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PARTICIPATION IN THE STRATEGIC  
MANAGEMENT PROCESS  
AND THE EXPANSIVENESS OF THE STRATEGY

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The aim of the research was to examine the relationship between two phenomena present in strategic management: employee participation in the strategic management process and strategy expansiveness. Major research questions to which answers were sought regarded the correlation between the level of employee participation in the strategic management process and the type of selected strategy, and the relationship between participation and various manifestations of strategy expansiveness: innovativeness, risk appetite, ambition, and clarity of vision. The study also sought the relationship between the two variables and the ability to create competitive advantage by companies. The research conducted on a sample of 150 Polish enterprises showed a significant positive correlation between the level of participation and the degree of strategy expansiveness. Participation also correlated with innovativeness, ambition and clarity of vision and was independent from the riskiness of the strategy. Both employee participation and the strategy expansiveness correlated with the ability to create a competitive advantage.

**Keywords:** strategic management, employee participation, bold strategy

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## 1. INTRODUCTION

Strategic management finds itself today at a pivotal stage of its evolution. With the conditions in which today's companies operate being so volatile and unpredictable, the traditional model of strategic planning has been losing its relevance and significance. At the same time many trends and concepts of strategic management are emerging that suggest new directions for the development of this field of study.

Today's management has to meet a variety of challenges faced by contemporary organizations. The most significant among them are believed to include:

- competitive challenges – with globalization on the rise, the intensity of competition is gradually growing. More and more industries are entering the stage of hyper-competition; forestalling the actions of increasingly

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numerous and stronger competitors is becoming a crucial prerequisite for the success of today's companies,

- innovative challenges – the technological race along with growing competitiveness tie up today's corporate successes with taking on pioneering roles and setting new standards for technology or organization. The situation of organizations that are not inclined to create uniqueness is growing increasingly more difficult,
- social challenges – consumer and employee expectations towards companies are dynamically growing. The expectations refer to a more sustainable business development, higher ethics and, at the same time, a deeper stakeholder involvement in management processes.

Since the conditions for development of companies are changing, strategic management as an approach to managing this development has to change as well. There are two trends that seem to be at the top of the necessary directions of strategic management evolution if it is to respond to the aforementioned challenges and pressures. They are: (1) an increased necessity to choose bold business strategies, and (2) more employee participation in strategy creation and implementation.

A bold attitude towards competition, an expansive approach to development and imposing their own development standards on the environment, are actions that require considerable courage from strategies as they carry a high risk of failure. Such an attitude seems to be necessary, however, to create market rules and set directions for innovation. Without it, the uniqueness is hard to find and increasingly more often it is even difficult to survive in today's markets. It is particularly the role of strategic management to initiate the expansive efforts of companies.

On the other hand, the need to involve increasingly more participants in the strategic management process results from the growing importance of knowledge management in organizations. There is a need to motivate a wider group of stakeholders to become involved in the implementation of difficult strategic tasks. Also, the future of the company depends on its ability to acquire and use information or ideas, and these are scattered across the organization. Hence, expanding the group of people involved in the preparation of strategic decisions leverages the use of information available within the company. On the other hand, the implementation of innovative concepts depends on the motivation of those who carry out strategic projects. This is difficult when the concepts to be implemented are imposed autocratically. Hence, involving employees in concept creation or consulting them about strategic decisions becomes more important.

It seems that contemporary strategic management needs to rely on the two approaches implemented simultaneously. On the one hand, the success of a company depends on the boldness and expansiveness of its strategy, and on the other hand – on the wide employee participation in strategic management process. Reconciling these two desirable tendencies can be a challenge.

It is suspected that strategic expansiveness frequently requires making quick, unconventional decisions that are often unpopular and fraught with high risk. Such requirements seem to reconcile easier with strong, perhaps even autocratic, strategic leadership than with the wide participation of the employees who represent various, often conflicting interests. Participative strategic management and the expansiveness of the strategy can therefore be mutually exclusive. The question arises then whether such a contradiction actually takes place. Considering the particular importance of both tendencies that can be mutually exclusive, it seems essential to answer this question.

