translate that into creative experimentation and adaptation, trickling down through the organizational functions. Although seemingly simple, some companies noted that in certain cases, a mismatch between leadership goals and team action can create confusion and misalignment with the original purpose in place, emphasizing the need for clear communication and understanding.

Leading into the next identified theme, practical challenges. Some organisations reported a lack of structure and purpose-driven innovation processes in place to enable creative solutions at all. Additionally, although in theory the purpose is supposed to be overarching, sometimes companies fail to bring it up or remind their staff in brainstorming and ideation spaces, leading to missed opportunities. The bigger organisations also noted that soloed communication and differing priorities across functions would limit the impact of creative ideas.
Lastly, themes of partnership and cross-collaboration were identified, where people motivated external partners to drive innovation faster by sharing risks. Collaborations are seen as ways to accelerate the implementation of complex solutions, and quotes such as "partnership is the new leadership" were highlighted.

5.4.4 Assessing mechanisms for maintaining alignment with purpose during execution

One of the most recurring themes found within this topic is the natural alignment with purpose and the company's daily to day activities, emphasizing that it wasn't deemed to be necessary to implement formal mechanisms, since it was naturally occurring and embedded into daily work. Some described the purpose as being closely tied to the company's DNA, hinting that additional mechanisms weren't necessary. It is important to note that smaller companies had less of a need for formal mechanisms to be in place than the bigger ones.

Similarly, a lack of structural processes was highlighted where several companies discussed inconsistencies or a lack of formal mechanisms to strengthen alignment. One company mentioned employees relying on experience rather than training to understand how purposes are facilitated. Similarly, another company mentioned how misalignment of execution and purpose was observed and corrected afterwards due to a lack of protocol. An important disclaimer to note is that alignment efforts across the board vary greatly depending on leadership engagement from team leaders.

Additionally, multiple companies mentioned the usage of meetings and workshops as a convenient method to emphasize purpose within the organisation. Continuous meetings could be used as a mechanism to reinforce purpose in ongoing work, and workshops are a way to promote purpose-driven discussions in project contexts. Not always, but some companies mentioned how purpose-related mentioning could be included in recurring team forums and town halls as a reminder of what employees should strive towards. Similarly, some companies mentioned the use of subtle messaging of company purpose through internal displays and dashboards, serving as a daily reminder. For example, one company used internal webpages and visual dashboards as a recurring reminder of their innovation-led purpose during team interactions.

Lastly, some companies mentioned how KPI could be used as a mechanism to illustrate tangible goals in relation to purpose, this strategy was mainly mentioned in areas such as sustainability. KPIs were considered to help guide decisions and track progress across the board.

5.4.5. How purpose inspires collaboration and fosters learning

A common pattern across several organisations was that purpose acted as a latent enabler of collaboration and learning rather than a direct trigger. In many cases, learning emerged through work processes that required collaboration, with purpose providing the background context rather than being the main catalyst.

Some companies described clear examples where purpose-triggered collaboration and shared learning, particularly when linked to strategic initiatives or innovation. For example, cross-functional work streams or workshops linked to sustainability goals led to increased employee engagement and knowledge sharing. This was the case at a specific company where sustainability-linked initiatives encouraged interdepartmental collaboration and created shared learning spaces grounded in purpose. However, in several organisations, purpose was not consistently applied to day-to-day work. Employees described a lack of integration between purpose and operational activities, noting that while purpose was known, it was rarely explicitly referenced in meetings or decision-making processes. However, when an idea or initiative was aligned with the purpose, it often generated greater enthusiasm and a sense of alignment. This suggests that while purpose may not always initiate collaboration, it can increase engagement when it is invoked.

Another recurring theme was that learning was often embedded in collaborative processes regardless of purpose, such as innovation or product development efforts that required cross-functional coordination. In these cases, purpose was seen as 'in the background' rather than an active force. Some employees even questioned whether purpose made a difference, claiming that collaboration and learning would have occurred anyway due to role expectations or intrinsic motivation. Notably, some reflections suggested that individual interests and informal networks occasionally acted as a bridge between purpose and collaboration. Employee-initiated groups or routines were described as aligned with the organisation's purpose, even if they were not purpose-driven from the outset. This highlights the nuanced relationship between personal motivation and formal organisational narratives.

5.4.6 How purpose builds a shared commitment

Shared commitment to purpose appeared to be highly dependent on communication practices, particularly those of senior management. In environments where top management consistently emphasised purpose and aligned it with strategic KPIs or innovation goals, employees were more likely to internalise and act on it. Purpose was reinforced when it was linked to concrete targets, visible in shared practices and embedded in feedback loops.

Conversely, in organisations where leadership engagement was less consistent, commitment to purpose tended to be fragmented. Teams sometimes rely on their own understanding of what purpose means, sometimes leading to misalignment or diluted interpretations. In some cases, a lack of explicit communication means that the purpose is not referenced in stakeholder interactions, despite the need for alignment.

In all cases, functional commitment - evidenced by proactive behaviour aligned with business objectives - was often observed, regardless of whether it was directly linked to purpose. Employees demonstrated commitment to innovation, customer outreach, and quality improvement that was aligned with purpose but not always framed as such. This suggests that shared commitment can manifest even in the absence of explicit articulation of purpose, particularly when the organisation's goals are clear.

Several organisations highlighted the importance of daily rituals and routines in reinforcing shared direction. Regular meetings or operational reviews provided structures for feedback and goal alignment that, while not always branded as 'purpose-driven', helped to maintain coherence across teams.

Finally, departmental differences emerged as a subtle theme: employees in innovation or development roles were more likely to resonate with aspirational elements of purpose, such as long-term impact of technological advancement. In contrast, support functions such as finance or sales were described as more focused on operational alignment and enabling business results, suggesting that purpose may be interpreted and enacted differently in different organisational subcultures. For instance, at one specific company, employees in engineering roles emphasized their alignment with long-term impact and innovation goals, while finance teams focused more on KPIs and operational results, illustrating this divide.

