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**TAKEN-FOR-GRANTED-KNOWLEDGE  
IN MANAGEMENT:  
EXTENSION STRATEGIES REVISITED**

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## ABSTRACT

*Management theory argues that the effective use of extension strategies depends on market growth and market share. To examine content and application of this knowledge, our research approach covers two steps: In the first step, hypotheses, known from literature, about the effective use of extension strategies are tested. As to the surprising result, it seems that companies do not follow these strategies, although they are well-known and presumably widely accepted. This raises a new question: Why that? To answer this question, in the second step, further hypotheses are formed and tested. The findings show the full depth of the pluralistic world: Extension strategies can be used independently from the company's size and other contingency factors, as long as they go well together with the structural change of the company, other risk-bearing entry strategies, and a risk-oriented corporate culture. The empirical base for both steps is the European research „Global Performance Project“, containing a broad data base of in-depth-interviews in 242 large companies from 11 countries, including the U.S.A., Germany, and France.*

## INTRODUCTION

Although pluralism and change are accepted as reality in management (Laszlo, Scholz & Stein, 1998), there is some stock of economic knowledge which is commonly accepted. Resembling a proven theorem in mathematics, it is regarded throughout the academic community as true knowledge. Companies are not just supposed to apply it, rationally they simply do not have another choice.

Such taken-for-granted-knowledge may even become a management fashion: Companies enjoy to implement it and also enjoy to communicate the implementation. A famous example is „In Search of Excellence“ by Peters and Waterman (1982) and its implications for management. But do companies *really* behave according to these patterns of excellence and does such a behavior *really* turn out to be effective? Literature suggests a clear no to both questions (e.g., Aupperle, Acar & Booth, 1986; Hitt & Ireland, 1987). But not everybody really cares.

Another taken-for-granted knowledge will be discussed in this paper: Market extension, to be understood as diversification both in product and regional markets. Since more than 20 years, companies receive a simple decision rule: If the market growth is high, investments into this

market are *ceteris paribus* appropriate, if not, investments should focus on related and new markets instead. This advice is incorporated in several traditional management tools: Based on the company's relative market share, this decision rule is visualized in the portfolio matrix of the Boston Consulting Group (Henderson, 1973) with its dimensions market growth and relative market share. The extension rule can also be derived from Ansoff's (1957) growth vector in his product-market-matrix. Does this sort of knowledge, however, really remain valid over time? Or does it change? And is this change with all its consequences recognized? Are the companies (still) following those normative rules? Do they take this knowledge for granted and implement it effectively according to theory?

In this paper, we will deal with taken-for-granted-knowledge related to the extension strategies. We will present a theoretical frame which serves as a basis for the empirical examination of extension strategies. In a second step, we will identify potential explanations for the surprising results and suggest future directions for a more appropriate use of extension strategies in particular. To test our hypotheses empirically, we use the database of the empirical „Global Performance Project“ (GPP), located at the University of Saarland in the Institute for Management Competence.

## **LITERATURE REVIEW**

The main task of a manager is to know what the „right“ business strategy is for her or his company. Most managers intuitively provide answers in many situations, but meaningful strategic behavior remains difficult: Too many different suggestions are to be derived, basically, from the classical management literature (e.g., Porter, 1980; 1985; Ansoff, 1984; Mintzberg, 1994). To make the world even more complex, it is rather complicated to put these strategies into action, since their underlying theories start from two different points: Strategies such as the generic strategies (Porter, 1980) focus on target categories, strategies such as the development of core competences (Prahalad & Hamel, 1990) concentrate on action categories.

Extension strategies deal with the question of whether to invest in a market or to withdraw from this market and focus on another (e.g., Steger, 1998). As the allocation of various organizational and financial resources bears the risk of failure, an entrepreneurial company has to decide where the scarce resources or productive factors will probably be superior to the

competitors' (Peteraf, 1993). The aim is to reach a sustainable competitive advantage which cannot easily be duplicated (Aaker, 1984; Barney, 1991). Results of the broad research on diversification are still not on a satisfying level (e.g., Ramanujam & Varadarajan, 1989). Especially the question whether to diversify into familiar or new markets or regions is still open and difficult to answer, when return and risk are both integrated into the decision process (zu Knyphausen-Aufseß, 1995: 86). However, the general decision rule is intuitively accepted: If the market potential is big, further investment can be undertaken. If the market potential is small, actions like stopping investments and/or investing in alternative markets may be appropriate.

