Eva Bilhuber Galli

Building Social Capital in a Multibusiness Firm

Lessons from a Case Study

GABLER

RESEARCH

Eva Bilhuber Galli

Building Social Capital in a Multibusiness Firm

GABLER RESEARCH

Eva Bilhuber Galli

Building Social Capital in a Multibusiness Firm

Lessons from a Case Study

GABLER

RESEARCH

Bibliographic information published by the Deutsche Nationalbibliothek
The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available in the Internet at http://dnb.d-nb.de.

Doctoral thesis, University of St. Gallen (Switzerland), 2009

1st edition 2011

Editorial Office: Stefanie Brich | Sabine Schöller

Gabler Verlag is a brand of Springer Fachmedien.
Springer Fachmedien is part of Springer Science+Business Media.
www.gabler.de

Coverdesign: KünkelLopka Medienentwicklung, Heidelberg
Printed on acid-free paper
Printed in Germany

ISBN 978-3-8349-2707-1

Overview of Contents

Table of Contents

List of Figures, Tables, Appendices

List of Figures

List of Tables

List of Appendices

1 Introduction

For a company today, a convincing firm strategy as such is not a sufficient precondition for success. Turning strategy into reality is itself increasingly considered to be a source of competitive advantage (Barney, 2001; Govindarajan, 1988; Priem, 2001; Tsai & Ghoshal, 1998). Successfully driving the strategy realization process is particularly challenging for multibusiness firms as their growth and profitability potential lies not only vertically within one business unit but in collaboration and coordination activities across businesses as well (Goold, Campbell, & Alexander, 1994). It is increasingly recognized today that realizing cross-business value creation is the rationale for the existence of a diversified firm (Goold & Campbell, 1998a, 2000). A multibusiness firm which is not capable of realizing value creation across its businesses will face increasing pressure from financial investors to abandon one of its businesses (Müller-Stewens & Knoll, 2005a).

Despite the pursuit of cross-business value creation as the underpinning logic of multibusiness firms, relatively little is known on how cross-business synergy potentials are de facto realized (Martin & Eisenhardt, 2001, 2003). The strategy, the diversification degree and the organizational structure as such cannot fully explain performance differences among multibusiness firms. What seems to be clear, though, is that the realization of intended cross-business growth and profitability potential is not a trivial matter. Particularly in today's economy, where corporate advantage is rooted increasingly in the human, social and intellectual capital of a firm (e.g.Dess et al., 2003), cross-business collaboration becomes a central vehicle for multibusiness firms to assemble, deploy and leverage these types of capital for creating growth opportunities and competitive advantage.

However, competition, rather than collaboration, will occur when there is a lack of aligned strategic orientation, shared values and a climate of trust (Burgelman & Doz, 2001; Ghoshal & Bartlett, 1996; Tsai, 2002). Particular leadership capabilities are necessary throughout the entire organization to enhance trust and collaboration between the units and to balance the different and mostly conflicting interests. One of those capabilities, entrepreneurship, is also required to effectively realize growth potentials (Burgelman et al., 2001; Goold et al., 1998a; Goold, Campbell, & Alexander, 1998b). Finding managers who embody all of these capabilities will be difficult. As these capabilities are firm-specific in nature, they need to be developed within the specific organizational context (Burgelman et al., 2001; Müller-Stewens & Knoll, 2005b). By setting adequate organizational and procedural arrangements, the role of corporate management is seen as being indirect in nature, enabling the respective collaboration

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_1,

culture and leadership capabilities throughout the organization (Bowman & Helfat, 2001; Goold et al., 1998a; Müller-Stewens et al., 2005b). Thus, leadership development is regarded as a central means for a corporate management to enable the relevant collaborative culture and leadership capabilities for a corporate strategy to be successfully realized. This is reflected in a continuous flow of high level investments in the leadership development of large firms across all industries the world over (PriceWaterhouseCoopers, 2006). However, as the return on these investments remains puzzling, the lack of sound evidence suggests that not all of these efforts indeed result in improvement in leadership. Thus, there seems to be a need to explore leadership development approaches that are aligned with their particular strategic context.

This dissertation proposes to address this issue by exploring the role of leadership development practices for turning strategy into practice in the particular context of multibusiness firms. In order to realize intended cross-business growth and efficiency synergies, valuable collaboration activities across the firm's businesses are seen to be critical (Goold et al., 1998a; Müller-Stewens & Knoll, 2006). Interestingly, these cross-business collaboration activities originate in the businesses rather than in the corporate center of a multibusiness firm (Martin & Eisenhardt, 2003). Further, entrepreneurial leadership and the related social capital seem to be involved when it comes to valuable cross-business collaboration (Martin et al., 2003). Thus, in contrast to traditional human-capital-oriented approaches to leadership development, we will address particularly the contribution to social capital. Previous human resources management literature was mainly concerned with explaining the effect of leadership development regarding a single intervention (Kepes & Delery, 2007; Mabey, 2002). However, from a strategic perspective the interrelation and alignment of different leadership development practices is seen to be critical in creating sustained competitive advantage (Allen & Wright, 2007; Boxall, Purcell, & Wright, 2007; Kepes et al., 2007; Purcell & Kinnie, 2007). To overcome this shortcoming of traditional human resources management literature we will adopt a strategic human resources management perspective in this dissertation.

To introduce the dissertation's purpose, this chapter is structured as follows. First, we describe the research problem in more detail, including the existing research gaps, and indicate our research intent and guiding questions (1.1). In subchapter 1.2, we inform about our intended contribution to existing research and managerial practice. Finally, we conclude by providing an outline of this dissertation's content to orient the readers (1.3).

1.1 Research Problem and Research Gaps

It is widely acknowledged that leadership development does not only contribute to individual career success but also to collective performance on the organizational level (for an overview: Burke & Day, 1986; Collins & Holton, 2004; Mabey, 2002). Thus, it is apparent that multibusiness firms make extensive use of leadership development practices in order to enhance their corporate advantage. This is mirrored in the estimated EUR 1.5 billion invested annually in leadership development programs in Europe across all industries, as reported in a recent global survey by PriceWalterhouseCoopers (PriceWaterhouseCoopers, 2006). However, this investment seems to be rather “an act of faith” (Mabey & Ramirez, 2005:1067). Indeed, measuring effective leadership on the firm level against selected metrics, the study by PriceWaterhouseCoopers points out that despite these considerable investments there has been no significant improvement in overall leadership in organizations. They conclude by calling for a review of the efficacy of leadership development programs. This call is shared by most of the leadership development literature, which complains about a lack of empirical evidence regarding the impact of leadership development on the organizational level (e.g. Mabey et al., 2005).

Indeed, it is difficult to identify studies that explore the linkage between leadership development and the benefit of this investment on different organizational levels, especially on the corporate level (Winterton & Winterton, 1997; Wright, Gardner, Mojnihan, & Allen, 2005). It is reported that positive associations on the individual and organizational levels can *somehow* be found (Mabey et al., 2005; Winterton et al., 1997); however, results remain scattered and diverse. Beyond that, causality remains unexplained. It is not clear whether leadership development practices have contributed to larger performance outcomes or whether larger performance outcomes have resulted in larger investments in leadership development (Boxall & Purcell, 2003; PriceWaterhouseCoopers, 2006) With respect to the continuous flow of high level investments by firms in this domain, there is agreement among scholars and practitioners on the need to review the efficacy of leadership development regarding its organizational contribution in general (Mabey et al., 2005; PriceWaterhouseCoopers, 2006; Winterton et al., 1997). This will be particularly intriguing for a firm relying on leadership development as a means for fostering strategy realization, such as large multibusiness firms. Thus, this dissertation aims to offer corporate management, and more specifically corporate human resources management, insight into the effective use of leadership development practices as a source of corporate advantage.

From the perspective of corporate management, leadership development can be seen as a subsystem of human resources management. Therefore, strategic management research as well as human resources management research and particularly leadership development research have to be consulted when exploring the role of leadership development in a multibusiness firm's strategy realization.

In searching for explanations of performance differences among multibusiness firms, *strategic management literature* acknowledges the importance of the way corporate management drives the strategy realization. As a diversification of businesses as such – disregarding its degree and its organizational arrangement - does not *automatically* lead to superior corporate effects or synergy realization (Müller-Stewens & Brauer, 2007; Müller-Stewens & Knoll, 2005b; Rumelt, Schendel, & Teece, 1994), the *management* of these elements seems to be rather critical (e.g.Bowman & Helfat, 2001). However, surprisingly little is known on how multibusiness firms realize their cross-business synergy potential and the underlying processes (Martin et al., 2003). Thus, exploring how the corporate management of a multibusiness firm enables cross-business value creation is considered valuable.

Human resources management literature entails a large body of studies investigating the contribution of human resources management practices (including leadership development practices) to firm performance (Huselid, 1995). Even though most studies acknowledge a correlation between the two, there is still a lack of sound evidence (Boxall & Purcell, 2003; Purcell & Kinnie, 2007; Wright et al., 2001). In particular, it is not clear *through which process* leadership development creates organizational impact and not only individual career success (Mabey et al., 2005; Purcell et al., 2007). As most studies are based on HR managers as respondents, the view of the employee, who experiences these activities is surprisingly absent. To consider the key role of employees in producing performance outcomes, it is suggested that the performance relationship should be fine-grained by focusing in particular on employee perception as a mediating factor (Purcell & Kinnie, 2007). A further concern is that, primarily, only isolated practices are addressed, regardless of their potential interrelations (Kepes & Delery, 2007; Lewis, 1997).

Thus, both fields identify a need to further explore how leadership development practices might contribute to cross-business value creation within a multibusiness firm. The inherent macro-level perspective of strategic management research does not adequately reflect how important people management at the individual level is to the process of strategy realization. At the same time, human resources management has an inherent micro-level perspective which equally falls short in accounting for the interrelationship of diverse leadership development practices within a strategic context (Allen & Wright, 2007).

The young discipline of *strategic human resources management* seeks to bridge this gap. By focusing on a subset of human resources practices, its core concern lies with the *interrelation and alignment* of human resources practices in order to form a source of competitive advantage. Even though many researchers repeatedly affirm the importance of a strategic alignment of human resources management practices, such as leadership development, (Allen & Wright, 2007; Boxall et al., 2003; Kepes et al., 2007; Kerr & Jackofsky, 1989), it is still not clear how this should be done in order to create an impact with a specific focus on corporate level.

By investigating the role of leadership development for cross-business value creation in multibusiness firms, this dissertation aims to contribute to the identified unexplored areas of strategic management and human resources management research. By focusing on the particular question of *alignment* of leadership development practices, it is intended to bridge the shortcomings of both fields. Consequently, this dissertation proposes to adopt a strategic human resources management perspective.

1.2 Research Focus and Guiding Questions

Given the acknowledged importance of successful leadership development as a means for enabling corporate added value, it is of vital interest for multibusiness firms to understand when and how leadership development contributes to firm success beyond individual competency and skill enhancement. Recognizing this importance of leadership development as a means for corporate management to realize strategy, the specific research intent of this dissertation lies primarily in understanding more about *how* leadership development practices impact the realization of cross-business value creation on a corporate level.

Before elaborating on the various leadership development practices and their contribution, we must first clarify what leadership development practices should aim for in the strategic setting of multibusiness firms. In other words, what are the relevant conditions for realizing cross-business synergies in a multibusiness firm's context?

Recognizing *cross-business collaboration activities* as the engine of organic business growth – and thus strategy realization - in multibusiness firms (Goold & Campbell, 1998a; Müller-Stewens & Knoll, 2006), this attempt starts by elaborating the most important factors involved in the strategy realization process in general and cross-business collaboration in particular.

A growing body of literature identifies *middle managers* as playing a key role in the strategy realization process, arguing that "organizational performance is heavily influenced by what happens in the middle of the organization, rather than at the top" (Currie & Procter, 2005:1325). According to Martin et al. (2003), this might also apply to the realization of cross-business synergies as they show that cross-business collaboration initiatives originate among the businesses rather than from top management. Further, we know from middle manager literature that certain strategic activities have been proven to be related to strategic impact, such as, for example, championing alternative opportunities or implementation activities etc. (Floyd & Wooldridge, 1997) Corporate entrepreneurship literature also reveals the activities of middle managers to be comprised of the discovery and exploitation of new business opportunities on a very general level (Kuratko, Ireland, Covin, & Hornsby, 2005). It appears that *entrepreneurial leadership* is involved when it comes to valuable cross-business synergy realization (Martin et al., 2003). However, entrepreneurial leadership requires adequate social relationships to be employed and put into valuable action (Adler & Kwon, 2002; Ireland, Hitt, & Sirmon, 2003). In this sense, s*ocial capital* is considered to be both an important antecedent and an outcome of entrepreneurial leadership activities. It is argued that to enhance valuable cross-business collaboration within multibusiness firms, leadership development practices need to contribute to the social capital of middle managers in order to foster the necessary entrepreneurial leadership activities.

Consequently, it is of interest to understand first how social capital contributes to cross-business collaboration in multibusiness firms and how middle managers deploy and build it. This results in our first research question:

Research Question 1:

1. How does social capital contribute to middle managers' cross-business collaboration activities and how is it developed?

Based on these first insights, it is of interest to examine how the building of this social capital can be supported systematically by leadership development practices. Traditionally, the contribution of leadership development is seen in the competency and skill enhancement of managers (Neck & Manz, 1996); thus, it is considered to be a function of the human capital of a firm. Beyond these individual-level approaches, recent approaches recognize the role of leadership development in supporting the strategy realization process by enhancing the internal social capital aligning strategic orientation, shared values and creating trustful social relationships across units (Day, 2000). Faced with the existing variety of leadership development practices, such as, e.g., internal leadership training, job assignments, mentoring, coaching, 360-degree feedback, etc., a deeper understanding of *how* these leadership development practices contribute to valuable cross-business collaboration through fostering social capital is needed. Traditionally, most of the leadership development studies engage in a cross-sectional evaluation approach based on a specific, single leadership development intervention (Kepes et al., 2007; Lewis, 1997). This disregards the mutual reinforcement of the different leadership development practices that are embedded in a certain strategic context over time. Therefore, this dissertation turns the perspective toward exploring patterns of leadership development *experiences* that contribute to the necessary social capital development for valuable cross-business collaboration according to the perception of middle managers:

Research Question 2:

2. In which way do leadership development experiences most likely allow a middle manager to accumulate the necessary social capital for valuable cross-business collaboration?

For corporate human resources management within a multibusiness firm, however, it is of interest to know how leadership development practices can be aligned and designed to enhance systematically the relevant experiences for valuable cross-business collaboration. Thus, based on the elaboration of the leadership development *experiences,* we will elaborate as well on the underlying (intended) leadership development *practices*. In doing so, we seek to derive theoretical propositions on a design of aligned leadership development practices favorable to enabling valuable cross-business collaboration. This is indicated by our last research question:

Research Question 3:

3. How can corporate human resource management align leadership development practices to foster cross-business value creation?

In general, this dissertation offers a different research perspective and evaluation of leadership development practices in two ways. First, whereas traditional perspectives have focused mostly on the contribution of *individual* human resources practices, we aim to focus on their effect through *interrelationships and alignment*. Secondly, we consider not only the *intended* and designed practices but integrate the view of how they are *experienced*. Our perspective in distinction to other research perspectives is summarized in the following figure:

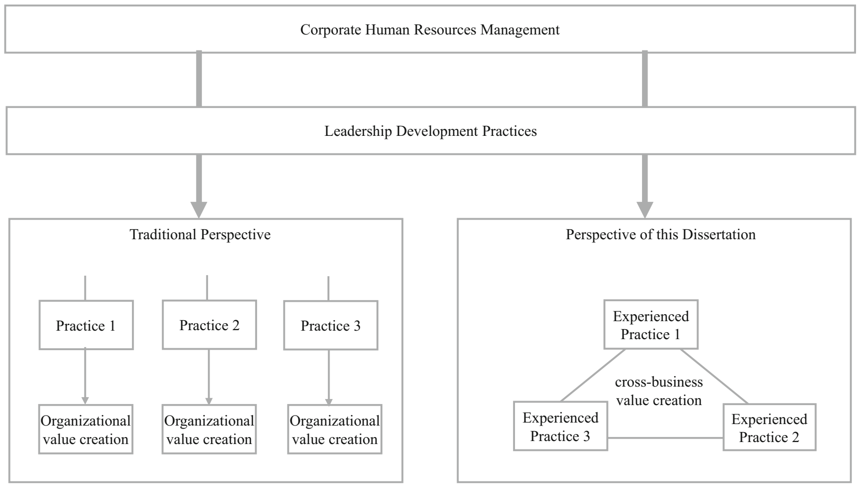

Figure 1-1: Perspective of the Dissertation

1.3 Purpose and Contribution

Generally, our research intent in this dissertation lies primarily in understanding more about *how* leadership development practices impact the realization of cross-business value creation in a multibusiness firm on a corporate level. We argue that *leadership development practices* are a means for multibusiness firms to fostering strategy realization by enhancing the *social capital of middle managers,* which in turn fosters entrepreneurial leadership activities necessary for valuable cross-business collaboration. We hereby aim to contribute to both literature of strategic management and human resource management with their respective sub-domains.

We intend to contribute to *strategic management* literature in three regards. Focusing on the managerial aspect of corporate strategy including strategy realization, we contribute primarily to corporate strategy, process and cross-business synergy literature (e.g. Goold et al., 1998a; 1994; 1998b; Martin et al., 2003; Müller-Stewens et al., 2005b, 2006; Porter, 1996; Porter, 1987). We provide insights on how corporate management and its human resource management can enable cross-business collaboration among its businesses through the alignment of leadership development practices. By focusing on the particular role of middle managers, we aim, secondly, to contribute as well to middle manager literature (e.g. Floyd & Wooldridge, 1992, 1996; 1997, 2000; Pappas & Wooldridge, 2007). As this literature is mostly concerned with strategic activities that are directed up- or downward, we might complement this view with a lateral and peer-related view that is relevant in cross-business collaboration settings. Finally, we intend to contribute as well to organizational social capital literature (Ghoshal & Bartlett, 1990; Leana & Van Buren, 1999; Mehra, Dixon, Brass, & Robertson, 2006; Nahapiet & Ghoshal, 1998; Tsai, 2000, 2002; Tsai et al., 1998). We refine the understanding of the quality of social capital needed for valuable cross-business collaboration and how it might be distinct to other types of intra-organizational collaboration. Further, we provide insights on the deployment and development of relevant social capital for valuable cross-business collaboration.

We also seek to contribute to the literature of *human resource management* (Boxcall, Purcell, & Wright, 2007; Purcell et al., 2007; Ulrich & Brockbank, 2005; Wright et al., 2001), particularly the sub-domain of leadership development (Conger, 1993; Day, 2000; Fiedler, 1998; Mabey et al., 2005; Seibert, Hall, & Kram, 1995; Winterton et al., 1997) and strategic human resources management (Boxall et al., 2003; Holbeche, 1999; Kepes et al., 2007; Kerr et al., 1989). First, we address the suggestion found in the literature to examine the performance linkage by introducing the employee experience perspective explicitly into the conceptual model (Purcell et al., 2007). In doing so, we provide insights into how leadership development practices are experienced in order to serve in a particular strategic firm context. Secondly, we broaden leadership development literature with insights on how practices most likely support social capital – individually and in interrelationships. Finally, we intend to enrich strategic human resources management literature on how leadership development practices can be aligned in order to become a source of sustained competitive advantage for multibusiness firms itself.

Beyond that, our research might have important implications for the *top managers and the corporate human resources managers* of a multi-business firm as well as *consultants* in human resources management and leadership development. Focusing on the realization of cross-business synergy generation, we provide insights into how strategy realization can be enabled with a set of leadership development practices that fosters the necessary collaboration culture and leadership capabilities. For corporate human resources managers we provide insights on how to design and align leadership development practices that enhance particularly cross-business collaboration activities. Moreover, this might help to distinguish leadership development practices on business and on corporate level regarding contribution and design.

1.4 Outline of Dissertation

This dissertation is structured as follows. Framed by an introductionary chapter at the beginning and a conclusion chapter at the end, the body of the work consists of four chapters, comprising the theoretical embedding of this dissertation (chapter 2), the research approach (chapter 3), the case study presenting the empirical findings (chapter 4), followed by the analytical generalization of the findings (chapter 5).

In the *first chapter*, we introduce the research problem: the realization of cross-business growth synergies by multibusiness firms. We focus on research gaps and our intent to explore leadership development as a means for multibusiness firms to achieve corporate advantage. Further, we derive guiding research questions and outline our intended contributions.

In the *second chapter,* to embed our problem, we review the existing research and theory with regard to our research focus. Based on that, we elaborate a guiding investigation framework for our research. We divide this chapter into three parts: First, we review the main theoretical building blocks of *multibusiness firms*, their strategy, and the factors that need to be considered in strategy realization. Secondly, we introduce *leadership development* as a human resource management activity, its impact on performance, and the shortcomings of previous research. Finally, based on the shortcomings of the existing literature, we propose for our research a *guiding investigation framework* adopting a strategic human resources management perspective. We describe each element of the framework, including a selection of the most promising leadership development practices and their potential contribution to social capital.

In the *third chapter*, we outline our research approach, indicating how we intend to investigate our research questions. We propose an *inductive embedded case study* approach to capture leadership development practices and how they have been experienced. Working with the multibusiness firm that was selected as our research site, we chose a sample consisting of middle managers who have been successful in cross-business collaboration activities as well as middle managers who have been less successful. Based on this selection, we aim to compare both samples with regard to their cross-business social capital and leadership development experiences.

In *chapter four,* we present our *empirical findings* in the format of a *case study*. We first describe the research context and the research site. Further, we engage in a *within-case study*, analyzing cross-business collaboration activities, social capital and leadership development experiences among middle managers with *high, moderate and low* engagement in cross-business collaboration.

Chapter five provides an in-depth analysis across the three groups of middle managers related to each research question. The findings are supported by interview citations and discussed in the light of the existing literature. This results in the development of a set of theoretical propositions that can be summarized thusly: 1) different cross-business collaboration activities require different degrees (stages) of social capital; 2) social capital stages are path-dependent in nature and develop out of each other; 3) different leadership development experiences contribute to different stages of social capital; 4) leadership development practices should be aligned in such a way that they contribute to the development of the identified stages of social capital.

Finally, we summarize in *chapter six* the contributions of this dissertation to theory and managerial practice and refer to the limitations and directions for future research.

The outline of this dissertation is summarized in the following figure:

1. Introduction
- Research Problem and Research Gaps
- Research Focus and Guiding Question

2. Existing Theory and Research
- Multibusiness Firms
- Leadership Development in Multibusiness Firms
- Strategic Alignment of Leadership Development in Multibusiness Firms

3. Research Approach
- Research Methodology
- Research Design and Data Analysis
- Research Quality

4. Case Study
- Research Context
- Research Site
- Cross-collaborating Middle Managers

5. Analytical Generalization
- The role of Social Capital in Cross-business Collaboration
- Leadership Developments' Contribution to Social Capital
- Strategic Alignment of Leadership Development

6. Conclusion
- Contributions to Theory and Practice
- Limitations of this Dissertation and Directions for future Research

Figure 1-2: Outline of Dissertation

2 Existing Theory and Research

2.1 Multibusiness Firms

2.1.1 Introduction

Most large firms today are multibusiness firms (Bowman et al., 2001; Müller-Stewens & Brauer, 2007), which means that they are engaged in more than one business. Thus, a common characteristic of multibusiness firms (in the following, abbreviated with MBF) is that they are diversified, even though their degree of diversification might differ and vary over time (for an overview: Palich, Cardinal, & Miller, 2000; Ramanujam & Varadarajan, 1996). The primary entrepreneurial logic underlying the management of an MBF is identical to that of a single-business firm: to create added value (Goold et al., 1994). In contrast to single business firms, the management of an MBF assumes that it is able to create a higher added value as corporation, i.e., it is more than the sum of the value creation of its individual businesses. During the last several decades this phenomenon has been subject to extensive economic and management research efforts in order to understand whether, why and under which circumstances diversification of MBFs leads to corporate advantage, and consequently, how it can be managed.

The research intent of this dissertation is to explore the role of leadership development for cross-business value creation in MBFs. With regard to this intent, some basic concepts of the MBF are outlined in this chapter. First, cross-business value creation as the *entrepreneurial rationale* of MBFs (2.1.2.) is introduced, followed by the illustration of cross-business synergies as the basic ingredient of *corporate strategies* in MBFs (2.1.3). Thereafter, the role of *middle managers*, entrepreneurial leadership and social capital for *strategy realization* in MBFs are discussed (2.1.4). Finally, in chapter 2.1.5 we summarize the most important theoretical insights and shortcomings regarding our research intent and position our research attempt within strategic management literature. It is important to emphasize, that we confine the review consciously to what we believe is useful for our research approach.

2.1.2 Entrepreneurial Rationale

To strive for continuous corporate value creation in order to create a corporate advantage is the entrepreneurial underlying rationale of each MBF, independently of industries (e.g.Chandler, 1991; Goold et al., 1994; Müller-Stewens et al., 2007). However, value creation generally is not a concept used only for MBFs (Goold et al., 1994). Rather, it is the prime and inherent rationale of each enterprise, independent of its being a single or multibusiness company. A firm creates value to fulfill the interests and

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_2,

minimum requirements of its stakeholders to sustain their support. That means "[o]n a most simplest level, value creation is the creation of a surplus over and above these requirements." (Goold et al., 1994: 39). Indeed, if an MBF is not capable of creating corporate value, it might face of increasing pressure from financial investors to abandon one of its businesses (Müller-Stewens et al., 2005a). Corporate management that is a parent of multiple businesses should strive to create more value than its businesses would create stand-alone in the market (e.g. Ansoff, 1965; Goold et al., 1994; Porter, 1985; 1987) or if they were owned by another parent (Campbell, Goold, & Alexander, 1995). Scholars refer to this phenomenon in various ways such as *corporate effects* (e.g. Rumelt, 1982; 1994), *corporate surplus (or discount)* (e.g. Markides & Williamson, 1994; Williamson, 1996) *corporate advantage* (e.g. Collis & Montgomery, 1998; Peteraf, 1996) or *parenting advantage* (e.g. Goold, Campbell, & Alexander, 1998b). It characterizes corporations as creating an added value which is higher than the sum of its parts, taking all costs for the management of the corporation into account.

The variety of terms indicates the underlying diversity of theoretical perspectives that have contributed to the understanding of this phenomenon, such as an economically rooted *diversification* view (e.g. Rumelt, 1982), a market-oriented *transaction cost view* (e.g. Markides et al., 1994) or an organization-oriented *resource based view* (e.g. Collis & Montgomery, 1995). During the last few decades, this body of research was at its heart concerned with the question of whether MBFs create value through their corporation or not, in other words, whether corporate effects do exist. Whereas some authors question the existence of corporate effects (Rumelt, 1982; Schmalensee, 1985), recent studies investigating the diversification performance linkage provide persuasive support that a corporate surplus – and discount – does occur (Bowman et al., 2001; Helfat & Eisenhardt, 2004; Markides et al., 1994; Palich et al., 2000). Extensive investigatory efforts into the question of the *degree* of diversification, i.e. specific relatedness measures (e.g. Bettis, 1981; Rumelt, 1982) could, however, not harmonize these inconsistent empirical results. Nor did approaches regarding the *appropriate organizational arrangements* (Govindarajan, 1988; Hill, Hitt, & Hoskisson, 1992) sufficiently account for performance differences among MBFs. Analyzing this ongoing debate, Bowman et al (2000) conclude that if different methodological approaches and samples are taken into account, corporate effects remain viable.

In sum, the research literature identifies six major factors influencing corporate effects: *the scope of the firm*, the core *competencies*, *organizational structures*, *systems of planning and control* as well as the *corporate management* in terms of the managerial ability to strategize and manage the foregoing influencing factors (Bowman et al., 2001). Thus, it seems that a diversification of businesses as such - related or unrelated

- in one or the other organizational arrangement does not *automatically* lead to superior corporate effects or synergy realization (e.g. Müller-Stewens et al., 2007; 2005b; Rumelt et al., 1994). Rather a corporate strategy, reflecting the *management of these effects*, seems to play an important role in explaining corporate advantage (Bowman et al., 2001).

2.1.3 Corporate Strategy

Whereas a single business firm can only source its value creation from the value chain of its single business, the advantage of a multibusiness firm lies in having an additional source to realize added value *across* all businesses (Goold et al., 1994). Accordingly, the corporate management of an MBF is typically concerned with both business and corporate level effects and thus strategies. Whereas *business* strategy "deals with the ways in which a single-business firm or an individual business unit of a larger firm competes within a particular industry or market, [*c]orporate* strategy deals with the ways in which a corporation manages a set of businesses together." (Bowman et al., 2001:4). In other words: "Corporate Strategy is the way a company creates value through the configuration and coordination of its multimarket activities." (Collis & Montgomery, 1997: 5). Thus, different corporate strategies and contingent forms of configuration and coordination among MBFs are apparent. For example, an MBF striving for an added value through the portfolio management (referred to as *portfolio optimization*) of the company mainly implies diversifying through the acquisition of businesses which do not necessarily have to be in the same industry as the existing businesses. In such a setting, the businesses remain rather autonomous and coordination is managed via induced management techniques and capital sharing (Collis, 1996; Grant, 1996; Porter, 1987). Relationships between the corporate management and the businesses are central, whereas relationships among the businesses are only marginally important in this strategic context.

In contrast, MBFs that strive to create added value by *exploiting the interrelationships between the businesses* can do so in two different ways: Either they transfer skills and know-how to optimize the value chain management of their businesses (referred to as *vertical optimization*) or they directly integrate and share certain value chain activities (referred to as *horizontal optimization*), such as, for example, a shared production site (Goold et al., 1998a; Müller-Stewens et al., 2007; Porter, 1987). While a strategy focusing on vertical optimization implies that businesses still act autonomously, in a setting of horizontal optimization the organizational autonomy of the businesses is limited in favor of a strategic integration. However, even though the way to create the corporate surplus can seemingly differ, *cross-business value creation* remains the common denominator of an MBF corporate strategy. Thus, *synergies* discussed as the most important vehicle and source of cross-business value creation are an important strategic concept for MBFs (Martin & Eisenhardt, 2001). Indeed, most strategic moves toward diversification or acquisitions and mergers arise in the primary idea of creating synergies (Goold & Campbell, 1998a; Sirower, 1997). Therefore we will describe in more detail what cross-business synergies mean in the following sections.

Definition of Cross-business Synergies. Introduced by Igor Ansoff (1965) into strategic management literature, the concept generally assumes that the whole is more than the sum of its parts. Applied to the context of MBFs it describes the effect that the return of the whole corporation is more than the sum of the returns of each individual business (Ansoff, 1965). As returns can be either influenced through reductions of expenditures *or* enhancement of revenues, the term synergy does not strictly refer only to potential cost savings as some authors (e.g. Besanko, Dranove, & Shanley, 2000) and common usage generally suggest. Therefore Martin et al. (2001) opt for a comprehensive definition, defining cross-business synergies as "the value that is created over time by the sum of the businesses together relative to what their value would be separately." (Martin et al., 2001:3). However, this is a rather outcome-based definition. Realizing synergies has a price and needs to be managed (Porter, 1996; Porter, 1985; Sirower, 1997); otherwise, dissynergies can result when transaction costs are higher than realized synergies. This refers to the relevance of the underlying *process* of cross-business synergy realization, which is reflected in a definition by Goold and Campbell (1998) who understands cross-business synergies as "the ability of two or more units or companies to generate greater value working together then they could working apart." (Goold et al., 1998a:133).

Types of Cross-business Synergies. Despite the fact that several research domains have addressed cross-business synergies very few attempts at a typology or comprehensive classification scheme exist (Ansoff, 1965; Goold & Campbell, 2000; Porter, 1996). A recent approach to provide a typology of cross-business synergies distinguishes cross-business synergies according to the nature of the resources involved as well as based on their desired outcome (Knoll, 2008; Müller-Stewens et al., 2005a). Accordingly, synergies are categorized into *operative* synergies, *market power* synergies, *financial* synergies and *corporate management* synergies. Whereas *operative synergies* focus on leveraging operative resources across their businesses to increase efficiency and profitable growth, *market power related synergies* aim to reduce business-level competition by sharing market power resources. *Financial synergies* exploit financial advantages to lower capital costs and increase firms financial flexibility and *corporate management synergies* profit from leveraging corporate management resources to the individual businesses of a firm (Knoll, 2008). Depending on their corporate strategy an MBF might emphasize different types of cross-business synergies. For example, an MBF following the strategy of a portfolio manager strives to achieve cross-business value creation through the realization of financial synergies, whereas an MBF following a horizontal optimization strategy will realize operative synergies.