5.5 Discussion

5.5.1 How Organizations Communicate Purpose

As Dermol and Širca (2018) state, while a company's mission and values can influence both individual and organizational performance, statements about them are not enough, and employees must genuinely connect with and embody these principles for them to have a real impact. The findings in this research reinforce that idea but also suggest that while companies recognize the importance of communicating purpose and their efforts are both on formal and informal communication, the effectiveness can depend on the organization's size and structure. Large organizations, for instance, struggle with consistency due to their more complex hierarchies and multiple communication channels, which dilute the coherence that a clear purpose should provide (Kanter, 2012). This inconsistency poses a challenge, especially since purpose is meant to provide coherence to the organization (Kanter, 2012). As Kotter (2011) suggests, the real power of purpose is unleashed only when most of those involved have a common understanding and share a vision of a desirable future. Therefore, this topic remains a significant challenge, particularly for large enterprises. Furthermore, the use of town halls and structured training can reinforce purpose, but without everyday reinforcement, employees may perceive it as a distant corporate message rather than an integral part of their work (Kotter, 2011).

In contrast, smaller organizations benefit from closer interactions due to their lack of bureaucracy and reliance on informal communication systems, which enable more frequent manager-employee discussions, higher employee awareness, and stronger alignment with company goals (Vinten, 1999). The findings reinforced this concept since smaller companies seem to benefit from closer interactions, making it easier to align purpose with daily activities. However, simply stating a purpose is not enough; leaders must actively demonstrate commitment to it (Kouzes & Posner, 2017). The findings reinforce this idea: if leadership does not actively promote purpose, it can become a passive element rather than an active driver of motivation, even in small companies.

These findings highlight the importance of not just communication but also reinforcement, leadership involvement, and employee engagement to make purpose a lived experience rather than just a corporate statement.

5.5.2 How Purpose Provides Meaning and Direction to Projects and Decisions

The results indicate that purpose has a critical role in the early stages of project and strategy development, guiding resource allocation and team alignment. This is consistent with theories on purpose-driven leadership, which emphasize that purpose acts as a strategic compass in the face of uncertainty (Quinn & Thakor, 2019). At the same time, institutional logic should be aligned with economic logic without making profit the final goal, but using it as a way of ensuring that returns will continue (Kanter, 2012). However, as projects progress, financial and operational priorities begin to overshadow purpose, which goes against that idea and aligns with previous research showing that short-term business pressures often take precedence over long-term vision (Bartlett & Ghoshal, 1994).

Another important topic that emerged from the analysis of different companies is that, in projects, purpose guides meaning and direction due to clear messaging from top management. However, employees often follow managers' directives, even when these are misaligned with the company's purpose, since, as Schein (2010) notes, organizational culture is shaped by leaders, who can manipulate the culture to influence employee behavior. This dynamic often results in employees continuing to follow managerial directives due to the powerful influence of the established cultural norms (French & Raven, 1959).

5.5.3 Examine how purpose encourages creativity and alternative solutions

The empirical findings suggest that purpose plays a valuable role in encouraging creativity and exploring alternative solutions, especially when it's shared and backed by leadership. However, inconsistencies in how purpose is communicated and applied across organizational levels and also different organisations have been shown to be limiting in their effectiveness. In some organisations, purposes remain largely symbolic, present in mission statements but not as much in active product development and creative work, similarly to Delmas and Burbano's (2011) article, where purpose fails to translate into consistent organisational behavior, consequently leading to missed opportunities. However, some companies mentioned that in some cases, purpose could serve as a driver for innovation and long-term thinking, particularly when it was clearly articulated and accessible relating as Collins and Porras (1994) argue that purpose opens solution spaces and sports that explore.

Another observation across the cases is how purpose helped legitimize experimentations with new ways of working, new business models, and other creative solutions. particularly when organisations are faced with complex and uncertain environments, which aligns with Quinn and Thakor's (2019) article arguing the importance of guiding decision-making during times of strategic uncertainty.

5.5.4 Assessing mechanisms for maintaining alignment with purpose during execution

The findings show that most companies in some form have purpose embedded in the company's DNA, creating an indirect mechanism to maintain alignment with purpose, but also suggesting that formal mechanisms were not always necessary. Important to note that organizational size greatly impacted how well purpose was embedded, where smaller companies had an easier time implementing it into their daily work. As Heckners (2018) states how purpose can guide behavior and foster collaboration without explicit structures.

Nevertheless, other companies highlighted downsides of this informal approach, leading to inconsistencies and employees relying on experience rather than training, or correcting misalignment after the fact, creating unwanted setbacks. This runs parallel to Delmas and Buranos (2011) concerns of how purpose fails to translate into consistent behavior.

To reinforce alignment, many organisations mentioned the use of recurring meetings and workshops, and it being a helpful strategy. These settings helped align daily activities to the broader goals, which aligns with Quinn and Theirs (2019) important to note, is that leadership engagement was observed to be a crucial component in how purpose is present in daily decisions, creating huge differences throughout teams and companies.

5.5.5 How purpose inspires collaboration and fosters learning

The empirical findings resonate with a growing body of research that emphasises the practical application of purpose, rather than just its conceptual definition (Pregmark, 2022; van Ingen et al., 2021). While purpose is often positioned as a unifying narrative that can create meaning (Gartenberg et al., 2019), its actual influence appears to depend on how deeply it is embedded in organisational practice.

Several participants described how top management strategically communicates purpose, particularly during broader meetings or when launching initiatives. This is consistent with Quinn and Thakor's (2019) notion of purpose as a guiding logic in situations of uncertainty. However, in many cases, these efforts remained symbolic rather than operational, failing to penetrate the middle or lower levels of the organisation. This partial integration reflects what Delmas and Burbano (2011) refer to as the misalignment of purpose, where there is a gap between what is said and what is done.

In addition, the findings highlight how purpose can create both collaborative potential and internal friction. This supports Andriopoulos and Lewis's (2009) view that innovation-oriented work often creates tension, especially between business units driven by different logics (performance vs. purpose). Purpose can act as a sensemaking tool in such contexts (Shani & Docherty, 2003), but if not sufficiently contextualised, it can actually hinder collaboration by becoming a source of political tension.

Interestingly, while formal processes rarely positioned purpose as a central tool for learning, several individuals informally used it to frame problems, engage others, and create legitimacy for exploration. This informal use of purpose is consistent with Collins and Porras (1994) framing of purpose as a catalyst for opening up new solution spaces and fostering creativity.

5.5.6. How purpose builds a shared commitment

The findings also show that purpose has potential as a tool for shared commitment, but that this potential is unevenly realised across organisational levels. While top leaders are often aligned around a shared purpose, this commitment is not always effectively cascaded downwards - a pattern consistent with Van Ingen et al.'s (2021) caution about the blurred boundaries between purpose, vision, and strategy.

