Innovation, strategy and identity: a case study from the food industry

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Abstract

Purpose – Current research focus on the interaction between innovation and strategy process, but less is known about how identity influences innovation and the formation of strategy. The purpose of this paper is therefore to investigate the relationship between organizational identities and innovation with regards to strategy.

Design/methodology/approach – The paper is based upon the current research stream on innovation and strategy process. The study is based on a longitudinal case study of strategy and innovation processes in a small Norwegian food producer. Through analyzing two different innovation and product development processes in a Norwegian food producer, one related to creative recombination and the other to reproduction of established practice, we illustrate how organizational identities influence sensemaking during strategy processes, and thus the inclusion of innovation in the strategy.

Findings - Identity can be used as an explanation for why some actions are deemed to be strategic while others are not, hence enforcing or limiting innovation. We find that identity needs to be considered both as a 'soft' and a 'hard' concept in the process; providing stability while at the same time being up for re-negotiation. By understanding strategizing and innovating as situated and heterogeneous processes, we identify how identity becomes a stabilizer and an organizer during emergent strategy processes, and reveal tensions between creative recombination and conservative reproduction.

Orginality/ value – This paper provides a richer understanding of innovation and strategy formation by suggesting that construction of organizational identity is central to the strategy process.

Key words - innovation, identity, strategy , process, practice, actor network theory, food industry

Paper type – Research paper

1. Introduction

The purpose of this paper is to investigate the relationship between organizational identities and the formation of innovation strategy. Through analyzing two innovation and new product development processes in a Norwegian food producer, one related to creative recombination and the other to reproduction of established practice, we illustrate how organizational identities influence sensemaking during strategy processes. Innovation is the engine for corporate development. Either from intensive competitive rivalry (Porter, 1980) or from technology shifts, (Schumpeter and Clemence, 1951) there is a need for business enterprises to stay ahead of its competitors. New products, new services, or new business models secure competitiveness, as organizations need to offer better value to customers, stakeholders or society. Choosing new directions, in terms of innovation and product development, mobilize reflections about what the corporation is and who it is for. In this study we seek to analyze and explain underlying reasons for new strategic directions, and particularly how they are rooted in the construction of organizational identity. We argue that identity plays a central role in relating innovation to the strategy process, by influencing the degree of openness and acceptance of innovations. We have structured this paper in the following manner: The first section will deal with innovation and strategy, and the second section will deal with identity. We will then present and analyze two cases on innovation and product development in the food industry, before we conclude.

2. Innovation and strategy

There are numerous studies on how the management of innovation is related to corporate strategy. Chandler (1962) analyzed how corporations could develop new products and new markets, as well as expand geographically, using a diversified structure. In the

strategy literature there has been a stream of research with a focus on strategic renewal and various aspects of strategy process (Chakravarthy and Doz, 1992). Bower (1970) analyzed the resource allocation process, discovering how the top management provided strategic direction, and how different levels in the organization interacted through different phases in development projects. Building on Bower, Burgelman (1980; 1983) studied the relationship between innovation and strategy and found that it often is the lower levels in the organization that shape the actions, which retrospectively are made sense of as strategy by the management over time. Burgelman and Sayles (1986) described how the innovations deeply rooted in R&D departments and backed by middle management were driving strategy rather than top management. Ellonen, Blomquist and Puumalainen (2008) found that trust, both organizational (e.g. to the management) and institutional (e.g. to the organizational system, such as HR practices, etc.) had positive influence on organizational innovativeness. Bröring and Herzog (2008) argue that certain dynamic organizational set-ups could improve the handling of ambidexterity in innovation, and Kreiner and Schultz (1993) studied informal R&D collaboration in informal networks and observed how collaboration outside the corporation was central to innovation. Van de Ven (1986) argues that the management of innovation is not only about producing new ideas, but also about resource allocation and strategic leadership. Burgelman and Grove (1996) analyzed strategic dissonance and inflection points in terms of how a firm adopted new technology and started to deviate from the existing formal strategy. Normann (2001) focused on how innovations in different forms were important for reframing business models, while Preshantham (2008) analyzed new ventures and strategic renewal with regards to internationalization. In sum, this suggests that the interpretation of strategy by different groups in the organization may have significant impact on innovation. Hence, organizational and group identities within the organization – the basis for interpretation and sensemaking – should be included in the analysis of innovation.

Several of these studies have focused on the structural context of innovation and strategy formation but few studies have focused on how innovation and strategy are related to organizational identity.

3. Innovation and Organizational identity

Innovation processes tend to open up controversies and reveal what is normally taken for granted (Mørk, Hoholm and Aanestad, 2006), thus being well suited for investigating the relationship between innovation strategy and identity. The inherent uncertainty and ambiguity of innovation processes is a fundamental challenge to innovation management, where identities often are destabilized and renegotiated. The shaping of innovation strategy may be characterized by 'tribal warfare' (Pavitt, 2005 p. 107) between different professional groups in the organization. Moreover, Van de Ven, *et al.* (1999 p. 126) argue that identity is linked to innovation also in the case of interorganizational cooperation, as "how parties construct self identities relative to their standings with others determines their dispositions to work together or alone and for self- or mutual gains". They describe such negotiations with partners as 'sense making' (Weick, 1995), deriving from "the need within individuals to have both a sense of self-identity relative to others and to construct a common external factual order" (Van de Ven *et al.*, 1999 p. 131).