Efficiency and Growth Synergies. Within the category of operative synergies, *efficiency* and *growth synergies* can be distinguished (Knoll, 2008). *Efficiency synergies* commonly known and formalized as 'economies of scope' refer to a sharing of *similar* operative resources, for instance concentrating selected value chain activities across businesses, such as IT service or production facilities (Collis et al., 1998; Porter, 1987), which in consequence lead to the benefit of investment reductions. *Growth synergies* are much less frequently addressed in the literature than efficiency synergies (Palich et al., 2000; Ramanujam et al., 1996). They have only recently emerged within strategic management research and are not yet elaborated satisfactorily. Accordingly, this dissertation intends to illuminate these specific growth synergies further. It seems that there are indications that "growth synergies are based on dynamic (re)combinations of complementary resources across businesses to capture market opportunities rather than on static sharing of similar resources across businesses to increase their utilization" (Knoll, 2008:26). In other words, *efficiency* synergies imply the bundling and exploitation of *similar* resources, such as, e.g., a plant facility, whereas *growth* synergies imply the combination and bundling of *complementary* resources, such as different products, to a unique business or customer solution (Knoll, 2008; Tanriverdi & Venkatraman, 2005).

MBFs might pursue different types of cross-business synergies depending on their main strategic orientation. However, the underlying strategic logic remains the same: the realization of cross-business value creation over cross-business synergies.

2.1.4 Strategy Realization[1]

If the corporate strategy of an MBF centers on value creation across its businesses through different types of cross-business synergies, corporate management must be considered to involve the *realization of cross-business synergies* when turning strategy into practice. Despite the pursuit of cross-business value creation as the underlying strategic logic of any MBF, relatively little is known on how these cross-business syn-

[1] Acknowledging the mutually reinforcing character of strategy formation and implementation as a continuous intertwined process in practice (Burgelman, 1991; Lechner, 2006), we use the term strategy realization instead of strategy implementation in order to avoid a false impression of a separability that might only exist for analytical purposes.

ergies are de facto realized by managers, and thus it still remains an elusive goal to most MBFs (Martin et al., 2001, 2003; Porter, 1987).

Generally, the realization of cross-business synergies affects two major relationships in an MBF: The relationships between the businesses and their corporate center and the relationships between the businesses (Martin et al., 2001, 2003). Whereas an MBF pursuing portfolio optimization is most likely concerned with the relationship of the corporate center and its businesses, vertical and, particularly, horizontal optimization need to consider as well the relationships among businesses (Goold et al., 1998a). Even though research on cross-business synergies has not yet provided specific insights into the sources, contexts or processes by which cross-business synergy potentials are realized, it seems that it is not trivial. Competition, rather than collaboration[2], will occur when an aligned strategic orientation, shared values and a climate of trust are lacking (Burgelman et al., 2001; Goold et al., 1998a). To create such an environment, particular management and leadership capabilities are necessary, such as to enhance trust and *collaboration between the businesses*, the capability to balance their different and mostly conflicting interests as well as *entrepreneurial leadership* to turn potentials into realization (Müller-Stewens & Knoll, 2005b). Particularly in strategic settings where the relationships among businesses are considered to be the main source of cross-business value creation (horizontal optimization), *collaboration activities across businesses* can be seen as playing a major role for synergy realization. Indeed, managers of MBFs confirmed in a recent survey that they see in cross-business collaboration efforts their most important strategic priority today and in the future (Müller-Stewens & Knoll, 2006).

The importance of cross-business collaboration is also noted by Campbell (1999), who identifies it as “the key” to cross-business synergy realization, which is already reflected in the above-mentioned definition of cross-business synergies as the ability to generate greater value by *working together* (Goold et al., 1998a:133). Thus, for an MBF that is particularly concerned with horizontal optimization, valuable cross-business collaboration can be seen as the main ingredient to be managed in its strategy realization.

One means of corporate management to *directly* influence cross-business collaboration is to create *influencing linkages* between businesses (Goold et al., 1994), e.g., through

---

2 We will use the term “collaboration” interchangeably with cooperation (Huxham, 1996). We are aware of the historical associations with this term and will use it in a positive way according to Huxham (1996) who clarifies in the first sentence of his book: “For some, the term ‘collaboration’ carries a negative connotation; this is a hang-over from the Second World War when the term was used to describe those who worked with the enemy. In this book, however, ‘collaboration’ is taken to imply a very positive form of working in association with others for some form of mutual benefit.” (Huxham 1996:1).

management processes, information and resource sharing, coordination of client approach, product innovations, etc. However, to imposing and determining these linkages implies, on the other hand, the enormous risk of destroying value by creating large overhead costs of central staff in order to be able to coordinate and control these linkages (Goold et al., 1994). Thus, particularly in strategic settings focusing on cross-business collaboration as a source of corporate advantage, the possibilities for an MBF to manage strategy realization are difficult and limited. In this case, the role of a corporate management has to be rather *indirect* in nature. By setting the adequate organizational and procedural arrangements it enables the respective collaboration culture and management capabilities (Müller-Stewens et al., 2005b). How a respective collaboration culture, including the relevant management capabilities, can be enabled in such a way that cross-business collaboration is enhanced is an intriguing question for the corporate management of an MBF (Campbell, 1999), but it has yet to be explored (Campbell, 1999; Eisenhardt & Galunic, 2000; Martin et al., 2003). Thus, contributing to this need for elaboration has been identified as valuable attempt for this dissertation. Consequently, the next sections refer to MBFs which strategically pursue a horizontal optimization over operative synergies (efficiency and growth synergies) and thus engage in cross-business collaboration as main source for corporate advantage. As the contribution of corporate management is limited to an indirect role, *middle managers* among the businesses have to be taken into account.

The Role of Middle Managers for Strategy Realization in MBFs. A growing body of literature has identified middle managers “as key strategic actors”, arguing - in contrast to the traditional research focus on top management teams - that “organizational performance is heavily influenced by what happens in the middle of the organization, rather than at the top” (Currie et al., 2005:1325). Among the first studies that were concerned with the role of middle managers with regards to organizational performance was a study by Wooldridge & Floyd (1990). They showed that the involvement of middle managers in the strategy process lead to higher quality of both, strategy implementation *and* formation. Unlike top managers, middle managers are still close to clients and markets and thus have the potential advantage being the first to recognize strategic problems and opportunities in the market environment. At the same time, middle managers are responsible for realizing the strategy. Early involvement, they argue, leads to a *shared common understanding* of the strategy as well as a *commitment* to its realization. Both enhance the engagement of middle managers in strategy implementation (Wooldridge & Floyd, 1990).

Even though this study was not purposely conducted in a cross-collaboration setting, it reveals the important contribution of middle managers for strategy realization in general. That these insights might also be relevant for the particular context of an MBF focusing on cross-business collaboration is supported by Martin et al. (2003), who show in their exploratory study that cross-business synergy initiatives originate within the business-units and not at corporate level (Martin et al., 2003). Further, realizing cross-business synergies implies that managers are able to recognize these synergy opportunities including their mutual benefits (Campbell, 1999). More precisely, the literature identifies a set of specific strategic activities of middle managers that affect strategic contribution and organizational performance (Floyd et al., 1997). This set of activities implies, among other things, for example, a set of activities regarding the *championing of new opportunities* as well as *implementation* activities, such as translating goals into action plans, etc. Martin et al. (2003) also provide supporting evidence that *opportunity seeking* is an important ability for cross-business synergy realization, referring to it as a "spirit of opportunity capture". They argue that cross-business synergy initiatives emerge at the base of numerous business-unit activities. When managers actively applied their unique knowledge of their respective business unit, they were "able to recognize some subset of these activities as potentially synergistic" (Martin et al., 2003:6). They conclude: "This process of discovery and exploitation of opportunities by individuals with unique understanding of these opportunities represents the essence of entrepreneurship, and reveals the general manager as a corporate entrepreneur." (Martin et al., 2003:6). Consequently, this indicates that particularly entrepreneurial leadership activities play a role in the strategy realization of a MBF.

Entrepreneurial leadership is mostly discussed by corporate entrepreneurship literature as a dimension of and a contribution to the *human capital* of a firm and its organizational members (Dess et al., 2003; Dess & Lumpkin, 2001; Ireland, Hitt, & Sirmon, 2003). In this context human capital is understood as "individual capabilities, knowledge, skill, and experience of the company's employees and managers as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning" (Dess et al., 2001:26). In this regard, Ireland (2003) defines entrepreneurial leadership - a specific type of leadership – as "the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviours." (Ireland et al., 2003:971). Thus, entrepreneurial leadership is characterized by the following six imperatives: *nourish an entrepreneurial capability, protect innovations threatening the current business model, make sense of opportunities, question the dominant logic, revisit the "deceptively simple questions"* and *link entrepreneurship and strategic management*. Similarly, Gupta et al. (2004) identify entrepreneurial leadership as a particular set of leadership attributes, such as *foresight, encouraging, positive, confidence* *builder, decisive* and *ambitious*. (Gupta, MacMillan, & Surie, 2004). Particularly with regard to middle managers, Kuratko et al. (2005) describe behavioral aspects of entrepreneurial leadership with the terms *endorsing, refining and shepherding entrepreneurial opportunities* as well as *acquiring and deploying resources needed to pursue entrepreneurial opportunities* (Kuratko et al., 2005).

Even though there exist various concepts of what entrepreneurial leadership may include, they all refer to the *discovery* and *exploitation* of *new business opportunities*. However, managers that embody all of these capabilities in one person are not only hard to find; these capabilities are firm-specific in nature and need to be developed within the specific organizational context (Burgelman & Doz, 2001; Prahalad & Hamel, 1996). This means that, entrepreneurial leadership, when conceptualized as a human asset embodied in individuals, is not context-independent and requires social embedding to be activated, deployed and developed. In this sense, social capital is seen as the "contextual complement of human capital" (Burt, 1997:339). Thus, human capital is not only intertwined with social capital, it is also an enabler for building human capital in a firm (Burt, 1997; Ireland et al., 2003; Lepak & Snell, 1999). More precisely, recent studies have shown that social capital is an important viable outcome *and* antecedent in organizational activities, including inter-unit exchanges and entrepreneurship activities (Adler & Kwon, 2002). Thus, *social capital* is seen as playing a major role in enabling the entrepreneurial leadership activities of middle managers that are necessary to discover and exploit cross-business synergies as the core element of strategy realization in an MBF.

The Role of Social Capital for Strategy Realization in MBFs. The term social capital is used across various disciplines on different micro and macro levels of analysis, such as nations or geographic regions, communities, organizations in their interaction with other organizations or beyond individual actors and networks (Brass, Galaskiewicz, Greve, & Tsai, 2004; Leana & Van Buren, 1999). In a most general manner social capital refers to social relations among individuals or organizations, and disappears when the relations cease to exist (Hitt, Lee, & Yucel, 2002; Leana et al., 1999). Through these relationships, action and value creation are facilitated (Adler et al., 2002). Thus, social relationships and their characteristics can be seen as the critical dimension of social capital (Hitt, Lee, & Yucel, 2002). In this sense, Burt (1997) describes social capital in contrast to human capital as "the quality created between people, whereas human capital is a quality of individuals" (Burt, 1997:339).

With regard to firms, social capital has been mostly studied with regard to *inter-firm relationships* mainly focusing on long-term cooperative relationships between organizations, suppliers, customers and even competitors (Brass, Galaskiewicz, Greve, &

Tsai, 2004). Focus has also been placed on *intra-organizational relationships* (Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998; Tsai, 2000; Tsai & Ghoshal, 1998). Accordingly, some authors distinguish between the internal and external social capital of a firm (Ireland et al., 2003). In the context of this dissertation, we will focus on the *internal* social capital of a firm, considering it on an *individual* (Burt, 2000) and *organizational* level (Leana et al., 1999; Nahapiet et al., 1998; Tsai et al., 1998). These studies show in one or the other way that social relationships across organizational units have significant impact on unit or organizational performance. They might either lead to beneficial outcomes or constraint activities (Brass et al., 2004).

Most of the research on the intra-organizational level has been concerned with the *structural aspects* of formal and informal social network ties (e.g. network centrality, structural wholes, density, etc.) and their associations with beneficial performance outcomes. For example, Mehra et al. (2006) showed that the social network ties a leader of a unit had with *peers* positively affected the performance of his unit (Mehra, Dixon, Brass, & Robertson, 2006). In the same way, Burt (1997) shows the advantage of a "brokerage opportunity" if managers are able to bridge the gap (structural wholes in a social system) between otherwise disconnected others, e.g. colleagues (Burt, 1997).

However, to build and maintain a social network implies an investment. Besides structural aspects it is of importance to consider which *quality* of intra-organizational relationships is associated with beneficial outcomes. In this regard, some recent studies refer to the quality of social relationships as most important component of social capital. For example, Leana (1999) conceptualizes *organizational social capital* as […]reflecting the character of social relations within the organization, realized through members' levels of collective goal orientation and shared trust" (Leana et al., 1999). Indeed, trust and shared vision and values seem to be important qualities of internal social capital in order to raise firm performance in terms of product innovations (Nahapiet et al., 1998; Tsai et al., 1998). The authors show that particularly *trust and trustworthiness* – as a tangible asset and property of relationships – is related to resource sharing and recombination among business units which in turn leads to innovation. The building of trust and trustworthiness is rooted in frequent and close social interactions. Beyond that, a *shared vision* and shared values play as well a role in the willingness to collaborate between units. Even though research has not focused exclusively on cross-business synergy realization, these insights are seen to be applicable as well for this context.

Focusing on cross-business collaboration, an MBF has to consider particularly the *quality* of social capital among its middle managers in order to enable the relevant entrepreneurial leadership activities to mobilize strategy realization.

2.1.5 Conclusion

Cross-business value creation is the underlying primary logic of MBFs. Nevertheless, the way this cross-business value creation is achieved might differ depending on the respective corporate strategy of an MBF. Three main strategic types of MBFs can be differentiated: portfolio optimizers, vertical and horizontal optimizers, each of which strives for cross-business synergies in one or the other form. However, a brilliant strategy is a necessary but not a sufficient precondition to realize corporate effects. It seems that the way, organizational members – and particularly middle managers – are involved in strategy realization is as important as the strategy itself in achieving corporate advantage.

Generally, the realization of cross-business synergies affects two major relationships in an MBF: The relationships between the businesses and their corporate center and the relationships among the businesses (Martin et al., 2001, 2003). Whereas an MBF pursuing portfolio or vertical optimization is mostly concerned with the relationship of the corporate center and its businesses, horizontal optimization needs particularly to consider as well the relationships among businesses. To drive strategy realization in this latter case, the role of corporate management is limited to being indirect in nature. By setting adequate organizational and procedural arrangements it enables the respective collaboration culture and management capabilities (Müller-Stewens et al., 2005b). However, research has yet to explore, what adequate organizational and procedural arrangements must be in order to enable collaboration across businesses resulting in synergy generation, specifically growth synergies. Thus, this dissertation aims to contribute to closing this gap. Evidence provided by research suggest that corporate management efforts should focus on enhancing the social capital across businesses among middle managers to enable the deployment and development of the necessary entrepreneurial leadership activities for strategy realization.

Therefore, this dissertation proposes to explore *leadership development* as a valuable means for corporate management to enable its members systematically to identify and realize cross-business value creation and thus to turn corporate strategy into practice. Mostly targeted at managers on all hierarchical levels, leadership development practices embody a particular potential to raise the social capital among middle managers. Moreover, it might be a source of competitive advantage itself if corporate management exhibits the unique ability to enable and to empower, through leadership development, the firm's organizational members to identify and realize themselves linkages that entail the potential for cross-business value creation (Allen et al., 2007; Barney, 2001; Priem, 2001). Thus, we will review the basic concepts of leadership development in MBFs in the next chapter.

2.2 Leadership Development in Multibusiness Firms

2.2.1 Introduction

In general, effective leadership is associated with the success of all sizes and types of firms (Daily, McDougall, Covin, & Dalton, 2002; Yukl, 1989). Thus, it is not surprising that leadership has been recognized by more and more organizations as a source of competitive advantage, which has consequently led to investment in its development. Over the past decades one indicator of the distinctive interest in leadership development is seen in survey results reporting of increased attention and resources given to leadership development, particularly by large business organizations (PriceWaterhouseCoopers, 2006). Consequently, the current diversity and number of publications on this topic is increasingly widespread, analyzing various different aspects of leadership development from different perspectives (Conger & Benjamin, 1999; Yukl, 1989). The primary reason for firms to invest in leadership development is to enhance and protect their human capital (Lepak et al., 1999). Thus, *human-capital*-oriented approaches to leadership development are most common. However, recently the value of a *social-capital-oriented* perspective on leadership has been revealed (April & Hill, 2000; Balkundi & Kilduff, 2006; Day, 2000; Storberg-Walker, 2007).

Viewing the role of leadership development through the strategic lense of corporate management, it becomes a human resources management (HRM) activity that, together with other related HRM activities, may form a source of competitive advantage (Allen et al., 2007; Boxall & Purcell, 2003). Concerned about the whole system of HRM activities as well as the interplay among the individual HRM practices, policies or processes, the very young field of strategic human resources management (SHRM) is based on an attempt to connect strategic management with HRM research, mainly stimulated by the resource-based view of the firm (Allen et al., 2007; Boxall et al., 2003). By examining the link of HRM activities to performance the concept of *fit* plays an important role (Kepes et al., 2007) and marks the core of the debate in SHRM. It has been proposed that *vertically (external fit)* and *horizontally (internal fit*) aligned HRM activities create positive synergistic effects on organizational outcomes, whereas inconsistency between HRM activities may even harm organizational effectiveness (Kepes et al., 2007).

With regards to our research intent to explore the role of leadership development as a means for corporate management to enhance cross-business collaboration we review in this chapter the basic concepts from the existing literature on leadership development and strategic human resources management that we believe are relevant to our research questions. Thus, the purpose of this chapter is to discuss leadership development in

MBFs. We begin with the definitions of some relevant terms and introduce *human-capital* and *social-capital-oriented approaches to leadership development* (2.2.2). In chapter 2.2.3, we discuss leadership as a *sub domain of human resources management* (HRM), defining the main terms and discussing particularly the current research on the HRM - performance link and the emergence of the young research field of strategic human resources management (SHRM). Further, we depict the *alignment of HRM activities* as the core concern of SHRM research in chapter 2.2.4 and introduce the concepts of *external* and *internal alignment,* illustrated with examples from the domain of leadership development. Finally, we conclude by summarizing the most important insights and areas for further exploration based on the reviewed literature (2.2.5).

2.2.2 Leadership Development Approaches

The traditional and *human-capital-oriented approaches* of leadership development see leadership as a result of the personal attributes and capabilities of leaders (Bass, 1985; Conger et al., 1999; Neck et al., 1996). Consequently, leadership development in this tradition is conceptualized as a development targeted at *leaders* in formal management positions, focusing on their *intra*-personal competence base, such as, e.g., self-awareness, self-regulation, self-motivation, and aiming for individual-level skill enhancement (Day, 2000; Fiedler, 1996). Hence, the primary reason for firms to invest in leadership development is to enhance and protect their human capital (Lepak et al., 1999). Complementary to this approach - but less illuminated – are more recent relational and *social-capital-oriented approaches* which acknowledge that leadership is an ongoing, relational and socially embedded process among all organizational members, with or without formal leadership positions (Balkundi et al., 2006; Barker, 1997; Day, 2000). Accordingly, leadership development from this perspective touches on the *inter*-personal competence base, such as, e.g., social and political awareness and empathy, aiming for *inter*-personal skill enhancement on an individual as well as collective level and taking into account the particular social context. In this sense, leadership development is not only a function of the human but also the social capital of a firm. Particularly the latter is of interest for our research as we explore leadership development as a means to enhance cross-business collaboration in MBFs. Before illustrating these approaches further, the main terms leadership, leader and leadership development, are defined.

Leadership. Even though the term "leadership" has been defined in numerous ways within the leadership literature, most of the definitions have in common that leadership is described as an *activity* and a *way of influencing* others (Bruch, 2003; Yukl, 1989; Yukl, 1994). A definition which, in our eyes, accounts best for the social embeddedness aspect of leadership is that by Wunderer (2000), translated and cited in Bruch

(2003:20): “Leadership is defined as the process of exerting goal-oriented, reciprocal, and social influence upon others in order to complete shared tasks in a […] work situation”. We believe that this definition is accurate for our research in three ways. First, it refers to the ‘work situation’ and thus excludes other potential contexts where leadership might occur (e.g., parliament or social movements, family, etc.). More precisely, as we are concerned about business organizations we will use the term leadership to refer to *managerial* leadership (Yukl, 1989; Yukl, 1994). Secondly, this definition includes *all directions* of leadership activities, whether they are directed up- or downward (toward superiors or subordinates), or in a *lateral* direction (toward peers), which is particularly important for cross-business collaboration. Finally, this definition accounts for managers in a formal hierarchical position but is not restricted to it.

Leader. Most leadership concepts imply that the actor can be identified as a formally authorised leader within an organization (Yukl, 1994). However, “a person can be a leader without being a manager and a person can be a manager without leading” (Yukl, 1989:253). Thus, the above-mentioned definition accounts for both, including the possibility that leadership might be an activity also occurring among organizational members who are not necessarily in a formal position or are managers without subordinates (e.g., manager of financial accounts). This refers to a dedicated body of literature on *informal* leaders (Kipnis, Schmidt, & Wilkinson, 1980; Yukl & Falbe, 1990) In accordance with this research stream, we understand a leader to be a person who intentionally exerts influence over others, independent of his or her formal organizational position. Thus, it might happen – and mostly is desired - that a formally appointed manager takes on the role of a leader, but it is not restricted to this particular group of organizational members.

Leadership Development. Based on this broad understanding of leadership, which embraces all organizational members, leadership development is defined as “[...] expanding the collective capacity of organizational members to engage effectively in leadership roles and processes […] building the capacity for groups of people to learn their way out of problems that could not have been predicted” (Day, 2000:582). Whereas leadership roles refer to formal as well as informal authorities, leadership processes imply the enabling of a group to work together in a meaningful way. For a better understanding, a differentiation of management development might be useful, even though the borders of the two areas are fluid (Yukl, 1989).

Just as management and leadership are discussed as two different but interrelated concepts (Yukl, 1994; Yukl & Lepsinger, 2005; Zaleznik, 1977), management and leadership *development* mark each of them as different foci. Management development emphasizes the acquisition of specific types of knowledge and skills that enhance task performance in management roles and processes that are mostly position- and organization-specific in nature (Burgoyne & Reynolds, 1997; Day, 2000). Thus, management development is bound to a formal management position, and consists of the application of proven solutions, whereas leadership development builds the capacity to anticipate future challenges in order to enhance individual and collective adaptability. Following this argument, management development most often employs education or training formats (Fox, 1997). However, the distinction between management and leadership is seen as rather analytical, referring to different areas but not excluding each other.

We share with most authors the assumption that the fields are substantially overlapping (Day, 2000; Yukl, 1989; Yukl et al., 2005), particularly in practice. Today, most in-house leadership development activities are mainly targeted at organizational members in a formal managerial role, integrating as well context-related managerial aspects, such as strategy, industry related topics, performance management aspects, etc. (PriceWaterhouseCoopers, 2006). Therefore, leadership development in this dissertation refers to (*in-house*) leadership development as a corporate activity of business organizations which embraces both context-related leadership and managerial aspects[3]. Thus, we refer to the literature on leadership *and* management development.

Human-capital-oriented Leadership Development. According to Day (2000), most of what is called leadership development today is in fact *leader* development. In this way, the author distinguishes human-capital-oriented leadership development from social-capital-oriented leadership development. Human-capital-oriented leadership development centers on the *leader* and therefore emphasizes the acquisition of individual-based knowledge, skills and abilities associated with formal leadership roles, such as self-awareness (e.g., emotional awareness), self-regulation (e.g., trustworthiness) and self-motivation (e.g., commitment, initiative). In general, the goal is to foster *intra*personal competences to form an adequate leader model of one-self (Gardner, 1993). In this way, leadership development is a function of a conscious investment in human capital. This human-capital-oriented perspective on leadership development marks the predominant perspective in organizational leadership literature (Brass & Krackhardt, 1999; Day, 2000; Neck et al., 1996).

Social-capital-oriented Leadership Development. In differentiation to human-capital-oriented leadership development, the focus of social-capital-oriented leadership development is, according to Day (2000), "on building networked relationships among

[3] In doing so, we explicitly exclude the field of leadership and management development as an educational activity (Easterby-Smith & Thorpe, 1997)

individuals that enhance cooperation and resource exchange in creating organizational value" (Day, 2000:585). Accordingly, the emphasis lies on building and using *inter*-personal competences, such as social awareness (e.g., empathy, political awareness) and social skills (e.g., collaboration, building bonds, team orientation, conflict management). Thus, it incorporates not only the leader but also the leadership situation as playing a role in effective leadership performance (Fiedler, 1998). The overall goal is to enable the building and use of social capital in the form of social relationships supported by mutual commitment and obligations, reciprocated trust and respect (Nahapiet et al., 1998). As indicated in section 2.1.4 these aspects of social capital are proven to be interrelated and linked to organizational value creation through resource exchange and combination (Tsai et al., 1998). Thus, particularly for MBFs focusing on cross-business collaboration social-capital-oriented leadership development embodies great potential to enable strategy realization.

However, social-capital-oriented leadership development is multifaceted in different environmental and social circumstances and means "helping people learn from their work rather than taking them away from their work to learn. State-of-the-art leadership development is occurring in the context of ongoing work initiatives that are tied to strategic business imperatives." (Day, 2000:586). If we acknowledge that leadership development focuses on the social interaction between an individual and the social and organizational environment, it becomes a more complex issue than if seen as only being concerned with individual leader development. However, allowing leadership development to become an inherent process of ongoing business in an organization implies at the same time the risk of becoming a rather "haphazard process" (Conger, 1993). Thus, along with this conceptual shift toward emphasizing the building and use of social capital, intentionality and accountability need an even greater focus in research and practice to prevent an 'anything goes' mentality within the field of leadership development.

Thus, to adopt a social-capital-oriented leadership development approach seems particularly favourable for MBFs to enhance cross-business value creation. However, to succeed with such an approach, leadership development has to be strategically embedded and aligned. This involves a distinct understanding of human resources management from a strategic perspective.

2.2.3 A Sub domain of Human Resource Management

Human Resources Management (HRM). Human Resources Management implies "the management of work and people towards desired ends [and] a fundamental activity in any organization in which human beings are employed" (Boxall, Purcell, &

Wright, 2007:1). Even though it appears in a vast array of styles and formats, HRM consists of the following three major sub domains which are cultivated within different scientific disciplines (Boxall et al., 2003; Boxall, Purcell, & Wright, 2007):

- *Micro Human Resources Management:* covering the sub functions of HR policy and practice with regards to
    a. *Employment relations* – the arrangements governing such aspects of employment as recruitment, selection, induction, training and development, performance management and remuneration, mainly informed by personnel and industrial-organizational psychology and personnel and institutional economics
    b. *Work & Industrial Relations* – the way work is organized and the deployment of workers around technologies and production processes, as well as employee voice and representational systems (including union relations) mainly informed by industrial sociology
- *(Macro) Strategic Human Resources Management:* is concerned with systemic questions of how the HRM activities fit together in the broader context and in other organizational activities, mainly informed by strategic management literature, such as particularly, organizational behavior, decision making and industrial relations
- *International Human Resources Management:* concerns itself with HRM in companies operating across national boundaries, addressing micro and macro level HRM aspects in the field of international business, mainly informed by international management and internationalization literature

The critical main goals and contributions of HRM are seen in labour productivity, organizational flexibility and social legitimacy (Boxall et al., 2003; Boxall et al., 2007).

From a human resources management perspective, leadership development may be seen as one sub domain of the HR function, along with recruitment, compensation, retention and disengagement, etc. As a sub-domain of HRM, leadership development can be defined as "corporate activity […] that includes structural tactics such as succession planning and organizational arrangements for diagnosis and review of development, as well as the actual methods used for developing managers, whether formal or informal." (Mabey, 2002:1139). As other HRM practices, leadership development has been considered mainly on micro-level, and is generally subsumed under *human resources development* as a sub-domain of HRM, including all employee training and development practices. As the research body on Human Resources Development has grown in a substantial way, its claim to be a domain for itself might be legitimate (Boxall et al., 2007; Gilley, Eggland, & Maycunich Gilley, 2002). Even though we agree with this claim, it seems to be advantageous for a strategic perspective on leadership development to connect it to the broader and more advanced field of HRM.

HRM Performance Link. Increasing interest has risen in research on the HRM Performance link among both, practitioners and academics. Practitioners' interests are rooted in a search for a legitimate "place at the board table" and "being on a par with colleagues in finance" on the agendas of business schools (Purcell et al., 2007:534). On the other hand, scholars are motivated by the still inconclusive and weak empirical results of the existing studies on the relationships between HRM and business performance and by the desire to uncover the black-box character of the causality of this association. Besides the methodological problems, these attempts have failed up to now to establish a sound body of evidence (Purcell et al., 2007).

A critical review of the studies conducted during the last two decades has revealed the problems in the HRM activity – performance linkage, and in doing so, substantially fuelled the further theoretical development of this association (Bowen & Ostroff, 2004). One of these problems refers to the causality of the relationship between HRM practices and performance. Even though studies report a positive relationship, it is not clear whether this is really a *causal* relationship. Indeed, it seems equally plausible that high performing firms invest more in HRM practices (Wright et al., 2005). Besides the methodological challenges (Wright et al., 2001), most of the studies rely mainly on cross-sectional *financial* performance measures (Purcell et al., 2007). This might be a critical problem as it neglects the other strategic goals of HRM practices, such as contributing to social legitimacy by meeting societal expectations and regulations as well as enabling flexible adaptability to future challenges. This means that "a superior performance in HRM […] implies an outstanding mix of outcomes across these three areas", even though each of them might be required to a greater or lesser extent in certain periods (Boxall et al., 2003:8).

Beyond that, the relationship between HRM practices and financial performance might be too distant. Consequently, it uncovers the conceptual need to identify the intermediary processes and key variables mediating this linkage, what Purcell & Kinnie (2007) call "specifying the causal chain" (2007:540). If the assumption is that HRM practices help to achieve an improved performance through people, then it is clear that the employees play a central role in this chain. By mainly focusing on HR managers as respondents, however, most of the studies have astonishingly disregarded the perspective of the employee (Purcell et al., 2007).

With regard to the particular sub domain of the leadership development performance link, similar problems appear. It is reported that positive associations on the individual and organizational levels can *somehow* be found (Mabey et al., 2005; Seibert, Hall, & Kram, 1995; Winterton et al., 1997); however, results remain widespread and diverse and are mainly based on HR managers' views and are reduced to objective measures, such as, e.g., training hours, etc. With regard to the continuous high investments of firms in this domain (PriceWaterhouseCoopers, 2006), there is agreement among scholars on the need to review the efficacy of leadership development programs with regard to their organizational impact (Mabey, 2002; Winterton et al., 1997).

To further develop research in this field, Purcell & Kinnie (2007) generally opt for a refinement of the HRM performance link, conceptualizing the causal chain in five steps, from *intended*, to *actual*, to *perceived* HR practices, followed by employee reactions in the form of *attitudinal* and *behavioral* outcomes:

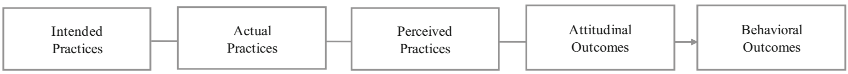

Figure 2-1: Revised HR Causal Chain (Purcell & Kinnie 2007)

Consequently, other influential factors appear to be relevant in this causal chain, such as the choice of specific *operating management systems* that affect, for example, the job design and the autonomy experienced, *the role of the line manager* enacting HRM practices through leadership, and *organizational culture, climate and values,* which, in short, transport a shared perception of what is important and what is expected (Bowen et al., 2004). That speaks for a broader definition of HRM as "people management", with a shared responsibility among line managers, senior management and employees rather than restricting it to the HR managers and the HRM function (Purcell et al., 2007).

Due to the above-mentioned empirically inconsistent results and conceptual development needs in HRM and leadership development research - mainly driven on the micro-level – *Strategic Human Resources Management* has emerged as a new research perspective, contributing to a context-related and broader perspective on HRM activities in organizations.

2.2.4 Strategic Alignment of HRM Activities

Strategic Human Resources Management Perspective. As research on the HRM micro-level reveals itself to be rather 'silo-based', it mostly fails to connect to the wider set of HRM activities. By connecting strategic management and HRM research, *strategic human resource management* (SHRM) seeks to fill in the gap resulting from both sides: The shortcoming on the *part of strategic management*, i.e., not recognizing that the management of people is strategic to success, and the shortcoming on the *part of HRM*, i.e., not studying the overall picture of HRM activities in an integrated way with other management functions (Allen et al., 2007; Boxall et al., 2003). In this sense, an individual HRM practice itself cannot be a source of competitive advantage; rather plays an essential role in improving the human capital pool of a firm, e.g., through trainings. However, by *aligning* and combining HRM activities in such a way that they create *synergistic effects,* they might become valuable, unique and difficult to imitate and thus constitute in and of themselves a resource for sustained competitive advantage (Allen et al., 2007; Barney, 1991). In this regard, SHRM focuses on the HRM systems within their particular strategic context and how they interact with each other rather than only on an individual HRM practice. For that purpose, HRM activity levels within an HRM system need to be differentiated and are described further in the next several sections according to Kepes & Delery (2007).