Purpose was often used informally as a narrative resource to help individuals explain why their projects are important and why others should get involved. This is consistent with Adler and Heckscher's (2018) view that purpose builds trust and shared understanding in uncertain environments, particularly when cross-functional alignment is required.

However, the lack of formal mechanisms to support the translation of purpose (e.g., in performance systems, team routines, or innovation processes) weakened its ability to foster deep and sustained commitment. As Pregmark (2019) and O'Reilly and Tushman (2013) suggest, purpose can help organisations balance exploration and exploitation - but only if it is actively used to bridge operational tensions. In its absence, purpose risks remaining a high-level ideal with limited traction on the ground.

What the data points to is the need for distributed ownership of purpose, where employees not only understand the 'why' but also see how it relates to their work and decision-making. In this sense, purpose becomes a tool for strategic alignment, but also for motivation, learning, and navigating trade-offs in real time.

5.6 Conclusion

This study highlights that purpose plays a crucial role in facilitating and guiding innovation across organizations, although often underutilized. Purpose served as an initial source of direction during the early stage of ideation. Purpose was observed to be valuable when pursuing new ideas and exploring uncertain or unfamiliar territories, maintaining a general direction, reflecting similarities to Collins and Porras (1994) view of purpose serving as a catalyst to encourage long-term thinking.

Purpose also contributed to bringing coherence to innovation processes by creating a broader narrative and lens for new ideas to be assessed through. When purpose was observed to be more visible or actively reinforced, it legitimized exploration, opening for alternative and creative levels of discussions to be made, directly promoting innovative thinking.

However, the degree to which purpose guides innovation would vary greatly from one organisation to another. Some organisations had purpose embedded in their daily practices and frameworks, while others could have more loosely referenced, and a more symbolic approach to the organization's purpose. This gap and difference reflect how failure to operationalize purpose can undermine its credibility and reduce effectiveness.

Taken together, the insights highlight the importance of purpose, not only being an initiator for innovation, but also a sustainer. To leverage its full potential, organisations must move beyond symbolism and actively incorporate purpose into their processes and leadership behaviors.

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5.8 Appendix

Appendix A: *Observation Guide*

Organizational purpose:			
Section	Objective	Data collection	Define the people/roles that bring insights
1	Understand how purpose is communicated formally and informally within the organization.	*E.g., Formally: HR sent out a mandatory online training which covers the vision, mission, and purpose.* *E.g., Informally: In townhall meetings to bring apsects to the companies strategy*	
2	Investigate how purpose provides meaning and direction to projects and decisions		
3	Examine how purpose encourages creativity and alternative solutions		
4	Assess mechanisms for maintaining alignment with purpose during execution		
5	Explore how purpose inspires collaboration and foster learning		
6	Identify how purpose fosters shared commitment among employees and stakeholders.		

Appendix B: Workshop with Students

Date: March 21
Time: 09:00–12:00

Main Research Question:
How does purpose facilitate and guide innovation within a company?
Workshop Objectives
Explore the following questions:
- How is purpose communicated formally and informally within organizations?
- How does purpose provide meaning and direction to projects and decisions?
- How does purpose encourage creativity and alternative solutions?
- What mechanisms support alignment with purpose during execution?

- How does purpose inspire collaboration and foster learning?
- How does purpose foster shared commitment among employees and stakeholders?

Workshop Structure

<u>First 45 Minutes</u>

- Introduction (5 min): A short introduction to the topic and explanation of the workshop structure.
- Group Work (3 themes, 15 min each):
  Participants were divided into small, mixed-company groups. Each sub-topic followed the same structure:
  1) How is purpose communicated formally and informally?
  2) How does purpose provide meaning and direction to projects and decisions?
  3) How does purpose encourage creativity and alternative solutions?

  For each question:
  - Participants individually wrote 2–3 observations or keywords on sticky notes (5 min).
  - Groups discussed their notes and arranged them on an A2 paper, clustering common themes (10 min).
  - A short class-wide discussion followed each session to reflect on:
    - Common themes across teams
    - Gaps or inconsistencies in the interpretations of purpose

<u>Second 45 Minutes</u>

The same format continued for the next three sub-questions:

4) Mechanisms for maintaining alignment with purpose during execution
5) How purpose inspires collaboration and fosters learning
6) How purpose fosters shared commitment among employees and stakeholders

Each session followed the same format of individual input, group clustering, and a short plenary discussion.

<u>Final 45 Minutes</u>

- Synthesis Session (15 min):
  Each group reflected on the overall research question:
  How does purpose facilitate and guide innovation within a company?
  - Each group identified three main challenges and three possible solutions based on the earlier sessions.

- Class-wide Discussion (30 min):
  - Each group presented their findings.
  - A final discussion helped consolidate the cross-company insights.

Materials and Facilitation Notes

- Each participant received a sticky note pad and pen.
- Each group used an A0 sheet to organize and display their sticky notes for each question.
- Participants were asked to:
  - Label sticky notes with their company/team number

    - Indicate tone by marking each note with a "+" (positive) or "–" (negative) symbol
    - Write clearly to aid transcription and digitization
- Sticky notes were photographed and later digitized using the *Post-it* app (imported manually for quality control).

6. Finance

by Haina Liu, Otto Ruthagen Franzén & Tobias Åberg

6.1 Introduction

In the dynamic landscape of entrepreneurial finance, effectively monetizing technological innovations is crucial for sustaining competitive advantage and ensuring financial growth (Barney, 1991; Teece, 1986). Companies often employ various revenue-generation strategies, such as licensing, royalties, and direct sales, each presenting unique financial opportunities and risks. The selection of an appropriate strategy is influenced by multiple factors, including market conditions, resource availability, and strategic objectives. Understanding the financial viability and associated risks of these strategies is essential for informed decision-making.

Ericsson, a leading telecommunications company, has strategically shifted its business model over the years to adapt to technological advancements and market demands. Traditionally focused on mobile infrastructure, nowadays Ericsson has expanded into enterprise solutions and cloud services. Ericsson is a compelling example of how the right strategic choices are crucial for driving the financial growth in a company.

6.1.1 Aim

This study aims to explore the revenue-generation strategies considered by companies for monetizing technology and to examine the factors influencing their adoption or avoidance. The research will focus on assessing the financial viability and risks associated with each strategy and understanding the financial and strategic justifications behind these choices.

6.1.2 Research Questions

1. What strategies (e.g., licensing, royalties, direct sales) are considered to generate revenue, and how does the company assess their financial viability and risks?
2. What factors influence a company's decision to adopt or avoid specific revenue-generation strategies, and how are these choices justified financially and strategically?