From Albert and Whetten's (1985) classical definition one has typically come to see identity as "core, distinctive, and enduring". However, Gioia, *et al.* (2000 p. 75) argue that this has imposed "limits on our ability to explore the concept's richness and dynamism", especially under conditions of change. Therefore, they encourage the exploration of identity as changeable and dynamic (Gioia, *et al.*, 2000 p. 76). This is supported by Albert, Ashforth and Dutton (2000 p. 14), arguing that while "identity and identification explain one means by

which individuals act on behalf of the group or the organization", in our times "identity moorings are planted in shifting sand". Haslam, *et al.* (2003) have critiqued Gioia, *et al.* (2000; 2002) for isolating identity on a metaphorical level, suggesting that the concept of identity should also include 'social facts of organizing' (Haslam, *et al.*, 2003 p. 357), and thereby "be used to enhance understanding of organizational processes" (Haslam *et al.*, 2003 p. 365). Corley (2004) investigated how organizational identity is shaped either by strategy or culture and found hierarchical differences. He argued that top-management saw identity to be adapted to the strategy, but the lower levels saw identity as more stable and related to organizational culture, such as values and beliefs. This discrepancy between levels was a source of resistance from lower levels against top management's push for 'constant change'. Such identity differentiation needs not only be between hierarchical levels, but also between professional groups, projects or departments etc. We would also like to suggest that the relationship between identity and innovation strategy should be analyzed in mutual terms, to see whether and how identities and strategies are co-creating and/or restrict each other.
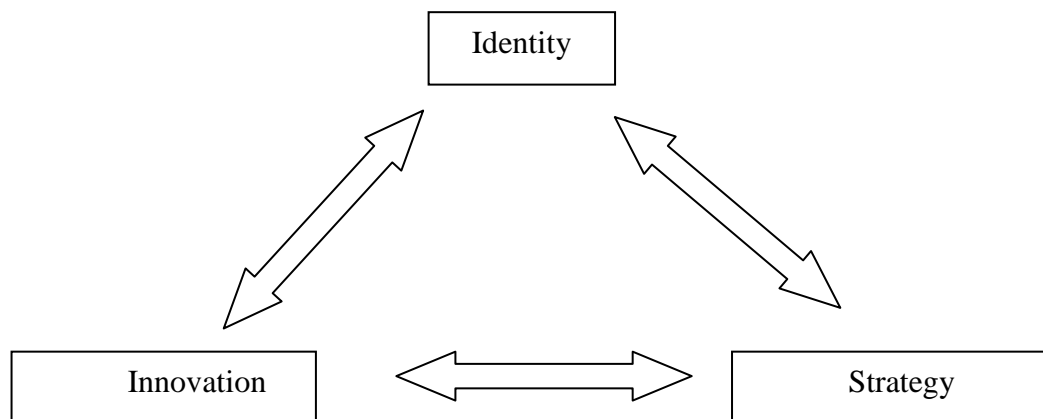

Figure 1: The three theoretical concepts in this study.

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The relationship between identity, innovation and strategy can be investigated by looking at how strategic search- and decision processes take place in organizations (March and Simon, 1958; March and Olsen, 1976). Albert *et al.* (2000 p. 13) argue that "a sense of identity serves as a rudder for navigating difficult waters". During information search and decision making identity will often guide actions in the situation as the identity creates demarcations for appropriateness in particular situations. Individuals may associate with or adopt several identities in an organization and they draw reference to different concepts of identities, for example related to various levels or social groups, to start their sensemaking processes (Weick, 1995) in recognizing something, e.g. innovations or creative ideas, as strategic. Seligman (2006) has argued that sensemaking is an appropriate analytic framework for understanding innovation decisions, alternative to Rogers' model of innovation adoption. What is deemed to be strategic is not exogenously given, but endogenously emerging as individuals are creating meaning in their everyday lives of their local practices. Similarly, Salmador and Bueno (2007) relate knowledge creation and strategy formation. Via building shared experience and reflecting on action (sensemaking), tacit knowledge in the form of mental models and technical skills takes form. Identity is connected to strategy in the process of creating consensus on strategic issues. While agreeing with this, we find that identity seems to be depicted as too flexible in these studies. We argue that it takes hard work to change people's conceptions of individual and organizational identity, but neither will full consensus and stability be possible to achieve. There will always be several identities in play, creating friction and controversy. Hence, identities work both to enable and to restrict innovation during strategy formation.

We believe it is important to create new understanding by looking into how identity influences innovation, and how this is linked to strategy. Identity in an organization forms the

basis of how they regard the appropriateness of potential future actions. We suggest that individuals and groups will form their individual and organizational identities in interaction over time and thereby develop ideas about what kind of strategies could be relevant. Individuals form their sensemaking (Weick, 1995) and their ideas on what is legitimate in various situations based on their identities. To analyze the relationship between identity, innovation and strategy while keeping the concepts open to mutual influence, we suggest that a relational and practice oriented perspective, such as actor-network theory (Latour, 1987; Mørk *et al.*, 2006; Hoholm, 2009), provide a consistent framework for the task, and this is what we will turn to now.