According to Scholz (1987a; 1997), strategic behavior is defined along three criteria: First, strategic behavior needs the determination of potentials on which companies can concentrate in order to be successful (potential orientation). This enables the company to realize synergies or build up singular core competencies. Second, strategic behavior is dependent on the ability to focus only on relevant features (reduction of complexity). Companies therefore need methods to cope with information variety and action variety. Third, strategic behavior contains an early preparation towards the future (action orientation): A company can choose whether to take reactive or proactive actions. Moreover, it can decide to initiate a specific future setting or to adapt to a perceived contingent environment.

One of the instruments used for strategy formulation which meets these criteria is the portfolio matrix (e.g., Hapeslagh, 1982). It reduces complexity by positioning strategic business units in a two-dimensional decision field. The portfolio matrix, attributed to the Boston Consulting Group (e.g., Henderson, 1973; Hax & Majluf, 1984), combines the dimensions of market growth, which refers to the product life cycle, and the relative market share, which refers to the experience curve. The categories of stars, question marks, cash cows, and dogs are each connected with the cash flow of the strategic business units. By that, the company's financial resources can be shifted between the businesses, and the whole portfolio's performance can be optimized. The direction of extension can be derived from the product-market matrix which Ansoff (1957) suggests: Four associated directions for growth – penetration, product expansion, market expansion, and diversification – are helpful for strategy formulation. Critics of the portfolio approach (e.g., Abell & Hammond, 1979: 212; Thompson & Strickland, 1995: 222-223) point out that it leaves room for arbitrary definitions of the

portfolio matrix itself and the strategic business units on application level. Also, data collection and data evaluation are problematic. Nevertheless, the concept of portfolio matrix has spread enormously in academia and practice, and many authors (e.g. Hamermesh, 1986: 102-104) appreciate its advantages.

The reason why basic knowledge about strategies does not spread in spite of mixed evidence about the strategy's performance can be found in patterns of strategy diffusion. As O'Neill, Pouders, and Buchholtz (1998: 98) point out, „the selection of a strategy is more encompassing than an administrative innovation“. Important factors for the diffusion of strategies are organizational resistance to change (e.g., Oliver, 1991), and bandwagon effects (e.g., Abrahamson & Rosenkopf, 1993), in which, in a self-reinforcing loop, adopters choose a strategy because a large number of companies from the same population has already adapted to the strategy. In order to improve the effectiveness of strategy adoption, managers have to cope with their recognition and their responds to the influence of cognitive biases in the face of uncertainty (O'Neill, Pouders & Buchholtz, 1998). This coping includes the acceptance of natural barriers in decision making linked with the elimination of reliance on weak and distant data.

## **BASIC HYPOTHESES**

To start in Hypothesis 1 with a really taken-for-granted-knowledge: Is it true, that the use of extension strategies leads to corporate success? While there are appropriate tools for transforming strategic ideas in practice, such as the BCG portfolio matrix and the product-market matrix, Hypotheses 2 and 3 deal with the effective use of extension strategies into familiar, new but related, or completely new markets and regions; they describe the common logic of entrepreneurship. Hypothesis 4 links market extension with effectiveness: If the companies behave like theory suggests, they should be successful.

*Hypothesis 1: While using extension strategies, companies are more successful than those not using extension strategies.*

*Hypothesis 2: Companies which face a market growth in their familiar market decide to extend within their familiar product and regional market; companies which face a stagnation or a decline of market growth in their familiar market decide to extend into new but related product and regional markets as well as in completely new product and regional markets.*

*Hypothesis 3: Companies with a high relative market share in their familiar market are less likely to invest in new but related and in completely new product and regional markets.*

*Hypothesis 4: Companies which in respect to extension strategies behave according to the common decision rule are successful.*