6.2 Theoretical Framework

The following chapter presents the theoretical framework guiding the study, using the Business Model Canvas, SWOT analysis, and the Resource-Based View. These models help assess how companies generate revenue from technological innovations by examining internal capabilities and external market conditions.

6.2.1 Business Model Canvas

According to Schilling, the value of any technological innovation is only partly determined by what the technology can do. A large part of the value of an innovation is determined by the degree to which people can understand it, access it, and integrate it within their lives.

The term business model is closely related to innovation. As Alex Osterwalder mentioned, the business model concept is related to a whole new range of business design opportunities. Therefore, a business model canvas is a great tool in order to identify *value propositions*, *target customer segments*, *distribution channels*, *relationships with customers*, *core capacities*, c*onfiguration of activities*, *partners*, *revenue streams and cost structure* (Alex Osterwalder, 2005). In this study, data collection and analysis will focus on revenue generation.

6.2.2 SWOT Analysis

A SWOT analysis is a widely used tool in strategic management, helping organizations evaluate internal strengths and weaknesses alongside external opportunities and threats. It provides a structured approach to understanding a company's position by aligning its capabilities with market conditions. As highlighted by Raza and Khalid (2023), SWOT analysis supports strategic decision-making by identifying ways to build on strengths and opportunities while addressing weaknesses and mitigating risks.

For our study, SWOT analysis is particularly useful in evaluating revenue-generation strategies like licensing, royalties and direct sales. It helps assess their financial viability by examining internal factors such as operational efficiency and external influences like market trends or competition. This structured framework ensures a consistent and clear method for comparing strategies across companies, tying directly to our research questions.

Using SWOT analysis also makes sense because of its practicality and the actionable insights it generates. As Raza and Khalid (2023) note, the tool facilitates collaboration across departments and ensures a balanced evaluation of internal and external factors. The results can directly inform recommendations, making SWOT analysis a valuable approach for achieving our research objectives.

6.2.3 Resource-Based View

The study will be grounded in the Resource-Based View (RBV) theory, which posits that a firm's resources and capabilities are central to achieving competitive advantage (Wernerfelt, 1984). According to RBV, the strategic utilization of a company's unique assets, such as proprietary technology, can lead to sustained profitability (Barney, 1991). This framework will guide the analysis of how companies leverage their technological assets through various revenue-generation strategies.

6.3 Methodology

The study will be conducted at 6 different companies with 15 students in total divided in between them. The plan is for the students to be collecting data in the form of a literature study, document reviews and interviews.

Company	Product/ Service	Global/ Domestic	B2B/B2C
Company A	Product	Global	B2B
Company C	Product	Global	B2B
Company D	Service	Domestic	B2B
Company E	Product	Global	B2B
Company G	Product	Domestic	B2C
Company H	Product	Global	B2B

Literature study and document review:
Documentation from the companies will be used in order to analyze their financial strategies. If possible, it would be beneficial to collect financial reports, revenue breakdowns and documentation related to the company's revenue-generation strategies. Focusing on data that highlights the use of licensing, royalties, direct sales or other models, as well as any financial assessments of these strategies' viability and risks.

A literature study will also be conducted to complement the document review and to ground the study in an academic foundation. Existing research and publication related to the topic at hand will be used to deepen the student's knowledge and understanding. Additionally, it will help to identify gaps in the existing research and guide the students how to shape their study to fill these gaps. The literature study also includes analyzing previous research methodology and its strengths and weaknesses.

Interviews or Surveys:
Engaging with stakeholders involved in strategic and financial decision-making, such as finance managers or business development executives will be a vital part of the data collection. Semi-structured interviews can be conducted to explore how the companies evaluate financial viability, manage risks and determine the factors influencing their choice of revenue-generation strategies.

Furthermore, surveys could be used to get a broader picture and more answers from different roles in the company. However, we think that interviews will be sufficient and enable us to ask more specific questions geared towards the role being interviewed.

BMC and SWOT:
This study uses the Business Model Canvas to map revenue streams, customer segments and cost structures while emphasizing value propositions and distribution channels. Complementing this, SWOT Analysis evaluates the financial viability of revenue models by identifying strengths, weaknesses, opportunities and threats. Together, these frameworks provide a structured approach to comparing strategies across companies and addressing the research questions.

Collecting and summarizing data:
These methods and tools will be used to collect and summarize a comprehensive study of the companies' revenue-generating strategies in a clear and structured format. The insights gained from this will be summarized by the Finance RQ group with the help and input of the other students.

6.4 Results

Presented are the summarized findings for each company

Company	Main Revenue Logic	Regulatory Context	Key Strengths	Core Weaknesses / Risks
Company C	Sale of machines (~85 %) + parts & service (~15 %); pilots for *Pay-Per-Use* & *Equipment-as-a-Service*	Industry standards, but exposed to trade tariffs & emission rules	Brand, margins, sustainability profile	Cyclicality, high CAPEX for electrification, customer reluctance to change
Company A	Engine sales (~80 %), spare parts (~20 %), service contracts	Emission legislation	High product margin, global service network, strong R&D	Large R&D bill, dependence on spare-parts after warranty, cyclical demand
Company E	70 % upfront + 30 % annual subscription for remote monitoring	Relatively light external regulation; technically conservative customers	High gross margin, flexible CAPEX/OPEX offer, strong brand	Internal sales acceptance, need for new quoting systems, reliance on telecom partners

Company D	*Robots-as-a-Service* – pure monthly subscription	Early-stage market, limited regulation	Low customer barriers, fast deployment, scalability	Capital constraints, customer inertia ("why switch?"), need for early references
Company H	Fuel sales (70 % export); shift toward HVO100 & Sustainable Aviation Fuel	Heavy regulation, reduction mandates, CO_2 financing	Strong logistics, green premium margins, state guarantee schemes	Regulatory volatility, feedstock prices, banks' climate requirements
Company G	Fixed 14.7 % markup on supplier price, no promotions	State monopoly with public-health mission	High public trust, stable revenues, sustainability profile	Slow digitalisation, complex innovation due to legal constraints, e-commerce threat

Company C primarily relies on transactional equipment sales, constituting 85% of total revenues, complemented by 15% from parts sales and service agreements. The company is actively developing alternative revenue streams such as "Equipment as a Service" (EaaS) and pay-per-use models to enhance recurring revenues and adapt to shifting customer preferences towards operational expenditure. Company C's strategy capitalizes on strong brand identity, sustainability leadership, and efficient production. However, this shift towards service-based models introduces challenges, notably high initial investments, slow market adoption, and the inherently cyclical nature of the construction equipment industry.