4. Identity - enabling and constraining action

Identity – as a social concept – thus needs to be explained as a relational process and we draw on the writings of Michael (1996) and Callon (1986) to conceptualize this aspect. While Callon has been central in developing the actor-network theory (ANT), Michael (1996) has applied ANT to the study of identity. In this perspective, individuals and groups get their identity as an effect of their position in sets of relations and interactions, making identity and other social phenomena a matter of negotiation between heterogenous actors and elements. Harrisson and Laberge (2002) use Callon's (1986) framework in a study of innovation, showing how the attempt at imposing particular identities led to workers' resistance. Hence, there was a need for mutual negotiation of how identities could be (re-)aligned in order to realize the innovation. To understand how this happens, we need to stress both the enabling and the constraining side of how innovation and identity are related. Enabling, because identity is not only about putting constraints on actors' identities, as in the post-Marxist theories e.g. of Lukes (1974), but as much about the ongoing and productive construction of identity (Michael, 1996 p. 61). This means that the actors themselves participate and have influence in the process of identity construction. And identity is constraining, because identity

is a product also of the actor's or group's network. Michael (1996) talks about how aspects of pre-existing identities are drawn upon in the construction of identity; how persons and groups will try and stress those aspects that fit with their strategies, and try to delete or suppress other aspects. Hence, it is an interesting point of critical research to look at "the ways that the adoption of particular identities or roles serves the goals of others" (Michael, 1996 p. 51). There is a link between identity, innovation and strategy, and the tools and techniques of which these effects are achieved can be described as negotiation: "The definition and distribution of roles are a result of multilateral negotiations during which the identity of the actors are determined and tested" (Callon, 1986 p. 214).

We are not arguing that adoption of an identity offered by others (e.g. organizational management) is necessarily negative. Indeed, for participants to take on 'new' identities there often needs to be something in it for them as well, or else they are likely to resist. Development of identity may therefore well enable participation in organizational practices; a legitimate position is offered providing a space to (inter-)act. Thus, the development, or construction, of identity is a creative and relational process, in which the identity characteristics also will influence the rest of the community. Moreover, identity is never 'purely' social, and its embedding into material and social relations sometimes serves to make it relatively stable, even irreversible. Some materials last better than others and some materials travel better than others, hence the potential influence of identities vary (Law, 1994 p. 102).

Another aspect, also identified by Michael (1996), is the study of how people, being members of several communities, use resources such as identities and strategies from one group to problematize another. Sometimes actors move between identities. In some situations there are

discontinuities between identities, which may lead to conflicts, while in other situations identities can be mobilized to create support. This is interesting with regard to the shaping of innovation strategy. To take on an identity is in a way to 'perform' in line with, or in opposition to certain strategies. According to Callon (1986), for collective identities to take hold, they have to invent a geography of 'narrative bottlenecks' through which actors must pass in order to articulate their identity. The interplay between innovation and strategy provide particularly good examples of this, as they tend to create tensions both within and between actors and groups, e.g. between the 'innovative' and the 'conservative'. Individuals, groups and organizations are all members in multiple networks and communities, performing different identities that are sometimes related to different strategies, or different interpretations of strategy. Sometimes the identity will be challenged, although this will often be seen as threatening and thus, if possible, avoided.

Similarly, Gherardi and Nicolini (2002, p. 421) describe how the shaping of identity is based on a dual process of positioning and belonging. This double-sided process of identity construction (based on *dissonance*) and positioning (based on *consonance*) is crucial for understanding how the interaction between identities and strategies might be understood as mutual influence, as processes of negotiations, reinterpretations and reformulations. It seems also critical for understanding how and why some actors will embrace creative solutions while others will resist novelty: As the very source of innovation and creativity is found in dissonance, its introduction is likely to destabilize consensus.

5. Research methodology

Our purpose is to study the relationship between innovation and organizational identities with regards to strategy, by including both identity and strategy formation as aspects of everyday social practice. We argue that strategy and innovation processes are ongoing and not only something planned and forced upon organizations. In this study we subscribe to a process view in which the "meaning of change takes an event-driven approach that is often associated with a 'process theory' explanation of the temporal order and sequence, in which change events occur based on story or historical narrative" (Van de Ven and Poole, 2005 p. 1381). This view is also in line with actor-network theory, and its preference for 'following the actors' (Latour, 1987; Hoholm, 2009) as the process unfolds in practice. The process approach can be seen as an opposition to the variance approach in studying change. Typically, the variance approach creates explanations about causality between x, y and z. In this article we apply a process orientation by using narratives in order to come closer to the individual's everyday practice.

In order to study the relationship between innovation and organizational identities with regards to strategy, a longitudinal study (Pettigrew, 1990; 1992; Van de Ven, 1992) of Fjordland, a company producing and distributing various food products, was designed. The study was undertaken as a participant observation study in order to provide access to the deeper social structures in the organization (Denzin, 1989), designed to come closer and nearer the small fine grained actions in everyday life that form emergence in the strategy process (Strønen, 2002). The major part of the study took four and a half consecutive months of daily observations. In an additional period a year later, the focus was on bringing clarity to some of the major issues that had been previously observed. Building long lasting and trusting relationships in the field has been essential when capturing the nature of the strategy

formation process and the organization. Data were collected through observations, interviews and from archival sources. Approximately 10 open ended 1-3 hour interviews were conducted with management, employees, board members and external partners. Data collection was centered on the research question, as well as inspired by theory in the area. An interview guide was developed with a focus on the organizing process as well as the strategy process. A double diary was applied when this study was conducted. This was done to capture both the facts and interpretations of various processes, individual opinions and sensemaking of what appeared as strategy processes. Observations were carried out in the natural context of meetings and daily operations. During the process, data were collected from participation in different kinds of meetings both internally and externally. Data quality was checked with key informants, through discussions, presentations and reading of the written material. In terms of generalization, the two stories in this article are built upon the logic of literal replication (Van de Ven and Poole, 2005 p. 1385) or theoretical generalization, and not statistical (Burawoy, *et al.,* 1991). Therefore, a narrative orientation was chosen in order to gain an understanding of innovation, identity and strategy in practice.