## EMPIRICAL FINDINGS FOR STEP ONE

**Database.** The data of the empirical „Global Performance Project“ (GPP) have been collected between November 1995 and June 1997. The in-depth-interviews between two and five hours length were conducted by members of the GPP-team. This standardization allowed the researchers from different nations to use the same system of terminology and meanings. The GPP was formed as a large European research project, which started out as the „IOO/EBA“ project, bringing together researchers from Open University/Milton Keynes, ESSEC/Paris, ESADE/Barcelona, Bocconi/Milano, Rijksuniversiteit/Maastricht and Universität des Saarlandes/Saarbrücken (e.g. Scholz & Michels, 1994; Pugh, Clark & Mallory, 1995). GPP deals with strategic behavior in changing environments. The sample consists of 242 companies from eleven countries. The sample is divided into 37 companies from France, 43 companies from Spain, 49 companies from Austria, 26 companies from Switzerland, 51 companies from Germany, 13 companies from the USA, furthermore 12 Mexican, 4 Dutch, 4 Irish, 2 Greek, and 1 Canadian company(s). The GPP follows (as described in Scholz & Stein, 1997) the research traditions of contingency theory, fit approach, and intercultural communication. The measures in the Global Performance Project – Likert type, ranked and open questions – covered a broad range of organizational variables representing the external and internal environment of the organization, the structure, strategy, processes, and corporate culture as well as management's perceptions. Performance was measured by organizational effectiveness variables based on objective and subjective measures. Objective measures described the actual changes of performance-related items like return on investment or innovation ratio, whereas subjective measures focussed on the personal perceptions of the interviewees. Also, the interviewees stated on a five-point Likert scale how well they think they have been doing in comparison to their competitors in respect to customer service, productions costs, or distribution costs. The composed performance measure has a Cronbach's alpha of 0.6 and consists of 18 items.

**Hypothesis 1.** Using Pearson Product-Moment Correlations, it can be shown (table 1) that extension strategies have a positive effect on corporate performance. The positive correlations indicate on a high level of significance that it is effective for companies to extend their business. One exception: To extend one's business into completely new product markets has not been proven a factor of success.

TABLE 1  
Correlation between Performance and Extension Strategies

Variables	mean	s.d.	7
1. Business extension: familiar product markets	3.68	1.28	.24***
2. Business extension: new but related product markets	3.32	1.33	.19**
3. Business extension: completely new product markets	2.31	1.33	.09
4. Business extension: familiar geographic markets	3.59	1.25	.28***
5. Business extension: new but related geographic markets	3.09	1.35	.28***
6. Business extension: completely new geographic markets	2.87	1.53	.18**
7. Performance	3.48	.39	

(\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ ;  $n \geq 209$ )

**Hypothesis 2.** The t-test was used to examine Hypothesis 2. Companies which face a market growth in their familiar market (i.e. industry growth more than 5% p.a.) decide to extend within their familiar product and regional market. The findings (table 2) support this hypothesis for business extension into familiar product and geographic markets. The second part of this hypothesis, that companies which face a stagnation or a decline of market growth in their familiar market (i.e. industry growth less than 5% p.a.) decide to extend into new but related product and regional markets as well as in completely new product and regional markets instead, could not be supported. This result has a major implication: As long as market growth occurs, the potential for extension to familiar markets is perceived, and an appropriate strategic behavior is likely to occur. But if the markets decline, the companies do not change their extension strategy. They accept the dominance of the market leader and back out of the consequences. Thus, companies do not care about the market growth: they ignore this information with regard to extension strategy formulation. Summing up: They behave in contradiction to the postulations stated in management theory.

TABLE 2

t-test for Equality of Means: Extension Strategies in Different Growth Situations

	mean of industry growth		t-val	df	sig
	more than 5% p.a.	less than 5% p.a.			
1. Business extension: familiar product markets	4.15	3.46	4.07	176.07	.000***
2. Business extension: new but related product markets	3.52	3.19	1.67	199	.096
3. Business extension: completely new product markets	2.53	2.17	1.82	193	.070
4. Business extension: familiar geographic markets	3.87	3.43	2.36	193	.019*
5. Business extension: new but related geographic markets	3.24	2.99	1.24	196	.215
6. Business extension: completely new geographic markets	3.05	2.77	1.28	197	.201
(* $p < .05$ ; ** $p < .01$ ; *** $p < .001$ )	( $n \geq 68$ )	( $n \geq 127$ )			

**Hypothesis 3.** Companies with a high relative market share in their familiar market are less likely to invest in new but related and in completely new product and regional markets. As table 3 indicates, this hypothesis cannot be supported. Companies behave in a different way: The higher a relative market share, the less companies invest in familiar markets. This finding could be interpreted as a saturation effect. A similar effect occurs when a company perceives its absolute market share to be high: The company is hardly willing to extend its business into the familiar regional market. There is only one threatening situation: The stronger the main competitor becomes, the more likely is an extension into completely new product markets.