Company A predominantly generates revenue through direct engine sales (80%) and aftermarket spare parts (20%), supported by additional revenue from service contracts and remanufactured products. This company leverages its strong brand reputation, global service network, and reliable product offerings to maintain substantial recurring revenues. However, it encounters risks associated with cyclical industries, high dependency on aftermarket sales vulnerable to competition, complex supply chains, and customer reluctance towards adopting new technologies such as electric propulsion.

Company E employs a combined revenue-generation strategy consisting primarily of upfront sales (70%) alongside subscription-based revenues (30%). This model targets industries globally, particularly emphasizing solutions for remote monitoring where traditional wired systems are impractical or costly. Company E strategically uses a flexible pricing structure that accommodates both CAPEX and OPEX budgeting preferences of diverse customer segments. Despite its strong potential for predictable income and high gross margins, the strategy faces challenges due to internal unfamiliarity with subscription models and customer preferences leaning towards capital expenditures.

Company D utilizes an innovative "Robots-as-a-Service" (RaaS) subscription model designed to reduce initial capital investment barriers for customers, thereby facilitating rapid deployment and scalability. This approach offers predictable revenue streams and operational flexibility, appealing strongly to SMEs unable to afford traditional automation solutions. Despite these advantages, Company D faces challenges including limited access to capital, the need to overcome customer inertia through clear communication of benefits, and the critical importance of establishing strategic partnerships for early market adoption and expansion.

Company H's revenue-generation strategies revolve significantly around fuel sales, with exports accounting for about 70% of its revenue streams. The company complements this with domestic fuel distribution, fuel cards, and loyalty programs. Recently, Company H has strategically pivoted towards renewable energy solutions, particularly HVO and further researching sustainable aviation fuel (SAF), due to regulatory pressures and sustainability targets. Although Company H benefits from robust logistics and a strong market presence, its financial strategies must address significant risks including regulatory volatility, costly transitions to greener fuels, and diminishing returns from traditional fossil fuel operations.

Company G operates under a unique state-owned model designed primarily to mitigate alcohol-related harm rather than maximize profit. Its revenue strategy utilizes a fixed markup pricing model determined by suppliers' costs, adhering strictly to regulatory constraints. Despite these limitations, Company G maintains financial stability and growth due to consistent revenue streams and a high level of public trust. Nonetheless, the organization faces constraints in operational flexibility, adapting slowly to changing consumer demands, and encounters increasing threats from potential regulatory changes and international competition.

6.4.1 Revenue-generation Strategies Observed

Across the sample, four typical strategies of making money appear repeatedly. First, transactional product sales still dominate the heavy-equipment firms: Company C and Company A derive roughly four-fifths of turnover from one-off deliveries of machinery or engines, with aftermarket parts providing a secondary annuity. Second, licensing in the strict sense is largely absent; intellectual property is instead embedded in hardware or bundled into service fees, as in Company D's proprietary vision algorithms folded into the monthly subscription. Third, subscription or "-as-a-Service" models appear in three ways: Company D's RaaS removes all upfront capital; Company E prices connectivity as an annual data layer atop its radar sensors; and Company C is piloting usage-based billing that converts capital expenditure into operating cost for the contractor. Finally, hybrid constructs meld transaction and subscription elements: Company E offers token-based credits that let CAPEX-oriented customers pre-pay several years of data, while Company H secures repeat volume through fuel cards and loyalty programmes rather than formal subscriptions.

6.4.2 Common Themes

Several common themes emerge across the analyzed companies:

Subscription and Service-based Models
Companies are increasingly adopting subscription or “as-a-service” models to generate recurring revenues and reduce customer entry barriers. Notably, Company D fully embraces this with a pure subscription model (Robots-as-a-Service), Company E integrates subscription for remote monitoring, and Company C pilots pay-per-use models.

Regulatory Influence
Regulatory environments significantly influence strategic decisions across the firms. Company H faces stringent regulations related to emissions and renewable fuels; similarly, Company C and Company A are heavily impacted by emission legislation.

Sustainability and Innovation
Sustainability drives strategic initiatives and brand positioning, notably in Company H (renewable fuels), Company C (electrification and sustainability profile), and Company G (public health and sustainability mission).

Cyclicality and Market Risks
Many firms, particularly in heavy industries (Company C and Company A), experience significant cyclicality risks, impacting revenue stability and requiring careful financial management.

Digitalisation and data-driven services
Several companies highlight connectivity/AI as the next value pool, from remote monitoring (Company E) to predictive service (Company C/Company A) and automated logistics (Company D).

CAPEX to OPEX shift: The OEMs push models that move customer cost from one-off purchases to recurring fees, smoothing cash flow and locking in customers (Pay-Per-Use, RaaS).

6.4.3 Key Differences

Despite these similarities, significant differences exist:

Revenue Structure
Company C and Company A predominantly rely on transactional product sales supplemented by parts/services, whereas Company D and Company E emphasize subscription revenues.

Customer Acceptance and Market Maturity
Company E and Company D face different market acceptance challenges: Company E contends with internal resistance to subscription models, while Company D needs to overcome external customer inertia due to the novelty of its service.

Financial Risks and Capital Constraints
Capital intensity varies significantly; Company C and Company H face high capital expenditures due to electrification and transitioning to renewable energy, respectively, while Company D faces initial capital constraints limiting expansion.

Operational Flexibility and Regulation
Company G operates under uniquely restrictive regulatory conditions, significantly limiting operational flexibility and innovation compared to private-sector firms like Company E and Company D, which benefit from relatively lighter regulatory environments.

6.4.4 Observed Company Clusters

Scoring each firm on recurring-revenue share, regulatory intensity, margin profile, digital maturity, and sustainability pressure yields five coherent clusters. Company C and Company A constitute an OEM-to-Servitisation block: engineering-centric, largely transactional today, but with credible pathways to equipment-as-a-service. Company E stands alone as a Hybrid Industrial Products exemplar, balancing hardware cash flow with data annuities. Company D represents a Subscription-Native Automation type in which revenue predictability is purchased at the cost of capital intensity. Company H exemplifies a Regulated Energy Transition model: commodity revenues leveraged to finance green diversification. Company G illustrates a Public-Health Monopoly, where revenue design is subordinate to societal mandate.