6. Two field stories of strategy formation

6.1 A Presentation of the empirical field: Fjordland AS

In the beginning of the 1990s the President of Tine Norwegian Dairies, Mr. Hatling took the initiative to establish Fjordland as an active vehicle for product development and brand building. Trends indicated that consumers wanted more ready-made food, and the population of one-person households was increasing. Looking toward the continental European market, the U.K. market and the American market for convenience food, it was clear to the management of Tine Norwegian Dairies that there was a need to create products

which provided a finished meal ready to serve. One of the board members noted in the beginning of the 1990s:

We (the board members and Fjordland) developed a strategic plan. The plan stated that we would focus on three areas. We would be a product developer in a network; we would be a market-oriented organization, and a sales organization with a high quality profile. Further, we said something about what our strengths would be, such as market coverage, and noted some goals related to market shares. But this plan is very ambitious as everything is new and not yet tested out.

To create this kind of convenience food, it would be necessary to use ingredients from all the different farmer cooperatives in Norway. Another factor was the competence possessed by these cooperatives in handling their own products and product development. Still in 1993, Norwegian Dairies had 100% ownership of Fjordland and its board of directors came from Norwegian Dairies. The need for competence was one of the major motivations for creating closer ties to the other Norwegian farmer cooperatives through Fjordland. Fjordland expanded its number of shareholders by a direct share placement to selected Norwegian farmer cooperatives, increasing the number of different owners from one to five: Tine Norwegian Dairies, Norwegian Meat, Norwegian Potato Industries, Gartnerhallen (the cooperative of vegetable producers), Prior (the cooperative of egg and poultry producers). The purpose of Fjordland is to create innovations through its R&D effort and build brands in the Norwegian market for ready-to-eat food on the one hand and innovation and production on the other. Innovation is organized in product development projects, and the brand managers supervise the production part of the organization.

In the following two sections we will describe two different examples of how strategies are formed in interaction with different identities. The first example focuses on innovation through creative recombination of resources. The other example focuses on license production of an established product brand portfolio from France. Both examples bring up negotiations of

identity based on different views on strategy and innovation. Our point of departure is to focus on how identities are negotiated in various practices (Lave and Wenger, 1991; Wenger, 1998) when it comes to formation of innovation and strategy. By understanding the relationship between identities and innovation, and by contrasting two different cases within the same company, we hope to contribute insight on how this relationship affects strategy formation.

Fjordland is involved in projects with the owner organizations. Cooperation is built on mutual interest from both owners and Fjordland. In the product development projects, they will often share the risk. Fjordland will take the market risk, and the owner company will take the production risk. In this case the market risk is the cost of marketing research, campaigns etc. that could be lost if the product fails in the market. The production risk will be investments in machinery, personnel training, etc. A food researcher working with product development said,

"In Fjordland, the owners are sometimes our partners in the different projects, but not always. For example, this is not the case in the project I am now undertaking. We have not been obliged to work together with our owners in the development phase. We can independently choose partners. I have, for example, Gastronomic Institute, Norconserv, and Matforsk involved in this particular project. It is only one of the owners who can possibly be involved, and no more. The rest happens with other participants from the industry."

In choice of partners, Fjordland is caught between the cooperative owners as they need to sell raw material, and Fjordlands need for profitability. The optimization for the owners is directed towards maximizing their input price, in terms of the prices of their raw material. Thus, in the owners view, they wanted to increase the levels of their production. On the other hand, Fjordland wanted to create profits for their owners, not only paying as much as possible for their input material. This was an underlying conflict. The other dimension of conflict was

the innovation and product development dilemma. Fjordland wanted to create innovations to support its own future. This was carried out by developing in-house competence and balancing risk in their portfolio by taking on products from external partners with products already successful in other existing markets, see figure 2 below:
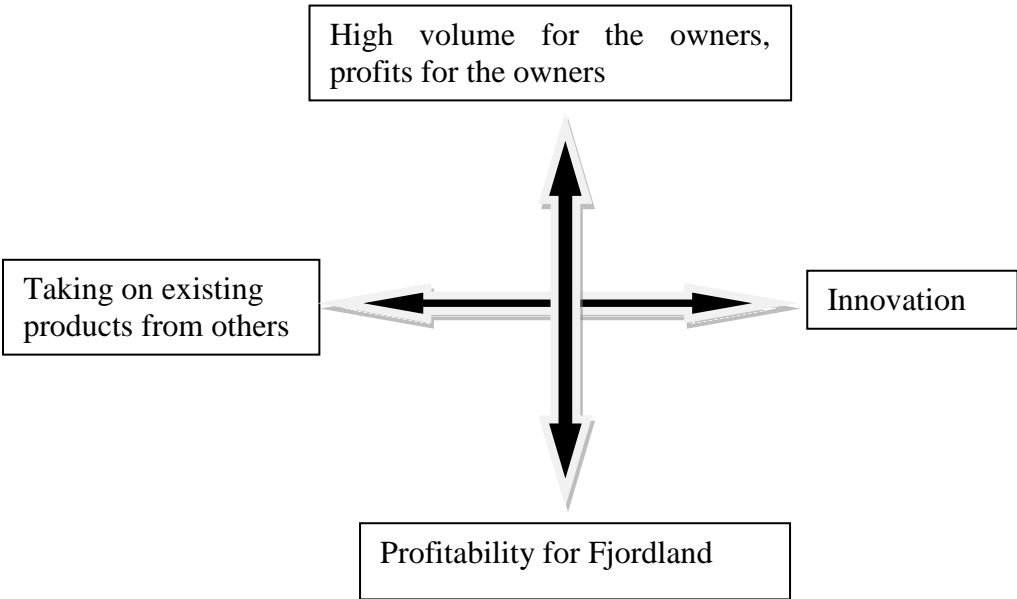

Figure 2: Fjordlands to different dilemmas, innovation vs. taking on products from others, and high volumes for the owners vs. profitability for Fjordland.