There is a rich literature on the two aforementioned problems. Both the question of participation in management and postulates regarding strategy boldness and expansiveness have been present in the literature for a few decades. However, there is no research and theories that would bring both these categories together. This is a cognitive gap, which the present study attempts to fill. **The purpose of this paper** is to find the answer to the question about the nature of the relationship between employee participation in the strategic management process and strategy expansiveness. Through empirical research the authors seek to identify the very existence of such a relationship and determine its nature. Assuming that strategy expansiveness is composed of:

- innovativeness of strategic concepts,
- risk appetite and the courage of strategic decision-making,
- ambition in the setting of strategic goals, and
- clear vision of the initiated strategic changes,

this article researches whether the participation of employees in strategic management helps to create expansive strategies or perhaps it is the other way round. The authors also look for the answer to the question of how participation in strategic management and the use of expansive strategies affect companies' ability to create competitive advantage.

## **2. PARTICIPATION AND STRATEGY – THE LITERATURE REVIEW**

Companies operate in a complex fast-changing environment, among many stakeholders with various influence levels, which poses a challenge to the traditional methods of management. New models and approaches are currently needed that would rise to challenges created by the complexity of the environment. This translates into challenges for the organization of the strategic management process and for the content of strategy. The transition should affect the management model (methods used in the process of strategic management) and the business model of companies (nature of the strategy).

### **2.1. Transition of the Management Model – Towards Greater Participation**

Reflections on how to manage a company under conditions of variability, complexity and strong interdependencies have led to the conclusion that the answer is the use of increasingly more sustainable models that take into account the economic, social and ecological dimensions of an organization's activity (Keating, 1993). In strategic management, transition leads towards more participatory solutions that are meant to give a company more legitimization due to the inclusion of a wide group of persons in strategy creation and implementation. The participation also brings a diversity of ideas and viewpoints, and a broader repertoire of the possible responses to changes in the environment (Lines, 2004; Abele, 2011).

Most literature on organizational behaviour indicates the positive effect of employees' involvement in the decision-making processes. Advocates of participation argue that the involvement of employees raises their job satisfaction (Alexander, 1983; Parnell, Bell, Taylor, 1992; Pollock, Colwill, 1987; Jenkins, Lawler, 1981), although on average the results of numerous research studies indicate that this effect is not significant (Cotton et al, 1988; Wagner, 1994).

Some literature also suggests a positive connection between the participation and productivity of employees (Dickson, 1982; Likert, 1961), but this assertion is non-conclusive (Locke, Schweiger, 1979).

Participation in strategy creation and implementation seems to help better accommodate changes in the environment and build up the relational capital of the organization. This is true that there is no agreement about what the most appropriate level of participation in strategic management is, but some studies confirm that the lack of participation may result in worse strategic choices (Floyd, Wooldridge, 2000), dissatisfaction among the socially

excluded (Westley, 1990) and difficulty in strategy implementation (Mintzberg, 1994). Mantere and Vaara (2008) highlight a few reasons why the use of participatory methods in strategic management is justified:

- Junior managers have a better sense of which strategies are executable (Mintzberg, 1994).
- Ideas of employees at various levels are crucial for building up the company's knowledge base (Hart, 1992; Floyd, Lane, 2000).
- Ideas of employees help organizations better adapt themselves to changing environments (Burgelman, 1983; Bourgeois, Brodwin, 1984; Noda, Bower, 1996; Lovas, Ghostal, 2000).
- The participation helps implement change due to the greater involvement of employees (Guth, MacMillan, 1986; Korsgaard et al, 1995; Klein, Sora, 1996; Kim, Mauborgne, 1998; Lines, 2004).
- The participation helps achieve goals (Lines, 2004) and makes implementations more effective (Blumberg, 1976).
- The participation improves communication, use of information and understanding of decisions among employees (Locke, Schweiger, Latham, 1986).

## **2.2. Transition of the Business Model – Towards More Expansive Strategies**

At the same time, another trend in strategic management can be observed. Theory and practice show that under conditions of hypercompetition and dynamic changes, business models and the way in which companies compete against each other also undergo transition. The conditions of high variability and competitive pressure make conservative and prudential strategies lose their *raison d'être*. Selecting expansive, courageous and bold solutions becomes a prerequisite for success. Now successful strategies feature above all courage, ambition, innovativeness and the ability to undermine the existing market rules.