HRM Philosophy, Policies, Practices and Processes. Organizations are likely to have HRM systems for different groups of employees (Lepak et al., 1999), particularly multibusiness or multinational firms. Thus, the HRM *architecture* of a firm consists of different HRM *systems* and an overarching organizational climate or culture that "reflects all formal and informal HRM activities and serves as the glue that holds an organization together" (Kepes et al., 2007:390). Each HRM system, in turn, can be analyzed on different levels of abstraction, such as the *philosophy*, *policy*, *practice* and *process* levels (Kepes et al., 2007). As a general rule and according to Kepes & Delery (2007), we refer to all of these levels as HRM *activities*.

The *philosophy* of an HRM system entails the general principles that characterize the value and treatment of the employees covered within this system and represents the shared perceptions among this group. HR *policies* serve as guidelines and a best-practice benchmark for specific HRM activities, such as, e.g., recruitment, compensation, etc. HRM *practices*, in turn, are HRM techniques that ensure the implementation of HRM policies, such as, e.g., a performance management system to implement a merit-based pay policy. Finally, HRM processes ensure an effective implementation process, such as, e.g., the organisation of an annual performance management and compensation process.

Having introduced the different levels of an HRM system, it becomes apparent that the design and measurement of a coherent set of HRM activities reflecting the respective interplay is a complex endeavor, as alignment has to be achieved on multiple levels.

Types of Strategic Alignment. As the major focus of SHRM is on aligning human resources with firm strategies (Wright & McMahan, 1992), HRM activities must be appropriate in helping the organization to achieve its strategic goals (Allen et al., 2007; Boxall et al., 2003; Kepes et al., 2007). Different environments, external forces and contexts (e.g., organizational strategy) need a dedicated set of practices. Attempts to align HRM to strategy are referred to as *external* or *vertical* fit (Boxall et al., 2003; Wright et al., 1992). An internal alignment in turn affects the internal coherence of all HRM activities, referred to as *internal* or *horizontal* fit (Kepes et al., 2007). Thus, both alignments are closely interrelated and an *internal* alignment of HRM systems is, in this regard, dynamic as it has to adapt to external changes in order to meet present and future challenges. Therefore, a strategic alignment of HRM activities implies both an external and internal fit that is managed and balanced in an efficient way toward the critical goals of HRM, which are labor productivity, social legitimacy and organizational flexibility. We account for this dynamic perspective in using the terms alignment and fit interchangeably.

External Alignment. The concept of *external fit* within HRM implies to bringing HRM strategy in line with the competitive strategy of a firm, more precisely, with the firm's chosen path in its businesses, as well as, product markets (Boxall et al., 2003; Lengnick-Hall & Lengnick-Hall, 1988; Miles & Snow, 1984). The *contingency perspective* of SHRM predicts, "[...] that the relationship between HRM practices and organizational effectiveness is contingent upon an organization's strategy" (Kepes et al., 2007:387). The most influential model linking HR strategy to competitive strategy was proposed by Schuler & Jackson (1987) based on Porter's categorization of competitive strategies, such as, for example, cost leadership or differentiation (1985). A chosen competitive strategy determines the desired and required employee behaviors, which in turn influence the respective HRM practices (Schuler & Jackson, 1987). For example, if cost leadership is the competitive strategy of a firm, it is suggested to design repetitive jobs, train employees only in practical things to close immediate performance gaps and reward only output and predictable behavior (Jackson & Schuler 1997).

In this regard, business performance will improve when the HR practices and the firm's competitive strategy are mutually reinforcing each other, or in other words are aligned. Some empirical support for the argument is offered by a range of studies (Delery & Doty, 1996; Peck, 1994) that show, in fact, that firms pursuing an innovation strategy pay better wages and provide more training and opportunities for employee participation than firms that focus on costs. However, results are weak, remain mixed and reveal that the linkage is more complex. While the logic is appealing that a firm needs skilled people who are able to operate in the markets they have chosen, the fit to the competitive context is not the only consideration in absolute terms. Thus, Boxcall & Purcell (2003) conclude that "current competitive strategy is indeed playing some role in shaping important aspect of HR practice but the correlation is never overwhelming. Other factors are exerting influence as well." (Boxall et al., 2003:55).

As a firm is a network of stakeholders, HRM needs to integrate both, business *and* employee needs, particularly of those whose skills are crucial for the firm's survival (Boxall et al., 2003). In this respect, besides a fit with the competitive strategy of a firm, a fit with the labor markets is another inherent strategic goal of HRM, particularly with respect to compliance with (national) labor laws, minimum wage, etc. In fact, particularly in MBFs the competitive strategy mostly implies more than *one single* dimension as assumed by Porter (1985), and it varies across the nations or different industries it is acting in. In this regard, some studies differentiate the strategic alignment of HRM activities in a fit with the organization's stage of development such as for start-ups or more mature firms (Baird & Meshoulam, 1988; Buller & Napier, 1993). Beyond that, the HRM fit has to be understood in a dynamic way: HRM must meet the present competitive challenges today without compromising on supporting organizational flexibility over time in order to meet the challenges of the competitive future (Boxall et al., 2003). Consequently, particularly for a corporate HRM function of multibusiness and multinational companies, the notion of external fit implies a multiple set of alignments, not only referring to employee productivity but also to organizational flexibility and social legitimacy.

Internal Alignment. Besides the call for external fit, HRM strategists have, particularly in recent years, called for an internal fit of HRM activities as a source of competitive advantage. The internal fit idea follows the *configurational perspective* of SHRM, which is aligned with the concept of equifinality (Kepes et al., 2007). According to that concept, even different sets of HRM practices that fit together can achieve identical outcomes. It highlights the importance of complementarities among HRM practices in predicting organizational effectiveness (Kepes et al., 2007). According to the different sublevel of HRM activities (systems, policies, practices, processes) Kepes & Delery (2007) distinguish four different types of internal fit. We will introduce them and try to illustrate them with examples from the sub-domain of interest to us, i.e., leadership development.

The first type of internal fit is referred to *between-HRM-system.* The authors refer to the alignment of HRM systems focussing on different employee groups (e.g., trainee and apprenticeship activities and activities focused on managerial roles) in order to support the overall HRM strategy. Compared to the following types of internal fit, this type is not yet reflected in literature.

W*ithin-HRM system* vertical fit is defined as the alignment of HRM activities on diverse levels *within* one HRM system, such as, e.g., fit between leadership development policies, practices and processes. This type seems to be assumed to exist and has rarely been explored in the literature. What has, however, been reflected most frequently in the literature as internal horizontal fit is what the authors call Inter-HRM activity area fit and Intra-HRM activity area fit. *Inter-HRM activity area fit* "denotes the fit across different HRM activities at the same level of abstraction" (Kepes et al., 2007), such as, e.g., leadership development practices and work design practices. *Intra-HRM activity area fit* refers to the alignment of different HRM activities in a specific HRM activity area, e.g., the alignment of different leadership development practices, such as 360-degree feedback, mentoring, internal training programs etc. The authors have done an excellent job in visualizing the complex und multiple interactions of the elements comprising an overall HRM architecture in the following figure:

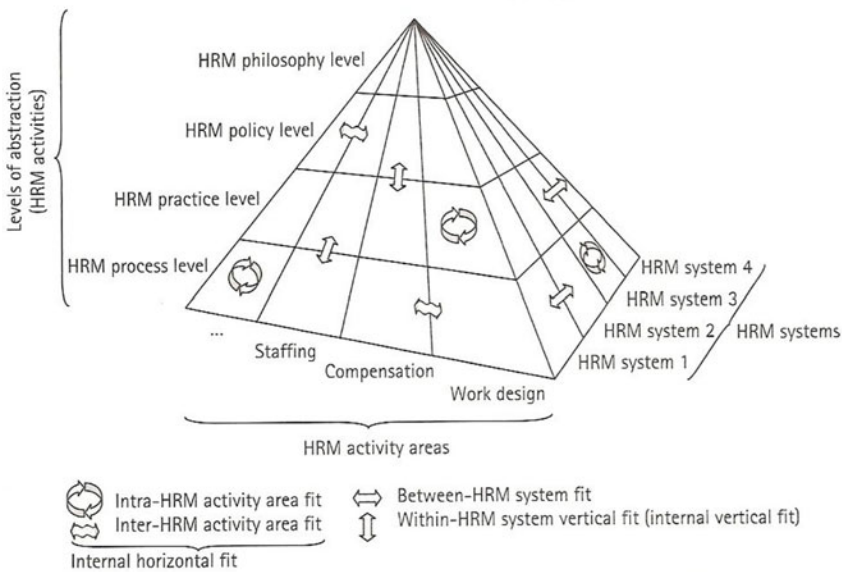

Figure 2-2: The Different Types of Fit within the HRM Architecture (Kepes & Delery 2007)

Possible Effects of Alignment. The interplay between the different HRM activities, be it the Inter-HRM or Intra-HRM activity area, can result in different effects. Additive effects occur, if "two HRM activities on the same level result in the sum of the separate effects of each individual HRM activity" (Kepes et al., 2007:393), such as, e.g., a *personality-based* test of leadership skills and a *work-based* 360-degree feedback on leadership qualities. However, this simple additive effect is not traditionally seen as representing an effect of fit, but rather as interactive or *synergistic effects*. According to Kepes & Delery (2007), these effects can be further distinguished:

- *Substitutable effects*: two practices that result in an outcome equal to one practice, e.g. two different personality based tests for leadership skills are applied. Here, nothing is gained from an organizational effectiveness perspective; rather, the risk increases to raise additional costs for having two parallel activities in place.
- *Positive synergistic effects*: also referred to as "powerful connections" are those where the combination effect is more than the sum of each individual HRM activity. An example might be the combination of 360-degree feedback together with follow-up coaching. Together these activities might have a greater impact than one alone.
- *Negative synergistic effects*: also referred to as "deadly combinations" refer to "the situation where HRM activities work against each other, undermining each others' effect" (Kepes et al., 2007:394). This might be the case if e.g. leadership development programs are collaboration-oriented whereas incentive structures are competition-oriented.

Reviewing the SHRM literature, the authors find that most studies show only that organizations have aligned and coherent HRM systems, but very few refer to synergistic effects. As an example to illustrate the effects of "powerful connections", they refer to Kruse et al (2004), who show in their study that "employee ownership alone does not improve organizational performance. But combined with policies and practices that involve employees to give them a voice, however, has a significant effect on workforce productivity and firm performance." (Kepes et al., 2007:398).

However, more research is necessary to understand how these powerful connections can be designed, particularly in the field of Intra-HRM activity area (Kepes et al., 2007). Beyond that, most of the existing studies are situated in the compensation field. Other HRM activity areas, such as, e.g., the alignment of leadership development practices, are only dimly lit. In this regard, the authors call for future research to broaden the scope to other activity areas and to differentiate the distinct levels of abstraction. That will also help methodologically to connect the appropriate levels of analysis: An HRM *system* and *philosophy* are expected to impact more on the *organizational level*, whereas *policies* and *practices* will most likely impact on the *group* and *individual* levels.

2.2.5 Conclusion

As leadership is increasingly recognized as being an important source of competitive advantage most firms continuously invest a substantial amount of their revenues in leadership development (PriceWaterhouseCoopers, 2006). However, its effects remain conspicuously absent, and thus scholars have called for a review of the efficacy of leadership development activities (Lewis, 1997; Mabey et al., 2005; PriceWaterhouseCoopers, 2006). Whereas leadership development is traditionally concerned with individual skill development and thus contributes to the human capital of a firm, recent approaches opt for including a social capital perspective by enhancing individual skill development within its social context and thus on a collective level. Such approaches are characterized by a high degree of embeddedness in the business context. Arranging them systematically so that they create not only individual but also organizational impact requires a shift toward a strategic perspective. From a corporate management view, leadership development falls into the sub-domain - and most often also sub-function - of the whole range of human resources management (HRM) activities in a firm. HRM research mainly centers on the HRM activity performance link. Whereas most research attests to positive associations, empirical results remain weak, also with regard to the link between leadership development and performance.

Thus, to further develop HRM research, two major avenues are addressed: First, to further fine-grain the HRM activity – performance link by including the perspective of the employee experiencing HRM activities as a mediator; secondly, to overcome the rather ‘silo-based’ HRM research mainly located on the micro-level by adopting a strategic human management research (SHRM) perspective that focuses on the interrelationships of diverse HRM activities within a specific business context. Thus, the major concern of SHRM lies with the alignment of HRM activities within a certain firm context. Only by considering its *alignment* can the HRM architecture or function itself become a source of competitive advantage for a firm. However, this very young research domain is only in an early stage, and thus its proponents are calling for more exploration on the interrelationship and alignment among HRM activities.

In order to explore how corporate management of an MBF can use leadership development as a means to enable its members to realize strategy, a strategic human resources management perspective, focussing on the interrelationships among leadership development practices seems to be advantageous. Thus, this dissertation adopts a SHRM view to elaborate on a guiding research framework as a foundation for our study.

2.3 Strategic Alignment of Leadership Development in Multibusiness Firms

2.3.1 Introduction

Traditionally, leadership development as an HRM activity in MBFs is commonly understood and used to enhance the human capital of a firm, i.e., the individual knowledge, skills and experiences of managers. However, the efficacy of leadership development investments remain unclear and studies seldom differentiate whether leadership development contributes to business level or corporate level effects (Winterton et al., 1997). Thus, striving for *corporate effects* in particular, the corporate management of an MBF is still ill-informed on how to use leadership development to enhance *social capital* as a necessary source for corporate advantage. As outlined in chapter 2.1. and 2.2, it is necessary to gain a deeper understanding of the effectivity and contribution of leadership development practices to organizational performance in general and corporate advantage in MBFs in particular. Both strategic management research and leadership development as subdomains of human resources management substantiate that need.

Thus, to investigating the role of leadership development for creating corporate effects in MBFs has proven to be valuable. This dissertation will contribute to this question by exploring how leadership development practices enable valuable cross-business collaboration within an MBF through the mobilization of the necessary social capital. Accordingly, this dissertation proposes to adopt a *strategic human resources management* perspective. Consequently, we will not only explore the contribution of each *individual* leadership development practice to *social capital* but will focus in particular on their contribution as an *aligned bundle*, resulting from the synergistic *interrelationship between* different leadership practices.

The purpose of this chapter is to introduce the guiding investigation framework of this dissertation in connection with the above-elaborated existing theory and research. We will start by applying the previously introduced model by Purcell & Kinnie (2007) to our particular research question (2.3.2). Thereafter, we will introduce the components involved: *intended* or *experienced leadership development practices* (2.3.3) and *developmental, behavioral and performance outcomes* (2.3.4). Finally, we conclude by summarizing the most important assumptions which will guide our investigation (2.2.5).

2.3.2 Guiding Investigation Framework

Having identified cross-business collaboration activities as an unexplored area within both, strategic management as well as leadership development research, this study seeks to close this gap and proposes to explore the role of leadership development practices for valuable cross-business collaboration as a primary strategic need of MBFs. We are interested in understanding not only how leadership development practices *individually* but primarily *their interrelationships* contribute to social capital as a main driver of valuable cross-business collaboration. We agree with the view of Purcell & Kinnie (2007) by arguing that not only the *intended* leadership development practices should be at the center of inquiry but also the perception of employees who are *experiencing* these practices. Thus, based on their conceptual model of the relationship between HRM activities and performance in general, an analogical concept of how leadership development practices are contributing to valuable cross-business collaboration is derived for our investigation approach:

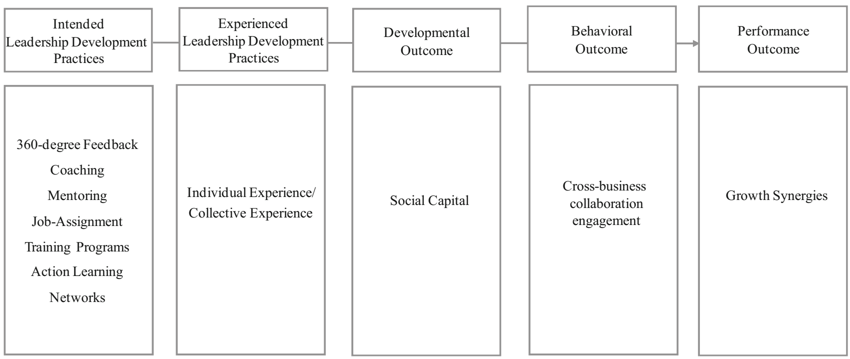

Figure 2-3: Guiding Investigation Framework

We focus our attention on the level of leadership development as an HRM *practice* (in contrast to policy or philosophy) as we are particularly interested in their contribution to *social capital*. More precisely, our investigation will be guided by the question of how these practices should be *externally* (strategic context) and *internally* (between each other) aligned in order to enable the building and maintaining of the relevant social capital for enacting entrepreneurial leadership with respect to valuable cross-business collaboration. Thus, we locate our research in the area of *HRM-Intra-Activity* alignment (Kepes et al., 2007).

According to our discussions in chapter 2.1, we adopt the view that social capital can be seen as a main antecedent and enabler of entrepreneurial leadership which in turn is involved in valuable cross-business collaboration. Thus, we assume that contributing to social capital is a key to effective leadership development practices in MBFs. Further, this contribution to cross-business social capital in particular can result from an *individual practice* (e.g., training) or an *internally aligned combination* of practices (e.g., 360-degree feedback together with training embedded in networks).

Focusing on social capital as a developmental outcome implies that the practices need to be embedded in the real business context. In that context, strategic goals have to be considered which simultaneously enhance an *external alignment*. For example, designing a *social-capital-oriented* 360 degree feedback in an MBF will include cross-business collaboration activities as a desired leadership capability. On the other hand, a *human-capital-oriented* 360-degree feedback might focus independent of context, on generic leadership skills that are applicable in various contexts.

In further pursuing the question of how leadership development practices should be aligned in the context of an MBF, an analysis of leadership development practices and their potential contribution to social capital is necessary first. Thus, in the next chapter, we will describe a selection of the main leadership development practices used in large firms with respect to their potential contribution to social capital based on an article by Day (2000) which refers to the respective academic and practitioner literature.

2.3.3 Intended and Experienced Leadership Development Practices

Intended Leadership Development Practices. A variety of leadership development practices have emerged in organizations, such as *In-house Leadership Training, Mentoring, 360-degree Feedback, Coaching, Networks / Off-sites, Job assignments, and Action Learning*, to name the most popular and promising practices (Day, 2000). These practices are mostly designed in the tradition of developing intra- and/or interpersonal competences on an individual skill level and thus contribute to the human capital of the firm. However, they might also include potential to serve as a function for social capital, particularly if they are aligned respectively or are collectively organized.

We will closely follow Day's (2000) approach in reviewing the most frequently used leadership development practices in the next several paragraphs, particularly focusing on their potential contribution to social capital. However, we slightly expand the view in three ways. First, we assume that inter-personal competences are indeed a necessary but not sufficient condition for enabling social capital. Thus, we believe that providing an opportunity to *use* inter-personal competences in a real business context is also necessary to enable social capital. Secondly, and due to the aforementioned use of inter-personal competences, we derive slightly different conclusions on the potential for enabling social capital. Finally, since we will later adopt an alignment perspective, we include additionally *in-house leadership training* in our overview. Even though it is an off-the-job practice not directly embedded in the work-situation, it might entail potential for social capital building, particularly in combination with other practices. In line with Day (2000), we will describe each practice and its potential contribution to social capital based on research and practical insights.

- **360-degree Feedback**

Description. 360-degree feedback is a practice to gather feedback from multiple sources based on a questionnaire about a manager's behavior from those who are able to evaluate it on a daily basis, such as direct reports, superiors and peers, customers and suppliers (Yukl & Lepsinger, 1995). In general, the appraisal of *observable* managerial behavior is in focus. However, 360-degree feedback can be shaped around different purposes, such as to assess an individual's *performance* in regard to managerial effectiveness or to evaluate the individual management, leadership or learning skills *potential*. In general, it describes a method of creating a reliable picture of managerial behavior based on a "circle of relevant viewpoints" (Day, 2000:587) rather than entirely relying only on individual perceptions. As each manager rates him- or herself as well, a comparison between the self-ratings and the ratings by others is made possible. This provides a view on how the behavior of the person in focus affects others and helps to detect development areas for changes in behavior (Yukl et al., 1995). Thus, the strength of this practice can be seen in its accounting for the context- and relationship-sensitivity of managerial behavior and performance (Day, 2000) and assessing measurable changes in management behavior. Its collective use across an entire unit or organization might also foster an open and communicative culture (Yukl 1995). However, the danger that it may remain a "one-time event" lacking follow-up activities represents a weakness of the practice.

Research. Research recognizes the value of 360-degree feedback as it is able to reveal that behavior and performance may be different or differently perceived in various contexts (Atwater & Yammarino, 1997; Atwater, Brett, & Charles, 2007; Van Rensburg & Prideaux, 2006). Indeed, organizations seem to believe as well in the value of this practice as we see with the growing popularity of 360-degree feedback among the Fortune 500 firms (London & Beatty, 1993). Despite this popularity, research has not been able to find a constant link between feedback and positive behavioral changes (Day, 2000). It seems that a positive change from feedback is related to what follows (Atwater et al., 2007; McCarthy & Garavan, 2007). For example, Walker & Smither (1999) found that if managers discussed their results with subordinates, they demonstrated greater change in individual behavior (Walker & Smither, 1999). In this regard, it seems that an overall perceived organizational support plays a role for the usefulness of the feedback, particularly concerning feedback from subordinates (Facteau & Facteau, 1998).

Contribution to building social capital. 360-degree feedback as such is limited in its potential to build and use inter-personal competences. It can be seen as more indirect in nature, as awareness of how one affects others is connected to building trustworthiness, which in turn is necessary for establishing trustful relationships for effective teamwork (Barney & Hansen, 1994; Tsai et al., 1998). However, as research suggests, this might be only the case if 360-degree feedback is combined with and embedded in a broader set of follow-up development activities, such as, e.g., coaching. Thus, like Day (2000), we assume that it is first and foremost rather a tool for building *intra*-personal competence, and its contribution to social capital is seen as rather limited.

- **Coaching**

Description. In organizations, we typically face a widespread use of the term in expressions such as Executive Coaching, Teamcoaching, Sales Coaching, Work-Life-Balance-Coaching, etc. Independently of the different content, situations or target groups, we refer to coaching as a “practical, goal-focused form of one-on-one learning and behavioral change” (Day, 2000:590). In general, the objective is to improve individual performance and satisfaction and, in doing so, contributing to organizational effectiveness (Kilburg, 1996). In this sense, coaching refers to a process rather than a single dedicated event; however, in most firms the length of coaching becomes a question of the resources available as the costs for an external coach can be extensive (Day, 2000). On average, most coaching programs last about six months (Levinson, 1996). There exists a broad variety of coaching models, but they mostly start the process with (1) setting the context and defining the goals, followed by (2) an assessment of the current situation, concluding with (3) a development and implementation plan for achieving the goals (Day, 2000).

Research. Despite the widely used term, empirical research on coaching is difficult to find (Kilburg, 1996). Research has mostly focused on how coaching enhances job performance. Coaching as a follow-up to training was able to increase productivity by 88% (Olivero, Banc, & Kopelman, 1997). However, the studies did not address specifically the effect on leadership development (Day, 2000). As the motivation for coaching most frequently lies in some lack in interpersonal competences or ability to influence, being assigned to a coach might imply for a coachee the stigma of having leadership deficits. This again leads to the relevance of the perceived organizational support, as was seen with 360-degree feedback. Thus, the effectiveness of coaching for development purposes might be more dependent on how the organization supports such efforts than on the coaching as such.

Contribution to building social capital. Coaching aims to increases individual self-confidence, self-leadership, which should lead to interpersonal effectiveness. As a consequence, it might also increase the level of engagement in new social relationships, both inside and outside a firm (Day, 2000). In this respect, coaching might contribute in a more indirect manner as well to building and using inter-personal competences. This is especially true if coaching makes up part of a firm's leadership culture and is combined with other leadership development practices, such as 360-degree evaluation, internal training programs, etc. In this regard, coaching is most deeply embedded in the work context if the role is taken on by the line manager, a manager outside the direct reporting line, or a peer. However, as does Day (2000), we believe that coaching as a leadership development practice is more focused on intra-personal competences and is limited in its contribution to social capital. However, it might imply the potential for also enhancing inter-personal competences if it is organized in an embedded format.

- **Mentoring**

Description. Mentoring describes a formal or informal development relationship between a junior manager (mentee) and a more senior executive (mentor) outside the reporting line of the mentee. In some cases it can also be a senior executive or consultant outside the firm or a peer. A mentor can take on different roles, such as coach, sponsor, protector, etc. By being exposed to a more senior manager, the mentee can develop a more sophisticated understanding and strategic perspective on the organization. In formal mentoring programs, mentee and mentor are assigned and monitored by the organization (Kram & Isabella, 1985). Informal mentoring might be encouraged by the organization but is not administered by it.

Research. Research reports that mentoring is an effective leadership development component (Giber, Carter, & Goldsmith, 1999), particularly when compared to other leadership development practices. The effectiveness of this developmental relationship comes with a mixture of support and intent as well as of coaching, modelling and feedback in the business context. One reason might be that the opportunity to observe and interact with members of senior management (i.e., senior management exposure) leads "to a shared mental representation of important organizational concerns" (Day, 2000:594). However, this effect remains unexplored. More research has focused on the differences between formal and informal mentoring and comes to the conclusion that informal mentoring might have slightly more related positive effects (Ragins & Cotton, 1999). Furthermore, there is a large body of literature indicating that gender and race factor into reactions to mentoring (Dreher & Cox, 1996).

Contribution to building social capital. One research stream in mentoring suggests a number of different dimensions of ideal mentor characteristics that predict an effective mentoring relationship such as listening and communication skills, ability to read and understand others, and honesty and trustworthiness (Allen & Poteet, 1999). These mentor characteristics represent the intra-personal leadership qualities of a mentor. In fact, mentees do not distinguish between mentoring qualities and leadership qualities (Scandura & Schriesheim, 1994). That implies that mentoring is not only a favorable leadership development practice for the mentees (junior managers) in building their intra-personal leadership competences but also for a senior manager in building and using inter-personal leadership competence in his role as mentor. Even though there might be down-sides in terms of over-dependency in a mentoring relationship, we believe that mentoring has some potential to build and use interpersonal competences and thus contribute to social capital.

- **Job Assignment**

Description. It is widely recognized that development and learning not only take place in formal settings, such as, e.g., training, but also in informal settings, i.e., the workplace as such (Mabey, 2002). Job assignments constitute development through dedicated job experiences. The developmental effects result mostly from the 'stretch' to a managerial level in terms of the higher responsibility and higher latitude of the new job. Organizations can take specific action to promote job assignments within firms' leadership development, as the legendary example of GE shows, where job assignments were incorporated into the leadership development and promotion strategy (Day, 2000) . In this regard, job assignments play an important role in the succession planning of a firm (Seibert et al., 1995). However, if the developmental intention of the job assignment is disregarded, the focus will be on performance, with the risk that failure will not be considered a source of development.

Research. Even though job assignments are the purest form of context-embedded leadership development, they often lack intentionality and consequent developmental follow-up. Therefore, a comprehensive understanding of the amount and type of development that can occur is still lacking. It seems that, generally, the effectiveness of a job assignment for development purposes depends on the development potential of the job (McCauley, Ruderman, Ohlott, & Morrow, 1994), and in this respect, jobs can be categorized as offering more or less developmental potential. More interesting for our purposes are *lateral job assignments*, or job-rotations, where employees are laterally transferred within an organization. Research on this topic reports that individuals can gain a broader perspective on the business, increase adaptability and flexibility and leadership skills (Campion, Charaskin, & Stevens, 1994). Expatriate research suggests that long-term assignments support the *willingness* to share knowledge, whereas temporary assignments increase the *ability* to share knowledge, both of which together lead to a higher degree of knowledge transfer within the organization (Minbaeva & Michailova, 2004).

Contribution to building social capital. Being exposed to a different context, a job assignment requires coping with personal change as well as building new relationships and commitments. It enhances a broader understanding of the business of a firm and therefore contributes to a shared understanding. However, this is limited to the person taking on the job assignment and his immediate surroundings. In this regard, we believe that job assignments do offer the potential to build social capital, but in a limited way.

- **Internal Leadership Training**

Description. Internal leadership training is historically seen as probably being the original core practice of leadership development in organizations, and today, firms still tend to spend a relatively high amount of their income on this practice (PriceWaterhouseCoopers, 2006). However, internal leadership development training programs can occur in numerous forms (Lewis, 1997), which makes it almost impossible to identify a general type of practice. The common denominator can be seen in the organizational format as a typical formal off-the-job classroom design, gathering a selected population of managers on a certain hierarchy level for a specified number of days to learn about and reflect on leadership skills together with a leadership coach, usually an internal human resource development specialist. In this way, the literature classifies this practice as formal *off-the-job* development practices in contrast to rather informal *on-the-job* practices (e.g., mentoring, coaching) or practices embedded in work experience (e.g., job assignment) (Adair, 2006; Armstrong, 2003; Lewis, 1997; Mabey, 2002). The *content* may vary depending on the hierarchy level of the managers as well as depending on the competency framework of the firm and the corporate values with regard to management and leadership (Armstrong, 2003).

Most frequently, strategic capability, change management capability, team management capability and relational management are the topics which are typically addressed in such programs (Armstrong, 2003; Goldstein, 1993). There is a wide variety of methods applied, mainly adopted from the general internal training and development field. They have emerged and changed according to the general development of leadership and learning theories, focusing on the respective underlying assumptions (Goldstein, 1993). In this sense, any simulation approach can be considered as belonging to this category, such as business simulations, case studies, role plays or behavior role modelling approaches (Goldstein, 1993), as well as outdoor training settings, such as sailing, canoeing and abseiling (Adair, 2006). All of them can be termed as some design examples from this widespread field of applied leadership development methods.

Research. Even though leadership training has attracted the most attention in practice, it does not necessarily attract the most attention from research (Lewis, 1997). Indeed, this lack of research on the micro-level of employee training in general is also apparently related to leadership or management training (Burke et al., 1986; Fiedler, 1996). Mostly concerned with the problem of transferring acquired skills into the work place (Analoui, 1993), this research is particularly driven by psychologists, management studies and learning specialists and is mainly concentrated in prescriptive practitioner-oriented analysis. The costs of this delivery format including the difficulties of transfer have encouraged on-the-job approaches to leadership development, such as, e.g., job assignments, mentoring, coaching etc. Beyond that, they may allow an adaptation to a more individually tailored learning style (Lewis, 1997). This is reflected by leadership development training programs or action learning programs (see next paragraph) that are composed of several leadership development practices, such as a 360-degree feedback, a training program and an accompanying mentoring and coaching considering the process and context-sensitivity of leadership performance (Fiedler, 1998; Lewis, 1997).

In general, empirical results on the leadership development performance link remain inconclusive, which is rooted in the general difficulty of assessing developmental progress (Collins et al., 2004). However, teaching methods that take into account the behavioral-relational and the leadership-situation aspects seem to lead to superior results (Fiedler, 1998; Goldstein, 1993). Moreover, it seems that the manner of delivery and the perception of embeddedness of these programs in the overall human resources management strategy make a difference in influencing the impact outcomes of such programs (Winterton et al., 1997). For the research focus of this dissertation, it is interesting that increased individual level outcomes of empowerment were able to be measured when more employees of a working-unit were able to participate in such leadership training than just the manager of the working unit (Böhm & Vögtlin, 2007). As research has traditionally focused on selected managers, there arises the question of whether leadership training would have beneficial effects if they were offered to a broader range of employee groups or if they should go beyond individual learning processes to also support social learning processes among organizational members.

Contribution to building social capital. Traditionally, managers are selected on an individual basis to participate in leadership development programs, which are mainly focused on enhancing individual leadership skills and abilities and developing individually assessed potential (Adair, 2006). Thus, leadership development programs have a dedicated individual-level approach, but are organized in groups of peers. In this way, they contribute as well to interpersonal competences through programs that allow individuals to learn together, give and receive feedback, reflect on perspectives on leadership and exchange experiences. However, if the mixture of participants is mostly a result of individual nominations rather than representing a setting that reflects real working relationships, the contribution is limited.

- **Action Learning**

Description. Action learning approaches represent a response to the shortcomings of traditional class-room leadership courses, which arise because behavioral changes usually do not last beyond the end of the program (Dotlich & Noel, 1998). Action learning focuses on the changes in management behavior that take place when managers are solving organizational problems. In fact, the underlying main idea assumes that people learn most effectively when working on real-time organizational problems. Regarding the instructional design, this approach seeks to improve managerial behaviors that increase effectiveness in goal-achievement (Ardichvill, 2003; Horan, 2007).

Action learning programs can typically be observed in large multinational companies (Seibert et al., 1995). Whereas the business imperatives of such programs are context-related and unique, the action learning process is similar across organizations. A group of selected managers engage in real business problems, such as, e.g., thinking about new market opportunities, enhancing financial awareness or enhancing cross-business collaboration. An issue-orientation session at the beginning in the form of an off-site is followed by a process of data analysis and recommendations by senior management, who will decide on further implementation. The process is accompanied by coaches who reflect the process and developmental opportunities together with the participants.