TABLE 3

Correlation between Market Share and Extension Strategies

Variables	mean	s.d.	7	8	9	10
1. Business extension: familiar product markets	3.68	1.28	-.03	.11	-.19*	-.10
2. Business extension: new but related product markets	3.32	1.33	.06	.00	-.17	-.02
3. Business extension: completely new product markets	2.31	1.33	-.02	.20*	-.03	.01
4. Business extension: familiar geographic markets	3.59	1.25	-.16*	-.02	-.20*	-.04
5. Business extension: new but related geographic markets	3.09	1.35	-.11	.07	-.07	-.14
6. Business extension: completely new geographic markets	2.87	1.53	-.03	.06	-.05	-.15
7. Own market share	.36	.29				
8. Market share of main competitor	.24	.18				
9. Own relative market share	2.01	3.55				
10. Percent of total sales realized by strongest business unit	.49	.27				

(\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ ;  $n \geq 119$ )

**Hypothesis 4.** Whether companies are successful which behave according to the stated decision rule of market extension, is illustrated by the crosstabulation in table 4. While concentrating on extension strategies only for product markets, different combinations of extension strategies are evaluated. In these combinations, only the companies which stated a high and very high extent on the Likert scale were considered. An interesting observation is the distribution of companies with low effectiveness (i.e.,  $< 3.3$  on a Likert scale between 1 and 5), with medium effectiveness (i.e., between 3.3 and 3.63), and with high effectiveness



(i.e., > 3.64). For all companies in the sample we see that the most effective companies are occupied with extensions into familiar product markets and new but related product markets at the same time. The least effective companies, on the contrary, concentrate only on familiar product markets. For all companies can be shown, that the extension strategy focussing on completely new product markets has only a minor significance. Subdivided into companies with different perceived market growth, especially in the combination of all three extension strategies differences occur: This combination is preferred in less growing industries by the companies with low effectiveness, but in strongly growing industries by the highly effective companies. Thus, the same strategy might be a chance or a risk in different situational settings.

TABLE 4

## Crosstabulation of Product Market Extension Strategies by Effectiveness

Combinations of business extension strategies	All companies				Mean of industry growth less than 5% p.a.				Mean of industry growth more than 5% p.a.			
	Low effect.	Med. effect.	High effect.	<i>n</i>	Low effect.	Med. effect.	High effect.	<i>n</i>	Low effect.	Med. effect.	High effect.	<i>n</i>
1. No business extension	38.5 %	46.2 %	15.4 %	13	36.4 %	45.5 %	18.2 %	11	100 %	0 %	0 %	1
2. Only familiar product markets (a)	46.2 %	34.6 %	19.2 %	26	50.0 %	31.3 %	18.8 %	16	44.4 %	33.3 %	22.2 %	9
3. Familiar product markets and new but related product markets (a,b)	26.2 %	31.0 %	42.9 %	42	36.0 %	28.0 %	36.0 %	25	15.4 %	30.8 %	53.8 %	13
4. All sorts of product markets (a,b,c)	29.2 %	33.3 %	37.5 %	24	46.2 %	38.5 %	15.4 %	13	10.0 %	30.0 %	60.0 %	10
5. New but related and completely new product markets (b,c)	42.9 %	42.9 %	14.3 %	7	20.0 %	60.0 %	20.0 %	5	0 %	0 %	0 %	0
6. Only completely new product markets (c)	100 %	0 %	0 %	1	100 %	0 %	0 %	1	0 %	0 %	0 %	0
7. Others	30.9 %	26.6 %	42.6 %	94	41.8 %	29.1 %	29.1 %	55	14.7 %	20.6 %	64.7 %	34
	207				126				67			

**Summary.** Extension strategies help companies to reach corporate success. However, even in declining markets, the companies accept the dominance of the market leader and avoid investing in new markets. Both, information about market growth as well as information about the relative market share seem not to initiate changes in extension strategy. Almost all companies in our sample concentrate on their familiar product and geographic markets although this contradicts the theoretical postulations. The only exception is found in the combination of extension strategies, which is preferred in less growing industries by the least effective companies, but in strongly growing industries by the highly effective companies. Thus, the same strategy might be perceived as a chance or a risk in different situations. The general finding is that the companies do not seem to give relevance to the decision rule of

changing their extension strategy according to the perceived market growth. This result is logic as a fact: When only a minority of companies in a situation of stagnating or declining familiar markets is changing strategy according to the theoretical suggestions, the overall results are not able to support the effectiveness of extending into familiar and completely new product and regional markets. This phenomenon occurs although almost every student of business administration learns which strategy to choose in situations of stagnating markets as a basic piece of knowledge. But, what are the reasons for this phenomenon?