Market saturation and competitive pressure lead to a lower profitability and the deterioration of growth prospects. In such a situation, successful strategies are those that make it possible to create markets in a so far unexploited economic space and stimulate new demand and thus lead to independence from the competition (Kim, Mauborgne, 2005). These so called blue ocean strategies allow the creation of new competitive space through innovativeness and the non-schematic perception of markets. In this way they lead to the redefinition of the existing business model (Kim,

Mauborgne, 2004). Successful strategy needs a clear vision that goes beyond the hitherto model of thinking that is independent of the competition's benchmarking and analysis, unrestricted by nothing but the manager's imagination (Pralhad, 2010; Collins, Porras, 1991). A good strategy should be daring, set goals that surpass the company's current resources and beliefs (Hamel, Prahalad, 1989) and bring about revolution (Hamel, 1996).

### **2.3. Participation vs. Strategy Expansiveness**

One of the objectives of this article is to examine the relationship between two phenomena present in strategic management. The first one is participation in the strategic management process, the second one is strategy expansiveness. Although there are many studies focused on the importance of participation in business administration and strategic management, the relationships between participation and strategy content are poorly examined.

The work by Parnell and Menefee (1995) is one of the few studies touching upon this issue. Their research proved that the pre-existing assumption on the independence of strategy and the employee participation level is incorrect and should be rejected. The authors have demonstrated that for various types of strategy (Miles, Snow, 1978), different levels of participation in strategic management are effective. For enterprises employing the *prospector strategy*, who are flexible, with a loose organizational structure and a low formalization, operating in uncertain and rapidly changing markets, high participation is most beneficial. Defenders however, i.e. the formalized and centralized companies placing high value on control and operating in markets that are perceived as stable and secure, benefit more from using directive methods of management. A stable environment leads to building hierarchical structures, while a dynamic environment favours involving employees in the strategic management process (Miles et al., 1978; Floyd, Lane, 2000).

### **2.4. Questions and Proposals**

An analysis of research to date and of trends observed in strategic management have become an inspiration for the research presented in this article. The study examines the relationships between employee participation in the strategic management process and strategy expansiveness as well as those between these two categories and the company's ability to create a

competitive advantage. The major research questions to which the answers were sought are as follows:

- Is there a correlation between the level of employee involvement in strategy creation and the implementation and the type of strategy chosen?
- Does participation promote the creation of expansive or conservative strategies?
- What relationship is between participation in strategic management and various manifestations of strategy expansiveness (innovativeness, risk, ambition and vision clarity)?
- Is there a correlation between participation or expansiveness and the company's ability to create a competitive advantage?

To structure the study, six hypotheses were formulated:

**H1: There is a correlation between employee participation in strategic management and strategy expansiveness.**

It is presumed that participation in strategic management and strategy expansiveness are not independent variables. However, considering that expansiveness is an ambiguous phenomenon that depends on various often conflicting factors, the direction of this relationship is difficult to assume.

**H2: Employee participation in strategic management process promotes the creation of innovative strategic concepts.**

Such a relationship is the result of a fresh perspective, a multitude of ideas and the use of multiple viewpoints, which is typical of participative methods of strategic management.

**H3: Participation in strategic management promotes the creation of ambitious strategies.**

Teamwork helps to reveal high aspirations and great expectations with regard to the company's future, especially as this usually entails no personal responsibility for the proposed ideas.

**H4: Employee participation in the strategic management process inhibits the ability to choose high risk strategies.**

Difficult and risky decisions may be unpopular to a large group of strategic management participants due to their aversion to a change and the fear of destabilising work conditions and loss of jobs.

**H5: Participation of employees in strategic management does not promote the creation of clear development visions.**

Wide participation may exert pressure on accepting compromise solutions to reconcile the interests and proposals of various groups of strategic management participants, which, in turn, may lead to the creation of unclear, ambiguous visions.