However, there were several different opinions on what was the strategic core of Fjordland, and the CEO said,

Product development is the strategic core at Fjordland. It is the most important. In the beginning I wondered if we should be better in sales, but that was not going to last in the long run. In the beginning we did not think especially about product development. But that has emerged on the agenda after some time. Today, product development is the core of our strategy.

At a later point in time, it occurred to the CEO that not only product development competence as such was crucial, but also food competence. This became clear after the two professional chefs started working for Fjordland. The CEO continued:

We have combined a lot when it comes to market and product development. When we started, my idea was that we were going to have much more product development. But I have understood that we are involved much more in our fifth core competence, "Food competence," without having

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understood the importance of this. This has evolved by itself." The term "food competence" was later altered to "kitchen competence," which reflected the particular area better.

In the following, we will discuss two different cases of innovation and product development issues that are linked to Fjordlands strategy, to illustrate how indentity influence the various innovation and product development choices.

6.2 Jelly – identity as an effect of heterogeneous relations

This example shows how Fjordland was discussing how they could expand their series of dessert products, called 'KOS'. Desserts were absolutely not a part of the traditional product portfolio of Tine. Thus, when launching the first products, it triggered resistance among those who wanted to maintain Tine's active branding associations related to health and also to the national romantic picture of the 'natural milk'. On the other hand some people did not see this as a problem, but rather as an interesting combination of innovative attitude and optimizing the use of production facilities. One option was to introduce a new Jelly product. The Food Technologist argued positively for the new Jelly product:

> We, myself and one of the Product Managers, have created a new strategy for KOS. This was done highly informally. Now it is time to follow up. What we have found out is that we need something that can give higher volumes. We want to launch a new mousse or Jelly product, which we have planned. One of the brand managers and I have a lot of faith in this.

This is an example of what we could call objectification of strategy, making it an 'object' or entity, representing their ideas and interests, as well as creating commitment. The new idea is articulated in the strong language of strategy. Through its articulation, it becomes a collective object for interaction and sensemaking. The Food Technologist also revealed some of his rationale for creating, or legitimizing, this new and innovative product idea; they needed something giving higher production volumes. Having a closer look at their relations to certain production facilities, we can better understand why:

> It is important that the production machinery at Hedmark Tørrmelk, in Brummundal, is fit for a large production series. If we look at the chocolate mousse that is produced at Hedmark Tørrmelk, it is too small a series to generate any profit. So, to conclude, at Hedmark Tørrmelk we have to produce large series with few variations. What we should try to do is to produce some kind of jelly or almond pudding. We need something we can generate money from. (The Food Technologist)

Here we see how the emergence of a new product idea was influenced by a highly heterogeneous constellation of buildings, machines, economic/industrial knowledge, combined with developing the existing product concept. The Food Technologist identified himself both with his profession as technologist/product developer and with the production facilities in Brumundal that needed new products with potential for high volumes. From our field observations, we saw how identities related to being owned by a farmers cooperative and to being a market oriented company was strongly present in other places in the organization, which were not present here at all. While Fjordland's original purpose was to utilize the raw materials of its owners, Jelly would not support this idea. Jelly was based on sugar and artificial additives, and not using any ingredients from the owners. Production facilities are results of heavy investments over time and thus represent both a set of opportunities and demands. According to economic and technological logics, their capacities should be exploited, and these facilities, "fit for a large production series", go well together with the mainstream industrial and economic logic, "economy of scale". In this story, the impact of some relatively durable, or 'heavy', elements was considerable, both restricting and enabling development of identity, innovation and strategy. Machines and buildings can be explained as 'heavy' in several ways. The economic investments behind them are often significant, and will often not legitimize going on without them. The culturally and historically embedded practices they are a part of, shaping the identities of practitioners, include them as a necessary part of what the local organization is, and is supposed to do (Håkansson and Waluszewski, 2001). To expand the product concept through seeking new combinations of existing opportunities and technologies is not 'free choice', but neither is it given. It is a matter of

creativity, evaluation, and negotiation – all contingent on the participants' identities. While economic and technological aspects push for exploiting resources, in this case identification with the owners (milk farmers) and with the associations of the brand (health, nutrition, national romanticism) threatened the emerging strategy.

Fjordland's strategy plan cannot in itself provide a detailed answer to what types of new products the strategy would legitimize. It is indeed a central artifact but not the only one. Still, with regard to the strategy document, there are some interesting points: First, the various parts of the strategy document had been developed by people from different parts of the organization in a participatory process, and they have, so to speak, 'inscribed' their identities and interests into the document. Several identities have been combined, merged or are living side by side as loosely coupled (Albert and Whetten, 1985), and are results of ongoing discussions and negotiations. The goal of a strategy document is to become what Callon (1986) calls an "obligatory point of passage", through which all new initiatives has to be formulated and evaluated. However, there are competing ideas of what would be legitimate within the existing strategy document.