Cluster	Companies	Underlying Logic
A. "OEM → Servitisation"	Company C, Company A	Traditional product sales supplemented by service & subscription revenue; heavy R&D burden for electrification.
B. "Hybrid-Model Industrial Products"	Company E	Established blend of upfront + subscription; high technical complexity and close customer integration.
C. "Subscription-Native Automation"	Company D	Born with RaaS logic, 100 % recurring revenue, high scaling potential but capital and reference risks.

D. "Regulated Energy Transition"	Company H	Volume-based commodity trading under tough policy pressure, shifting to green premium products to secure funding and margins.
E. "Public-Health Monopoly"	Company G	Non-profit-maximising, fixed margin, decisions filtered through public-health and EU law constraints.

6.5 Analysis

This section analyzes the data collected from all the project companies, including findings from both the action research and interviews, through the lens of the research question.

6.5.1 Revenue Generation Strategies in Practice

One of the central findings across the six case companies is that traditional direct sales models continue to dominate, particularly in industrial or infrastructure-heavy sectors such as those represented by Company C, Company A, and Company H. However, nearly all companies, except Company G, are actively transitioning toward service-based or hybrid revenue models, signaling a broad industry shift.

Traditional Models and Their Endurance

Traditional revenue strategies based on product sales, aftermarket services, and spare parts remain a stable source of income, especially for companies like Company C and Company A. These models provide predictable revenue through high-margin products and secured aftermarket consumption during the product life cycle. For instance, Company C's 85% reliance on direct sales demonstrates the inertia of established transactional frameworks. Similarly, Company A maintains a heavy dependence on engine sales, supplemented by parts and remanufacturing.

Despite growing pressure for transformation, the high efficiency and lifecycle profitability of diesel-based equipment continue to make direct product sales a viable and even necessary part of industrial revenue portfolios. Company H's traditional model of direct fuel sales, particularly diesel, reflects this logic, though it now faces systemic challenges due to climate policy and investor sentiment.

Emerging Service-Based Models

In contrast, Company D and Company E represent a new generation of technology providers prioritizing subscription-based revenue streams. Company D's Robotics-as-a-Service (RaaS) model minimizes upfront customer costs and spreads payments over time, significantly lowering adoption barriers for small and medium-sized enterprises (SMEs). Company E's 70/30 hybrid model balances upfront hardware sales with annual subscriptions, aligning more flexibly with client budget structures (CAPEX vs. OPEX).

These models allow customers to pay for functionality rather than ownership, a shift that reflects a broader digital transformation. Such models are particularly beneficial in operational environments where scalability, uptime, and flexibility are more important than asset possession. Company E's remote monitoring solutions, for instance, provide real-time value data, offering clear operational and economic justifications for ongoing subscription payments.

6.5.2 Financial Viability

Financial viability across the six firms is best understood as the interplay between structural margin profiles, the way each model reallocates risk, and the rigour with which managers question forecasts before capital is committed. The two OEMs, Company C and Company A, operate with gross margins high enough to buffer the cyclical swings typical of capital-goods demand; those margins finance pilot programmes in Pay-Per-Use and service contracts without jeopardising quarterly profitability. Conversely, Company D's Robots-as-a-Service format converts all revenue into a recurring stream but obliges the firm to retain the robots on its own balance sheet; the margin is therefore front-loaded with depreciation risk, an inversion of the OEM position, while Company E's hybrid tariff is structurally cash-positive yet sensitive to the uptime of an external telecom backbone. Company H sits at the opposite end of the cost-curve: unit margins on fossil fuels are thin, but the company expects materially higher contribution from HVO100 and sustainable aviation fuel once policy-driven price premia outweigh feed-stock volatility. Company G, by contrast, operates on a legislated cost-plus formula that virtually eliminates commercial risk, though it also limits strategic flexibility.

Profitability Forecasting and ROI Modeling

Company A, Company E, and Company H employ ROI modeling and cross-functional collaboration between sales and finance teams to assess the feasibility of new deals or strategic initiatives. For example, Company A's finance department works closely with sales teams to ensure realistic order books and revenue projections, actively challenging overly optimistic assumptions. Company E evaluates the uptake of its hybrid subscription model based on projected customer ROI, tied directly to productivity gains and operational savings.

Risk Mitigation Mechanisms

For high-risk innovation models, firms like Company D and Company H utilize risk mitigation mechanisms. Company D relies on Minimum Viable Product (MVP) testing with strategic clients to validate financial viability and refine pricing models. Company H benefits from government-backed guarantees to reduce financial exposure in its green technology investments, especially given the volatility of international raw material prices and fluctuating policy landscapes.

In contrast, Company G operates in a legally regulated monopoly, meaning financial risk is assessed less through competitive dynamics and more through alignment with public health policy and national legislation. Projects are approved only if they comply with public policy, ensuring that financial decisions are politically and ethically sound rather than profit-maximizing.

Overall, the evidence shows that three things (profit margin room, who carries the risk, and how carefully forecasts are tested) decide whether and how quickly a company can shift from one-off product sales to steadier service or subscription income. Firms with comfortable margins, such as the OEMs, have the money to try new models, but their long-standing dealer networks slow the roll-out. New entrants with heavy assets can lock in reliable monthly revenue only if they are willing to keep the equipment on their own books or limit their exposure through step-by-step pilot projects. Companies that sell commodities depend on swings in regulation and must time their moves to take advantage of policy-driven price changes. Finally, entities that enjoy legal protection focus less on profit and more on staying in line with their public mandate.

6.5.3 Determinants of Adoption or Avoidance

Despite strategic ambition, each firm faces structural or operational constraints that influence their strategic decisions to adopt or avoid specific revenue-generating strategies.

Regulation emerges as a decisive factor, especially for Company G and Company H. Company G operates under strict legal guidelines, prohibiting any deviation from state-aligned operations of being public-health-driven, and thus limiting strategic flexibility. Company H similarly encounters substantial regulatory pressures from climate policies, EU emissions standards, and Nordic banking restrictions. These restrictions increasingly link funding availability to measurable CO_2 footprint reductions, imposing strict timelines for transitioning to sustainable fuels.