**H6: Participation of employees in strategic management and strategy expansiveness promote the company's ability to create a competitive advantage.**

Actions aimed at increasing employee participation in strategic management and the choice of courageous, visionary and innovative strategies are a response to pressure exerted on companies. This is internal pressure from employees who expect more influence and satisfaction as well as external pressure from customers with high expectations or competitors imposing the pace of development. It can be expected that withstanding such pressure and meeting the expectations will decide the success of the company and its ability to create a competitive advantage.

### **3. METHOD AND RESULTS**

#### **3.1. Procedure and Research Tools**

The research was conducted on a group of 150 Polish companies in 2011/2012. The group of respondents were listed and unlisted public limited companies established after 1989. The sample included 50 small (up to 50 persons), 50 medium-sized (50–250 persons) and 50 large (more than 250 persons) companies. Due to the subject of the research, the respondents were top-level management understood to include executive directors, strategic directors, managing directors and/or management board members.

The research sample was selected from the Central Bureau for Statistics using stratified randomization. The main research sample was broken down into three separate samples depending on the size of companies. Paper and Pencil Interview (PAPI) was used as a research technique. Although the research was conducted on a substantial group of companies, it is not representative, and the conclusions drawn refer to the tested sample only.

The interview survey contained 84 constructs in its main section, four constructs in the recruitment section and eleven constructs in the demographics section. Twenty-three constructs from the main section were used for the research of this paper. The constructs of the survey were formulated as statements to which the respondents referred by marking their answers on the Likert scale used as a measurement tool. Before commencing the proper research, the research tool had been piloted on the sample of N=6 enterprises.

As the correlations between participation levels in strategic management and strategy expansiveness were sought, the constructs of the survey were



divided into two sections, each of which referred to the one of the above-mentioned categories. In addition, the relationship between participation levels and strategy expansiveness versus the company's ability to create a competitive advantage was sought. An additional survey construct was used to examine this relationship (Table1).

Table 1  
Overview of the survey constructs as broken down into research areas

Research Areas		Survey Constructs
Participation levels in strategic management	Strategy creation	<ul style="list-style-type: none"> <li>- Most information used for strategy creation comes from the boss.</li> <li>- Top management (boss, board of directors) are the only authors of the strategy.</li> <li>- We involve employees in strategy creation.</li> <li>- Ideas of employees are taken into account when making key decisions at our company.</li> <li>- Involvement of employees in strategy creation substantially increases the quality at our company.</li> <li>- Strategy work is mainly done in the form of meetings, sessions and workshops.</li> </ul>
	Strategy implementation	<ul style="list-style-type: none"> <li>- It matters to us that all employees know our company's strategy.</li> <li>- All employees know the company's strategic goals.</li> <li>- All employees know what they should do for the company to achieve its strategic goals.</li> <li>- All employees accept the strategy.</li> <li>- Responsibility for strategy implementation rests with the Board of Directors/owner only.</li> <li>- Employees have the possibility of deciding how the strategy will be implemented.</li> </ul>
Strategy expansiveness	Innovativeness	<ul style="list-style-type: none"> <li>- We continuously look for new fields of activity (markets, products).</li> <li>- Our priority is to introduce products into new market segments.</li> <li>- We cooperate with partners from other industries to find new fields of activity.</li> </ul>
	Risk appetite	<ul style="list-style-type: none"> <li>- We avoid risky strategies.</li> </ul>
	Goal ambition	<ul style="list-style-type: none"> <li>- Dynamic growth is our strategic priority.</li> <li>- We would like to be the best in the world in what we do.</li> <li>- We strive to make our activity global.</li> </ul>
	Vision clarity	<ul style="list-style-type: none"> <li>- We have a clearly defined vision of the future at our company.</li> <li>- We subordinate strategic decisions at our company to missions/values.</li> <li>- I know where I would like our company to be in five or more years' time.</li> </ul>
Competitive advantage		<ul style="list-style-type: none"> <li>- We have a significant edge over the competition.</li> </ul>

Source: own work

To determine the level of employee participation in the strategic management process, both strategy creation and strategy implementation were examined, with a particular focus on issues such as employee

participation in information and idea gathering, their influence on strategic decisions, strategy authorship, employee knowledge of strategies and goals, strategy communication methods, strategy acceptance and responsibility for strategy implementation (cf. Table 1). There were twelve constructs in this section.