Research. Action learning is generative in nature and unfolds in each organizational context differently. Thus, very little empirical research has been published on the topic (Pedler 1997). However, to advance the understanding of action learning, Day (2000) proposes referring to psychological research in the areas of trust and empowerment. In creating a micro world which enables learning by doing, there must be an accompanying "climate of psychological safety for individuals to feel secure and supported to change" (Day, 2000:603). This climate enhances both support and challenge, which are important ingredients of leadership development. Thus, a higher level of trust and empowerment can result, which are both related to higher team performance.

Contribution to building social capital. Trust is an important relational asset of social capital that is nurtured by mutual respect which is rooted in a shared understanding (Tsai et al., 1998). Thus, as does Day (2000), we also believe that action learning contributes to a high degree to the building of social capital through social interactions in a psychologically safe environment. Beyond that, it links feedback, coaching, mentoring and networking processes in an intentional way to an integrated leadership development design, which may enhance the interrelation of leader and leadership development.

- **Networks/Off-sites**

Description. Networking opportunities aim to break down functional barriers and enhance the building of cross-functional informal relationships. By exposing individuals to thinking of other team members, it challenges assumptions about what we think we know. In this regard, intra-organizational networks support both a manager's innovation and problem-solving capacities but also offer entrepreneurial business opportunities through the establishment and maintenance of interpersonal relationships outside of an individual's own business (Day, 2000). Firms invest in such events by, e.g., gathering globally a certain group of managers across functions to teach about the company's heritage and culture, to explore new ways to use new technologies and businesses and to foster networking. Another form of networking operates on a more ongoing basis, gathering managers that have common job experiences to discuss mutual challenges and opportunities during lunch (Day, 2000).

Research. Managers who have built networks across organizational structures and functions are most likely to benefit in terms of information and entrepreneurial opportunities (Burt, 1997; Burt, Hogarth, & Michaud, 2000). A recent survey supports that the network structure of group leaders influences group performance. Results indicated that the leaders' centrality in external and internal networks was related to the performance of the group as well as to their leadership reputation (Mehra et al., 2006). One reason why networking is seen as a source of professional and personal development lies in the fact that peer relations are supported within the working context (Day, 2000). They offer a unique value as they imply mutual obligation and may last over a career span of 20-30 years (Kram et al., 1985), whereas coaching or mentoring relationships last for a shorter period. In this regard, peer relations imply a high value for leadership development purposes and should be implemented as a dedicated component in a leadership development system (Day, 2000).

Contribution to building social capital. Networking is one of the prime means to enhance social capital in an organization. However, managers can only benefit from networks if they have accumulated the necessary intra-personal competences (e.g., the appropriate motivation and self-regulation, etc.). Therefore, networking should be linked intelligently in an integrated leadership development system with other leadership development processes, such as 360-degree feedback, mentoring, training, etc. (Day, 2000). With regard to our research question, we believe that network opportunities offer the most direct contribution to building the relevant social relationships that enhance cross-business synergy realization.

An overview of the above-described leadership development practices is provided in the following table, organized on a continuum according to their assumed potential to contribute to social capital:

	Leadership Development Practices	*Description*	*Potential to Contribute to Social Capital*
Individual Practices	• 360-degree Feedback	Multi-sourced feedback on performance, organized and presented to an individual	low
	• Coaching	Practical, goal-focused form of one-on-one learning	low
	• Mentoring	Advising/developmental relationship usually with a more senior manager	medium
	• Job Assignment	Providing "stretch" assignments in terms of role, function or geography	medium
Collective Practices	• Internal Leadership Training	Off-the-job classroom design, gathering participants to address strategic, relational, team and change topics based on diversr methods	medium
	• Action Learning	Project-based learning directed at important business problems	high
	• Networks/Off-sites	Connecting to others in different functions and areas	high

Table 2-1: Overview of Selected Leadership Development Practices (adapted from Day 2000)

Alignment of Leadership Development Practices. Besides the individual contribution to social capital made by the above-named practices, this investigation intends to capture how they might contribute in an aligned combination to build social capital. It is widely acknowledged that a strategic alignment of leadership development practices as a subset of HRM activities is key to creating organizational impact (Seibert et al., 1995). However, the exact meaning of strategic alignment related to leadership development and how it creates impact have not been explored in a satisfactory way (Kepes et al., 2007).

As noted above, we assume with Kepes et al. (2007) that a strategically aligned (internally and externally) set of leadership development practices that answer the particular strategic needs of the firm should lead, in the best case, to a positive synergistic or at least not to a negative synergistic effect between the practices. However, it remains unclear what this means concretely for the design of leadership development practices. Is a reflection on the corporate strategy within a leadership training program sufficient to be strategically aligned? Is the mix of managers across businesses in such a training program enough to create business opportunities and enhance social relationships? Can a mentor situated in another business really help to enhance entrepreneurial leadership that contributes to valuable cross-business collaboration? Results of empirical approaches on the impact of leadership development – strategically aligned or not – indicate organizational impact, especially if leadership development is experienced as a *continuous process*, closely linked to *real strategy implementation* (Mabey et al., 2005) and is *perceived* by managers as *strategically anchored and important* (Winterton et al., 1997).

It is proposed that a *strategic alignment* results from at least two sources: The HRM view in terms of the *intended* practice together with the perception and experience of the managers engaging in those practices. Therefore, it is proposed to also include how the leadership development practices have been *experienced* and perceived by the organizational members involved. We expect that considering both views (intended and experienced practice) will help to derive conclusions for a strategic alignment of leadership development practices that enhances social capital.

Experiences in Leadership Development Practices. Leadership development practices do not impact each organizational member in the same way and thus may lead to different outcomes. We assume that they might be either perceived as a *personal, individual experience*, context-independent, related to individual knowledge and skills, or else as a *collective experience*, strategically and socially embedded in the work situation. This will be illustrated with the example of coaching.

Intended as an individual skill-development measure, a manager might perceive a coaching measure as signalling a last chance to overcome his or her individual performance deficits before being fired and thus respond negatively to the practice. On the other hand, if strategically and socially embedded in a coherent set of leadership development measures, coaching might be viewed as an investment in the collective development of individuals to achieve the firm's strategic goals together. In that context, it might be perceived positively as support for both the individual's development and the overall learning culture. We believe that the developmental outcomes will differ depending on the perceptions and experiences. Thus, we adopt Purcell & Kinnie's (2007) view that the impact of intended leadership development practices is mediated through the *perception and experiences* of the respective actor in focus. To create the impression of a strategically aligned and embedded leadership development experience for the individual manager, the literature suggests that off-the-job and on-the-job practices need to *complement and smoothly interact with each other*, *embedded* in the real business flow. However, it appears that development activities are still separated from rather than integrated into the business process, and therefore, "a false dichotomy between developing individuals and conduction business" (Seibert et al., 1995:551) is built. The authors see the reason for this problem in the divided responsibilities, i.e., line management for conducting business, HRM for development of talents, and calls for an HRM that sees both areas not as distinct activities but rather closely interrelated. To link both, the authors draw on two best-practice case studies and recommend more experienced-based learning settings, such as job assignments and action learning.

However, at the same time they alert that experience as such does not necessarily lead to learning if the experience is not reflected on accordingly. Thus, it is not enough simply to meet a business challenge today, but one must also learn from it in order to build metaskills, which are relevant to acquiring new skills (Seibert et al., 1995). Only in doing both, can a learning organization be made possible. This refers to the general call in HRM literature to meet not only labor productivity today, but to simultaneously improve flexible adaptability in order to meet future challenges (Boxall et al., 2003). Consequently we assume that leadership development practices that are experienced as being linked to real business challenges and including adequate development reflection will be perceived as strategically and socially embedded and thus create not only the desired individual but also organizational impact. Thus, we believe that by including the "experience" perspective it will help to clarify how leadership practices are perceived in their interrelationships and embeddedness.

2.3.4 Developmental, Behavioral and Performance Outcomes

Developmental Outcome. Other than traditional leadership development approaches, we draw the assumption that leadership development that is perceived as strategically aligned and embedded contributes not only to the human capital but also the social capital of a firm. Most scholars recognize human capital as critical to organizational success (Dess et al., 2003; Ireland et al., 2003). However, only through social capital can any kinds of abilities, skills or motivation result in valuable action. Social relationships provide the channels for valuable action (Adler et al., 2002; Tsai et al., 1998) and thus are the source for creating business opportunities. This is particularly important for entrepreneurial leadership activities that are involved in discovering and exploiting cross-business synergies (Martin et al., 2003). Thus, social capital should not be recognized as merely a side-effect of leadership development practices but rather as a main viable outcome.

We focus in our study only on *internal social capital*, drawing on the definition by Leana et al. (1999), which defines social capital as the *quality* of social relationships in terms of trust and shared goal orientation. In accordance with the studies by Tsai & Goshal (1998), we assume that valuable cross-business collaboration is enabled through a high level of trust and high level of shared values. Thus, cross-business social capital – understood as the quality of cross-business social relationships – is seen as an important developmental outcome of strategically aligned and embedded leadership development practices in an MBF.

Behavioral Outcome. Following Martin et al. (2003), we believe that entrepreneurial leadership is involved when cross-business synergies among businesses are realized. As outlined in chapter 2.1, there exist numerous descriptions of what entrepreneurial leadership may include. In sum, they all refer to the *discovery* and *exploitation* of *new business opportunities*. As most of the literature understands entrepreneurial leadership in the context of new business ventures, innovation or renewal processes (Dess et al., 2003), it is mainly related to relationships and opportunities *external* to an organization. However, we believe that corporate entrepreneurial leadership might be sourced as well in *internal* relationships.

'External' is mainly defined by the legal boundaries of an organization. With regard to corporate entrepreneurship, however, 'external' means a context which contains new knowledge, providing and inspiring new ideas an organization is not yet familiar with. Taking the perspective of a business unit within an MBF, other completely different businesses might be considered as such a context. Thus, we see the relations between a business unit and other business units *within* an MBF as equally enriching for corporate entrepreneurship as the relations of a single business firm to its external context. Here, we are referring to entrepreneurial leadership sourced in cross-business social capital that leads to cross-business collaboration activities with both of the components discovery and exploitation of new business opportunities.

Performance Outcome. Measuring organizational outcomes is at the heart of a long-standing debate within strategic management research (Venkatraman & Ramanujam, 1986). As many performance constructs were developed during a time when physical, financial and labor resources were most critical for competitive advantage, today's economy has to recognize the increasing role of human, social, and intellectual capital to create advantages. Following Dess et al (2003), we believe that "assembling, deploying and leveraging these diverse types of capital" creates new business opportunities (i.e., growth synergies) for organizational advantages (Dess et al., 2003:371). Thus, conceptualizing the generation of growth synergies as a social process, *valuable cross-business collaboration* is seen as an adequate performance indicator.

With regard to HRM practices, the HRM–performance link was discussed in detail in 2.2.3. Considering the complexity of mediating factors in the HRM activity–performance relationship, financial performance outcomes have been proven to be too distant and not an appropriate operationalization of the dependent variable. According to Kepes & Delery (2007), related outcomes of HRM *practices* should be sought after on the individual or collective (target group) level. Consequently, we conceptualize the performance outcome to be valuable cross-business collaboration activities initiated *among individuals* of different businesses in an MBF. By *valuable* in this specific context we mean cross-business collaboration activities that lead to either additional or new revenue streams, e.g., through cross-selling opportunities or a unique client solution (Knoll, 2008). However, these valuable cross-business collaboration activities resulting in cross-business synergies in one or the other format might certainly be industry- or even firm-dependent. Therefore, we believe a case study might be advantageous in investigating the role of leadership development enabling valuable cross-business collaboration.

2.3.5 Conclusion

In chapter 2.2. and 2.3., the need to explore *how to enhance cross-business value creation through leadership development* within MBFs was identified in both strategic management research as well as leadership development research as a sub domain of HRM. This dissertation aims to contribute to this topic and adopts a *strategic human resources management* perspective. Consequently, the established guiding investigation framework represents a model on how leadership development practices impact valuable cross-business collaboration, focusing particularly on the question of the alignment of these practices. In contrast to traditional human-capital-oriented models, in the setting of an MBF, social capital was conceptualized as the most important outcome of leadership development to drive cross-business collaboration. Thus, a selection of the most frequently used leadership development practices (360-degree feedback, coaching, mentoring, job assignment, internal training, action learning, and networks/off-sites) were analyzed with regard to their potential contribution to social capital. Whereas the contribution of 360-degree feedback and coaching to social capital are seen as rather limited, networks/off-sites and action learning are regarded as contributing most directly to social capital. Mentoring, job assignments and internal leadership training might imply some potential, depending on the respective design. However, it remains to be explored in which configuration these practices might affect in particular the cross-business social capital in the context of an MBF.

Thus, this dissertation engages in a deeper exploration on the alignment of leadership development practices within the context of an MBF. Therefore, an appropriate research approach is proposed in the following chapter.

3 Research Approach

3.1 Introduction

In chapter 2 the existing theory and research was reviewed with respect to the research objective and questions in the focus of our study. In this chapter, we present our research approach regarding *how to derive answers* to those questions. It is generally acknowledged in social sciences that research approaches should derive from the intent and objective of the research (Punch, 1998). Even though each research paradigm has its own distinctive characteristics, the researcher must still choose from a large overlapping range of methods and instruments to gain the desired insights. This choice is mainly driven by the research questions, the acknowledged methods in the underlying research discipline, and potentially, the methodological shortcomings of previous attempts (Punch, 1998). However, this decision also always reflects the researcher's 'view of the world' (Guba & Lincoln, 1994; Morgan & Smircich, 1980). As the overall scientific approach chosen, including research methodology and research design, will determine the outcomes of the inquiry, it is necessary to provide the reader with the underlying assumptions so that the setup, results and contribution of the study can be properly interpreted.

The chapter starts with the positioning of our research within the general scientific paradigms (3.2), which is followed by the research approach and the chosen methodology (3.3). A subchapter with the description of the research design (3.4) follows, including the rationale of the setting, case and sample selection, research process and data collection. In 3.5 the data analysis and its interrelating processes are described in order to enable an evaluation of the research quality, which is discussed in 3.6. Finally, this chapter concludes with a summary of the most important components of the research approach (3.7).

3.2 General Scientific Approach

The general approach toward a social science project or social science in general might differ with regard to the respective underlying assumptions about the nature of our social world (Morgan et al., 1980). Answering three general questions is considered necessary to make those assumptions transparent and to position the research approach appropriately among the different research paradigms (Guba et al., 1994): (1) How is the nature of the social world understood (ontological position)? (2) What can be known and how is the researcher related to the world (epistomenological position)? and (3) How does the researcher obtain what he or she believes can be known (methodological position)?

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_3,

The answers to these questions characterize the general scientific approach or basic research paradigm of a researcher. Although, these approaches span a continuum, three major tendencies can be distinguished (Guba et al., 1994). In order to position our research approach on that continuum, we will briefly highlight them. The *positivist* paradigm regards reality as objectively given. Consequently, the researcher is able to independently study it and to draw context-free generalizations. In contrast, the *constructivist* paradigm assumes that the world is subject to its perception by the individual observer. Consequently, studying real phenomena largely depends on the researcher's perceptions and is context dependent. Researchers who position themselves between the two follow a *post-positivist* paradigm. While this paradigm allows generalizations, it also recognizes context dependencies and the researcher's subjectivism. Our general scientific approach might be positioned between the post-positivist and the constructivist paradigms, which is reflected in our context-embedded qualitative-quantitative theory-building design (3.3). Whereas quantitative methods are mostly based on a positivist paradigm, qualitative methods are related to a constructivist view of the world, and a post-positivist approach might apply both. However, methods do not belong exclusively to one paradigm and require that the researcher make choices regarding the research intent and questions. Thus, we will describe our methodological approach in more detail in the next subchapter.

3.3 Research Methodology

It is acknowledged in social sciences that "methods should follow from questions" (Punch, 1998:5). In other words, the research methodology and research questions chosen should fit together. As outlined in chapter 1.2, it is the aim of this dissertation to investigate the association between the leadership development practices of an MBF and its potential to enhance in particular cross-business collaboration activities through social capital. In doing so, we seek to contribute to the advancement of theory in the fields of both strategic management research as well as strategic human resources management. More formally, the following research questions (RQ1-3) are derived (chapter 1.2):

1. How does social capital contribute to middle managers' cross-business collaboration activities and how is it developed?
2. In which way do leadership development experiences most likely allow middle managers to develop the necessary social capital for valuable cross-business collaboration?
3. How can corporate human resource management align leadership development practices to foster cross-business value creation?

The following figure depicts the incorporation of the research questions into the guiding investigation framework presented in 2.3.2 :

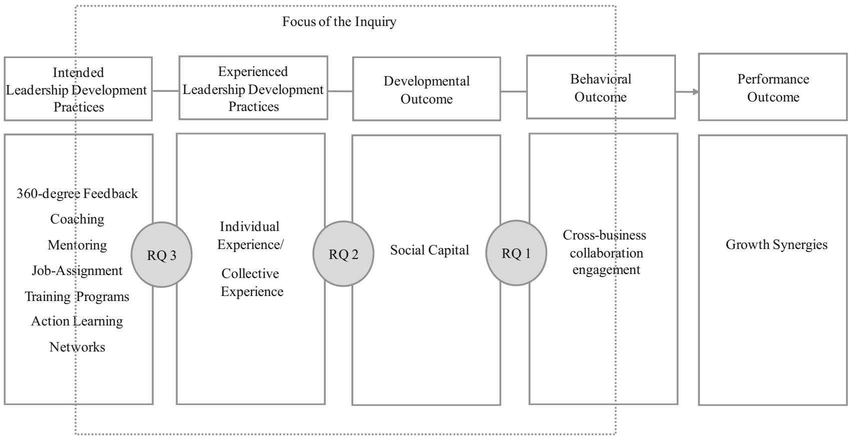

Figure 3-1: Research Questions and Relationships in the Focus of the Inquiry

Because of the absence of previous theory and research on the relationship of leadership development practices and cross-business collaboration, it was regarded as essential to adopt an *inductive case study approach*. The reasons are outlined in the following sections.

3.3.1 Inductive Research

The inductive approach represents a way of transferring the insights from a specific individual phenomenon to a more general abstraction or theory (Bortz & Döring, 2006). Representing the opposite process, the deductive approach completes the inductive approach to a research cycle. The general abstraction or theory is transferred to an individual and concrete situation. Whereas the deductive approach refers to *testing* the theory, only with an inductive approach are *new insights* and new theory development generated (Bortz et al., 2006). Strategic management research is only beginning to explore the realization of cross-business synergies, the underlying collaboration activities (Martin et al., 2001, 2003) and how to support them systematically. HRM literature, on the other hand, points out the black-box character of the HRM activity - performance linkage and calls for a further elaboration of the relationship (Purcell et al., 2007). Moreover, a clear differentiation between business and corporate impact has not yet been established in HRM research, particularly with respect to leadership development research (Winterton et al., 1997). Thus, in the light of our objective to advance theory development, an *inductive* approach is chosen for the underlying research questions under study.

3.3.2 Case Study Approach

Certain characteristics are distinct to either inductive or deductive research approaches, and most authors associate quantitative research methods with deductive and qualitative methods with inductive approaches (Punch, 1998). However, both fields show large overlaps in methods which make it necessary to choose the appropriate set of methods and inform the reader of the underlying assumptions and way of thinking.

One of the research approaches used for deductive as well as inductive research is the *case study approach* (Denzin & Lincoln, 1994; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2003). Even though theory development traditionally results from combining previous literature, it is preferable to draw on empirical reality and actual data for the development of a *testable* theory (Eisenhardt, 1989). Case studies have become an approach that is frequently used in strategic management and organization research to investigate complex and unexplained phenomena in a holistic way, focusing "on understanding the dynamics present within single settings." (Eisenhardt, 1989:543). This holistic view of the dynamics in a single setting is mainly enabled through the inclusion of different levels of analysis, such as societal, organizational, group or individual (Eisenhardt, 1989; Eisenhardt et al., 2007; Yin, 2003). As Yin (2003) points out, this research approach is particularly useful if "the boundaries between phenomenon and context are not clearly evident" (Yin, 2003:13).

Thus, to be able to capture the complex context-sensitive dynamics of cross-business collaboration and leadership development practices which are strategically embedded in an MBF, an inductive case study inquiry approach was chosen to be appropriate for our research questions. Beyond that, by including the perspective of the individual actor involved in cross-business collaboration, the research questions imply different levels of analysis, which also favors the case study approach. Yin (2003) points out that case study inquiry can be seen as an overarching research approach, covering the logic of a design, data collection techniques and specific approaches to data analysis. Thus, case studies can involve either single or multiple cases, numerous levels of analysis and embrace a variety of underlying methods (Eisenhardt, 1989; Yin, 2003). The next section will explain our application of the inductive case study research approach to the research object of this dissertation.

3.4 Research Design

As outlined in chapter 3.3, this dissertation adopts a mainly theory-developing research approach (inductive case study) to gain deeper insights into the relationship between leadership development practices and behavioral outcomes in the form of valuable cross-business collaboration. To capture the different levels of analysis involved in our research, we employ an *embedded multiple-case design* (Yin, 2003). Such a design type is seen to generally improve the rigor of the inquiry as comparisons of different cases force the investigator to "look at data in many divergent ways." (Eisenhardt, 1989:540). The design of any case study includes the selection of an appropriate context, cases, data collection methods and level of analysis, a process depicted in the figure below and described in detail in the following sections:

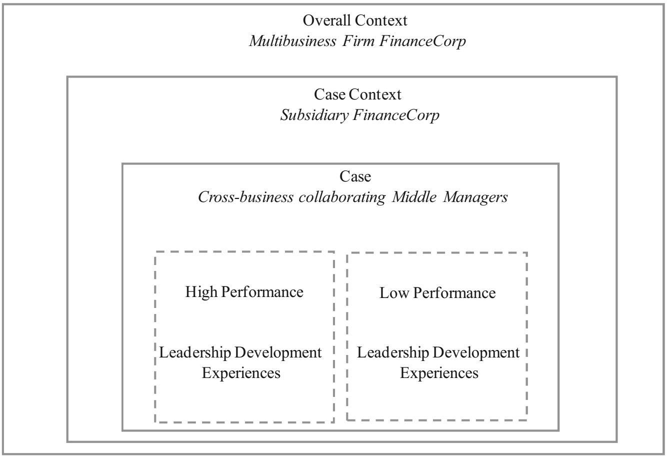

Figure 3-2: Overview of Research Design

3.4.1 Industrial and Organizational Context

To inductively explore the research questions guiding our study, we selected an organizational context where cross-business value creation is not only the underlying primary logic of the firm but where a *horizontal optimization* is the inherent concept of the corporate strategy (please see 2.1.3). We expect that successful cross-business collaboration among businesses occurs on a sufficiently frequent basis to be valuable for our research. We selected the *financial services industry sector* as the industrial environment since this industry is highly dependent on its human capital and invests heavily in systematic leadership development practices. Indeed, surveys report that the highest investments in human-capital-related activities occur in the *financial services industry sector* (PriceWaterhouseCoopers, 2006).

We decided to conduct our research at *FinanceCorp*, a European MBF with three different businesses. The company acknowledged cross-business collaboration as a core element of its corporate strategy and has actively pursued leadership development practices with strategic intent. FinanceCorp employed around 80,000 employees, and operated all of its three businesses globally across Asia, America and Europe. We selected a particular European subsidiary of FinanceCorp (*SubFinanceCorp*) as our object of inquiry.

In this European market, FinanceCorp decided in 2002 to transform its organization from a vertical optimizer into a horizontal optimizer, promoting further integration among the three businesses into one firm. The goal of that decision was to exploit growth and efficiency synergies beyond the businesses. This subsidiary was unique as it was FinanceCorp's first attempt at a consistent implementation of a strategic focus on cross-business collaboration. As such, SubFinanceCorp was considered to represent a pioneering model for other markets to follow and thus represented an ideal context for the exploration of cross-business collaboration and the role of leadership development experiences in three ways. First, with such an explicit focus on the realization of cross-business synergies, we expected to find successful cases of cross-business collaboration among businesses resulting in growth synergies that might inform us about the relevant antecedents and influencing factors involved. Secondly, as it was embedded in a large MBF, we expected that leadership development practices were pursued on a highly systematic level. Finally, with around 1,300 employees, SubFinanceCorp offered the advantage of a manageable and homogenous research context that did not compromise the criterion of studying a large MBF.

3.4.2 Unit of Analysis

In case study inquiry the "case" represents the main unit of analysis (Yin, 2003) and may be an individual, an entity, an event, organizational change, implementation processes, etc. (Yin 2003). Miles & Huberman (1994) define a case as "a phenomenon of some sort occurring in a bounded context" (1994:25) which shows that the definition of the case is a fundamental problem for investigators. Moreover, it is important to note that the definition of the case and the related unit of analysis might change during the inquiry (Yin, 2003). Our study sought to understand the role of the leadership development experiences of middle managers who successfully engage in cross-business collaboration in an MBF. Whereas SubFinanceCorp with its three businesses formed our *object* of analysis, *cross-business collaborating middle managers* and their leadership development experiences was our *primary unit of analysis* and were thus considered our cases. However, we studied these individuals embedded in the particular strategic context of an MBF.

3.4.3 Case Selection

In contrast to a *statistically oriented* sampling used in deductive research approaches, inductive case studies opt for a *theoretically oriented* sampling of cases (Eisenhardt, 1989; Strauss & Corbin, 1996). That means that they are selected in order to provide useful and valuable contributions for the constructs and variables in question. Thus, we chose to investigate cases of successful cross-business collaborators who have achieved valuable cross-business collaboration among the three businesses of SubFinanceCorp. As comparative case studies strengthen the quality and reliability of case study research (Eisenhardt 1989; Yin 2003) we decided to select as well middle managers with only small experience for comparison.

Acknowledging the importance of middle managers for organizational outcomes and strategy realization (please see 2.1.4), we adopted a *middle management perspective* in our research. In line with recent middle manager literature, this perspective is not limited to formally authorized managers located below top management and above first-level managers (Wooldridge, Schmid, & Floyd, 2008). Rather, the term entails a perspective on actors in an organization (managers or professionals) whose activities and behaviors have important consequences for how strategy is put into practice (Currie et al. 2005). Combining access to top management with their knowledge of the operational daily business enables them to take on an important and unique mediating role between the organization's strategy and day-to-day activities (Wooldridge et al., 2008). Consequently, we selected middle managers at SubFinanceCorp according to their positions in the *middle level internal management ranks* (Executive Director / Senior Director). As these ranks were assigned independently of a formal manager position, it was seen to be the best means to identify the appropriate people. Further, we selected middle managers from all three businesses at SubFinanceCorp. Concentrating on *growth synergies* that result in new revenue streams that are based on day-to-day interaction (please see 2.1.3), we focused on middle managers in front- and sales force units who had direct client contact.

3.4.4 Research Set-up

In order to strengthen the research quality of the study (3.6), *multiple sources of evidence* (Eisenhardt 1989; Yin 2003) were considered as a guiding principle for the research set-up and data collection. The following figure represents the *multiple data sources and evaluators* that were considered:

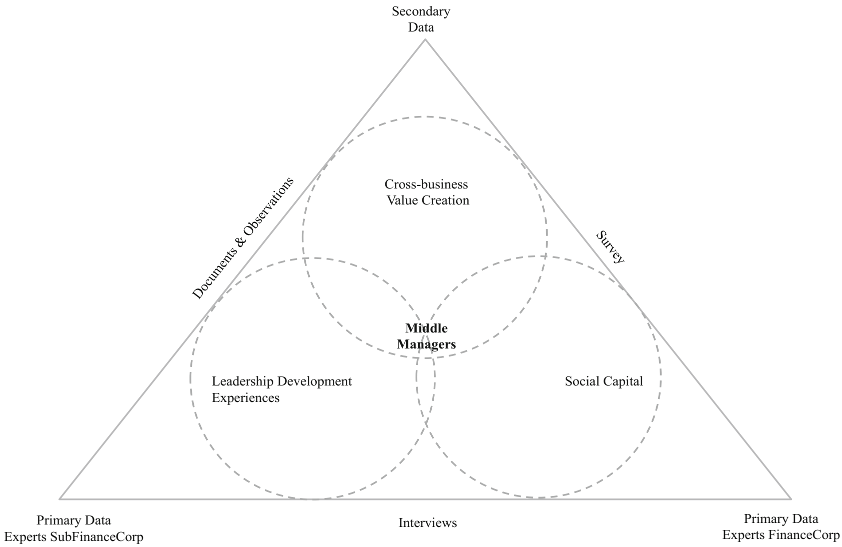

Figure 3-3: Multiple Methods and Perspectives of Evidence

Multiple Methods. In case study research, quantitative and/or qualitative methods can be applied[4] (Eisenhardt, 1989; Yin, 2003). Indeed, multiple data sources, e.g., multiple data collection methods, are regarded as strengthening the evidence of the study and minimizing bias (Eisenhardt, 1989). Particularly with regard to the goal of capturing the dynamics present in a single setting, a case study can profit from a combination of qualitative and quantitative methods (Scholz & Tietje, 2002). Quantitative data can indicate relationships that the researcher was not expecting. Further, it can give direction and prevent the researcher from losing his or her orientation because of an overwhelming amount of qualitative data. Finally, it may support findings from the qualitative evidence (Eisenhardt 1989). Conversely, qualitative data are useful in understanding the rationale and theory behind the relationships revealed in the quantitative data (Eisenhardt 1989). In this way, qualitative and quantitative data create a positive synergistic effect. In order to gain an initial overview of the relationships between cross-business collaboration and leadership development experiences, a *survey questionnaire* was used to gather *quantitative data* from the cross-collaborating middle managers as the actors under study. Additionally, a series of *interviews* conducted with the survey respondents complemented the quantitative data with *qualitative data* to enable

[4] We understand qualitative and quantitative research as described in Punch (1998:4): “Qualitative research is empirical research where the data are in the form of numbers. Qualitative research is empirical research where the data are not in the form of numbers.”

a deeper understanding of the underlying rationale. In order to capture the context-dependent nature of the research objectives accurately, *interviews of internal experts* were used to provide a rich understanding and description of the research site and its organizational environment. Additionally, *documentary data* and *observations* were methods used to capture further information.

Multiple Perspectives. We accounted for multiple perspectives by introducing multiple informants and levels of observation. To develop a deeper understanding of how leadership development practices impact cross-business collaboration, the *individual perception* and experience of the organizational actors themselves were incorporated into the inquiry. In doing so, this dissertation attempted to illuminate what cross-sectional quantitative approaches in HRM had not been able to capture to date: the dynamic process of interaction between leadership development practices, perceptions, experiences and behavioral actions. Accordingly, cross-business collaborating middle managers represented the *main source* of data information. However, to understand and explain their experiences in relation to the overall context, *internal experts in central functions* were also interviewed. Because the experts differed in their functions (top management, business development, controlling, human resources management, etc.) a variety of individual perspectives and observation levels were able to be reflected.