### EXPLAINING THE BIAS: FURTHER HYPOTHESES

A second set of hypotheses shall help to explain why companies seem to ignore that taken-for-granted-knowledge. It focuses on the question under which circumstances companies really overcome their bias towards extension into familiar markets and choose the extension strategy to enter completely new markets. These hypotheses are derived from contingency theory (e.g., Pugh & Hickson, 1976). In particular, Ghoshal and Nohria (1993: 23) state that „one of the most enduring ideas of organization theory is that an organization's structure and management process must 'fit' its environment“. According to the underlying paradigm of strategic fit (Waterman, 1982; Scholz, 1987a; 1987b), only specific constellations of organizational variables from the environment, the corporate strategy, the structure, the systems, and the corporate culture lead to long-term success (e.g., Venkatraman, 1989; Ghoshal & Nohria, 1993). For extension strategies, this fit has to be produced between the environment and the components of a strategy (environment-strategy-fit) as well as between the components of the strategy and the relevant elements of the system (strategy-system-fit).

**Situation.** Going back to the tradition of the Aston studies (Pugh et al., 1968; Pugh & Hickson, 1976), the dynamics of the environment (Duncan, 1975) play an important role as contextual factor; the internal environment is basically determined by the size of the company (Blau & Schoenherr, 1971). Especially the size of the company might cause effects, because it is an indicator for existing resources and potentials.

*Hypothesis 5: The larger the company is, the more it will use extension strategies into completely new markets.*

**Structure.** Structural variables like functional specialization, role specialization, standardization, formalization, or concentration of authority have an influence on corporate strategies, as Chandler (1962) pointed out. An important aspect to explain the bias towards extension strategies in familiar markets can be derived from the expected structural impacts of the strategies. If strategies are instrumentalized to foster structural change, they have to be far-reaching and imply a potential for change – and thus overcome existing restrictions.

*Hypothesis 6: The stronger changes in product/market strategy are a catalyst for structural changes in companies, the more extension strategies into completely new markets will be applied.*

**Strategy.** According to an intra-strategy-fit, the elements of a strategy should not contradict themselves. Two aspects are important: the formulation of strategy including the tools for strategy formulation, and the strategic actions which put strategy to work. In all of these elements, companies can decide to act independently and set the rules in competition or adapt to given settings (Scholz & Stein, 1998). The general idea is, the more independently the companies act, the more likely is the use of extension strategies into completely new markets. The following hypotheses refer to these ideas:

*Hypothesis 7: The stronger the company follows an independent vision, the more it will use the extension strategies into completely new markets.*

*Hypothesis 8: The more intensively companies use the Boston Consulting Group portfolio matrix in strategy formulation, the more they will notice and therefore use the extension strategies into completely new markets.*

*Hypothesis 9: The more intensively companies use the value chain concept in strategy formulation, the more they will notice and therefore use the extension strategies into completely new markets.*

*Hypothesis 10: The more the company uses internal development as an entry strategy, the more it will use the extension strategies into completely new markets.*

*Hypothesis 11: The more the company uses mergers and acquisitions as an entry strategy, the more it will use the extension strategies into completely new markets.*

*Hypothesis 12: The more the company uses joint ventures as an entry strategy, the more it will use the extension strategies into completely new markets.*

*Hypothesis 13: The more the company uses venture capital and nurturing as an entry strategy, the more it will use the extension strategies into completely new markets.*

**Systems.** Especially, putting strategies into action is a key factor for success. On the operative level of management, systems for planning, budgeting, controlling, information, and communication (e.g., Kieser & Kubicek, 1992) can be distinguished. For the purpose of explaining the choice of extension strategy, foremost activities of scanning markets and planning market activities (e.g., Lorange, 1982: 36-46) might influence the extent of using extension strategies.