The strategy plan would obviously legitimize products similar in nature to those currently being produced. Ranges of products were also described in detail in Fjordland's strategy document. However, some desserts, like chocolate and jelly, were considered more controversial by Fjordland's majority owner, Tine, due to Tine's historical and symbolic identity related to health and nutrition, nature and tradition. By identifying such products not with Tine, but with Fjordland, these associations of a certain identity could, according to some of the actors, be avoided, opening up for new strategies. Others did not support this reasoning and wanted to delimit the strategy from those kinds of innovation. Michael (1996) argues that when contradicting identities collide, they will be challenged, and possibly destroyed or

changed. In this case, this was sought to be avoided by separating them into different companies. While not completely silencing the opponents, Fjordland turned out to become a great commercial success, including the KOS concept of desserts and other innovative concepts outside of Tine's core business. In accordance with Gherardi and Nicolini (2002), we could argue that in innovation and product development work, it is important to find a balance between belonging (keeping relatively close to what already exists) and positioning (finding one's own position, developing something new or different).

Jelly did not fall into the categories of products described in the strategic plan. The strategy document described products already on the market or worked on by product developers, hence restricting creative development of new products. Thus, the idea of a new jelly product was therefore up for negotiation. In developing the idea of having desserts at all in Fjordland, they managed to get accept for a few chocolate based products, but other dessert products had not been produced outside this category. Hence, Jelly could not be legitimized by Fjordland's existing strategy. Not finding legitimacy for the product in the dominant readings of the strategy, the product developers who came up with the Jelly product instead tried to argue that this particular product development idea represented a new strategy. In the negotiations, distinctions of legitimization were made with reference to substances in the product, production methods and product development approaches. While a series of other dessert products could be connected to dominant identities because they used raw materials from the owners and because they were considered less controversial in terms of nutrition and branding associations, Jelly met resistance, and alternative arguments (a new strategy) had to be mobilized to get acceptance for it. What seems clear in this story is that identity stabilizes and thereby organizes the strategy process, hampering some innovative ideas and enabling others.

6.3 Yoplait – conflict between innovation and distribution based views of organizational identity.

This story is about how local belonging shapes the view of what the distinctive and enduring characteristics of the organization should be. It is also about how the process of strategy formation makes conflicting views about the organizational identities visible (Albert and Whetten, 1985) and it creates a more conscious understanding of the ideographic multiple identities of the organization.

Yoplait is a French yoghurt brand, and the following discussions are about whether Fjordland should take on this foreign brand and distribute it in Norway. The actors in our Yoplait example are the professional Chef, who was strongly against this move towards becoming a distributor and advocated that this distributor role was against Fjordland's innovation focused organization identity. The second actor is the director of logistics, who wished to push the Yoplait product into the market and saw no harm in being just a distributor. The final actor is the CEO who believed in making money even if this meant acting as a distributor, moving away from the innovation focused identity.

The Chef argued that engaging Fjordland in mass distribution of a foreign brand like Yoplait had little to do with innovation and brand development. In his opinion, this was in strong opposition to Fjordland's strategy and business policy. The Chef claimed that the founding idea behind Fjordland was to create innovations, not to function as a distributor. In his view, innovation was an essential driving force for Fjordland's development, and the development factor had to be the hallmark of Fjordland's market impact.

In addition to this opinion voiced by the Chef, there were also other interpretations of the strategy presented by people working with product development. The Director of Logistics,

however, thought that having Yoplait in Fjordland's product portfolio was a good idea, due to the profit potential.

The CEO explained,

> Yoplait was one of the main ideas that Fjordland was associated with several years ago. Three years ago there had been a discussion with Tine Norwegian Dairies about adding the Yoplait brand to Fjordland's portfolio.

Therefore, this issue was not new to him, but to some of the others this was interpreted as a new strategic direction:

> I (the CEO) think Yoplait and some of the chicken products that are most like a ready-to-eat meal would fit well into Fjordland's product portfolio. The change in the strategy, that was not as it was supposed to be, was the introduction of Yoplait (a French yogurt, currently produced by Tine) and honey in small boxes. Now, it was too early to say if we are going to have these two products in our portfolio, as they were only ideas.

The Chef's opinion;

> This was a step towards being a distributor, or a grocer handling all different kinds of products. The new ideas often came from the CEO, as he had very good contacts in other firms. The difference between the strategy that had been followed earlier on, and the discussion about introducing these two new products, and especially Yoplait was a move from being innovative towards being more traditional.

First, the Chef made sense of Yoplait in terms of how it could represent a new strategy. Second, it was discussed how taking on the Yoplait product portfolio would be legitimized by Fjordland's strategy. Fjordland's strategy appeared as an actor in itself, as it was made sense of according to the identities available.

Obviously, there was tension between the dual identities as espoused by representatives from different communities (Albert and Whetten, 1985). The Chef acted as a spokesman for the product development employees in Fjordland and together they belonged to a professional group interested in developing innovative solutions and creating new products. Taking on a distributor role would not be interesting, although the costs for exploration are much higher than focusing on exploitation (March, 1994). But the Chef had only worked for Fjordland for

a short period of time before he made his interpretation of Fjordland's identity and strategy. With reference to Gherardi and Nicolini (2002), we can argue that the Chef identified with Fjordland as "The Innovation Company" – and not with Fjordland as "The Distributor Company". Thus, he clearly created his belonging in this line of reasoning. The logistics director's main interest was to increase the flow of products, and optimize productivity. The distributor role gives the promise of large-scale logistics. The chef, however, could not identify himself with being a distributor.