Strategy expansiveness, in turn, was defined in the survey by means of ten constructs regarding:

- innovativeness perceived as the willingness to search for new fields of activity, to introduce products into new market segments and to participate in inter-industry partnerships in order to find innovative solutions;
- risk appetite perceived as the willingness to make choices that are fraught with high uncertainty;
- ambition expressed in high aspirations and far-reaching courageous plans that go beyond today's possibilities; and
- vision clarity meaning clearness and transparency of aspirations and goals.

The latter of the constructs is related to the company's ability to create a competitive advantage.

### **3.2. Research Methodology and Results**

Out of the 23 survey constructs, twelve referred to employee participation in strategic management process, ten to strategy expansiveness (in four dimensions defined as innovativeness, risk appetite, goal ambition and vision clarity) and one to the company's ability to create a competitive advantage.

The first step in the analysis of the results was to calculate employee participation and strategy expansiveness coefficients for each company under examination. Also, the coefficients of innovativeness, risk appetite, goal ambition and vision clarity (dimensions of strategy expansiveness) were calculated. The coefficients were based on the arithmetic average of answers to the questions in each area.

Subsequently, correlation coefficients were calculated to test the hypotheses and determine the relationship between employee participation in the strategic management process and strategy expansiveness in all its dimensions and whether or not both these categories are associated with the company's ability to create a competitive advantage. The Kolomogorov–Smirnov test was used to find the right correlation test for verifying whether or not the variables follow a normal distribution. As a result, some variables

were assessed using Pearson's correlation coefficient (where the condition of normal data distribution was fulfilled), and some using Kendall's tau-b correlation coefficient.

Table 2

Pearson's coefficient of correlation between employee participation in the strategic management process and strategy expansiveness

	PARTICIPATION
STRATEGY EXPANSIVENESS	0.354**

*N* = 149

\*\* Significant correlation at 0.01 (dual)

Source: own work

Table 3

Kendall's tau-b coefficient of correlation between employee participation in the strategic management process and the elements of strategy expansiveness (innovativeness, risk appetite, goal ambition and vision clarity)

ELEMENTS OF STRATEGY EXPANSIVENESS	N	PARTICIPATION
Innovativeness	147	0.246**
Risk appetite	146	-0.014
Goal ambition	149	0.198**
Vision clarity	147	0.419**

\*\* Significant correlation at 0.01 (dual)

Source: own work

Table 4

Kendall's tau-b coefficient of correlation between (1) participation in the strategic management process and the company's ability to create a competitive advantage, and (2) strategy expansiveness and the company's ability to create a competitive advantage

	N	COMPETITIVE ADVANTAGE
PARTICIPATION	144	0.135*
STRATEGY EXPANSIVENESS	145	0.322**
Innovativeness	143	0.269**
Risk appetite	143	0.139*
Goal ambition	144	0.281**
Vision clarity	144	0.289**

\* Significant correlation at 0.05 (dual)

\*\* Significant correlation at 0.01 (dual)

Source: own work

The results obtained indicate the existence of significant positive correlations for the following variables (cf. Tables 2, 3 and 4):

- employee participation in the strategic management process and strategy expansiveness (H1) :  $r=0.354$
- employee participation in the strategic management process and strategy innovativeness (H2):  $r=0.246$
- employee participation in the strategic management process and goals ambition (H4):  $r=0.198$
- employee participation in the strategic management process and vision clarity (H5):  $r=0.419$
- employee participation in the strategic management process and the ability to create a competitive advantage(H6):  $r=0.135$
- strategy expansiveness and the ability to create a competitive advantage (H6):  $r=0.322$

The results indicate a lack of relationship between participation in strategic management and the riskiness of strategies (H3): $r=-0.014$ .

## DISCUSSION AND CONCLUSIONS

Assessments of the results proved that in the tested group of companies there is a significant positive correlation ( $r=0.354$ ) between employee participation in the strategic management process and strategy expansiveness. This means that bold and expansive strategies are created in companies that are managed in a participatory manner. The first hypothesis (H1) was verified positively. The correlation result differs significantly from zero, which makes it possible to reject the zero hypothesis that the variables are independent from each other.