The following figure incorporates the multiple sources of evidence (methods and perspectives) into the research design, resulting in the research set-up which guided the research process:

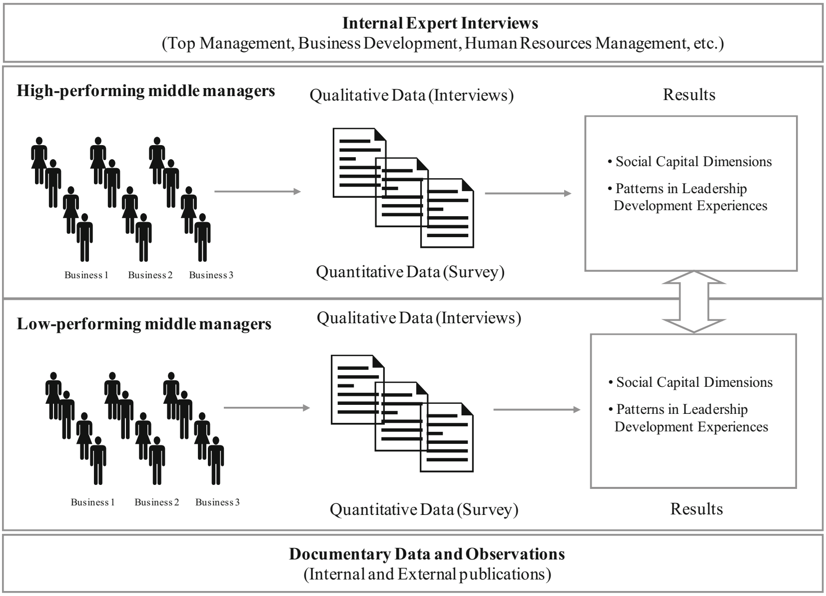

Figure 3-4: Research Set-up

3.4.5 Research Process

The design of the research process mainly follows suggestions from case study researchers (Eisenhardt 1989, Yin 2003) regarding inductive approaches. These approaches are characterized by a highly iterative, mutually reinforcing research process, particularly with regard to data collection and analysis. However, in order to describe this process, a linear representation seems to provide greater transparency. Accordingly, the dissertation's research process is clustered in four main phases, which are summarized in the following figure and described in more detail below:

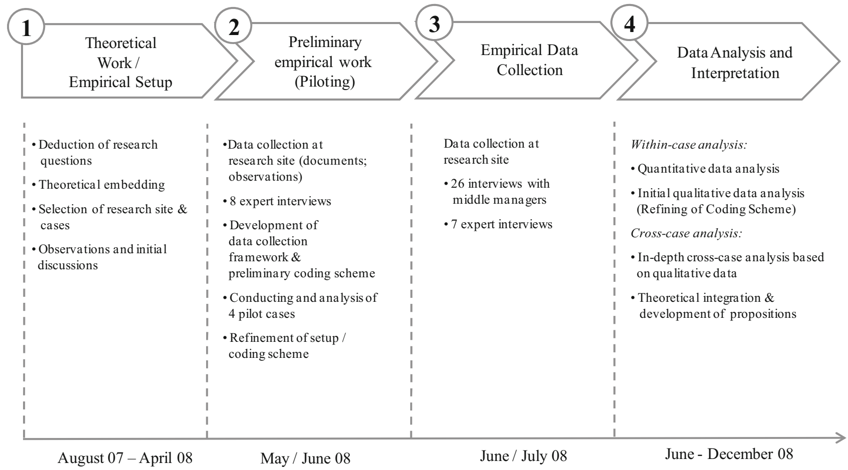

Figure 3-5: Research Process

(1) In the first phase, this study undertook an extensive study of the existing literature, resulting in the deduction of the research questions. Failing to specify research questions might cause the researcher to lose his or her focus and become overwhelmed by the data (Eisenhardt 1989; Punch 1998). Along with the theoretical embedding of research questions, their specification was elaborated. Accordingly, we adopted a strategic human resources management perspective and selected an adequate research setting for the research purpose. During this first phase, we visited leadership development programs with cross-business collaborating middle managers, which led to our first discussions with the actors under study and with some key informants[5]. This was important, as cross-business collaboration is highly dependent on the business and industry under study. Thus, we were able to establish a detailed understanding of cross-business collaboration activities within the context, which was necessary for the development of the research design.

(2) In a *second* step, the first expert interviews were conducted and the respective documentary data was collected and studied. Both served to develop the *survey questionnaire* and the *interview guide* for the cross-collaborating middle managers. Further, on the advice of the internal experts, thirty cross-collaborating middle managers were selected as cases. Four of them were chosen as pilot cases in order to improve the interview guide and the survey questionnaire. This procedure served to specify in advance certain constructs that might potentially play a role (Eisenhardt 1989). Accordingly,

[5] List of observations please see appendix

the interview guide was semi-structured in nature, reflecting already the preliminary coding scheme. The survey captured the potentially relevant constructs of social capital derived from the existing literature to strengthen reliability and construct validity (please see 3.6).

(3) In the third phase, data was collected. In discussions with responsible parties at SubFinanceCorp, it was agreed that the data collection phase should respect the work load of the respective actors and should be pursued in a most efficient manner in order to take up as little of the respondents' time as possible. According to the business cycle in the financial services industry, the summer period was seen as the least busy as clients tend to be on vacation. Thus, the access and data collection among the middle managers was organized within this time period. Case study research recommends that *each* individual case should be studied directly and to integrate important conclusions immediately into the study design by either redesign or shaping the original theoretical propositions or by replication of another case (Yin 2003). Thus, data collection and analysis go hand in hand, and it is the researcher's decision as to *how many* cases he or she wants in order to explore to achieve a sufficient "degree of certainty" (Yin, 2003). Consequently, this iterative process proved that thirty cases of cross-business collaborating middle managers were a sufficient set for our analysis purpose.

(4) In the final phase, data was analyzed and compared. According to the recommendations in case study research (Eisenhardt, 1989; Yin, 2003), a *within-case* analysis was attempted before analyzing *cross-case patterns* or *comparison* of the cases. First, the survey results were analyzed, complemented by an initial qualitative analysis and resulting in a within-case analysis. In a second step, results – particularly when not matching with predicted relationships - were analyzed through an in-depth cross-case comparison. Comparing and discussing them in the light of the existing literature led to the development of our theoretical propositions.

3.4.6 Data Collection[6]

Expert Interviews. We conducted fifteen interviews with internal experts located in central functions of FinanceCorp and SubFinanceCorp. We included experts in business development, controlling, human resources and leadership development as well as senior management in order to learn about the *intended* activities for cross-business collaboration at the company and the role of leadership development in general. Based on an interview guide (please see appendix), these interviews lasted between 1 and 2

[6] All data were collected in German (interview, survey, publications, etc.) and translated into English for the purpose of this dissertation.

hours and were conducted in a problem-centered manner. This interview technique allows the interviewer to be open to theory as a guide and also to generating theory (Witzel, 2000). Strategy, cross-business collaboration, achievements, support mechanisms, culture, leadership development were the common topics at the center of these interviews. However, they were purposely varied with regard to the respective functional know-how and perspective of the interviewee. All interviews were recorded, transcribed and reviewed by the interviewee afterward. This enabled us to create an overall picture to understand the embedding, context and status of cross-business collaboration at SubFinanceCorp. On the advice of these internal experts, the cross-business collaborating middle managers were identified and selected.

Documentary Data and Observations. *Observations*, initial discussions and visits marked the beginning of the research process in particular, e.g., visiting leadership development courses attended by middle managers from all three businesses, an initial discussion with the CEO of SubFinanceCorp, etc. (please see appendix). This enabled our initial orientation to and understanding of cross-business collaboration activities.[7] *Documentary data* consisted of the firm's internal and external publication record, such as internal and external communications, press-releases, and financial reports, descriptions of leadership development practices and programs. They were mostly taken from the company's internet website. Additionally, internal and unpublished documents were provided during the expert interviews by internal experts. Together with existing case studies, they served to validate and embed the information from the internal experts.

Interviews with Cross-business Collaborating Middle Managers. With the help of the internal experts, we identified cross-business collaborating middle managers who had taken on a particular leadership role in cross-business collaboration at SubFinanceCorp and thus would be appropriate informants for our study. Thirty middle managers located in all three businesses were selected. We made sure that all of them were in sales force units of the respective businesses. In their capacity as members of the sales force, they all had direct client contacts and thus opportunities for cross-business collaboration that lead to growth synergies.

Subsequently, each of the thirty middle managers was contacted by phone and an interview date was scheduled. We provided both initial information about the study's purpose and a brief overview of the process. Further, we told the respondents that they would receive a survey questionnaire in advance and asked them to complete it and

[7] The author of this dissertation had a previously established work role in this company, which was a benefit for accessing the relevant informants and collecting the necessary information.

bring it with them for the interview. All agreed to an interview, which meant that we conducted a series of thirty interviews, each 1 – 1 ½ hours in duration, at SubFinance-Corp.

To enable the generation of comparable data, each interview was conducted in a semi-structured way based on the established and piloted interview guide (please see appendix). The interview guide was organized around the three main components of our research questions: (1) *cross-business collaboration experience that leads to growth synergies*, (2) *social capital (development), (3) leadership development experiences*. At the beginning of each interview, interviewees were informed again about the purpose of the study and the interview. Each interview was recorded, transcribed and reviewed by the interviewee afterward. Anonymity and confidentiality were assured by showing how the interviews would be de-personalized and coded. Further, we informed each interviewee that she or he would receive a copy of the transcription for review afterward. This helped to build confidence and trust in the researcher and enhanced validity, which helped to ensure an accurate representation of the information provided during the interview.

Survey with Cross-business Collaborating Middle Managers. Prior to the interview, the selected middle managers received a survey questionnaire which they were to complete and hand back at the interview. According to the research purpose, the survey questionnaire centered on the main topics under study: (1) *cross-business collaboration experience, potential and activities (*2) *social capital, and (3) leadership development experiences* (please see appendix). It served to provide quantitative data to complement the qualitative data and to direct the data analysis. Moreover, it served to eliminate questions from the interviews that could be answered more efficiently in a survey; thus, more time was available to discuss more complex issues face-to-face. Additionally, as we discovered in the four pilot interviews, it was of benefit if middle managers could 'warm-up' with the topic before the interview. Thus, the survey questionnaire was a means of starting a self-reflection process that was critical to an effective interview process. Further, this set-up allowed us to review the responses indicated in the survey during the interview, and we were able to check whether the survey questions had been understood correctly.

Most of the constructs used in the questionnaire were based on best practices of existing research. Particularly with regard to social capital, the survey items were based on existing constructs in order to increase the validity and reliability of the study. As no specific study about the role of social capital in cross-business collaboration could be identified, we decided to base our investigation to a large extent on the set-up from

Tsai et al. (1998). Investigating specifically *inter-unit* collaboration seemed to be closest to our research focus.

Following the definition of internal social capital by Leana et al. 1999 (please see 2.1.4), we focused particularly on the aspect of quality of social capital. Accordingly, we incorporated a measure of tie strength, trust and shared goal orientation. In order to evaluate the quality of social capital, it is first necessary to identify the existence or absence of network ties and capture indications of their strength (Kildufff & Tsai, 2003). Consequently, we incorporated a question on the contact frequency to units of the other businesses in order to create an overview of the existence of ties and their tie strength (Burt, 2000; Granovetter, 1973; Hansen, 2002). Further, we selected the items of trust from the study by Tsai et al. (1998).

Considering the facets of reliability and credibility of trust, it seemed appropriate, however, to incorporate another item referring to predictability. Cross-business collaboration is seen as a specific type of inter-unit collaboration that – other than within business inter-unit collaboration – does not have the safeguards found in hierarchical structure or management processes. Thus, it is assumed that a high predictability of the other party's actions is required in order to buy into collaboration. Consequently, we integrated another item referring to predictability which we adapted based on Zaheer, McEvily, & Perrone (1998). Further, we accounted for the aspect of *shared goal orientation* by integrating the two items proposed by Tsai et al (1998).

Generally, social relationships can be investigated on different levels (individual, unit or organizational level; please see as well 2.1.4). For our purposes, we focused on the *individual relationships* of middle managers towards *another unit*. According to several authors (Brass et al. 2004; Tsai et al. 1998), *individual ties* between units seem to play an important role in understanding collaboration between units. Brass et al. (2004) state: "Ties between people in different units are especially intriguing, because they create ties between organizational units, illustrating the duality of groups and individuals. When two individuals interact, they not only represent an interpersonal tie but they also represent the groups of which they are members. Thus inter-unit ties are often a function of interpersonal ties […]." (Brass et al. 2004:801). In line with these authors, we focused on *individual* social ties between an individual middle manager and the other unit in order to derive insights on inter-unit collaboration. Accordingly, the items of *tie strength* and *trust* were rated separately with regard to each existing unit of the other business. To ensure satisfactory understanding by the respondents, the questionnaire was reviewed by research colleagues, tested with the help of the four pilot cases, and was adapted according to the improvements suggested.

3.5 Data Analysis

As qualitative and inductive research is far less formalized than quantitative and deductive approaches, it seems to be very important to make data analysis sufficiently transparent in order to be able to trace the conclusions proposed back to their related data and evidence. This subsection provides an overview of how data analysis was processed following the existing recommendations for case study research (Eisenhardt 1989; Yin 2003).

Case Study Context. The data gathered with the help of the expert interviews and the documents and observations were used to understand and describe the research context. This analysis was driven by and narrowed to the topics at the heart of our research: company profile, achievements, strategy, cross-business collaboration and the role of leadership development practices. The overall description of the research site and context was proofread by internal experts from the company in order to make sure that all of the information provided was reproduced correctly.

Cases of Cross-business Collaborating Middle Managers. The quantitative and qualitative data collected regarding the cross-business collaborating middle managers was analyzed in an inductive, iterative process according to the overall inductive research approach. As noted earlier, case study research has revealed the benefit of the positive synergistic effects between quantitative and qualitative evidence. They facilitate a data analysis process that creates both a *rich and in-depth understanding* and some sort of *direction, focus and support* in a mutually reinforcing way (Eisenhardt 1998). Thus, we first started to analyze the *quantitative data (*survey results) in order to identify the overall direction of the core variables (cross-business collaboration experiences, performance, social capital and leadership development experiences). This was complemented with an initial analysis of the qualitative data (interviews). In a second step, an in-depth analysis of the *qualitative data* (interviews) followed, resulting in the development of the respective theoretical propositions. Eisenhardt (1989) and Yin (2003) recommend studying and analyzing each case as a “whole” before investigating cross-case comparison analysis to detect cross-case patterns. Following this recommended data-analysis process in case study research, the first step of our data analysis resulted in an initial *within-case analysis*, while the second led to an in-depth *cross-case analysis*.

In the next two sections we will describe in more detail how we analyzed the quantitative and qualitative data. Even though it evolved as an iterative process in practice, we will separate the two approaches for purposes of clarity of presentation.

3.5.1 Analysis of Quantitative Data (Survey)

As this research followed an *inductive approach*, the sample was selected according to theoretical criteria and not with regard to statistical criteria. Accordingly, the *set-up and quantitative analysis* of the survey was limited from the beginning to a purely *descriptive level*. Serving to guide the *direction* for an in-depth analysis of the qualitative data it was the purpose to find out major trends and tendencies among the middle managers *cross-business collaboration performance, social capital* and *leadership development experiences*.

Cross-business Collaboration Performance. As indicated earlier, comparative case studies are regarded as more reliable and persuasive (Eisenhardt, 1989; Yin, 2003). With that in mind, we compared middle managers with *higher performance levels* in cross-business collaboration with middle managers with *a lower performance level*. We decided to rely on *subjective performance* indications, given the absence of an existing controlling and accounting system at SubFinanceCorp for tracking cross-business collaboration performance on an individual level over the whole study's period (2002-2006). Based on an existing construct for performance increase through cross-business growth synergies (Müller-Stewens et al., 2006), we adapted the scale with regard to the specific key performance indicators of SubFinanceCorp with the help of the controlling & accounting department.[8] We asked for an estimated annual performance increase in net new money, return on assets and client satisfaction. This implies, however, that respondents have to make complex and difficult judgments, sometimes even without the specific information needed (Venkatraman & Ramanujam, 1987). This seemed to be particularly the case when estimating the increase in client satisfaction.

Whereas respondents receive reports about their net new money and return on asset increase, they have no information at hand that can be related to their individual client satisfaction. We thus judged this item as being particularly susceptible to bias and excluded it from the analysis. We based our analysis purely on the financial performance increase parameters of net new money and return on assets. In order to validate these subjective estimations, we collected the only available *objective information* regarding cross-business collaboration performance: a specific award.

Since 2003 SubFinanceCorp has honored especially successful cross-business collaborators every year with a "Cross-business Award". Nominations for the award were evaluated by a cross-functional team of managers who prepared a list of candidates to

[8] Interview SFC04:01

be submitted to the board of directors for decision. The cross-business collaboration performance could arise from a sales pitch, a project, an initiative or single ad-hoc collaboration that has led to a) an increasing or new revenue stream, or b) an efficiency gain or else c) an increase in client or employee satisfaction.[9] Around ten middle managers per year had been rewarded for their outstanding cross-business collaboration performance. Consequently, we used the information about the managers who had been rewarded for their cross-business collaboration performance as an *objective performance measure* in our survey. In order to exclude the possibility that a performance might have resulted from a random 'one-time' lucky deal, we asked additionally about their level of experience in cross-business collaboration. Further, some general questions about the potential for growth synergies and cross-business collaboration activities were included for an overall better understanding of the context.

Social Capital. For analysis purposes, we concentrated the ratings of *tie strength* and *trust* on one index over all rated units of other businesses. However, when analyzing the trust items results together with the interviews, it became clear that the predictability item was rated with regard to the predictability of the specific *business* of the other unit. Thus, all volatile businesses were rated very low (i.e., investment banking units), whereas rather stable businesses (i.e. wealth management units) were rated rather high. Consequently, we excluded this item from our analysis as it seemed not to be related to the quality of a particular relationship experience with this unit.

Leadership Development Experiences. Based on our expert interviews, the existing leadership development practices were identified (360-degree feedback, coaching, mentoring, job assignment, leadership training, action learning, networks/off-sites) and listed in the questionnaire. Respondents were asked about their participation rate. Additionally, they were asked about whether the particular leadership development experience had a specific cross-business focus. Further, a question was added about the most important benefit of the leadership development practices they experienced. Even though this question was also a part of the interview, it required interviewees to think about this very subjective and complex issue in advance.

General Sample Characteristics. In order to gain insights about the sample, we asked for tenure, tenure in function and leader responsibility. These items also served as control variables that might play a role in explaining differences in cross-business collaboration experiences.

[9] document d-SFC07; d-SFC05

All thirty respondents handed back the questionnaire during the interview. With the help of statistical software[10], means, frequency distributions and some selected association measures were calculated. Based on the performance differences we observed, the thirty middle managers were initially clustered according to their cross-collaboration performance and experiences, which resulted in three different groups with *low-level, moderate-level and high-level* cross-business collaboration engagement.[11] In a second step, the quantitative data findings were compared across cases (groups) with regard to their social capital and leadership development experiences. This helped to guide the in-depth analysis of the qualitative data.

3.5.2 Analysis of Qualitative Data (Interviews)

Qualitative data analysis follows less formalized rules than quantitative data analysis and thus requires particular attention to making them explicit and transparent for the reader (Miles & Huberman, 1994). An inductive case study mainly refers to a systematic examination of case similarities and differences in order to facilitate the development of theoretical concepts and categories (Punch 1998). It is recommended that first, a *within-case-analysis* be processed before engaging in a *cross-case analysis* (Eisenhardt 1989; Yin 2003; Miles et al. 1994) Theses analyses involve the processes of *comprehending, synthesizing, theorizing and recontextualizing* (Morse, 1994). While the first two processes result in a within-case analysis, theorizing and recontextualizing are enabled through an in-depth cross-case analysis. The qualitative data analysis of this study can thus be described as follows:

Within-Case Analysis. *Comprehension* as the initial step in qualitative data analysis is reached when the researcher has enough data to be able to write a complete, detailed and rich description (Morse, 1994). It involves clustering similar events. Coding as a central process helps the researcher to sort the data and uncover underlying meanings (Miles et al., 1994). For that reason, our qualitative data was reviewed based on the preliminary coding scheme, which was refined and adapted during this process. In a second step, *synthesizing* involves merging typical composite patterns of behavior together (Miles et al., 1994; Morse, 1994). The process requires the researcher to distinguish the significant from the insignificant and to merge several cases in order to describe typical patterns of behaviors of the group. This phase resulted in a within-case analysis, consisting of extensive tables of descriptions of typical behavioral patterns of each of the groups of middle managers.

---

[10] In our case SPSS Version 15 and 16

[11] The groups were clustered into equal percentiles based on the scanned cases. The width of each interval expressed a binned category, each containing 33.3% of the cases.

Cross-Case Analysis. The in-depth cross-case analysis entails the *theorizing* element, which may be considered as the sorting phase of the analysis. By comparing similarities and differences of the cases, theorizing asks questions of the data that will create links to established theory. It also seeks to construct alternative explanations and of holding them against the data until the best explanation is obtained. Morse (1994) describes this process as follows: "Unfortunately, theory is not acquired passively in moments of blinding insight. It is earned through an active, continuous and rigorous process of viewing data as a puzzle as large as life […]. Theorizing is the constant development and manipulation of malleable theoretical schemes until the 'best' theoretical scheme is developed […]. If one ever finishes the final 'solution' is the theory that provides the best comprehensive, coherent, and simplest model for linking divers and unrelated facts in a useful, pragmatic way." (1994:32) Thus, this process consists mostly of a pattern matching activity (Eisenhardt 1989; Yin 2003; Miles et al. 1994).

In this dissertation the different behavioral patterns of middle managers were compared extensively across the groups and resulted in the respective theoretical models. This led to the last phase, *recontextualization*, which refers to the process of developing the emerging theory in such a way that it is applicable to other settings and populations. It represents the most important product of qualitative research. In this process the work of other researchers and the existing literature play a critical role. They provide the context in which the researcher's model links the new findings with established knowledge (Morse, 1994). Consequently, the theoretical findings were discussed and linked to the existing literature and thus recontextualized.

3.6 Research Quality

Although case study research – particularly with the aim of theory development - is less formalized than hypothesis testing research (Miles et al., 1994), some strategies have been proven to be beneficial for increasing the transparency, reliability and validity of a case study. Those strategies refer to the *set-up, data collection* and *data analysis* in case study research. In the following paragraphs we discuss the above-presented research approach with regard to evaluating the research quality.

3.6.1 Validity

The criterion of validity refers to the degree to which a study supports the intended conclusion drawn from the results (Bortz et al. 2006; Yin, 2003). It encompasses three aspects, *construct, internal and external* validity. Whereas *construct validity* refers to the correct set-up of operational measures and use of appropriate methods, *internal validity* refers to the "internal logic of the research" (Punch 1998), i.e., how causal relationships are established. *External validity* refers to the generalizability of the findings (Bortz et al., 2006; Marshall & Rossmann, 1995).

Construct Validity. "Construct validity focuses on how well a measure conforms with the theoretical expectations" (Punch, 1998:98). In other words, it is concerned with whether the measurements capture in an appropriate way the theoretical meaning of the constructs under study. Accordingly, different tactics were applied to support the appropriate set-up of data collecting methods and measures (Eisenhardt 1989):

- *Multiple sources of evidence* (Eisenhardt, 1989; Yin, 2003). Any finding or conclusion in a case study is much more convincing and accurate if it is based on several different sources of information (Yin, 2003). This refers to data sources and different evaluators. Three data collection methods were combined (interviews, survey, documentary data and observations), providing multiple measurements of the same phenomenon. Further, multiple informants from different functions (Human Resources, Business Development, senior management) on different levels (FinanceCorp and SubFinanceCorp) were interviewed to obtain evidence from multiple perspectives.

- *A priori specification of constructs* (Eisenhardt, 1989). An initial specification of potentially important constructs is seen as beneficial. If constructs are identified from the literature in advance, they can be explicitly considered and measured with different methods. If they come to play an important role, they represent strong, triangulated measures (Eisenhardt, 1989). This study defined social capital as important a priori construct and introduced it as a measure in the interviews and the survey. In the latter, the construct was taken from existing research in order to further strengthen validity.

- *Review by key informants* (Yin, 2003). Construct validity is strengthen by a review of the case study report by the participants and informants from the case. Accordingly, the case study was reviewed by internal experts and extensively discussed as well with experts external to the organization.

Internal Validity. Internal validity refers to whether a relation between two variables is properly demonstrated, i.e., whether it was correctly concluded that event x led to event y (Yin, 2003; Marshal et al., 1995). Several strategies are recommended that support internal validity (Yin, 2003):

- *A priori definitions of research questions* (Eisenhardt, 1989, Yin, 2003): An a priori defined set of research questions and propositions shapes the data collection and therefore gives priority to relevant relationships and respective analytic strategies. Three research questions were thus formulated at the beginning of the study. That lead to a first guiding research framework which resulted in a data collection process focusing on the relationships between cross-business collaboration experiences, social capital and leadership development experiences.

- *Pattern matching* (Eisenhardt, 1989, Yin, 2003): The most desirable techniques for case study analysis follow a pattern-matching logic. Such an approach involves comparing empirically discovered patterns with those that were predicted in an iterative way (Yin 2003). Accordingly, the findings that emerged from our quantitative data analysis were compared, further developed and validated by qualitative data evidence. The causal patterns observed in the case study were further compared with the existing literature.
- *Replication logic.* Internal validity is strengthened through replication (Yin, 2003). Multiple case studies follow this "replication logic" in such a way that selected cases should either predict similar results (literal replication) or predict contrasting results in a predicted manner (theoretical replication). The research set-up included both. By clustering the thirty middle managers into three equal groups according to their level of engagement, each case was replicated and validated *within* the groups as well as *across* the groups.
- *Exploring alternative interpretations.* In order to strengthen the relationship found, rival explanations should be addressed (Yin, 2003). The study explored several rival explanations with regard to the relationship between social capital and cross-business collaboration performance as well as between social capital and leadership development experiences.
- *Display and present evidence separate from any interpretation* (Yin, 2003). In order to enable a transparent backtracking of analytical interpretations, empirical evidence is presented separately from its interpretation.
- *Review by other researchers.* In addition to the review by internal experts, research colleagues reviewed the case study drafts and the proposed relationships.

External Validity. External validity is concerned with whether the findings can be generalized from the unique and idiosyncratic settings, procedures and participants to other populations and conditions (Wrona, 2005; Yin, 2003). Generalizability is often questioned and is thus a major source of criticism within case study research.

Even if the question of generalizability is inherent in case study research, there are strategies to enhance it (Eisenhardt 1989):

- *Theoretical Sampling.* Whereas survey research relies on *statistical* generalization, case studies rely on *analytical* generalization. In analogy to survey research, selecting an appropriate sampling is crucial to enhancing generalizability. Case study research thus opts for a theoretically oriented sampling of cases in such a way that provides useful and valuable contributions for the constructs and variables in question (Eisenhardt 1989). With regard to the cross-business collaborating middle managers, respondents were chosen from all three of the existing businesses to strengthen generalizability and minimize bias. Further, following the logic of replication, the number 30, (i.e., around 10 cases per performance-level) enhanced external validity.
- *Comparing Cases.* An embedded multiple case design seeking comparisons of patterns across cases strengthens particularly the external validity of a case study (Yin, 2003, Eisenhardt, 1989). Accordingly, the research design was set up based on a comparison of middle managers with high performance levels in cross-business collaboration and middle managers with lower performance levels. Differences and similarities were validated not only within cases but also by comparing them.

3.6.2 Reliability

The criterion of reliability refers to the possibility that any other independent researcher can replicate the study and generate the same findings (Eisenhardt, 1989, Yin, 2003). Thus, ensuring reliability is about minimizing errors and biases in the study (Yin, 2003). Being communicative and interpersonal in nature, data collection and analysis is to a great extent interwoven in case study research. Consequently, detailed documentation of any procedure is key to enabling reliability. In line with Yin (2003), the following procedures were used to enhance the reliability of the study:

- *Documentation of research procedure.* This chapter presented transparently the elements of the research design, the applied measures and methods (including the interview guide and survey questionnaire), the steps of the procedure and the data analysis methods applied. This makes possible a review of the research and an evaluation of its quality.
- *Case study data base.* A detailed electronic data base was established containing the interviews transcribed, the coding scheme applied, survey raw data and analysis, and the documents used. The findings are illustrated in tables and supported extensively with exemplary citations.
- *Chain of evidence:* Establishing a chain of evidence refers to enabling an external reader to follow the argumentation by providing evidence from the initial research questions to the study's conclusion (Yin, 2003). The analytical generalization is supported by empirical evidence drawn from exemplary interview citations and the findings from the quantitative data analysis. Case descriptions were structured according to the research questions and relations under study, thereby enabling the reader to trace back any conclusions made to their related empirical evidence.
- *Quantitative data collection and analysis.* The additional use of a quantitative survey analysis enables other researchers to reproduce the findings. From this perspective, not only the validity of the study was enhanced but the reliability as well.

3.7 Conclusion

Because of the absence of previous theory and research on the relationship of leadership development practices and cross-business collaboration performance, we believed that it was essential to adopt an *inductive case study approach* for the inquiry. To explore the underlying research questions, we proposed focusing on an MBF that is following a horizontal optimization strategy and invests in leadership development practices in a systematic way. For our research site, we selected SubFinanceCorp with about 1,300 employees, which is a European subsidiary of FinanceCorp, a large MBF in the financial services industry. Middle managers from SubFinanceCorp were compared with regard to their cross-business collaboration engagement and leadership development experiences. Multiple sources of evidence were used. Observations, expert interviews and documentary data served to establish a rich understanding of the research context. At the center of the inquiry were thirty cases of cross-business collaborating middle managers. A mix of quantitative (survey) and qualitative methods (interviews) were used to capture the similarities and differences of the middle managers. In case study research, quantitative evidence makes it possible to capture relationships that the researcher might not have expected, while qualitative evidence provides a rich understanding of the underlying rationale of the identified quantitative analysis. Consequently, the data collection and analysis processes were based on this synergistic and mutually reinforcing effect.

4 Case Study

4.1 Introduction

The empirical section of this dissertation elaborates on how leadership development experiences impacted the cross-business social capital and value creation of middle managers in SubFinanceCorp, a European MBF in the financial services industry. This chapter provides a description of the research context and an initial analysis of middle managers' cross-business collaboration performance, social capital and leadership development experiences.

In order to embed the empirical results, a description of the dynamics in the industrial environment and in the parent company FinanceCorp are provided in subchapter 4.2, followed in 4.3 by a description of the selected research site, SubFinanceCorp, a subsidiary in a foreign domestic European market. These descriptions are consciously restricted to the *relevant background information* regarding the focus on corporate strategy, cross-business collaboration efforts and the role of leadership development. Further, it is important to note that the information provided is limited to the study's period of analysis, from 2002/2003 until 2006/2007.[12] Labeling and pseudonyms are used to de-personalize the context and the actors in order to maintain the confidentiality of the interviewees and to strengthen the generation of generalizable insights from the study.[13] The case study is based on the *interviews* conducted, the *survey* data and company-related *documents*.[14] A complete list of all of our sources is provided in the appendix. Where appropriate, we indicate an explicit reference with the index code of the respective source. Subchapter 4.4. comprises an overview and brief initial analysis of the results of the inquiry regarding the *middle managers' cross-business collaboration performance and activities, their social capital and their leadership development experiences*. It can be seen as an initial *within-case analysis* that enables the reader to understand the origin of the subsequent comparative *cross-case analysis* in the following chapter, which leads to the analytical generalization and development of propositions.

---

[12] During our investigation in 2008, the financial markets and industry underwent substantial and to a certain extent historical changes on a global scale, which affected FinanceCorp as well. However, the observations made in our study are retrospective in nature, relating to the period before (2002-2006). In line with our intention to generalize our findings to corporate management of an MBF, we generally consciously excluded these very specific industry developments from our study.

[13] All firm and organizational entity denominations as well as all proper names have been de-personalized. Nevertheless, industry experts might find it easy to identify the corporation, although it is impossible to establish a direct reference to the subsidiary and its managers.

[14] Company information is complemented to a large extent with information from existing case studies d-FC03; d-FC04; d-SFC02

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_4,

4.2 Research Context

4.2.1 Trends in the Industrial Environment

Over the past few decades, until 2007, ongoing globalization and liberalization of the international financial markets led to faster growth of the financial services sector than the economy. During this period, the financial services industry was poised for huge growth in the next decade, especially in the emerging markets, such as Brazil, Russia, India and China. Boosted by bullish markets, companies were reporting higher volumes of business as well as higher fee incomes and increased trading and investment revenues. Overall, revenues from financial services were forecasted at that time by industry experts to triple to $6 trillion by 2020[15]. The dynamic of the industry's expansion was triggered considerably by the innovation of a variety of new financial services and products providing a nearly unmanageable flood and complexity of investment opportunities and instruments on the capital markets (Spreiter, 2005). In response, tougher competition and a wave of consolidation in the financial services industry as well as a shift back to more regulation in some countries resulted in making *size* an increasingly critical factor for any financial services provider with ambitions of being among the most successful players worldwide. Thus, in order to be able to compete for these growing market opportunities in the financial services industry, it became critical for any global financial services player to be able to deliver tailor-made individual as well as standardized solutions at competitive prices to clients around the world[16]. This implied a capability to *grow internationally*, a combined position in all core businesses, a strong *client focus*, and finally and most importantly, the ability to *differentiate* in a highly innovative environment.

4.2.2 FinanceCorp Organization

Company Profile. FinanceCorp has been one of the leading global financial services firms that have been able to profit from the growing market opportunities in an unrecedented way. Looking back on the company's success from 2002 until 2007, it was particularly the *'One firm' strategy* which enabled FinanceCorp to provide its clients with integrated solutions based on the strong capabilities across all of its core businesses. This was made possible by the company's dedicated client focus, which differentiated them from their competitors. A continuous organic growth strategy, complemented with selected strategic acquisitions, allowed the company to achieve critical size, thus enabling it to exploit extensively economies of scale, which resulted in a

[15] document d-FC06

[16] document d-FC03

continuous and *profitable* growth path for nearly five consecutive years. This was reflected as well in the financial performance figures reported during those years.[17]

	2002	*2003*	*2004*	*2005*	*2006*
(in CHF billions)					
Invested Assets	2.0	2.1	2.2	2.6	2.9
Operating income	34.1	33.7	35.9	41.1	48.1
Net profit	3.5	6.2	8.0	13.9	11.6
Return on equity (RoE) in %	8.9	17.8	25.8	39.7	28.2
Market capitalization	79.4	95.4	103.6	131.9	154.2
Net New Money	36.9	69.1	89.9	148.5	151.7
Headcount	69,000	66,000	67,500	69,500	78,000

Table 4-1: Selected Financial Reporting Figures of FinanceCorp (Source: author based on documents d-FC02)

Headquartered in Europe (Switzerland) and listed on the New York, Zurich and Tokyo Exchanges, FinanceCorp grew between 2002 and 2007 in an impressive way to become the largest European continental bank and one of the world's leading financial institutions. This growth and success were equally reflected in a continuous increase in share price during those years.[18] In the face of external and internal challenges, FinanceCorp's results were solid over a long period and the company managed to outperform its key competitors. The company's commitment to its underlying strategy to act as an integrated firm was unshakeable. They wanted to be seen not as a holding company or conglomerate but as a corporate portfolio of complementary businesses whose whole was worth more than the sum of its parts. This formed the basis of the company's identity. The company consequently configured, aligned and shaped the organization in the period between 2002 and 2007 according to this decision and long-term strategy.