*Hypothesis 14: The more detailed a company plans its marketing activities, the more it will use the extension strategies into completely new markets.*

*Hypothesis 15: The more intensively a company performs market research, the more it will use the extension strategies into completely new markets.*

*Hypothesis 16: The stronger a company analyses its environmental sectors, the more it will use the extension strategies into completely new markets.*

**Corporate Culture.** Following the research of Deal & Kennedy (1982), Schein (1985), and Scholz & Hofbauer (1990), corporate culture is a major influence factor for strategic behavior. To identify the relevant dimensions of corporate culture, in the GPP research 75 Likert-scaled items were used. Statistical procedures led to several cultural dimensions, three of them relevant for the context of extension strategies. It is expected that short-term oriented companies as well as bureaucratically oriented companies more likely choose the extension strategies into familiar markets. Risk-oriented companies are more likely to choose extension strategies into completely new markets.

*Hypothesis 17: The less short-term oriented the company is, the more it will use the extension strategies into completely new markets.*

*Hypothesis 18: The less bureaucratically oriented the company is, the more it will use the extension strategies into completely new markets.*

*Hypothesis 19: The more risk-oriented the company is, the more it will use the extension strategies into completely new markets.*

## EMPIRICAL RESULTS FOR STEP TWO

**Situation, structure, strategy.** The results concerning size, structure, and strategy (table 5) show, that size does not have influence on extension strategies. Even the larger companies do not use their potential to search for new markets. On the contrary, they stick to their traditional

markets. The implication for small companies is that they also might use the whole set of extension strategies. The fear that they might be too small for extending into completely new markets is unnecessary.

Hypothesis 6 on structure is supported by our results: Especially for product markets, far-reaching extension strategies and structural change fit together. The time of change in structure and in market strategy are matched significantly. The results concerning Hypothesis 7 show that the formulation of strategy does not have the expected impact on the choice of extension strategies. While it had been expected that independent visions of companies result in extension strategies outside the familiar markets, the significant correlations indicate the contrary. It seems, as if companies with independent visions focus on the familiar market because this market is the one which can be assessed with the highest validity. Strategic management tools help companies to orientate themselves outside of their familiar markets. Companies which use the BCG portfolio matrix or the value chain are able to target new but related markets. They seem to decide consciously within the whole decision field which is provided by the tools.

The strategic actions which put strategy to work show the strongest influence on extension strategies. Hypothesis 11 is supported for new regional markets. Thus, acquisitions and mergers seem appropriate for extensions into new regions, but not for new or familiar product markets, because they mainly help building up far-reaching distribution infrastructures. Also, joint ventures show predominantly effects concerning the regional markets: Hypothesis 12 is partly supported by this result. As experience shows, joint ventures are initiated especially as an entry strategy into foreign markets and are consequently not used for extensions into familiar regional markets. Finally, Hypothesis 13 addressing the impact of venture capital is supported, too. The stronger venture capital is employed, the more companies enter new but related and completely new product and regional markets. This result brings one of the central solutions to the question why companies rarely extend into completely new markets: probably not, because they are not capable of doing so, but because venture capital is a very scarce resource.

TABLE 5

Correlation between Size, Structure, and Strategy Variables and Extension Strategies

Variables	mean	s.d.	7	8	9	10	11	12	13	14	15
1. Business extension: familiar product markets	3.68	1.28	.03	-.00	.16*	-.02	.07	.24**	.07	.02	.00
2. Business extension: new but related product markets	3.32	1.33	.09	.25***	.09	.12	.23**	.16*	.11	.11	.13
3. Business extension: completely new product markets	2.31	1.33	.12	.25***	.12	.03	.13	.03	.14	.01	.29***
4. Business extension: familiar geographic markets	3.59	1.25	-.01	-.07	.16*	-.04	-.01	.19**	.11	-.17*	.01
5. Business extension: new but related geographic markets	3.09	1.35	.13	.08	.10	.19*	.22**	.09	.38***	.17*	.20**
6. Business extension: completely new geographic markets	2.87	1.53	.13	.12	.11	.14	.07	.04	.27***	.28***	.26***
7. Number of employees 1995	8 299	13 484									
8. Product/market strategy as catalyst for change	3.75	1.11									
9. Independent vision	3.74	1.07									
10. Strategy formulation by BCG matrix	2.42	1.42									
11. Strategy formulation by value chain	2.96	1.30									
12. Entry strategy: internal development	4.09	1.10									
13. Entry strategy: mergers & acquisitions	3.04	1.59									
14. Entry strategy: joint ventures	2.78	1.52									
15. Entry strategy: venture capital and nurturing	1.73	1.22									

(\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ ;  $n \geq 159$ )

**Systems, Corporate Culture.** As table 6 shows, substantial marketing planning is significantly correlated with extension strategies in familiar regional markets. For all other marketing strategies, marketing planning and market research plays almost no role in the decision process which leads to certain extension strategies. The results on corporate culture indicate that short-term orientation and bureaucratic orientation do not bear the potential to explain the choice of extension strategy into completely new markets. However, risk orientation here shows highly significant correlations which supports Hypothesis 19.