Further analysis of the results indicated, however, that not all the dimensions of expansiveness correlate with participation. The research showed a positive correlation between participation levels in strategic management and strategy innovativeness ( $r=0.246$ ). Hence, the second hypothesis (H2) was verified positively. It should be noted here that the identified correlation, although statistically significant, is rather weak. Although drawing conclusions on the causality between these variables is not possible, it may be speculated that there are numerous factors which determine the strategy innovativeness, of which expanding the group of strategy creators may not have the dominant significance. No deeper conclusions in this respect can be drawn based on the research conducted.

This would require extended research into both manifestations of strategy innovativeness and their conditioning.

It was surprising to determine the relationship between employee participation levels and the willingness to create risky strategies. Contrary to the assumed hypothesis (**H3**), no significant correlation between these variables was observed ( $r=-0.014$ ). This means that, despite expectations, participation does not contribute to a reduction of the company's risk appetite. The willingness to take risky actions is not correlated with the level of participation in strategy making or implementing. However, identifying the factors that influence risk levels in strategic decisions exceeds the framework of the research conducted.

In the companies under examination there is a significant, weak correlation between employee participation in the strategic management process and the ambition of strategic goals ( $r=0.198$ ). As shown by the research, companies that include a wide group of persons in strategic management have a certain ability to create ambitious strategic goals. In this case, the predefined hypothesis (**H4**) was verified positively. It may be speculated that in the inclusive participatory culture people feel freer to express their aspirations and ambitions.

The strongest, statistically significant, positive correlation can be seen between employee participation and vision clarity. The correlation ratio is  $r=0.419$  here. The observed correlation contradicts the predefined hypothesis (**H5**) that increasing the number of strategic management participants does not promote the formulation of the company's visions. When interpreting the above-mentioned regularity, it can be assumed that this may be the result of strong strategic leadership that does not collide with teamwork over strategy creation and the involvement of a larger group of persons in strategy implementation. It can be assumed that increases in the participation of employees in strategic management are accompanied by a visionary leader's setting out of a creativity framework, without which there is no way of reaching clear-cut development concepts. The said justifications stressing the role of a visionary leader who moderates the participation process are hypothetical and have to be verified by means of further research.

With the results obtained, the sixth hypothesis (**H6**) could also be verified positively. Both the participation of employees in strategic management and strategy expansiveness show a statistically significant correlation with the company's ability to create a competitive advantage. The correlation coefficients obtained are  $r=0.135$  and  $r=0.322$ , respectively. The correlation between participation and a competitive advantage is positive, although

weak. Companies with a participative model of management are slightly more efficient in creating a competitive advantage than others.

The correlation of strategy expansiveness with a competitive advantage is significant, however. This means that innovativeness, goal courage, riskiness and vision clarity are largely associated with the company's ability to gain a competitive advantage on the market.

The most important finding of the research seems to be the determination of a significant positive correlation between employee participation in the strategic management process and the level of strategy expansiveness. This means that, regardless of individual partial correlations, **increased levels of employee participation in strategic management accompany the creation of more expansive strategies**. Neither participation nor inclusive or consultative management contradicts the ability to take bold and clear-cut strategic decisions. It may be speculated that a participatory style of strategic management is rooted in the organizational culture of trust, empowerment and respect for people. Such a culture may be a moderator releasing the resources of employee creativity, innovativeness, entrepreneurship and drive, which are so useful in creating bold and successful strategies. What is more, both increases in participation levels and strategy expansiveness involve the company's growing ability to create a competitive advantage. The research confirmed that both employee participation in strategic management and expansiveness of strategy are economically viable, and can be implemented as a successful response to the current pressures experienced by businesses. More employee participation and bolder strategies also mean a more competitive advantage.

Further research should be aimed at determining the direction of causality between all the studied variables. Is it true that increased levels of participation in strategic management result in more expansive strategies? Or maybe, due to their reputation and market success, companies that use ambitious, expansive strategies attract active employees who are willing to be involved in strategic management? These questions go beyond the framework of the present study and will be the subject of further research.

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