The leveraging of cross-business unit synergies was becoming a key differentiator for FinanceCorp. Some 15-20% of the bank's market capitalization value originated from the synergies realized from collaboration across the firm, a capability which was not replicated anywhere in the financial services industry.[19] Thus, for the period of 2002 – 2007, FinanceCorp represents a case of an MBF that successfully managed to config-

[17] documents d-FC02

[18] document d-FC04

[19] document d-FC03

ure and shape its organization around an integrated 'One firm' strategy capitalizing on its cross-business synergies as a key differentiator and source of competitive advantage.

Core Businesses. FinanceCorp defined *wealth management, asset management and investment banking* as its core businesses. Supported by a corporate center, the firm pursued strong positioning in all of its core businesses around the world which, was reflected in the company's value proposition:[20]

- Client focus: FinanceCorp's purpose is to serve clients and provide them with confidence in financial decision making. FinanceCorp strives to truly understand clients' goals – the first priority is the success and interests of clients
- Growth through client-driven revenue streams: targeting sustainable and profitable growth by establishing a set of earnings streams based on true customer benefit
- Three businesses, one underlying trend – growth of wealth: based on sustained social and economic trends, all of FinanceCorp's businesses are focused on areas with above-average growth rates

FinanceCorp's definition of w*ealth management*[21] went beyond the traditional private banking approach. It was a holistic approach to serving clients, based on a long-term personal relationship between each client and his or her client advisor. It was based on a long history of private banking experience providing clients with tailored advice and investment services, including financial planning, retirement planning, estate planning strategies, investment solutions, lending solutions and business services. Wealth management services were designed for high-net-worth and affluent individuals around the world, whether investing internationally or in their home country, including CEOs or top officers of Fortune 500 companies, hedge fund managers, private equity principals, entrepreneurs and members of wealthy families. Some of those clients had over $50 million to invest. In the years 2002 to 2007, FinanceCorp grew constantly in managing invested assets from 60.4 (CHF billion) in 2004 to 113.3 (CHF billion) in 2006.[22] With an around 12,000-client advisor force in Asia, Europe and the US and an extensive global network with presence in over 50 countries, FinanceCorp was considered a global wealth management leader, with 4% of the global market.[23]

[20] document d-FC09

[21] Offerings in retail banking or commercial banking were limited to its domestic home market.

[22] documents d-FC02

[23] documents d-FC04; d-FC09

As an *asset manager*, FinanceCorp offered innovative investment management solutions in nearly every asset class to private, institutional, and corporate clients, as well as through financial intermediaries. Investment capabilities comprise traditional assets (for instance, equities, fixed income and asset allocation) and alternative assets (multi-manager funds, funds of hedge funds and hedge funds, real estate, infrastructure and private equity). FinanceCorp was one of the largest asset managers in the world. They expanded their footprint with 3,800 employees across 27 countries. Headquartered in London, the other main offices were in Chicago, Frankfurt, Hartford, Hong Kong, New York, Paris, Rio de Janeiro, Sydney, Tokyo, Toronto and Zurich. It grew constantly in managing invested assets, from 274 (CHF billion) in 2002 to 866 in 2006. Most clients ranged from pension plans, municipalities, insurance companies, multinationals, central banks, charities, and private clients. [24]

The *investment banking* and securities business of FinanceCorp employed 22,000 people in 34 countries. While this scale was impressive, the investment banking business stressed the importance of personalized service. Headquartered in London and Stamford, it provided securities products and research in equities, fixed income, rates, foreign exchange, energy and metals, investment banking, equities, fixed income or foreign exchange services to around 6,000 clients worldwide. Moreover, it also provided access to the world's capital markets for corporate, institutional, intermediary, and alternative asset management clients.

Accordingly, the investment banking business was organized around four categories (equities, fixed income, rates and currencies, and investment banking), advising clients on M&A, strategic reviews, and corporate restructuring affairs. In the first half of 2005, FinanceCorp was the leader in global equity deals and the fifth-largest in M&A. Overall, within the investment banking and brokerage business, FinanceCorp was the only non-U.S. firm among the top five.[25]

One Firm Strategy. Unlike a holding company or a financial services conglomerate, both of which were in vogue in the industry during that period, the FinanceCorp approach was to build a powerful group by integrating the related businesses. This approach was designed to help to successfully place the combined resources and expertise of each of the businesses at the disposal of the clients. The integrated business model enabled a dedicated and consistent client centrism unprecedented in the industry at that time. Thus, the vision of a 'One firm' approach was to build the base for continuous, organic growth and sustainable competitive advantage for FinanceCorp as a

[24] documents d-FC04; d-FC09

[25] documents d-FC04; d-FC09

key differentiator to other competitors in the market. While the strategy as such was not radically different from that of most of its rival banks, FinanceCorp proved over that period of time that it was capable of *realizing* the strategy and thus reaching its corporate goals more often than most of its peers.[26]

In retrospect, the continuous realization and reinforcement of the ‘One firm’ strategy was heralded in 2001/2002 by changes in top management. At that point in time, FinanceCorp had succeeded in building up a presence in each of the three major global regions (Europe, America, and Asia) and in the main businesses: investment banking, asset management and wealth management. However, the commitment to the integrated vision and its realization was only about to start. Thus, from 2002 to 2007, the CEO and his corporate management worked continuously to align the organization toward an organic growth path, to further integrate the corporation’s businesses and to increase its global visibility. The aim was to drive FinanceCorp toward a common corporate identity and an integrated leadership team more focused on organic growth so that it could leverage the promise of an integrated firm.

A first major step in strategy realization was the introduction of a single corporate brand in 2003 replacing a number of preceding brands. This change brought the brand strategy into alignment with the ‘One firm’ approach, improved marketing spending efficiency and reduced confusion among the clients and other audiences. This was seen as an opportunity to engage both outsiders and insiders in the ‘One firm’ vision and gain alignment to ensure “one-brand” messaging. The promise behind the brand implied that FinanceCorp’s clients would be able to access the bank’s entire range of services effortlessly, at any time and in any place, regardless of what combinations of teams lay behind individual solutions. In this regard, the ‘One firm’ approach focused on an integrated client service model with world-class products and client-centered advice. In doing so, it sought to facilitate cross-selling and the exchange of products and distribution services between units in order to increase the ability to recognize trends across client and business segments, serve clients better and ultimately create new revenue opportunities. Thus, besides efforts to align common infrastructure (e.g., harmonize IT-platforms) in order to generate *efficiency* synergies, specific cross-business collaboration initiatives were also launched to foster *growth* synergies across the three businesses.[27]

Cross-business Collaboration. Efforts to foster organic growth through cross-business collaboration were initiated with the aim to create new revenue streams based

[26] document d-FC03

[27] document d-FC04

on *a coordination of client relationships* and with the *development of new products and services* based on an intense knowledge exchange between the businesses. The purpose of those initiatives and projects was to lead change but also to create networks among teams that might otherwise not interact.

With regard to *client relationships*, collaboration advantages arose from the fact that client approaches from different businesses were better coordinated than before. Beyond that, it paved the way for client referrals. In 2002, a global initiative was launched to coordinate client relationships across businesses for the top 50 institutional/corporate clients. Prior to that, FinanceCorp advisors for investment banking and asset management might have been pitching new products to the client's treasury and business development departments, while another group within wealth management was in contact with HR to sell a corporate employee financial services platform.[28] Thus, if there was a problem, an advisor spent a lot of time finding out who else was involved in the client relationship and who was the right contact person to resolve the issue. The first benefit of this initiative was then seen in coordinated calls to the client to resolve confusion. The second was greater transparency and accountability of the client relationship to improve the service.

Beyond client relationship activities, collaboration efforts centered mostly on the delivery of the products and the expertise of the company's investment banking and asset management to its wealth management clients. Investment banking and asset management created specific products that helped to benefit from rising demand from wealth management clients for structured products and alternative investments. Thus, much of the trading in private accounts was funnelled through the stock trading system of the investment banking.[29] It was believed that a merger of knowledge and expertise could create products that did not exist elsewhere. To grow organically it was crucial to manage the interfaces between the different businesses and enable them to come together and create a completely new product that was not replicable. Continuous *joint-product and market development* was seen as an important engine for organic growth. However, FinanceCorp acknowledged that it had not yet exploited the full potential of synergies. Thus, to fully exploit these kinds of cross-business collaboration synergies, incentives and leadership development were recognized by the corporate management as an important cornerstone for acceptance of the integrated vision and for realizing it throughout the whole organization.[30]

[28] document d-FC04

[29] document d-FC04

[30] document d-FC04

Incentives. Realizing cross-business collaboration opportunities might entail changing employee behaviour, including operating outside of one's traditional area of expertise, comfort zones and interests. Thus, between 2003 and 2005, FinanceCorp established a common and aligned objective-setting and performance evaluation system in order to support the implementation of the corporate strategy. All of FinanceCorp's staff was assessed according to a small set of core competencies (client focus, teamwork, professional behavior and technical skills) central to supporting the corporate strategy.[31] Further, the firm worked toward integrating a particular cross-business collaboration competence:

> "I am intensely involved in the topic of objective setting and evaluation. I think, for around 3 years we have been using this system specifically to enhance the cross-business collaboration, particularly between investment bank and wealth management. On the one hand, through objective setting and on the other hand through 360 degree evaluation. […] And, one year ago, we adapted one competence to the specific competence of cross-business collaboration. That means it is not only teamwork now, but teamwork and cross-business collaboration with the adaptation of the respective behavioral indicators. […]." FC03

Moreover, FinanceCorp's corporate human resources management worked on explicit objectives in relation to cross business group collaboration. It showed that FinanceCorp had become serious about acting as one firm. Of the approximately 50 top managers of the firm, all had a supplemental form of forced ranking around the four performance areas: entrepreneurial leadership, ambassador effectiveness, impact on group alignment, and role model for integrity and partnership. Further, fifty percent of the bonus for each business head was based on the overall firm performance, and 50% was determined by the performance of his or her own business.[32] However, the CEO believed that it would be counterproductive to determine the rewarding of collaborative behaviors by using cross-business money flows tracked in an accounting system. Instead, he believed that people should be expected to embrace these behaviors as part of their internalized values. Consequently, the firm should reward people who display these values through recognition, promotion and status, among other things. Accordingly, he established a *Chairman's Award* to be given every year in order to reward a senior management team which had shown outstanding role model behaviour in living the integrated business model. He made it his own management priority to drive the alignment of the organization in a smooth way: "I'm an absolute nonbeliever in dramatic changes. All they usually do is upset the system."[33] In line with this, a major

[31] document d-FC04

[32] document d-FC03

[33] document d-FC03

focus was put on leadership development to facilitate behavioral change in the whole transformation process.

Leadership Development[34]**.** One of the most important challenges in moving the organization toward acting in an integrated way revolved around maintaining a diversity of voices while at the same time creating harmony among them. In order to meet this challenge, the CEO implemented a series of aligned leadership boards, events and programs. First, he broadened the top management team in 2002. Beyond the group executive board, he installed a strategic global management council (SGMC). A team of the top 50 managers drawn from the company's top management, with diverse perspectives and experienced in multiple lines of business, was given a crucial role in realizing the FinanceCorp 'One firm' strategy and promoting the corporate culture. Further, reporting directly to the CEO, a corporate and global leadership development team was established in 2002 to support a shared understanding of the 'One firm' strategy and culture among the top management. The team prepared and provided annual global senior leadership meetings (AGSL) for the chairman's office, the group executive board, the SGMC and the top global 600 leaders. These meetings were aimed at mobilizing the strategy process across businesses, balancing top-down and bottom-up elements, using as well some unconventional means, communication technologies and innovative open space and appreciative inquiry methods.

- *GSLM 2002:* In a first meeting in summer 2002, the vision and values of the firm were discussed and reviewed in order to gain alignment and buy-in across the executive board and the SGMC of the firm. Afterward, the members of the global senior leadership meeting communicated the vision and values further to the next level (around 1,000 mangers) via so-called "Identity-Workshops".
- *GSLM 2003:* One year later, in 2003, the next senior leadership meeting was organized, addressed to the top 600 global leaders. It was designed as a check-up with regard to the implementation of the integrated business model and to accelerate the strategic transformation toward an integrated firm focusing on three core competencies: 1) fostering entrepreneurial leadership 2) leading a client-focused firm; and 3) partnering for organic growth. Involvement constituted of SGMC members responding to requests for their opinion on the progress of the integrated business model via a survey prior to the meeting.
- *GSLM 2004:* The following meeting in 2004 focused on the future, crafting the 2010 agenda and conducting discussions on mobilizing the firm to further real-

[34] Codenames are used to disguise existing names of events, programs and boards.

ize the cross-business synergy potentials through talent mobility and continued communication.

- *GSLM 2005:* The meeting in 2005 focused on teamwork and relationship building as central elements for realizing the firm's vision to act as an integrated firm. During an outdoor course, teams discovered that a collaborative attitude is preferable to a competitive attitude.

Parallel to these meetings, leadership development programs and mentoring were provided to the top management audience in order to accelerate the firm's strategy realization. Thus, the cornerstone of the corporate leadership development for the top 600 leaders encompassed as well the offering of Management and Leadership Experience (MLE) programs, designed to address the firm-wide challenges. Managers in classes of 25-35 attended the 3 1/2-day programs, which combined training, networking and exposure to top management:[35]

- Program MLE I: The program was to support participants in gaining a better understanding of the FinanceCorp organization and strategy, discuss cross-business-related growth ideas and initiate activity between the businesses.

- Program MLE II: This program supported participants in analyzing and developing specific organizational settings and actions to strengthen the firm's client-focused capabilities across the businesses.

- Program MLE III: This program focused on the personal leadership capabilities necessary to push forward the activities launched in the prior programs.

- Program ECLE: The Early Career Leadership Experience (ECLE) program was designed for high potential employees on lower management levels across the company in order to support the awareness of the group-wide strategy in earlier phases of a management career.

At each event, members of the group executive board or the SGMC engaged in speeches and discussion. Beyond contributing to a better understanding of the integrated firm in order to identify growth potentials through cross-business collaboration, these programs were also designed to create networks among people that might otherwise not interact. Indeed, a member of this corporate leadership team recalled how a better understanding did emerge over the years among the participants:

[35] document d-FC07

> "If I look back to the years 2000 and 2001, it was common and usual for participants to have the attitude 'I will not sit beside anyone from the other business group'. And if somebody from the other business group said something, the others more or less ignored him. And then we realized how important it was to bring people together, that they listen to each other, understand the issues, maybe find a common solution, have a drink together in the evening and somehow spend some private time together, etc. And after 2-3 years the whole thing shifted. The more you could connect to the other people and expand your networks, the more valuable it became. In this sense, I recognized that these programs really brought value. Even though it took 2-3 years, it was valuable." FC01

However, it was realized that cross-business collaboration originated mostly among the senior professionals in the firm, located in the respective businesses in the regions. Thus, the program offering was later extended by a dedicated cross-business collaboration program focusing on real cross-business collaboration business cases. Participant groups were assembled by region in a way that reflected who they actually interacted with in daily business life. Each program was sponsored by one top manager and actions elaborated during the program were tracked and reviewed afterward. This resulted in a complementary program that went beyond formal management layers and instead focused on senior professionals across all businesses:

- Program X-BLE: The Cross-business Collaboration Leadership Experience program was launched to support cross-business collaboration cases among senior professionals in the company, going beyond the target audience of formal line managers. [36]

As this program had just been launched when the research for this dissertation was conducted, evaluations were not available yet. However, a member of the corporate leadership development team reported about why he thought this program was of added value.

> „[…] what I experienced during the training session was that it is valuable if people do something together. That means that they have a common goal and need to work together to achieve it. And during the process they recognize that they need each other, and only if they approach the problem together will they achieve the results the hope for. And thus I heard comments like 'Hey, we've never collaborated like that before. That was fun. I have learned a lot and actually this is a valuable thing. And now that I know you better, I would be interested to continue to collaborate in future.'" FC04

Parallel to the annual GSLM and the portfolio of leadership development programs, a mentoring system among the top 600 managers was established in 2002 in order to foster the relationships among the businesses. To deliver the integrated firm vision to

[36] document d-FC06

the employees implied a consistently applied ‘One firm’ recruitment strategy and enabling mobility of talent. Thus, mobility of talent across all businesses was facilitated in order to strengthen the leadership bench throughout the company and to enable succession planning. Indeed, it seemed that acting in an integrated way, including the opportunity for mobility across businesses, was perceived by employees and candidates as a key differentiator to other employers:

> „Recently we were at a graduate recruitment event in K. and investment banking was there too. […]. The idea was how do we get across to the graduates that we are a good company. […] And in the feedback it was the strongest point ‘Great that there were people from all of the businesses here’ and ‘great that we could feel that there is team spirit beyond the businesses’ […] And that is, of course, a great signal if you can make it happen.” SFC06

> „And what is also a point that speaks for our company is the cross-divisional mobility. So I can say I may someday go to wealth management. Who knows? The firm is clearly saying we want to open doors across businesses. And I think that this would lead many people to think a little longer before leaving such a company, just so they can earn 10,000 more in base salary somewhere else.” ML-CBC24

Thus, tracking and fostering the mobility of senior management and employees across businesses became a prominent HR metric and resulted indeed in higher ratios of changes between the businesses even though in practice, compensation and cultural differences complicated the mobility.[37]

4.3 Research Site: SubFinanceCorp

The growth strategy of FinanceCorp required defending and building a further global presence in Asia, America and Europe. Thus, in 2001, the group executive board approved the building-up of the European domestic markets, leveraging the company’s existing market power by exploiting the complementary relationships between the businesses. SubFinanceCorp, located in one of the European markets with a massive market potential,[38] soon became a target market of FinanceCorp. However, the financial results at that time showed a decline in revenues, resulting in a small profit margin across all businesses.

Thus, in 2001, the group executive board of FinanceCorp, armed with its growth strategy and the emerging entrepreneurial drive of the firm’s culture, decided to continue the existing organic growth of SubFinanceCorp. It was decided to accelerate the

[37] document d-FC04

[38] According to market surveys in 2004, the wealth development in this European market was predicted to increase by 9% each year (Spreiter 2006).

growth path of SubFinanceCorp with selected acquisitions in order to strengthen its market position, revenue enhancement and profitability. Consequently, a new CEO for SubFinanceCorp was appointed in 2002 by FinanceCorp to drive the strategy implementation in order to lead SubFinanceCorp toward sound profitability. His great challenge was reaching the demanding goals for each of the businesses set by the group executive board: *asset management* was to grow profitably as the preferred provider of investment solutions. *Investment banking* was to become the leader in its market, with a target market share of 8-10%, and *Wealth Management* was to become the wealth manager of choice for investors in that European market, capturing 2-3% of the market share. To achieve this growth, wealth management would need to grow its invested asset by an annual compound growth rate of around 40% a year. Consequently, a substantial investment by FinanceCorp in the subsidiary was necessary to meet such ambitious strategic goals.[39]

Company Profile. SubFinanceCorp, a 100% subsidiary of FinanceCorp, was located in a European market and served the domestic clients of that market in its core businesses of wealth management, asset management and investment banking. In 2001, SubFinanceCorp employed around 850 employees at seven offices spread over the market and realized only a small net profit over all businesses. At that time the company's position across all businesses was modest in the market, comparable with other foreign competitors and significantly weaker than domestic players. By 2007, SubFinanceCorp had grown substantially and nearly doubled the number of employees to 1,300 at 12 offices. Each of the businesses was acting profitably and recorded a double-digit growth rate over the last several years.[40]

Core Businesses. As a subsidiary, SubFinanceCorp was acting in the same three core businesses of wealth management, investment banking and asset management in its market. The subsidiary provided mainly the same services these businesses provided globally (please see 4.2.2) and was supported by several central functions.

In 2002, the 95-member employee *asset management* team at SubFinanceCorp had a fairly good reputation in the market with regard to its offerings, the investment process and its individual investment capabilities. The client franchise coverage across the professional client base of pension, institutional clients, fund-of-fund manager and consultants was fairly narrow. In the wholesale mutual fund arena, brand awareness was rather low in the market and impaired the asset management's ability to tap into the bank-for-bank market. Starting from a small net loss in 2002, asset management was

[39] document d-SFC02

[40] document d-SFC01

able to improve its position and its revenues substantially until 2006 and celebrated a record year in 2005.

In analogy to FinanceCorp, the *investment banking business* of SubFinanceCorp consisted in 2001 of equities, fixed income, foreign exchange and risk management products and investment banking. The market position was strong in equities and acceptable in other product categories. The business had a focused and targeted approach to market opportunities and a clear priority on financial institution clients. Investment banking had a narrow base of successful, strong corporate relationships allied with only a few senior managers. However, in 2002, the investment banking business showed an overall strong positive net profit. By that time, the investment bank employed about 200 employees and was among the top three in the market.

The *wealth management* business managed an invested asset base of EUR 5 billion in 2002, with an overall negative performance on asset under management due to the stock market conditions at that time. Revenues were declining and direct costs were rising, resulting in a net loss. The following years saw a substantial build-up of wealth management. Through organic growth the invested assets were doubled, adding another EUR 12 billion through complementary acquisitions, which resulted in a strong revenue increase.[41]

One of the most important ingredients for developing the three core businesses of SubFinanceCorp was the implementation of the integrated business model and thus, capitalizing from the respective cross-business synergies.

One Firm Strategy. As a subsidiary, SubFinanceCorp followed the same 'One firm' strategy as the entire firm (please see 4.2.2). Indeed, the impressive SubFinanceCorp's growth path from 2002 until 2007 was a result of a consistent alignment of the local organization with FinanceCorp's overall growth strategy and a consistent implementation of the integrated business model. It was crucial for the success of SubFinanceCorp to deliver the 'whole firm' to the clients in its market by drawing on its affiliated resources and capabilities. In 2003, the CEO of FinanceCorp declared SubFinanceCorp to be an ideal role model for piloting the integrated business model as it was big enough to both prove and scale the concept and small enough to cause no serious effects if it failed. In this regard, SubFinanceCorp was an ideal case to move a step closer to realizing the full potential of the synergies of the 'One firm' strategy .

Thus, the CEO of SubFinanceCorp started an organizational transformation and integration process together with the senior managers of all its businesses to exploit sys-

[41] document d-SFC02

tematically the full potential of synergies across businesses in the market. Important milestones in this process were the introduction of the single brand in 2003 (please see 4.2.2) and the legal merger of all businesses to one company that were formerly independent and only loosely connected within a holding structure. In effect, SubFinanceCorp managed to deliver on the promises and goals set by the group executive board in 2002 by consistently implementing the integrated business model.

Achievements. In 2005, SubFinanceCorp reported a record year, ranking among the top five in its market, and with that record came a substantial gain in recognition. Invested asset and revenues increased substantially. Investment banking was positioned among the top three foreign players, asset management advanced from position 19 in 2003 to 10 in 2005, and wealth management doubled its invested asset base with the integration of four selected smaller acquisitions. This resulted in SubFinanceCorp's becoming profitable in 2006, one year ahead of the planning. These achievements were largely attributed to the consistent implementation of the 'One firm' strategy that enabled the realization of efficiency synergies in aligning back-office functions and infrastructure as well as growth synergies through systematic cross-business collaboration. Consequently, the senior management of SubFinanceCorp was recognized externally by an important European trade journal and internally with the Chairman's Award (please see 4.2.2) at the GSLM 2006 for acting as a role model in partnering for organic growth. Besides the active support of the top management of FinanceCorp, the CEO of SubFinanceCorp also attributed the firm's success to leadership and culture development during the transformation phase between 2003 and 2005.[42] Thus, SubFinanceCorp was selected for this dissertation as an ideal case to study how leadership development impacts strategy realization in terms of enabling cross-business collaboration of an MBF.

4.3.1 Cross-business Collaboration Activities

Fulfilling the promise of the integrated firm required increasing coordination and collaboration among the businesses. With the group executive board of FinanceCorp fostering the integrated approach in all core regions in 2002/2003, the realization of cross-business synergies was put on SubFinanceCorp's strategic agenda. Thanks to its manageable size and the large overlaps between private fortunes and company ownership in the market, SubFinanceCorp was predestined to systematically exploit cross-business synergies.

[42] document d-SFC02

With respect to realizing *efficiency* synergies, one important milestone was the decision to integrate all of the support functions of all three businesses, such as operations and information technology, chief financial and chief risk officer, legal & compliance, marketing & communication, human resources & education, etc. The teams were merged and relocated in shared offices to new functions under one area of responsibility. Particularly important and challenging for the realization of an integrated approach was the integration of the systems, specifically the accounting and reporting systems. In effect, with these measures SubFinanceCorp harvested cost savings of EUR 2 million on an annual basis[43], improving substantially its cost income ratio to 80%.[44]

However, the focus of this dissertation includes *growth synergies* that create *new revenue streams* for a company based on continuous operational horizontal cross-business collaboration among all businesses. To create new revenue streams, different kinds of cross-business collaboration were identified at SubFinanceCorp. The company's initial focus on *cross-selling (2003-2004)* was expanded over the years through systematic *client referral* (2004-2006) activities and several distinctive initiatives from continuous *Joint product / market development (2006-2007)*. On the way to its becoming an integrated firm, SubFinanceCorp transformed its organization from a vertical optimizer to a horizontal optimizer (please see 2.1.3). This led to a general question concerning the degree of integration that SubFinanceCorp should strive for in the future, as indicated by two members of the senior management:

> "I think we need to decide whether we really want to do it - and then it can be a differentiator - or else whether we do not want to do it and go back to our silos and leave each other alone. We can just abandon all our efforts and everybody can produce what they want to sell." SFC06

> "I think it is necessary to clarify the whole thing. I recognize that we have different interpretations of 'integration'. Some understand it as 'I refer you a client' and others understand it as 'let's bring together what has to come together'." SFC10

In the transformation process to an integrated firm, the cross-business collaboration activities identified played an important role. Thus, we will discuss the cross-business collaboration types *cross-selling, client referral,* and *Joint product / market development* in more detail, summarizing them and their differing characteristics in an overview at the end of this section.

Cross-selling Activities. Cross-selling among businesses consisted of product supply activities leveraging the products and services of investment banking and asset man-

[43] document d-SFC02

[44] document d-SFC08

agement to wealth management clients. This type of collaboration implied that investment banking or asset management products and services were offered for a certain fee through the wealth management client advisor to wealth management clients. In order to guard against biased advice from the advisor to the client, a) offerings from *several* providers (including external ones) were presented to the client, and b) the internal product suppliers (investment banking and asset management) also had no privileged access to information about the offerings from the other providers in order to undercut the prices. Accordingly, cross-selling activities show characteristics of a buyer-supplier relationship, as explained by one interviewee:

> "And with regard to the products, we have a business model that builds on our [the client advisors'] neutrality and thus we go into the markets and open competitive bidding. Accordingly, we cannot allow a "last look" for investment banking in order to enable them to correct their terms and conditions. Even though they would want us to do that, we can't. Sure, if they are offering a margin of 50 basis points and the competitors offer 30, they would be willing to go down to 30, too. But this would put our credibility in 'jeopardy' in the eyes of our clients. If we ran "beauty contests" but actually channeled the deal to our internal investment banking and, in the end, let them correct their offering at the end. That would probably cost us our reputation […] That means we can consider products of our investment banking and we even can intensify the collaboration. But the investment banking arm needs to accept that they don't have a monopoly and that we have the freedom to go externally." […] HL-CBC07

Consequently, this collaboration activity provided an additional internal sales channel to leverage the capabilities of investment banking and asset management. Indeed, SubFinanceCorp launched several sales management initiatives between 2003 and 2006 that strengthened cross-selling among the businesses. Leveraging the capabilities of investment banking and asset management internally resulted in revenues of approximately EUR 600 - 700 million each year.[45]

The risks inherent in engaging in this kind of cross-business collaboration activity were perceived as rather low and obstacles were seen mainly in identifying the right person in the other business.

> "I think we grew enormously and we somehow lacked an overview of our roles, of what is included and what you have to do. […] That may imply going forward, that an employee can see which departments his overlaps with and who the contact persons are […]". LL-CBC15

Some difficulties, however, arose when a tailored product from investment banking or asset management meant inviting a colleague from the other business to join a client

[45] document d-SFC01

meeting. A wealth management advisor who has nurtured a relationship with a billionaire for 20 years has a lot at stake. Introducing an investment banker who does not really meet the needs of a wealth management client can put stress on the relationship.

> "If I take them with me and they start to sell their products there, I will get into trouble. It doesn't work. Thus, I need to tell my colleagues, 'I am happy to take you with me, but hold off. First, we have to discuss the needs of the client. And if it's appropriate, you can offer your product.'" HL-CBC17

Nevertheless, this risk was perceived as much higher in client referral situations, as will be shown in the next section. There, the opposite difficulty appeared as well: If a wealth manager lost money for a referred client of investment banking, it would cost investment banking the relationship.

Client Referral Activities. Client referral activities among businesses meant referring an existing client to another business in order to provide additional services to expand the relationship and bind the client to the firm. These opportunities arose, e.g., when a company owner planned to sell his company with the help of the investment bank, which was to produce liquidity to invest. In this case, a referral to wealth management entailed the potential to expand the existing investment banking relationship with a wealth management relationship in order to invest the client's liquidized private assets with the help of wealth management. In this context, investment banking's high-level corporate contacts to CEOs, entrepreneurs and private equity principals were particularly significant for the wealth management business.

However, because of the large overlap between private wealth and company ownership, the case could also be reversed. A billionaire who already had a relationship with a client advisor in wealth management involving his plans to sell his company is looking for advice. In this case, wealth management would introduce the client to investment banking for a potential M&A deal. Exemplified by collaboration between investment banking and wealth management, the opportunities for client referral arose as well between asset management and investment banking and institutional wealth management. However, a personal benefit and outcome of this type of collaboration was rather rare and required a considerable investment upfront ('give') in the form of addresses, contacts, and knowledge exchange, etc. without the certainty of a return on that investment ('take'). However, according to highly experienced middle managers, this upfront investment seemed to pay off after a certain time.

> "It's not the case that you understand each other at the outset. […] But if you have exchanged enough based on technical issues and if you have unselfishly passed some ideas on, at some point in time somebody will come back to you and say 'You recently sent me something. Now I have something for you. Can we combine this?' […]" HL-CBC06

> "You need to get along with each other. If you dislike somebody, you won't be able to do business with him on a sustainable basis. But you also need to be a bit easy going and generous. If you 'give' a bit more from your side, you will receive as well." HL-CBC03

Although these opportunities were rare, whenever realized, they resulted in a substantial increase in net new money and a newly generated revenue stream. In effect, SubFinanceCorp implemented a systematic and coordinated approach to client referrals from 2004 to 2007. That approach resulted in a substantial increase in the number of client referrals between investment bank and wealth management, generating[46] about EUR 200-500 million net new money inflows on an annual basis.[47]

Obstacles to be overcome in this type of cross-business collaboration involved a) *trusting* that the person would not create stress in the client-relationship, and b) that at some point in time it would lead to *one own's benefit* by a comparable referral from the other side.

> "Because I have a good connection to a CEO, I once referred a contact to wealth management, because he had said he was thinking about investing his private assets. […] And the contact in wealth management came from a colleague I know. He recommended a person who was very senior, which was important to me, because it was a contact to a CEO of a firm which I established over the last 7 years. And you can destroy the relationship it pretty quickly. You cannot afford one mistake, particularly if it is about private assets. And to be honest, I thought it over for a long time. Should I make referrals at all? […] and if my colleague hadn't recommended me that person…. I would never have referred him to somebody totally unknown […]" LL-CBC25

> "I think, in the end, it has to be right for both. And one time, the one person will benefit more, and another time, the other will. But it has to be fair." HL-CBC03

Thus, compared to the risks perceived in cross-selling settings, both parties seemed to be much more reluctant toward client referrals in order to avoid adding an element of stress to a trustful client relationship they had established over a long period of time. On the other hand, they realized that continuous exchange is valuable for generating

[46] documents d-SFC03;d-SFC09

[47] document d-SFC01

new business and that opportunities can be missed if such an exchange in business contacts is not established.