Even though the CEO was an advocate for innovation, he realized that Fjordland had taken on several products from the owners in the past. For him this was not a discussion of losing identity or changing identity. For him it was a matter of balancing the multiple views and making a strategic decision from which the organization could benefit. This opened up to new demands when Fjordland not only had to relate to innovation identity demands, but also to distributor identity demands. Even though the CEO treated this strategy formation as a practical issue it was the beginning of a more explicit dual organization identity that embodied conflicts (Michael, 1996) and imposed conflicting demands on the organizational members.

One important factor for making sense of Yoplait as a new strategy could be socialization (Weick, 1995 p. 38). The Chef had only worked for Fjordland for a short period of time before he argued that Fjordland was not a distributor in terms of the firm's identity. It could also be because of his professional identity – a chef is of course more interested in innovative new solutions rather than exploiting a logistics system. Thus, the Chef acted as a spokesman for the product development employees.

In sum, these two examples of strategy processes show that there are actors making sense of strategy in various practices based on their identities. Identity is a stabilizer and a major premise for the individual's interpretation and observations, sometimes favouring

innovation while other times favouring conservative reproduction of established practice. In both cases, we observe how identities associated with products and resources compete with identities associated with market exploitation in the shaping of strategy. Thus, identity stabilizes and organizes the strategy process visualized in this story.

7. Discussion

These two examples show how both new product development and taking on an existing product may challenge the existing view on what the members construct as the firm's identity. In line with Michael's argument that colliding identities may threaten social order, the Jelly product challenged the identity of the owners, and this is how Jelly had to be made a strategy on its own; decouple it from the dominant readings of the strategy plan, and mobilize and legitimize other identities to shape innovation strategy. New products, whether innovations or established products in other markets, were considered strategic or non-strategic related to the identities of professions (product developers, chefs, marketers, management), of owners (farmers' cooperative), of consumers (brand associations) and of industrial production (production facilities). By looking at the product ingredients and their connotations, the product was viewed by the different groups as completely different.

In the Yoplait example too, the view on the firm's identity was challenged by some of the influential members in the firm. Some of the Chefs who worked with innovation and product development regarded taking on Yoplait as a threat to their identity. Going from being an innovative company, to be a producer and distributor of products developed by other firms was threathening their identity. In this instance, those with a more market oriented view of the firm, and with a somewhat loose identification with their owners, won the discussion by

mobilizing arguments, and thus alliances (Callon, 1986), related to profits, exploiting production and logistics resources, and (preventing) competition.

7.1   *Identity as negotiated*

In both stories, we found identities to be continuously negotiated. In accordance with Gherardi and Nicolini (2002), we found that actors associated themselves with some products or lines of development while distancing themselves from other paths of development. It is possible to see how these small steps of interaction create and follow various paths (Garud and Karnøe, 2001). The interaction between identities constructed in this web of meanings between the actors (Latour, 1987) was significant in the shaping of strategy and its degree of innovativeness. In other words, strategy is formed via sensemaking based on various identities, crossing different levels, groups, and arenas in the organization (Lave and Wenger, 1991; Wenger, 1998).

From the insight in these two cases, identity could be conceptualized as both a 'hard' and a 'soft' concept. Identity is hard, as it represents history and is embedded and stabilized both by material and social relations (physical facilities, technologies, work practices, economic interests, etc). It materializes in various situations, being something the actors really believe in and guiding interpretation and action in various specific everyday situations. But identity is also a soft concept, as identities are continuously fluctuating and under negotiation, thus never fully stable. Identities, as well as the balance between multiple identities, change between situations, between individuals and groups, and between professions. What we can see is how the same persons in these two stories relate to different identities, and thereby draw on various interpretations and negotiations of what the strategy is, depending on each specific context and situation.

There is almost indefinite potential for variations and combinations in how actors create arguments with reference to various identities. It seems paradoxical (Poole and Van de Ven, 1989) for us to argue that identity is the premise for innovation strategy, when we, at the same time, argue that identity is situated and in constant flux within and between several communities (Wenger, 1998). The unstable identity can, so to speak, make the premise for the more stable concept of strategy. Because identities are mostly tacit and rarely conceptualized by the actors, strategies become stabilized into material processes and objects, like plans, products, innovation projects, etc. However, when following the organization over a longer period of time, there would be elements of identities showing more endurance than what is shown in the Jelly and the Yoplait example. Relatively small changes in Fjordland's network might enforce rapid changes in the organization's view on innovation.

The interplay between individual, professional and organizational identities is evident in the two examples of Jelly and the Yoplait in terms of how they are anchored in social relationships. They are inseparable, negotiated upon and created and shaped through mutual or reciprocal processes. These negotiations are often negotiations of innovations, as innovation tend to provoke more controversy than other activities (Hoholm, 2009). In any case, in shaping strategy, different identities are drawn upon to legitimize or abandon particular projects, technologies and products as 'strategic'; whether innovative or conservative. And, the more innovative the project, the harder it is to include the innovation project in the strategy in an established company, as it will require harder work of connecting it to the established business.

7.2   Identity as premise for innovation

We argue that identity can be looked upon as an antecedent for innovation. In our studies we observed how identity plays a significant role in what is regarded as innovation, by analyzing

everyday negotiations of specific problems. Arguments and decisions are made, based on, and legitimized by certain identities. In line with Callon (1986) and Michael (1996), actions are undertaken because actors feel obliged to specific identities. We observe how people reflect on their identity in specific situations and build up an argumentation accordingly. E.g. how the more innovative Jelly strategy were socially constructed in the interaction and negotiation process, where one of the individuals argued that the identity of farmers would not allow Fjordland to create a 'sugar based' product. All the actors related themselves to strategy. The strategy document came into play when its interpretation was not just taken for granted, but rather something actively created and recreated through the negotiation process between practitioners involved.