TABLE 6

## Correlation between System and Corporate Culture Variables and Extension Strategies

Variables	mean	s.d.	7	8	9	10	11	12
1. Business extension: familiar product markets	3.68	1.28	-.03	.01	.07	.07	-.03	.04
2. Business extension: new but related product markets	3.32	1.33	.07	.02	.04	-.11	-.05	.19**
3. Business extension: completely new product markets	2.31	1.33	.04	.10	.06	.06	.01	.28***
4. Business extension: familiar geographic markets	3.59	1.25	.15*	.00	.04	.18*	-.08	.08
5. Business extension: new but related geographic markets	3.09	1.35	.08	.01	.14*	-.09	-.14	.20**
6. Business extension: completely new geographic markets	2.87	1.53	.09	.01	.11	-.04	-.04	.11
7. Detailed marketing plans	4.06	1.09						
8. Systematic market research	3.64	1.23						
9. Analysis of all relevant environmental sectors	3.79	1.05						
10. Short-term orientation	2.39	1.04						
11. Bureaucratic orientation	2.26	.82						
12. Risk orientation	2.59	.77						

(\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ ;  $n \geq 187$ )

## IMPLICATIONS AND DISCUSSION

Teaching in management does not lead companies into wrong directions: The essence of the above study is that the content of taken-for-granted-knowledge holds true. Companies using extension strategies are more successful than those not using extension strategies. However, the ways they choose and implement their strategies are different and do not always follow management theory. There is a bias towards extension strategies into familiar markets, which contradicts theoretical suggestions of our field. However, a closer look into this bias reveals it as a very interesting topic for further research of strategic management behavior.

To improve the use of extension strategies as part of a pluralistic business policy, we suggest to utilize stronger the basic idea of the configuration approach as described through the above presented results. This will serve to improve the basis for conscious decisions and will also reduce decisions based on unreflected taken-for-granted-knowledge. Companies should leave their bias towards monotype extensions behind and should use a new decision rule: Extension strategies into completely new markets can be used independently from the company's size. A useful support is the acquisition of venture capital. A risk-oriented corporate culture helps to communicate the capital needs and to link them with visionary concepts. Extension strategies into completely new markets go together well with structural change of the company.

This configuration looks as if it fits well and seems to be a bit too much of „common-sense“ itself. Still, the critical point is to define an objective for business extension and simultaneously think consciously about the different parts of the configuration. For example,

companies have to reflect their risk orientation and its consequences for their strategy implementation within the whole corporate system when targeting new markets. Furthermore, companies have to reduce the fear that they are too small to aim for new markets: as the results indicate, also small companies can use that strategy. Companies also have to avoid internal development as an entry strategy when they are urged by market factors and competitive constellations to enter new markets and have to attract venture capital instead.

To sum it up, strategic behavior can build on taken-for-granted-knowledge because it reduces complexity. But one has to keep in mind that too much reduction of complexity in the end prevents companies from the solution of complex problems. While another mechanism to reduce complexity, the „kiss-principle“ (keep it short and simple), becomes more and more popular in short-term strategy implementation for example for complex projects like mega-mergers and acquisitions across cultures, this does not necessarily have to be a promising way for a long-term strategic behavior. In the same way, it may be appropriate to reduce complexity in order to handle processes. But this reduction of complexity in a pluralistic environment has to be backed by a substantial analysis of the remaining components.

## **CONCLUSION**

The extension strategies based on management theory prove to be appropriate in management practice. However, some of this basic knowledge is part of corporate decisions in a biased form: Companies tend to ignore situational factors like market growth while undifferentiatedly following a general extension strategy into their familiar and well-known markets. The way out of this bias is to think and act in meaningful configurations. These configurations can be derived from theory and from empirical studies. They reveal a frame in which knowledge can be consciously assessed and linked with other components of the decision field. Such a holistic frame covers different corporate and environmental aspects. It aims at a fit between the different components. Practitioners will be able to implement such strategies like extensions into completely new markets which they would otherwise avoid. And, researchers will be able to communicate more than just the contents of their theories; they will communicate practicable suggestions as well.



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