> „We did indeed have a case where a company wanted to go public and they called us on the phone, and we went there to make a pitch. We didn't' get the deal because we didn't know the company very well, or rather, not at all. We only recognized afterwards that wealth management had already been there a couple of times and that a contact already existed. […] And if we had known that beforehand, we would have been probably in a better position. […]" LL-CBC13

Joint Product / Market Development Activities. The idea behind Joint product / market development was to leverage market and client segment knowledge across businesses in order to coordinate client approach and coverage as well as to develop new products. This implied that there was not yet a *concrete* actual business opportunity (e.g., such as a client request for a structured product), but the idea to develop *future business* and *market potential* based on a continuous knowledge exchange and coordination. This kind of cross-business collaboration was the most uncertain and 'foggy' one in terms of short-term benefit and required a long-term approach. Thus, it is not surprising that SubFinanceCorp has only recently begun to focus on such projects and initiatives. For instance, wealth management and global asset management engaged in developing fund solutions together and investment banking and wealth management created new products together. Further, a dedicated initiative to coordinate the approach to banks and insurance companies in the market was created, a joint sales desk between investment banking and the financial intermediaries business of wealth management was established, and there was a decision to set up a joint coordinator of client referrals between wealth management and investment banking. However, winning active acceptance for these continuous knowledge exchanges in the form of regular meetings, job-rotation, and joint off-sites was a rather difficult and long process.

> "Another topic is regular exchange. For example, we organize orientation programs or the people who join us. In the meantime, there is a fixed time slot that is used by asset management to present their business. It is interesting to see the evolution over time. […] At the first event, they sent two people out of the 3rd management level of their business. In the meanwhile they come with 4 people from the first management layer. You feel that the awareness rose to look for collaboration and that they have an interest to present themselves. And this is recognition for us and for the people there." ML-CBC12

Difficulties arose as well because of the unclear benefit of such measures. As everyone was usually under great pressure to perform in their very specialized area, they tended to devote all of their time to that particular area, rather than engaging unselfishly in cross-business collaboration.

> "I think what the company should do is to give people more incentives. Because this is an add-on. We all are under a lot of stress to deliver good figures […]. And cross-collaboration is something that might suffer pretty quickly because it is not the core task in our daily business. […] But if they made clear what you will get if you make referrals - it doesn't need to be money; it could be any kind of recognition. Just so you know that someone recognizes that you have set up a relationship which is running well." ML-CBC24

To measure the success of such in-depth long-term engagement in knowledge exchange among the businesses seems to be generally difficult as efforts might result in either cross-selling or client referrals afterward. Particularly in SubFinanceCorp, the shift of the focus to such long-term projects to deepen collaboration systematically was only in its initial phases. However, even though the few initiatives seemed to be in their infancy, the success of the cross-selling activities reported above might also be related to the capability of joint product development.

Overall, the *three types of cross-business collaboration* identified in SubFinanceCorp seemed to differ particularly with regard to their goals, their duration, their complexity and also in terms of the uncertainties and risks perceived by the parties involved. The following table provides an overview of these identified characteristics and will serve as the basis for the in-depth analysis of the required social capital in chapter 5:

	Cross-selling	*Client referral*	*Joint product and market development*
Value creation potential	Revenue growth	Client franchise and Client bonding growth	Market share growth
Nature of collaboration	Situational, one-time collaboration	Reciprocal episodic collaboration	Sustained on-going indefinite collaboration
Examples	Product/services supply, joint client meetings, product calls/events	exchange on single prospects, acquisition-meetings, joint pitches, referrals etc.	Continuous knowledge sharing activities, Job-rotation, cross-business offsites, etc.
Temporal duration of collaboration	Short-term	Short- to midterm	Long-term
Motivation for collaboration	Own benefit	Mutual benefit	Collective benefit
Uncertainty	„strong" situation; outcome certain; based on actual business need; collaboration is governed by market-terms economic calculation	„weak" situation; outcome less certain; based on actual business potential; collaboration is governed by interpersonal relationship	„uncertain" situation; outcome very uncertain; based on future business potential; collaboration is governed by institutionalized relationships
Perceived risks	low risk taking; Risk that client refuse in-house product and chooses other product	Medium to high risk taking; Risk that existing client relationship will be violated	High risk taking; Risk that investment will not create benefit for all
Business goals and resources	Perceived cooperative interdependence; Complementary goals; complementary resources	Perceived cooperative-competitive interdependence; Complementary-similar goals; competitive resources	Perceived competitive interdependence; Similar goals; similar resources
Intensity of cross-business Collaboration	weak Conditional, situational one time-interaction	semi-strong Unconditional, situational but reciprocal interaction	strong Unconditional, repeated and sustained interaction over indefinite period of time

Table 4-2: Overview Characteristics of Cross-business Collaboration Activities (Source: author)

4.3.2 Management Support

Several decisions and initiatives on management level were pursued from 2003 until 2006 in order to boost the cross-business collaboration. The organization was systematically aligned with regard to *structure, management meetings, communication,* and *culture*.

Structure. In terms of *structure*, one of the most important steps was to dissolve the holding structure and to merge all three legally independent businesses into one legal entity. In line with this legal merger, the support functions of all three businesses were integrated under one CFO and one COO. According to the design of the newly formed company, the board of directors of SubFinanceCorp was realigned to create a leaner, responsive and market-focused management committee representing the CEOs of all three businesses as well as the CFO and COO. The following figure summarizes the organizational design and functions represented in the board of directors at SubFinanceCorp.

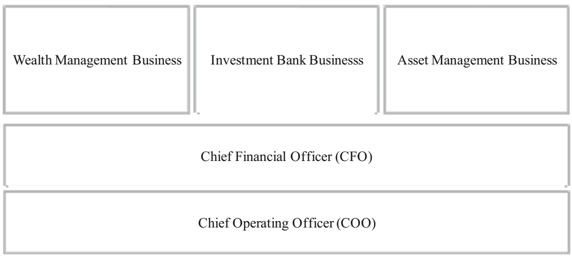

Figure 4-1: Organizational Design of SubFinanceCorp (Source: author based on document d-SFC02)

As wealth management was the largest business with the most important growth potential in the market, the head of wealth management was also assigned as CEO of SubFinanceCorp.

Management Meetings. While the holding structure forced the management teams from the three businesses to meet on a periodic basis, but, apart these meetings, contact was sporadic and superficial. Thus, regular *cross-business management meetings* were held from 2003 onward. On a monthly basis, representatives of all businesses met at SubFinanceCorp's headquarters. As a complementary measure, quarterly cross-business coordination meetings were held on a regional level. Moreover, bi-lateral or tri-lateral client coordination meetings were held upon ad-hoc request.[48] These meet-

[48] document d-SFC02

ings helped to create a better mutual understanding of the businesses and a harmonious team approach. In effect, strategic issues and operational problems could now be resolved quickly and in an amicable atmosphere. However, the management team realized that to exploit the full potential of cross-business synergies, the meetings had to go beyond the management level and involve the respective mid-level and operating layers. Thus, cross-business collaboration dinners and respective working groups per industry sectors were initiated during the following years.

Communication. From the beginning, the management captured the central role of communication to transform the organization into an integrated firm. The introduction of the single brand (please see 4.2.2) common advertisement and marketing substantially improved SubFinanceCorp's recognition among its target audience in the market. Joint coverage by media relations resulted in a consistent market presence, ensuring that the company spoke with one voice and consistent messages to the public. Internally, the integration of the intranet-pages of all businesses and the establishment of a common management newsletter improved the awareness of each business and mutual understanding among the businesses. In this way, information regarding the different businesses and best-practice cases of cross-business collaboration were distributed.

Culture. The management team was consciously aware that for overall acceptance and support for the 'One firm' approach, cultural differences had to be taken into account. According to their different businesses, employees employed different client approaches and working styles that needed to be considered.

> "The interesting thing and what is the most fun is, in the end, the different working styles. How you approach tasks, how projects are steered. In investment banking, it's a bit more pragmatic. It proceeds faster and decisions are taken faster; maybe sometimes you recognize in retrospect that you shouldn't have done that particular thing. But wealth management is the other extreme, with committees and projects. They process totally differently and it is at heart a totally different culture. But this is exactly what makes it interesting -- you can learn a lot from each other." HL-CBC23

> "Within the collaboration you always have obstacles to overcome. As a rule these are mostly process- or culture-related. […]We are much more 'down-hill', whereas wealth management is rather 'slalom'. We go much faster and are target-oriented, while wealth management worries much more about being exposed because of its reputation, so they have a greater need to consider the what-ifs and buts." ML-CBC25

To strengthen a common identity and collaborative culture, people at the headquarters were re-assigned to shared offices so that they could see each other more spontaneously and could cooperate more effectively on projects. For instance, wealth management product employees were moved near to the trading floor where they sat among investment banking product employees. Thus, wealth management client advisors started showing the trading floor to clients.[49] Communication became faster, and collaboration on a daily basis was intensified. However, asking about whether people identified more strongly with their business or with the whole company, informants believed that there was still a lot of work to do to evolve the 'One firm' mindset.

> "I think people identify more with their business. But our company is as well quite young. […] And because of the functional organization, I think the identification is more business-specific. In some cases, it may even be department-specific. So I think, with regard to a SubFinanceCorp identity – we are not there yet." SFC05

Thus, one key to initiating a behavioral change and to overcoming a silo-based mentality was seen in the joint tracking and rewarding of cross-business collaboration. Accordingly, existing service level agreements between the businesses (SLA) were aligned and made more public so that the revenue-sharing opportunities were well understood. It was important that employees became indifferent to where revenues were booked and thus would focus on maximizing value for the whole firm and not only for the own business. Consequently, efforts were mobilized to introduce aligned explicit *cross-business collaboration targets* such as, e.g., an investment banking relationship manager had to make at least five potential client introductions to asset management for pension fund solutions.[50] In practice, however, these targets seemed to need further elaboration, as described by one interviewee:

> "In the meantime, we have a referral process via an excel-sheet that is filled up by both sides. But investment banking thinks that it's considered a referral if they hand in an address or contact to wealth management. But that's not what referral is meant to be. I have enough addresses myself that I can go after. But it's often the case that a potential contact doesn't really notice or respond to me, which happened just lately. That means I received an address from investment banking and I tried to contact the person 3-4 times but couldn't get past his assistant. So, the address as such does not help me much. He has to at least introduce me and tell the person that I will call him and that I am a good guy, etc. Otherwise it is not a referral." HL-CBC07

Further, *the 360 degree performance review* was extended with partners from outside their own business and a specific bonus pool allocation in order to reward those executives who promoted and delivered the 'One firm' in an outstanding way to the clients. In relation to this pool, a *Cross-divisional Award* was given out every year in recognition of an outstanding cross-business collaboration performance. With these measures the management intended to link individual compensation increasingly to the

[49] document d-SFC02

[50] document d-SFC02

achievements of the 'One firm' mentality rather than to one business performance in isolation. Consequently, it was a clear sign that the push to foster cross-business collaboration activity was real and that time invested in this pursuit would not be penalized. However, the most important task of the management team was to lead by example in order to help everyone to act as an "ambassador" delivering the 'One firm' to the client.

> „I think being role model is particularly important. If they [the management] request us to collaborate but each of them only acts in his own interest, you will notice it in the way they act, for example, at the town hall meetings. You will recognize whether the management is standing together on stage and talking to each other. So, I think leading by example is really needed. And I think that this has improved substantially. At the beginning, words didn't fit very well to actions. But today you have the impression that they are acting as a team." SFC04:2

However, at the same time it was acknowledged that the development of a spirit of an integrated firm depends on the actors involved.

> "Only over time can people only think in an integrated way. In the past, people thought, 'they want to take business away from me'. And only over time can you learn that they are not taking away business but creating business with you and can help you. To establish the necessary trust requires time. […] You can foster this as a member of the management but in the end, the people involved need to actually see the evidence" SFC04:2

In this context, success was, to a large extent, attributed to entrepreneurial spirit, commitment and leadership, mobilized beyond the management throughout the whole organization. In this respect, leadership development practices enjoyed the management's attention from the beginning.

4.3.3 Leadership Development

As noted above, leadership development for the 600 top managers of FinanceCorp was provided by a central team (please see 4.2.2). For the other management levels, leadership development was the responsibility of *each business*. Thus, most of the managers at SubFinanceCorp participated in the leadership development programs of their own business, usually offered in their headquarters outside of SubFinanceCorp. However, the senior management at SubFinanceCorp realized from the beginning that to create a growth and cross-collaboration culture, a common leadership spirit among the management team would be crucial. Thus, they decided *(1) in favour of a management and leadership* initiative (called "We, SubFinanceCorp")[51] comprising a series of three

[51] document d-SFC11

senior leadership meetings in 2003 – 2005 which were based on the model of FinanceCorp's annual AGSL meetings (please see 4.2.2). They served as vehicles to mobilize a shared understanding about strategy, goals and opportunities, to build the necessary trust, and to develop the necessary collaborative team spirit. In parallel, they decided to promote *(2) leadership development practices* with a dedicated *cross-business focus* in SubFinanceCorp. Both will be discussed in more detail below.

(1) Management & Leadership Initiative "We, SubFinanceCorp". Starting with the senior management team in 2004, a series of senior leadership off-site meetings were held involving step-by-step the broader middle management, including the 2nd and 3rd management level of SubFinanceCorp. The overarching goal was to develop a common identity and collaborative performance culture to meet SubFinanceCorp's very ambitious growth targets. The design of the off-site series considered a development in a path-dependent manner in order to enable the necessary acceptance, support and involvement of all management levels. Thus, the development stages 'understanding', 'acceptance' and 'commitment' functioned as the underlying design criteria and development goals of the initiative.

Figure 4-2: Design Criteria for Leadership Initiative "We, SubFinanceCorp"
(Source: author based on document d-SFC11)

With respect to the goal of a common collaborative performance culture with mutual respect and support, it was believed that each stage was a necessary condition to develop the next stage and that this should take place on each management level. Accordingly, one of the most crucial factors for the success of the initiative was enabling involvement in these stages on each management level down to each individual employee.

During the first off-site meeting involving the senior management team, a review of the businesses was shared in order to foster a mutual understanding. Further, a common vision and the success factors of collaboration were discussed and defined. In a second step and off-site, the senior management team shared their insights with the next management layer and asked participants to review their vision and values as well as the business priorities. Finally, the third layer was involved in the subsequent off-site meeting by sharing the insights of the first two meetings and again asking for a review of their ideas, which resulted in a common and aligned version of vision values and collaboration priorities. This initiative was further accompanied by other complementary communication activities, such as a corporate profile brochure describing

SubFinanceCorp to new and existing employees and a web-based training program to create awareness of SubFinanceCorp's embedding in FinanceCorp. The whole initiative was deemed a great success with respect to creating a common entrepreneurial and 'One firm' mindset and resulted in several team-based initiatives fostering collaboration. Some of the interviewees still mentioned the series of off-site meetings as a hallmark for the growth path of SubFinanceCorp and wanted a repeat of such an approach.

> "I think the leadership development platforms can play a very strong role in supporting it [cross-business collaboration]. Through what we already had, when we did these off-sites in W. and M, you could do that as well on your own team-level." HL-CBC03

On the other hand, however, others had concerns about producing an overkill effect in off-site meetings and thus voted for a more refined and unbureaucratic way to integrate it into existing platforms.

> "You need to watch that you don't overdo it with meetings. We tend in our organization to have a very extensive meeting culture. And the question is whether you can integrate the cross-business collaboration aspect without establishing new meeting marathons. I think the limit on the number of events has already been reached […] Therefore, I think you could easily integrate it into existing leadership development platforms." ML-CBC12

The initiative was paralleled with the establishment of locally offered leadership development practices for SubFinanceCorp's middle managers (2nd and 3rd management level).

(2) Leadership Development Practices with Cross-business Focus. In 2003, a local education & development department was established in order to realign existing training program opportunities for the growth strategy and to establish a local training program for SubFinanceCorp. Starting in 2003, most efforts focused on developing a sales training architecture and scaling up the onboarding program for the new employees hired. Training was used systematically as a platform to support a common and aligned understanding of the vision and values. This was particularly important as the steady organic growth path of the organizations implied extensive hiring of client advisors from competitors. In order to create an aligned client-focused approach towards the clients, common onboarding and sales training programs proved to be a very important strategic method. Having such programs in place was particularly relevant when the organization pursued four acquisitions in a row between 2004-2005 as a means to accelerate the growth path. Consequently, most of the onboarding as well as some of the sales training programs were provided to all three businesses.

In 2004, the focus shifted to providing more leadership development measures designed to enable individual leadership skills on the one hand and to be used as a platform to drive a common leadership culture on the other hand. Several leadership development practices were established with an explicit *cross-business focus* in order to support the development of a common collaborative leadership culture in a sustainable way. Leadership development practices with a dedicated cross-business focus meant that a) the practice was addressed to participants from all three business groups, such as, e.g., leadership training, which led to the opportunity to engage in cross-business contacts during breaks and evening sessions. Further, a cross-business focus entailed b) improving cross-business relationships, e.g., through a 360 degree feedback evaluation in which the other businesses were considered as evaluators. Finally, a cross-business focus also c) manifested itself as content, discussing in particular cross-business collaboration and the firm's strategy, e.g., during networking events. Accordingly, the following practices were mostly organized with a cross-business focus at SubFinanceCorp.

- **360 degree Feedback:** As mentioned above, performance reviews were expanded with evaluators from other businesses. This offered potential business partners a real opportunity to express an opinion about the level and quality of collaboration and vice versa.

- **Mentoring:** A cross-business mentoring program was established on a yearly basis. Different from the corporate programs, employees who were interested could apply for the program. They were assigned to a manager from another business and were invited for a kick-off meeting with all of the mentor-mentee pairs. In the kick-off meeting they were able to meet for the first time and were introduced to the mentorship success factors.

- **Coaching:** Based on a large corporate coaching initiative in 2003, most of the superiors were introduced to coaching methods and were asked to coach their employees. However, most of this coaching centered on the sales performance of the employees and thus cannot necessarily be compared with regular one-to-one coaching (please see 2.3.3).

  "We are doing coaching on a permanent basis. But the concept is used quite differently. I only experienced 'real' coaching in a seminar. And daily coaching equals sales coaching, which asks 'how can we increase our acquisition efforts?'" LL-CBC14

  Coaching was offered together with a 360 degree survey to all management layers as part of the management & leadership initiative. Moreover, each manager was free to decide and use his own budget for investing in individual coaching.

In this case, the education & development department provided names of highly qualified internal as well as external coaches and assisted in contracting.

- **Job assignments:** Search for long-term job assignments was generally the responsibility of each employee. However, through the yearly review of talent pools and through the mentoring programs, mobility across businesses was increased. Thus, some of the respondents found an opportunity for a new job in the other business through their mentor. For the graduate program, a short-term job assignment in terms of job rotation between the businesses was very well received by both sides, the candidates as well as the receiving department.

  "We had […] two trainees who did an internship in our team and now they are back to wealth management. So, you have an increased exchange. And this is not only helpful for the individual person but for the whole department." HL-CBC18

  Most of the respondents supported the idea of increasing job rotation between the businesses, also in later phases of their careers. Moreover, they called for more systematic support in finding appropriate job assignments and overall career planning.

- **Leadership Training:** Leadership training with a focus on creating coaching skills, increasing team performance, project-management and managerial effectiveness were established, and registration was open to all businesses. The cross-business approach was very well received.

  "There was a seminar in F about leading a team. I really valued it because there were colleagues [from the other business] who had already taken part in it. And the most important insight was that there is an incredible body of knowledge in such a diverse group, and if you find somebody who is willing to share his knowledge, you can really benefit." ML-CBC30

- **Action Learning:** In order to retain and develop the succeeding management generation, two talent development programs were set up and piloted in 2004. One focused on developing wealth management client advisors coming from a different background, and the other explored the management & leadership skills necessary for (potentially) taking on a role later in one's career. The latter was designed as an action learning program with a duration of 1-1 1/2 years. Participants engaged in a real business project with cross-functional focus. They had to initiate, develop and obtain approval for the project from the senior management. In parallel, they participated in leadership training, were assigned to a cross-business mentor, received 360 degree feedback and group coaching to reflect on their experiences during the project phases. The program was well received and most of the participants of the pilot have, in the meantime, taken on a leadership position within FinanceCorp. Particularly the direct and real leadership experience and the formation of a collective team spirit have been mentioned as making this program very effective for the participants.

„The project was finished and the program as well. – but, actually we didn't want to stop. As a group we had closed ranks and we couldn't at that time imagine leaving – […]. We decided to go for two more workshops, at which we had a similar experience: the same familiar, trustful and honest atmosphere that we had established in our group".[52]

- **Networks/Off-sites:** Valuing diversity was acknowledged to be a key ingredient for the success of the 'One firm' approach. Consequently, several regional diversity boards across all businesses were put in place at FinanceCorp. In SubFinanceCorp, this board enabled the establishment of a Women's Business Network, consisting of a committee representing all businesses. An annual Women's Business Conference was installed, driving knowledge exchange and discussions on future business trends. At the same time, information events were organized where different units of different businesses presented what they do and provided, as one of the former committee members comments:

  "We try to support this with our Info Events. And it works out pretty well. You have somebody from each business on a regular basis who presents what they do or you have discussions on actual trends. And you reach exactly those people who are interested in it because it is optional and you come only if you want." SFC08

  Starting as rather small and informal events, they soon became established as an important exchange platform among employees of different businesses and thus enabled a mutual understanding of the businesses. Besides this network approach, teams in each business were encouraged to organize their own off-site activities to live the entrepreneurial spirit and involvement approach of the management & leadership initiative within their own environment. More frequent invitations to managers and employees of other businesses made possible discussions about collaboration potential.

4.4 Cross-collaborating Middle Managers

To understand in more detail the role of leadership development experiences in cross-collaboration settings, we studied thirty middle managers at SubFinanceCorp. We analyzed their cross-business collaboration activities, their social capital and their leadership development experiences based on interviews and a survey we conducted (please see chapter 3). Beginning with the presentation of the general sample characteristics

[52] document d-SFC10

among the thirty middle managers (4.4.1), the performance of the investigated middle managers of SubFinanceCorp is evaluated and they are clustered into three groups according to their performance and experience level (low-level, moderate-level, high-level) (4.4.3). Findings with regard to each group's cross-business collaboration activities (4.4.4), their social capital (4.4.5) and their leadership development experiences (4.4.5) are provided. Each section begins with an overview summarizing most of the important findings[53] and describes them per group. These subchapters represent our *within-case analysis*, which provides the foundation for the in-depth comparative *cross-case analysis* and the *analytical generalization* in the following chapter.

4.4.1 Sample Characteristics

Table 4-3 summarizes the general sample characteristics among the thirty middle managers investigated at SubFinanceCorp.

	Sample Characteristics (Tendencies)
Businesses	Wealth Management (14); Investment Banking (11); Asset Management (5) Sales force units
Indicated Cross-business collaboration experience	Cross-selling (16); Client referral (9); Joint Product and Market Development (5)
Tenure	Most of them > 5 years
Tenure in function	between 3 – 5 and > 5 years
Leader Responsibility	Half of group leader responsibility of 1-3 people; Half of group leader responsibility of 1-3 people - > 3 people
Management Level	Director (11); Executive Director (19)

Table 4-3: Key Tendencies in Sample of Middle Managers (Source: author)

As intended, the sample consisted of middle managers from all three businesses at SubFinanceCorp. The distribution approximately reflects the real distribution of employees in these businesses: wealth management with about 1,000, investment banking with about 200, and asset management with about 100 employees (please see 4.3). All of them were located in the sales force units of the businesses and thus had direct cli-

[53] For reasons of clarity we provide details with regard to the underlying data analysis in the appendix.

ent contact. Accordingly, they all had the opportunity to engage in all of the identified types of cross-business collaboration. Considering the pure number of cross-business collaboration experiences reported during the interviews, it appeared that *cross-selling* was the predominant form of cross-business collaboration in which most of the middle managers studied had experience, followed by client referral and joint product / market development activities. This seems to be in line with the overall organizational development process at SubFinanceCorp, which revealed that, indeed, cross-selling was the first cross-business collaboration activity pursued at SubFinanceCorp, followed by a shift in focus toward client referrals and complemented only recently with a focus on joint product / market development (please see 4.3.1). Further, most of the middle managers had been with the company for more than 5 years, and generally between 3 and 5 years in their function. As intended and defined (please see 3.4.3), the interviewees had the rank of Director/Executive Director, which represents the 2nd and 3rd management level at SubFinanceCorp. Half of them had a substantial degree of leadership responsibility, while the other half seemed to act more as senior professionals in their business without a formal leadership role. This corresponds to our definition of middle managers (please see 3.4.3) and our broader understanding that leadership is not necessarily bound to a formal managerial role (please see 2.2.2).

4.4.2 Collaboration Performance

In order to learn about the role of leadership development experiences in cross-business collaboration, the multiple case study set-up (please see chapter 3) was designed to derive insights from a *comparison* of middle managers with *high performance* with middle managers with *lower performance levels*. Performance was measured with a *subjective* measure (declaration of financial performance increase in survey questionnaire). In order to validate this performance measure, we compared it with the *objective performance measure* (received the Cross-business Award) and found a high tendency toward congruence, which means that we counted more rewards among the middle managers with high financial performance than in the group with lower performance levels (details please see appendix).[54] However, a performance increase that was indicated might have resulted from a *one-time* 'lucky' sales pitch.

Comparing the *level of experience* with the indicated performance increase showed the tendency for *higher* performance to indeed be associated with *higher levels of experience* in cross-business collaboration (details please see appendix). That suggests that a

[54] Cramer's V = .67 might corroborate this association. However, as the sampling was a *theoretical* and not selected according to statistical criteria (please see chapter 3), we are cautious about any kind of relationship measures and abstain from any testing for significance.

performance increase does not result from a lucky deal but seems rather to be the result of a dedicated continuous effort. Interestingly, the tenure as such seemed not to be sufficient for explaining performance differences.[55] Thus, *the experience-level* can be seen as a contingent behavioral antecedent of the cross-business performance increase. Consequently, we clustered the middle managers investigated for further analysis into *groups* based on their differing *levels of experience*. In order to be able to elaborate in-depth on differences in social capital and leadership development experiences among these middle managers, clustering them into *three* equal groups (please see 3.5.1) proved to be beneficial. In the following sections, we label the groups accordingly with *low-level, moderate-level and high-level* cross-business collaboration *engagement*.[56] These sections discuss the *cross-business collaboration activities*, the *social capital* and the *leadership development experiences* for each of the three groups of managers.

4.4.3 Collaboration Activities

Table 4-4 summarizes the key findings among the three different groups of middle managers with regard to their cross-business collaboration activities (for details please see appendix) and will be presented in more detail in the following paragraphs:

[55] Other potential rival explanations that might have influenced the performance increase were explored, but they provided no specific indications: such as tenure (Spearman's correlation coefficient .01) and tenure in function (Spearman's correlation coefficient -0.25). However, as already indicated above, we are cautious about any kind of relationship analysis as they assume a statistical sampling of a certain size and composition to be meaningful. As our sampling was theoretically driven and not for hypothesis testing, the indicated coefficients can only serve as a further exploration of the tendency we identified.

[56] The notion 'engagement' is meant to account for the association between performance and experience.

	Low-level Engagement (n=11)	*Moderate-level Engagement (n=9)*	*High-level Engagement (n=10)*
Experience	Low (mean 2.27)	Moderate (mean 4.44)	High (mean 6.9)
Relevance	Fairly (mean 4.88)	High (mean 6.89)	High (mean 6.60)
Cross-business collaboration activities	Small scope (experiences mostly in 1 type)	Moderate scope (experiences mostly in 2 types)	Broad scope (experiences mostly in 3 types)
Motives / Attitude	Increase in own benefit (What is in for me?)	Increase in benefit for both (What is in for us?)	Increase in benefit for company (What is in it for the company?)
Approach	Reactive Concrete opportunity	Active Concrete opportunity	Proactive Searching for business potential

Table 4-4: Findings of Middle Managers' Cross-business Collaboration Activities (Source: author)

(1) Group of middle managers with low-level engagement. This group of middle managers indicated a rather low degree of cross-business collaboration *experience* overall (mean 2.27). However, they expressed agreement on the *relevance* of cross-business collaboration for the future survival and success of SubFinanceCorp (mean 4.88). Interestingly, despite the feeling that cross-business collaboration is of a fairly high priority, this conviction is apparently not mirrored in their level of cross-business collaboration engagement. Considering the variance in experiences indicated during the interviews, it becomes obvious that the *scope* of their experience is rather small, being limited to *cross-selling* and some experience in *client referral*. With regard to their *motives* and *attitudes*, it seems that cross-business collaboration is mostly motivated when the benefit is obvious for the individual.

> "To state it in a very basic manner: Why do I collaborate with somebody? Because, I expect to have an added value from the collaboration. That is what motivates me. If I can say that I got something out of it " LL- CBC04

Further, it seems that their approach to cross-business collaboration is rather reactive in nature: only if someone from the other business approaches them or when a client request makes it necessary for them to involve the other business.

> "Normally [I approach the other business] because of business requirements. That means when we had a specific problem with a client request and the other business was able to support us, we asked across the organization whether any colleagues had already had experience with that problem." LL-CBC20

Thus, they tend to engage in cross-business collaboration only if a concrete opportunity appears.

(2) Group of middle managers with moderate-level engagement. This group of middle managers indicated a fairly moderate degree of overall *experience* which seems to be reflected as well in a *broader scope* of different collaboration activities. Indeed, some of these middle managers have experience in at least two types of cross-business collaboration. However, very few indicated having explicit experience in what we identified as product and market development activities. Overall, they assign a high relevance to the topic (mean 6.89). With regard to their *motives* and *attitudes*, they seem to also consider the benefit of the others as crucial.

> "The insight was that collaboration only works if you have an incentive. It is not enough to say it's part of your objectives. […] Why not? Because it needs to be of added value for an employee to do it." ML-CBC27

Accordingly, their actions are also driven by considering the benefits to the other party, and in this respect they are actively managing their relationship.

> "To call for it [to collaborate] from the top down by the management makes sense but is not sufficient. I need to address the question of what the benefit for the individual employee is […] And the most important thing I learned is rooted in how to proceed. […] I just concentrate on my own task and try to do a good job. And then I let the others 'assimilate' [influence] me. Trying to think like them and what benefit they might see in it instead of mechanically only going for my own benefit." ML-CBC09

(3) Group of middle managers with high-level engagement. Whereas middle managers with lower engagement levels reported a rather small *scope* of experience (mainly only cross-selling or client referral), high-level engaged middle managers seem to have extensive experience in *all* three identified types of cross-business collaboration, particularly in joint product / market development. Their *motives and attitudes* are driven by a deep identification with the company which engenders a desire to achieve benefit for the company and not necessarily only for oneself.

> "I think this is a condition for reaching our strategic goals. Without the integrated business model it will not work […] And I can live it [the integrated business model] more consciously. I always keep in mind that we are one firm and we are all paid from the same pot." HL-CBC18

Their *approach* is generally proactive; it is not necessarily strictly related to a certain concrete business opportunity (such as a client request), but instead is focused on searching for contacts in order to explore future business potential.

> "And we will only reach that [increasing collaboration] if we exchange our know-how at meetings. On the one hand formalized, but particularly if you have ideas. Exchange of ideas, information, collecting feedback, etc. What we always try is to involve people very early, at the stage of idea generation, only asking them: what works well, what are issues. How can we help you or what would make your life easier […]. And if they recognize that they will get something in return, the goodwill to collaborate is much higher." HL-CBC23

Initial analysis. The analysis suggests that the general organizational tendency of engaging mostly in cross-selling, followed by client referral, and finally joint product / market development seems to be mirrored on an individual level. However, the groups differ with regard to their *scale and scope* of cross-business collaboration activities. These differences cannot be satisfactory explained by *context differences*. As all respondents were located in the respective sales force units of their businesses, it is assumed that all of them have had equal opportunity to engage in all three kinds of cross-business collaboration. Thus, differences in *scale and scope* seem not to be a question of a certain context or opportunities.

Neither does it seem that it is related to differences in *individual factors* such as personal belief or social affinity. All of the respondents found cross-business collaboration equally relevant or meaningful in general. Since all of them have a job as a sales person, it is assumed that they are comparable in terms of their individual social affinity and behavioral competencies. Thus, they all seem to be capable of initiating, maintaining and managing (client-)relationships. Additionally, the individual period of being exposed to cross-business collaboration as such (tenure and tenure in function) also seems equally unable to explain the differences in cross-business collaboration engagement in a satisfactory way.

Thus, we conclude that differences in cross-business collaboration engagement (scale and scope) at SubFinanceCorp cannot be sufficiently explained by context or by individual factors. Instead, we suggest that differences in cross-business collaboration appear on the *relational* level and are associated with differences in the *cross-business social capital* of these middle managers, which we will discuss in the next section and further validate in the cross-case analysis in the next chapter.

4.4.4 Social Capital

In analyzing the empirical findings, it appears that the three groups of middle managers differ with regard to their cross-business social capital. We found indications that *higher levels of social capital* correspond to *higher levels of cross-business engagement* (and thus performance). However, the association between cross-business collaboration and social capital seems not to be, in all dimensions, a simple linear one and will require a more in-depth analysis by comparing the cases in detail in the next chapter. Table 4-5 summarizes the findings (for details please see appendix) and will be discussed in more detail in the following paragraphs.