7.3   Identity shaping interpretation and negotiation of innovation

What we can derive from this insight is that identity is a central driver and stabilizer of innovation processes and their inclusion in strategy, both fostering and restricting creativity. Identity creates frames of reference for what actors create, see and accept of opportunities, but identity creation is also an ongoing process (Gioia, *et al.*, 2000; 2002). Thus, identity comes into play as it forms opportunities and reduces alternatives. In general, identity provides frames for what is accepted and not accepted. Identity provides frames for how the individual acts, according to what is expected and demanded (Corley, 2004). For the organization, we observe how this interplay is in a direct way the background for both creating the formal strategy of the firm and its daily interpretation. The interplay between identities in learning processes shapes the room of opportunity for the organization. There are multiple identities in play in the organization, and they are activated in different situations, to strengthen arguments and mobilize support for specific strategies. It is easy to think of identity and strategy as purely social and unitary entities, but if we follow this line of thought, they have to be seen as situated and heterogeneous processes.

8. Conclusion: Identity innovation, and strategy

One aspect of the situatedness of these two examples of Jelly and the Yoplait is to see identity as a basic premise for innovation and product development. The reason for this is that identity shapes the interpretation of what can be deemed as strategic. We find that different identities are materialized as actors produce argumentation and reasoning, based on who they perceive themselves to be in specific situations. This is evident, as actors refer to various constructs of identity, various reflections on who they are and what the organization is. We have also seen how identities are materially, culturally and historically embedded, hence achieving various degrees of stability. Innovation processes and innovation strategies are neither victim of accidental variation, nor totally in the hands of any individual actor.

Moreover, strategy formation and innovation needs to be seen as heterogeneous processes. First, this happens because identities are drawn from different areas and communities in the organization. Second, these identities give direction for the interpretation and negotiation of the strategy. Third, there are texts and technology involved in these processes. In particular, the formal strategy document is an artifact all actors relate to, and which comes 'alive', as identities change the way individuals interact with it. When individuals act upon the strategy, the strategy is in itself changing and coming forward as an actor, sometimes legitimizing and opening up creative opportunities and sometimes restricting action.

The contribution in this article is oriented towards an alternative understanding of innovation strategy. With background in the stream of research on innovation and strategy, such as Bower (1970), Burgelman (1980; 1983; 1991), and Burgelman and Sayles (1986) on resource

allocation, and in line with Mørk *et al.* (2006), Kugot & Zander (1996), Seligman (2006), and Kalling (2007), we see how the process view on internal corporate venturing has made important contributions to understand how innovations happen in real life. The other significant stream of research on innovation has been dominated by Van de Ven (1986) and others' view on management of innovations, namely focusing on the central question how companies should foster and manage innovation and entrepreneurship. This current study is also related to Burgelman and Grove's (1996) study of strategic inflexion points, as we see how new technology makes the firm deviate from its existing strategy. However, in this study the deviation is not from a technology shift, but from different interpretations of identity. We argue that deviation based on identity brings new insight into interpretations of how innovation and strategy develops.

The ambition with this current study has been to create new insight concerning how identity shapes the innovation strategy. The current finding has been that the view of corporate identity is central to what is labeled as innovation, and what is labeled as being a distributor of products created by other firms. Thus, the fine line between innovation and product extension is influenced by the construction of identity. As Johannesen, *et al.* (2001) argue, a central question about innovation is to whom the innovation is new. The main insight from this study is about how identity creates premises for what is acceptable development according to what is made sense of as the firm's strategy. Identity both limits and enhances innovation. From a strategic point of view (Gioia *et al.*, 2000; 2002), identity is a soft concept open for negotiation as identity is beyond the reach of economic rationality. The strategy is coupled to actions and results with clear ramifications. On the other hand, identity is also a hard concept, i.e. more stable and enduring, from Albert and Whetten's (1985) point of view. In our cases we could see how influence in some settings worked as a basis for negotiating strategy. Thus,

identity is both a both a soft and a hard concept, with great importance for innovation strategy, and we have used actor-network theory to study the enabling and constraining relationships between identity and innovation strategy. Thus, established identities serve as conditioners for the shaping of strategy, while at the same time – being multiple and therefore flexible – being renegotiated through the strategizing process.

This current study was conducted in a rather small newly established company, and the negotiations on the meaning of innovation and identity would be influenced by this. It would be very interesting to create a comparative study of corporations in established industries vs. more dynamic industries. Based on the insights from this work we will suggest that there is a potential for future research within understanding how identity shape the innovation and strategy over time, by conducting large scales studies of the interplay between innovation, identity and strategy.

9. Managerial implications

Based on the insights from this analysis managers should pay attention to how identity serves as a premise for innovation strategy. Identity can restrict possible strategic innovation choices, as well as creating possibilities for development. From the conclusion, we can regard identity as having both hard and soft aspects. Managers should therefore take into account how identity both restricts and creates opportunities at the same time. First of all, it is essential for the management to understand how identity is related to the formation of innovation strategy. If identity is looked upon as a soft concept, identity can enable development, new interpretations and create opportunities. As a hard concept, identity is something fixed and stable – and this could restrict future innovations, by reinforcing path dependency. Innovation

strategy can be hard to implement if it is not based on current sensemaking (Weick, 1995) of available identities, and thus be harder to pursue. It will be easier to work with, rather than against, established identities. To conclude, managers should analyze and understand the dialectic relationship between identity as a hard and a soft concept.

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