Customer economics and adoption barriers also guide the strategic direction, notably impacting Company A and Company E. Both companies recognize the opportunity and challenge of traditional customer segments to shift from product-based transactions to subscription or service-based models, such as predictive maintenance contracts. Compounding these external customer barriers, their internal sales channels often lack experience and comfort in communicating value derived from service-based offerings. Company E, facing contrasting customer preferences, uses credit tokens designed to assist both CAPEX-averse SMEs and larger, CAPEX-oriented clients. This approach lets them align their revenue strategies closely with customer budgeting cycles and financial preferences.

Technological readiness significantly influences strategic adoption decisions, particularly in the cases of Company C, Company A, and Company D. For Company C and Company A, the ability to implement and effectively monetize uptime-based services is directly tied to the widespread availability and reliability of telematics technology. Another aspect is the substantial integration costs associated with custom solutions. Company D's innovative business model is similarly contingent upon the scalability and dependability of AI-driven technologies, underscoring the critical role of technological maturity in strategic adoption.

Organizational alignment and internal capacity are key determinants in the strategic decision-making processes. Company E and Company A illustrate the importance of internal acceptance, with both companies recognizing the necessity of aligning internal sales and operational processes to support new revenue models effectively. Company H's strategic shift toward renewable fuels further highlights internal resource allocation and capacity constraints as crucial determinants influencing strategic timing and scope.

These constraints and determinants collectively illustrate the complex landscape of strategic financial decision-making, emphasizing the interplay between external market conditions, regulatory environments, technological capabilities, and internal organizational dynamics.

6.5.4 Strategic Justifications for Strategy Selection

The rationale behind adopting or avoiding specific revenue models differs substantially depending on whether a firm is mission-driven, market-driven, or innovation-driven.

Mission-Driven Logic: Company G

Company G offers a unique contrast to the rest of the case firms due to its state ownership and non-commercial mandate. Its exclusive right to sell alcohol in Sweden is balanced by strict limitations on profit-seeking behavior. All revenue-generation decisions are filtered through a public health lens, and strategies like licensing, royalties, or promotions are explicitly avoided. Here, revenue is not a strategic end, but a by-product of legally mandated operations.

This case reinforces the idea that business models must be aligned with institutional and regulatory contexts, especially for public or semi-public entities. It also highlights that sustainability, broadly defined, can manifest in non-financial outcomes, such as reduced alcohol-related harm.

Market-Driven Logic: Company H and Company A, and Company C

Companies like Company H, Company C, and Company A follow a market logic, but increasingly integrate policy and sustainability considerations into their strategic reasoning. Company H, for instance, justifies its investments in Sustainable Aviation Fuel (SAF) and HVO100 by pointing to long-term regulatory shifts, investor preferences, and the relative profitability of green products. While the transition imposes short-term financial constraints, it is seen as critical to long-term survival.

Company C and Company A, on the other hand, see servitization not only as a response to external trends like electrification and digitalization but also as a path toward recurring income and customer lock-in. However, both firms face internal resistance, high transition costs, and external customer hesitancy, slowing the implementation of new models.

Innovation-Driven Logic: Company D and Company E

Company D and Company E base their strategies on disruptive innovation and digital scalability. Company D's value proposition stems from reducing the friction of automation adoption, especially for SMEs, while Company E's hybrid model targets the inefficiencies in legacy inventory and monitoring systems.

Their strategies are justified not only on economic grounds (e.g., total cost of ownership, return on efficiency) but also on the ability to future-proof operations. These companies aim to define new standards in their respective markets, using service-centric pricing to open new customer segments.

6.5.5 Theoretical Contributions

This cross-case analysis underscores the continued relevance of RBV in explaining how firms capitalize on internal capabilities, whether proprietary software (Company D), refined brand trust (Company G), or distribution networks (Company A), to support their chosen revenue strategies. As Barney (1991, Firm Resources and Sustained Competitive Advantage) emphasizes, sustainable competitive advantage arises when a firm's resources are valuable, rare, inimitable, and organizationally embedded.

Teece's (1986) framework on profiting from innovation is also evident, particularly in the contrast between firms that build their own distribution (Company A, Company H) versus those that rely on partnerships (Company D, Company E). Where Company D uses ecosystem partnerships to accelerate adoption, Company H must develop internal capabilities to transition from fossil fuels to renewables, showcasing different paths to value capture.

Finally, the Business Model Canvas (Osterwalder, 2005) remains a practical tool for evaluating how different firms integrate revenue streams, value propositions, and customer channels. Company G's BMC is mission-oriented, with value delivered through trust and access, not profit. Company D and Company E focus on customer affordability and real-time insights, whereas Company A and Company C use the BMC to slowly transition from transactional to service-focused customer relationships.

6.6 Conclusion

In conclusion, this study provides a broad exploration into the financial viability, associated risks, and strategic rationales behind various revenue-generation strategies employed by companies to monetize technological innovations. Through examining diverse cases across multiple sectors, including traditional industries, subscription-native businesses, and regulated entities, this research has identified critical factors influencing strategic decision-making.

Traditional direct sales models remain prevalent, offering predictability and leveraging established operational efficiencies. However, the trend towards hybrid and subscription-based models is increasingly evident. This being driven by digital transformation, market demands for operational flexibility, and recurring revenue potential. Companies such as Company C and Company A exemplify transitional strategies that balance transactional revenues with incremental moves towards servitization.

Regulatory frameworks, market conditions, technological maturity, and internal organizational dynamics emerge as significant determinants in the adoption or avoidance of specific revenue strategies. Firms operating in highly regulated environments, like Company H and Company G, face unique strategic constraints, reinforcing the importance of aligning business models with regulatory and institutional contexts. Conversely, companies such as Company E and Company D leverage innovative approaches and digital scalability, effectively using subscription and hybrid models to manage risks and capitalize on emerging market opportunities.

Financial viability across these strategies depends crucially on margin structures, risk allocation, and rigorous profitability forecasting. Firms with robust financial margins and established market positions possess greater flexibility to experiment with new models, whereas startups or capital-constrained companies must carefully navigate market entry risks and scalability challenges.

This research enriches theoretical frameworks such as the Resource-Based View and the Business Model Canvas by demonstrating their practical applicability in analyzing contemporary strategic choices. It underscores how internal capabilities, technological innovation, and customer-centric value propositions are leveraged differently across industries to sustain competitive advantage.

Ultimately, the findings highlight that effective revenue-generation strategies are context-dependent, necessitating careful alignment between financial objectives, strategic flexibility, and external market pressures. Companies must continually adapt their approaches, integrating innovation and sustainability imperatives to navigate future market landscapes successfully.

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6.8 Appendix

Appendix 1: Business Model Canvas

Appendix 1 shows an example of a Business Model Canvas focusing on revenue and some questions that could be used in the study.

Revenue Streams
What are the current revenue-generation strategies used by the company (e.g., licensing, royalties, direct sales)?
Are there any emerging strategies the company is considering? If so, why?
How much revenue is generated by each strategy, and how does this compare to industry benchmarks?

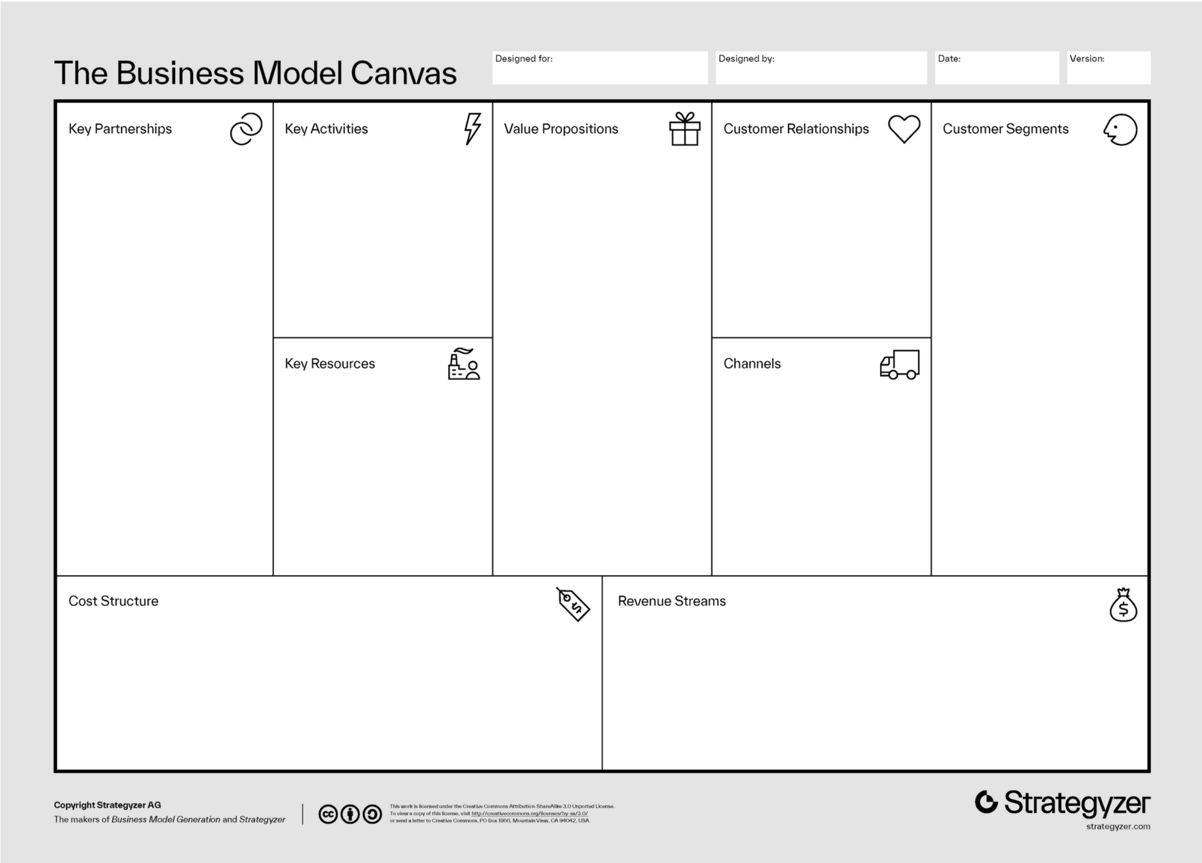
Cost Structure
What are the fixed and variable costs associated with each revenue strategy?
How does the company allocate resources (e.g., R&D, marketing) for implementing these strategies?
Are there cost-saving measures in place for any of these strategies?

Customer Segments
Who are the primary customers for each revenue strategy?
How does the company segment its customer base (e.g., by geography, industry, or product type)?
What customer needs or preferences are addressed by each strategy?

Value Proposition
What unique value does each revenue strategy deliver to the customer?
How does the company ensure its strategies meet customer needs better than competitors?
Are there any challenges in communicating the value proposition to customers?

Channels
Through what channels does the company deliver products or services for each strategy?
How effective are these channels in reaching the target customers?
Are there alternative channels the company is exploring?

Revenue Drivers
What are the key factors (Partners, Activities and Resources) that influence the success of each revenue strategy (e.g., market demand, competitive landscape)?
How scalable is each revenue model, and what limits its scalability?
What external trends (e.g., economic, technological) could positively or negatively impact the revenue streams?


The Business Model Canvas
Designed for:
Designed by:
Date:
Version:
Key Partnerships
Key Activities
Key Resources
Value Propositions
Customer Relationships
Channels
Customer Segments
Cost Structure
Revenue Streams
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Appendix 2: SWOT Analysis

Appendix 2 shows an example of how a SWOT Analysis for revenue models could be used in the study and some relevant questions.

Strengths
What makes the company's current revenue strategies financially strong (e.g., high margins, predictable income)?
What internal capabilities (e.g., brand strength, innovation) support these strategies?
Are there specific strategies where the company has a competitive advantage?

Weaknesses
What are the major financial or operational risks associated with each strategy?
Are there any inefficiencies or bottlenecks in implementing these strategies?
Are there limitations in the company's ability to scale these strategies?

Opportunities
Are there untapped markets or customer segments the company could target?
What trends (e.g., digital transformation, sustainability) create opportunities for new revenue strategies?
Are there partnerships or collaborations that could enhance the company's revenue potential?

Threats
What external factors (e.g., regulation, competition) pose a risk to existing revenue strategies?
Could changes in customer behavior or preferences undermine certain strategies?
Are there macroeconomic factors (e.g., inflation, supply chain disruptions) that could impact financial performance?


What's in a SWOT analysis?
The good
The not-so-good
What we've got
What's out there
Strengths
What resources can we deploy?
What are our advantages?
What's working well?
Weaknesses
What abilities are we lacking?
Where are we starting to struggle?
How can we overcome these?
Opportunities
Who might most value our strengths?
What trends work in our favour?
What prizes are within reach?
Threats
What headwinds do we face?
Who might challenge us?
What could go wrong?
BiteSize Learning

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