	Low-level Engagement (n=11)	***Moderate-level Engagement (n=9)***	***High-level Engagement (n=10)***
Amount of different ties	mean 3.2 / person	mean 5.4 / person	mean 5.4 / person
Contact frequency	Low (half-yearly and below)	Moderate (every two months and below)	High (quarterly and more frequent)
Trust	High (mean 5.0)	Medium (mean 4.5)	High (mean 4.8)
Shared vision	High (mean 5.3)	Medium (mean 4.8)	High (mean 5.4)
Development of contacts	Reactive Mostly bilaterally	Act on opportunity Mostly bilaterally	Proactive Mostly collectively
Success driver	Context (management commitment; incentives, other business competence etc.)	Social interaction (mutual benefit and interests, understand each other, etc.)	Own leadership and quality (valuing diversity, not taking things personally, being proactive etc.)

Table 4-5: Findings of Middle Managers' Cross-business Social Capital (Source: author)

(1) Group of middle managers with low-level engagement. With regard to the number of existing ties, it is shown that the group of middle managers with low-level engagement has a rather small scope of different ties to the other businesses (3.2 ties on average per person). Further, their frequency of contact with other units seems to be overall rather low (70% have contact on a half-yearly basis and below). Considering the few contacts indicated it was surprising that the trust items were rated high with regard to other businesses (mean 5.0). It seems that these ratings result from an overall *expectation* regarding how trustworthy the other party is than from an evaluation of a real, existing personal relationship with the other business. Indeed, middle managers with low-level engagement reported that they did not consider cross-business collaboration a critical relationship topic and rather, take it for granted.

> “That is in my eyes not a personal relationship story. As long as you know the structures and whom you need to call, it works out.”LL-CBC13

Similarly, the high ratings of *shared goal orientation* can be explained as representing an expectation. With regard to their contact development activities, middle managers with low-level engagement seem not to go beyond professional contacts and show a rather reactive attitude.

> “I think these contacts are maintained centrally. […] However, if specific client requirements need special solutions, we will be involved as client advisors as well. And this is how contacts evolve. But we do not actively maintain these contacts by writing Christmas cards or anything else. Because these people are, in the end, service providers for us and I think it is natural that you just make a deal together. Of course it could happen that there might be another opportunity. But you cannot force it.” LL-CBC10

They mostly argue that the *context* needs to be changed in order to be able to collaborate successfully. Thus, they maintain that there is a missing management commitment and missing incentives.

> “[...] I think the signs from the management are not strong enough yet to really live it.[…] For example, there need to be increasing appearances as a senior management team.” LL-CBC04

> “What is needed? Probably something like an incentive, or a discussion about who gets what. This is always a hot topic. And it does not yet work well. That means that you refer a contact but don’t get anything for it. And there is the question of whether people really stand behind it and continuously think about it if they don’t get anything out it. They have the need themselves to achieve their goals and don’t pursue cross-business collaboration as their primary focus.” LL-CBC01

(2) Group of middle managers with moderate-level engagement. Middle managers with moderate-level engagement show on average a higher number of existing ties to other businesses (5.4 on average per person) and an overall medium contact frequency (around 90% every two months and below). However, this group of middle managers rated the trust items lowest (mean 4.5). In line with the above-mentioned argumentation, this might result from a true evaluation of existing relationships. Having already experienced cross-business collaboration to a larger extent, the probability is high that they might have already also experienced some disappointments or violations of trust and thus might be more critical in their evaluation.

> "There is a new unit in wealth management. And of course we coordinate with them quite closely. Each of us knows the universe of clients and prospects of the other. But anyhow there are always accidents. Just lately they went to one of our clients and this client was a bit confused and asked them why they called him as he already had a client relationship with us. It happens. But you need to work on it constantly." ML-CBC26

The same argumentation applies for the low ratings on the shared vision items (mean 5.3). Having already experienced some disappointments in cross-business collaboration, they might feel that they do not yet have the same understanding of shared goals and vision. In their eyes it seems that the social interaction between the actors is crucial to success. Accordingly, they generally pursue a rather active approach to contact development on a dyadic level and value professional as well as personal contacts.

> "I also know a couple of people from each business on a private basis. That helps. I do not do it because of business. But if I know somebody there, I think about him automatically if I need a contact in the other business. And sometimes it was a professional contact that turned into a private one or the other way round. It's pretty mixed." [...]ML-CBC09

(3) Group of middle managers with high-level engagement. The group of highly engaged middle managers indicated an equally high average on existing ties to the other business as the group of middle managers with moderate-level engagement (5.4 average / person) and a slightly higher overall contact frequency (around 70% on a quarterly basis and more frequently). However, it seems the differences are related to the *quality* of their relationships. They indicated higher ratings of trust (mean 4.8) and shared vision (mean 5.4). Apparently, these ratings are based on real personal relationships that they consciously built up, maintained and expanded proactively over a longer period of time.

> "I've already been with this company for a long time. And before that, I was a trader in wealth management. And when investment banking took over this business, I entered investment banking. And so I still have a lot of contacts in all of the businesses […] and I've used them to expand my network over time."HL-CBC19

Moreover, they show a proactive approach to contact development, preferably in a collective setting and independently, not necessarily bound to any concrete business opportunity.

> "What I really find helpful is the common year-end-party. When I started, it was still a separated party and now it's for all of the businesses. It's a great opportunity to get in touch with my colleagues. […] We also have dedicated sales initiatives, e.g., a product rally, where we invited the most successful selling teams for a leisure week-end. That's where you could also maintain the contacts." HL-CBC18

Initial analysis. The findings provide indications that the different levels of cross-business collaboration engagement correspond to different levels of social capital. The unexpectedly high trust ratings of the middle managers with low-level engagement seem to result from an expectation of the other businesses. Indeed, trust among *unfamiliar* actors seems to be, in general, a function of *expectations* rather than *real* relationship experiences. Zucker (1986) conceptualizes trust as an expectation, preconscious in nature and taken for granted until it is violated. This means that the high ratings of trust among middle managers with low-level engagement mirror their beliefs about the *trustworthiness* of the other businesses rather than evidence-based information about specifically experienced trust in relationships.

Zaheer et al. (1998) found the same striking results in their research on differences between organizational and interpersonal trust. They concluded that, particularly with regard to inter-organizational trust, higher ratings occur if personal relationships are absent. It seems that these ratings compensate for non-existing interpersonal relationships and demonstrate a sort of un-personalized belief in the trustworthiness of the other unit. Moreover, it was revealed that trust may not necessarily appear as a linear construct (Dirks & Ferrin, 2001; Wicks, Berman, & Jones, 1999).

Thus, excluding the trust and shared vision ratings among the middle managers with low-level engagement as not representing *existing* social capital, it might be suggested that higher levels of social capital are involved in higher scope and scale of cross-business collaboration engagement (and thus performance). In order to elaborate on the impact of leadership development on cross-business social capital among middle managers, we will focus our further analysis on the two groups of moderate-level and high-level engagement, as they have apparently built up existing cross-business social relationships.

4.4.5 Leadership Development Experiences

In evaluating the contribution of leadership development to enabling the respective social capital, we compared the two groups of middle managers with a moderate- and high-level of cross-business collaboration engagement as their social capital ratings seemed to correspond to real and existing cross-business social relationships. Analyzing the two groups with regard to their leadership development experiences, it appears that, indeed, some differences can be found.[57] However, interestingly and coun-

[57] Again we explored some rival explanations of other potential variables that could account for a social capital increase, such as, e.g., tenure and tenure in function. As trust and shared goal orientation seemed not to be a linear concept, we only processed them with the social capital measure of tie strength (contact frequency). They provided further indication that social capital does not result automatically from exposure over time as such (tenure*contact frequency Spearman's correlation: .2; tenure in function *contact frequency spearman's

terintuitively, it does not seem that collective leadership development practices seem to play a superior role in enabling social capital. Rather, it seems that individual leadership development practices are favorable for social capital development. However, this will require further in-depth analysis through a cross-group comparison in the following chapter. Table 4-6 summarizes the findings (for details please see appendix), which are presented in more detail below.

	Moderate-level Engagement (n=9)	***High-level Engagement (n=10)***
Amount of Leadership Development Participations	mean 3.8 / person	mean 4.1 / person
Participations with cross-business focus	mean 1.8 / person	mean 2.6 / person
Participations individual vs. collective	Collective: 0.9 Individual: 0.9	Collective: 0.9 Individual: 1.7
Differences	-	Job Assignment Action Learning Coaching
Most valuable Leadership Development Experience	Content-related	Relationship-related

Table 4-6: Findings of Middle Managers' Leadership Development Experiences (Source: author)

(1) Group of middle managers with moderate-level engagement. The findings indicate that each middle manager participated in around four leadership development practices (average 3.8 / person). However, very few had participated in leadership development activities with a *cross-business focus* (average 1.8 / person). Thus, the exposure to other businesses through leadership development was smaller compared with the highly engaged middle managers. However, the *quantity* as such might not be the only driver for impact; rather, what a manager has experienced and learned from a development practice is critical. This group of middle managers spoke more often of having benefited from a new *content* that resulted in a better "understanding" of the organization or other leader-related topics.

correlation: -.22). Accordingly, we assume that leadership development might mediate these relationships and thus plays a role in explaining the cross-business social capital of middle managers.

> "What was very helpful was an internal leadership seminar here, which really helped me to understand SubFinanceCorp in all of its facets. That would have been helpful on my first day, but at that time it didn't exist yet." ML-CBC26

(2) Group of middle managers with high-level engagement. The findings suggest that middle managers with high-level engagement participated on average in around four leadership development practice sessions (on average 4.1 / person), the same as the moderate-level group. However, differences appear with regard to the number of times the managers participated in leadership development practices *with a cross-business focus*. Here, highly engaged middle managers seemed to have participated in more leadership development practices (on average 2.6 / person). Interestingly and counterintuitively, they did not participate more often in *collective* leadership development practices but more in *individual* ones. Particularly, job assignment, action learning and coaching seem to make a difference as none of the middle managers with moderate-level engagement did engage in those practices. Further, they reported that *relationship-* and *self-reflection-oriented* experiences were the most valuable for them.

> "The most important experience for me was an organized „Change of ends" [Seitenwechsel]. For one week, I was in an institution for young people who had suffered brain damage and were too young for a nursing home. And that brought me back to reality. It reminded me that there are still other things in the world than talking about processes and money and it helped me not to lose my focus on such relationship-oriented things." HL-CBC22

Initial analysis. Participation in leadership development with cross-business collaboration seems to play a role when explaining differences in cross-business social capital among the middle managers. The pure exposure to the setting of cross-business collaboration as such (tenure and tenure in function), however, appears not to result automatically in the development of social capital. Consequently, we conclude that participation in leadership development practices with a cross-business focus might mediate this relationship in support of social capital development. Counterintuitively, it seems that differences lie not in participation in *collective* leadership development practices but in *individual* ones. Particularly, job assignment, action learning and coaching seem to play a critical role. Further, it seems that middle managers with high-level engagement benefited from leadership development experiences with regard to their capacity for self-reflection and their relationships, whereas middle managers with moderate-level engagement seemed to gain value added from exposure to new knowledge and understanding.

In order to elaborate and validate these findings and the within-case analysis further, we will engage in an in-depth cross-case analysis and generalization of the findings in the next chapter.

4.5 Conclusion

The aim of this chapter was to present the empirical findings from the thirty invested middle managers at SubFinanceCorp, embedded in the research context and site. A description of SubFinanceCorp and its context was presented, followed by the empirical findings from the invested middle managers with regard to their cross-business collaboration performance, activities, social capital and leadership development experiences, which represented the initial within-case analysis. By clustering the thirty middle managers according to their performance levels, it was shown that these differences correspond to differences in social capital and leadership development experience. Consequently, it is suggested that higher levels of social capital (contact frequency, trust, shared vision) are most likely involved when it comes to higher levels of cross-business collaboration engagement (and thus performance). Even though middle managers with low-level engagement indicated equally high ratings of trust and shared vision, these ratings most likely do not represent evaluations of *existing* social relationships to other businesses but rather general *expectations* about it. To evaluate the potential contribution of leadership development experience to *existing* cross-business social capital, the focus was shifted accordingly to the group with moderate- and high-level engagement. Interestingly, differences were not rooted in the participation in collective leadership development practices but in the participation in *individual* ones. This is, at first glance, counterintuitive as it was assumed that collective leadership development practices are superior to individual ones in enabling social capital development.

In summary, this first analysis provided two surprising results that will guide the in-depth comparative cross-case analysis in the following chapter: (1) Middle managers with low-level and with high-level engagement indicated both high ratings of social capital quality, i.e., trust and shared vision. To understand this phenomenon it is necessary to elaborate on the specific dimensions, stages and facets of social capital in cross-business collaboration settings in more detail. (2) The participation in collective leadership development practices seems not to be superior to individual ones for social capital development. To understand this counterintuitive result, the contributions of the different leadership development practices to social capital need to be analyzed in more detail.

Consequently, these findings are further discussed and validated with the help of an in-depth cross-case analysis in the next chapter, resulting in a theoretical generalization and the development of respective theoretical propositions.

5 Analytical Generalization

The objective of this dissertation is to illuminate the insufficiently explored field studying *how* leadership development practices can form a strategic mean for a corporate management of an MBF to support strategy realization. Having presented the findings of our analysis in the preceding chapter, we interpret them and engage in their theoretical generalization in chapter 5. Empirical support is provided through a cross-case analysis, contrasting findings among middle managers classified into three groups (please see chapter 4 and appendix): middle managers with a *high-level, moderate-level* and *low-level* of cross-business collaboration engagement. As shown in 4.4.2, the engagement level accounts for the correlation between *degree of experience* and *performance* and thus forms an important behavioral antecedent for cross-business value creation. The proposed theoretical generalization is supported by examples derived from the conducted interviews and survey results, discussing them in the light of the existing literature. Each section concludes with propositions for further research and theory development.

The in-depth comparative cross-case analysis presented in this chapter comprises descriptive, evaluative and normative elements and corresponds to the study's three underlying research questions (please see 1.2): Subchapter 5.1 *describes* which dimensions of social capital are relevant for cross-business collaboration and how they develop. Subchapter 5.2 *evaluates* which kind of leadership development experiences most likely contribute to the different stages of social capital development and develops a respective model. Subchapter 5.3 provides *normative* guidelines for a strategic alignment of leadership development considering social capital dimensions in leadership development practices. We conclude each subchapter by summarizing the key findings and deriving theoretical propositions.

5.1 The Role of Social Capital in Cross-business Collaboration

5.1.1 Introduction

How does social capital contribute to middle managers' cross-business collaboration activities (1) and how is it developed (2)? This subchapter aims to answer both parts of this first research question. As indicated in chapter 4.3.1, cross-business collaboration activities that strive for *growth synergies* can be categorized according to their goals, task complexity, duration and particularly the perceived risks and uncertainties involved. Three types of cross-business collaboration efforts have been generalized that enable operational growth synergies in an MBF: *cross-selling activities*, *client referral activities* and *joint product / market development activities*.

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_5,

It will be argued that (1) *each of these types of cross-business collaboration* (cross-selling activities, client referral activities and joint market / product development activities) requires a *particular intensity of social capital* (weak, semi-strong, strong forms) in order to lead most likely and efficiently to cross-business value creation. (2) At the same time, the three forms of social capital identified mark *development stages* which are *path-dependent* in nature as they emerge one from the other. It is proposed that a *contact-, an assimilation- and an identification-experience* facilitate their development from one stage to the other. With these arguments, we are able to concretize existing insights into the role of social capital in cross-business collaboration in two ways. (1) Strong forms of social capital – in sense of "the more the better" - are not necessarily always the most *efficient* forms for any kind of cross-business collaboration. Considering the amount of investment required to build and maintain social capital, our aim is to indicate the *most efficient match* between the type of cross-business collaboration and the required intensity of social capital. That does not imply that stronger forms of social capital would not be equally helpful in enabling the respective type of cross-business collaboration. Rather, it suggests that the designated match will be the most efficient in terms of leading to the desired outcomes.

Consequently, we provide a differentiated view on the necessary cross-business social capital in the context of an MBF in order to foster its development. (2) We propose that in cross-business collaboration settings, social capital develops in a *path-dependent* way from weaker to stronger forms through certain social interaction experiences, i.e., *contact, assimilation-, and identification-experience*. Starting with cross-business collaboration types that require a strong form of social capital or ignoring that a certain intensity is needed might have serious consequences in terms of negative experiences and distrust. Once they have emerged, it might be difficult – if it can be done at all - to remedy the situation.

The subchapter is structured in correspondence to the above-indicated two parts of the first research question. In section 5.1.2, we will discuss the role of social capital for different cross-business collaboration types; in 5.1.3, we present our ideas about the interrelation and development of these different social capital stages. The main findings are validated by comparing and contrasting the three classified groups of middle managers (high-level, moderate-level and low-level cross-business collaboration engagement) who were investigated and is followed by a discussion of those findings in the light of the existing literature. Accordingly, each section begins with a *findings and empirical evidence* section, which is followed by a *discussion* leading to formally stated propositions. Finally, in 5.1.4 we summarize the discussion of the first research question, the propositions and the contribution to existing research.

5.1.2 Perspectives on Relevant Dimensions of Social Capital

In the following section, we will describe for each type of cross-business collaboration (cross-selling activities, client-referral activities, joint market / development activities) which *intensity* of social capital (weak, semi-strong, strong)[58] represents the most efficient match for each type of cross-business collaboration activity. As outlined in table 4-2, the different types of cross-business collaboration differ particularly with regard to the perceived risks and uncertainties involved. Whereas cross-selling activities are accompanied by lower risks and uncertainties, in joint product / market development activities, high risks and uncertainties are involved. Accordingly, it is proposed that cross-selling requires a low intensity level of social capital (weak forms), whereas client referral and joint product / market development require higher social capital intensity (semi-strong and strong forms). Each intensity level will be discussed in detail in terms of the *quality dimensions* of social capital that have been observed to be relevant: *1) tie strength, 2) trust, 3) shared meaning*. The following figure summarizes the argumentation and will serve as a reference guide for the discussion in the following paragraphs.

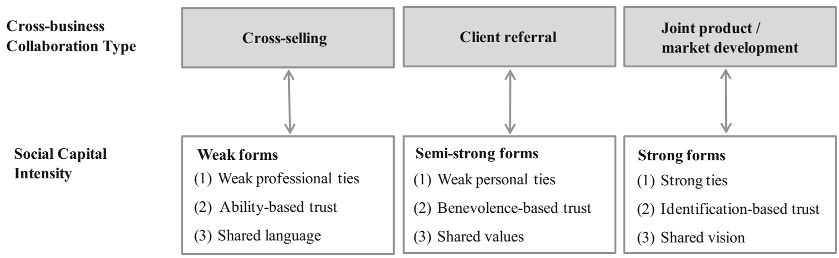

Figure 5-1: Relevant Social Capital Dimensions in Cross-business Collaboration (Source: author)

Even though we are aware that the dimensions indicated are closely intertwined and reinforce each other, we believe that, for analytical purposes, it is helpful to illuminate them separately at this point in our analysis.

[58] In line with Barney & Hansen (1994), we term these levels weak, semi-strong and strong social capital.

- **Cross-selling activities**

As described in table 4-2, we characterize cross-selling activities as a form of product supply across businesses. This is closely related to a buyer-supplier relationship, where terms can be formulated explicitly through certain contractual conditions and promises (e.g., delivery date, price) or professional standards (e.g., quality of product or service). They serve as governance mechanisms and safeguards to avoid opportunistic behavior (Sako, 1992). This implies that this form of cross-business collaboration is perceived as having a low interdependence between the parties, which in turn results in a low perceived risk-taking when parties engage in such a form of collaboration.

All three groups of middle managers show experience in this form of cross-business collaboration (please see chapter 4 and appendix). While the middle managers with moderate- and high level engagement also simultaneously invest in the other types of cross-business collaboration, the group of middle managers with low-level engagement focuses mostly on cross-selling. This may indicate that lower levels in cross-business collaboration experience are rooted in a more *limited scope* of cross-business collaboration activities. This limitation to one type of cross-business collaboration may also explain the lower performance results of this group, as shown in chapter 4, and imply that they might not necessarily be less successful in cross-selling activities, rather, only limited to it. The absence of experience in other cross-business collaboration activities in this group is beneficial to a discussion of the relevant social capital aspects. It allows interpreting the experiences of this group as pure cross-selling experiences not clouded by any other types of cross-business collaboration. Thus, for empirical evidence, we draw on the group of middle managers with *low-level* cross-business collaboration engagement who indicated cross-selling experiences.

Findings and Empirical Evidence. Cross-selling activities require *weak forms of social capital* as a necessary and sufficient antecedent for growth synergies. Weak social capital was observed to be a function of (1) *weak professional ties* (tie strength dimension), (2) *ability-based trust* (trust dimension) and (3) *shared language* (shared meaning dimension).

(1) Weak professional ties. Cross-selling efforts require complementary and thus non-redundant knowledge from another organizational unit in order to create a unique client solution which results in cross-business value creation. In this one-time collaboration setting, based on clear and explicit requests and conditions, *weak professional ties* were observed to be sufficient in order to lead to cross-business value creation. The lower levels of overall contact frequency to other businesses in the survey compared to the highly engaged middle managers (please see 4.4.4) indicates that ties

seem to exist to other business units but in a rather weak format. Interviewees reported that they only contacted somebody from the other business when an appropriate business opportunity through a client request emerged.

> "Primarily through business. As soon as we have a client request, we initiate and use the contact. And via this link you get to know the people."LL-CBC04

In this regard, they reported that a *professional* contact would be a necessary and sufficient source for engaging in cross-selling, ideally supported by a structural overview or navigation map of all names and phone numbers including their product and service responsibilities:

> "I found it hard to get an overview of how the other business is structured. I first thought they would all be client relationship managers, but they were not. There are other units, too. It would be great if there were a search function that you could use if you had a potential client and that could give you the name of the appropriate relationship manager or the product specialist. If you had that, you would know who to call. That would be something like knowledge management. We are all pretty busy with our own business and people would be highly motivated to do it if they knew they wouldn't have to spend a lot of time on it." LL-CBC15

It seemed that the actors involved realized that their engagement was potentially restricted to a situational and temporary collaboration under clear and explicit market conditions and governance (e.g., prices), which prevented them from investing more deeply in the relationships. Therefore, these contacts were not sustained or followed-up on unless there was a concrete case or information to exchange.

> "[I approach the other business] [a]ctually only if business requires it. Maybe you engage in a little short small-talk in the elevator, but it's not regular contact that would be beneficial for doing business." LL-CBC20

(2) Ability-based trust. Cross-selling involves collaborating with another party who might have been unknown and unfamiliar before. Therefore, trust serves to bridge the lack of information about the other party. However, in cross-selling situations, market terms may be able to control the risk that one's counterpart will exploit one's vulnerability for his own advantage and diminish the need for trust. Thus, *trust* refers in this situation to the *expectation* that the other party has the right *knowledge, ability* and *competence* to collaborate effectively. With regard to the trust ratings from the survey, the distribution indicates a slight U-curve between the three groups of middle managers (please see 4.4.4). Cross-business collaborators with low- and high-level engagement show equally high ratings. This can be explained with the help of the interviews. Analyzing the statements, it appears that the high ratings by the middle managers with low engagement are rooted in an *expectation* of trust, i.e., the trustworthiness of the

other unit, whereas the high ratings of the middle managers with high engagement originated in the evaluation of trust in their existing and real social relationships.

> "I would always do it [cross-business collaboration]. I've been with this firm for 10 years, and for 10 years I've lived the business model of being a relationship manager for my clients. I try to provide my clients with solutions, such as special funds or mandates or other topics such as succession planning in corporate advisory. I also involve colleagues from the other businesses. And I do not need deep-seated trust to do that because I believe in our firm, in the quality of our employees. That is my basic understanding. […]" LL-CBC21

> "This [cross-business collaboration] is only feasible with personal experience with the individual people. I've been with this firm for five years now and I am lucky that I've known these people for a long time. And with those that I know personally, it works perfectly because we meet as well for lunch to exchange information on cases and we are constantly in contact with each other. The ones I do not know personally, I talk to them regularly on the phone, which in some cases is enough in itself." HL-CBC07

However, this trustworthiness seems to be related to the *domain-specific ability, competence and quality* of the other party relevant for the particular task performance at hand. Therefore, these middle managers indicate a high quality of know-how on the part of the other party as the most important antecedent for successful collaboration.

> "To know the people and be sure that a person is somebody who is capable of presenting and offering the right products." LL-CBC15

(3) Shared language. Cross-selling involves carrying out opportunities that require (complementary) knowledge or competence outside of one's own capability. That might lead to difficulties in understanding and valuing the other party's competencies in terms of products, services, business approaches and assumptions. Thus, it is argued that a minimum of *shared language* enables a mutual understanding that facilitates the collaboration. Interviewees pointed out the importance of "speaking the same language" and sharing their explicit knowledge about the other party's business, i.e., the offerings, the approach, and the service, etc.

> "I think it simply involves understanding each other - that you understand the other business and that you know what they do." LL-CBC01

This contrasts with highly engaged middle managers, who indicated shared values and vision as being important (see next sections). However, they also claimed that a shared language plays an important role when starting collaboration. If the basic understanding was not fully developed, important questions could not be elaborated properly and misunderstandings occurred that impaired the ease of collaboration.

> "It sometimes required 2-3 meetings until we really understood the products. Even though I am pretty good in mathematics, I am not a specialist in their business. But if you want to understand how much margin you could involve so that the product the client bought might still have a chance for a good performance, you need to ask good questions. And I sometimes needed several loops plus discussions with others until I knew that I had asked the right questions." HL-CBC06

This explains why middle managers with low-level engagement particularly appreciate information measures that provide a better *understanding* of the other business in terms of their product offerings, their business approach, and their assumptions rather than options for deepening personal relationships.

> "A certain clarification of the facts. For example, information events where units present themselves. I was involved in that with one unit and I realized that we now know pretty well what they are doing. But I think most of my colleagues just do not know what opportunities they offer." LL-CBC20

- **Client referral activities**

As described in table 4-2, we characterize the type of cross-business client referral activities as a form of cross-business collaboration that seeks to realize growth potential by establishing new client relationships based on existing clients. Typical activities are referrals of client contacts, addresses, joint acquisition meetings, etc. This sort of collaboration is accompanied by a perceived higher competitive interdependence, as both parties offer the same resource or competency, i.e., client advisory, but for different client segments.

Moreover, risk-taking is perceived as higher because of a lack of governance and control systems. Other than in cross-selling activities, the collaboration ('give and take') will not take place in one situation and can hardly be framed by market terms or professional standards. A client referral might lead only to the benefit of one party and requires reciprocal action at a later point in time in order to maintain the cooperative behavior. All three groups of middle managers show experience with this type of cross-business collaboration. However, the group of highly engaged middle managers shows the most experience and highest performance (please see 4.4.3). Thus, we draw our empirical support from the group of highly engaged middle managers who reported experience with this type of cross-business collaboration and contrast them with the above-mentioned middle managers experienced in cross-selling activities.

Findings and Empirical Evidence. Client referral activities require *semi-strong forms of social capital* as a necessary and sufficient antecedent in order to result in growth synergies. Semi-strong social capital has been observed to be a function of (1) *weak* *personal ties* (tie strength dimension), (2) *benevolence-based trust* (trust dimension) and (3) *shared values* (shared meaning dimension).

(1) Weak personal ties. Client referral collaboration efforts require a trust-based governance. Therefore, not only a professional contact related to a certain task domain is needed, but also a *personal* contact who enables an evaluation of the goodwill, behaviors and motives of the actors involved, independent of a specific business situation. Middle managers with high engagement in client referral opportunities report personal contact and physical meeting as absolutely necessary to engaging in this sort of cross-business collaboration. In contrast to the above-mentioned cross-selling setting, simply knowing the name of the person does not seem to be sufficient. These contacts served to assess in the other party's commitment, motives and concerns in an efficient manner.

> "Conversations, simple and informal. A half-hour, quarter-hour for a cup of coffee. Sitting together, getting to know each other personally so that you both can create confidence and can assess whether you can trust the other person or not."HL-CBC17

Thus, these physical meetings are initiated and maintained typically through a portfolio of different activities that ease personal discussions, such as lunches, coffee breaks or drinks after work.

> "What is the most useful is to go for lunch. Or else, if I am at the headquarters, I quickly join people in the vending area for a cup of coffee. […] That is what is needed." HL-CBC07

This implies that these middle managers acknowledged their own responsibility to build and maintain these contacts and showed the appropriate entrepreneurial leadership

> "Building that [the relationships] up is an effort that you have to make yourself. It's not the other person's duty to provide something but your own duty to procure it. You need to approach people. And that is time- and energy-consuming." HL-CBC06

(2) Benevolence-based trust. Client referral activities imply the risk that a) an existing client relationship will come under stress through incompetence of the other party, and b) a client referral will not be answered with a reciprocal business opportunity as a benefit for the providing party. In the absence of any other monitoring and control system, a trust-based governance is required. Aside from trust in the competence and ability of the other party, this also implies trust in the *goodwill or benevolence* of the other party. Highly engaged middle managers who have experienced client referrals reported a necessary 'give and take' mentality as well as balancing the benefits for both sides over time; otherwise, the collaboration risks being discontinued.

> "I refer a name if I have confidence in the other person. And that is determined by the principle of 'give and take'. If you recognize that the 'give' is becoming less than the 'take', it will become less pleasant for one side. […] I think that, in the end, it has to match the interests of both. And at some point, the one will benefit more and the next time, the other. It needs to be fair in terms of both people's interests."HL-CBC03

They believed that it was mainly their responsibility to contribute to their own benevolence-based trustworthiness in actively anticipating the other party's needs and were willing to provide services in advance.

> "You need to do things that might not directly lead to business. […] That means that you may have to provide a currency development overview to the other party personally. It includes doing thankless tasks for colleagues [from the other business] because they will say 'Look, he did a great job for us, gave us feedback immediately and provided us with the information promptly'. Finally, you need to build your own reputation." HL-CBC07

With regards to their assessment of the trustworthiness of the other party, the managers mostly reported that they assumed goodwill and positive motives, which encouraged them to take on entrepreneurial action and to 'jump' into collaboration regardless of the risks.

> "It is difficult to say. Maybe I can give an example of the opposite: A lot of people are very cautious in the face of something new and act according to the maxim 'my home is my castle'. We first tend to build a wall and then have a look and decide who will enter my zone and who won't. And it is a totally different approach: if I am positive and optimistic from the outset and ask where we could collaborate more. That means that thinking as an entrepreneur and being open to new things is necessary […]." HL-CBC03

In contrast, we learn from the middle managers with moderate-level experience that if benevolence-based trust was violated, collaboration stopped immediately and forever, if the situation was not rectified.

> "A concrete example: A new sales employee from the other unit had entered the market and asked me for information about a client. I provided it to him and asked him to keep me updated on what he discussed with the client, etc. That didn't work. I complained several times, got some bits of information and now the information flow has completely stopped. Why? Because, it wasn't an added-value for the employee […]. I have no incentives if that employee brokers a good deal and he doesn't either if I get a deal through him. These are opposite trends. And nevertheless I referred the client. But I did that only once, because I didn't understand what I had gotten into. I wouldn't do it again." ML-CBC27

(3) Shared values. Client referral collaboration activities require that both parties have an interest in creating mutual benefit and do not only pursue egoistic interests. In the

absence of any governance system, *shared values* help to bridge divergent interests. They represent rules that structure how to interact with others, which may in turn also encourage benevolence-based trust. Highly engaged middle managers reported that it was most important to realize and cope with the differences in business approach.

> "I have discovered that a good network can help you to understand why somebody acts as he does. If I don't understand a person's thoughts and working style, I can use my contacts to check whether things have to be like they are, whether all [of the other businesses] behave like this, etc. That helps me to understand, to realize that they don't act like that for fun, but that they need to. And I want to understand why. If there is a reason, that's ok. […]And that helps me to take it into account if I want to do business with them." HL-CBC19

Whereas highly engaged middle managers were able to see a benefit in different approaches in order to share different resources and complementary values, middle managers with low-level engagement were rather annoyed by such differences.

> "What I found quite critical is working together with people from different businesses, particularly, working together efficiently because, indeed, we have a very different way of thinking and work much faster and in a much more focused way. […] And this is, to some degree, totally different from the other businesses; they have a completely different understanding. And that's why I sometimes found it difficult. I would have preferred to work with people from my business because I would have had confidence that we would achieve our objectives quickly." LL-CBC02

To overcome these differences, highly engaged middle managers affirmed the importance for a set of 'rules', i.e., shared values, and agreed upon how to interact with each other. This was mostly facilitated through open and transparent communication.

> "I think one of the greatest challenges is dealing with both success and failure together. That means not attributing success to oneself and failure to others. And for that you need to communicate and reflect. What is important is that you have to agree in the beginning about what you want to achieve, what you are looking for and what should not happen." HL-CBC06

- **Joint product / market development activities**

As described in table 4-2, we characterize the type of joint product / market development collaboration activities as a form of cross-business collaboration that tries to realize growth potential on a long-term basis in order to increase the overall market share of a firm. Typical activities are joint cross-business knowledge sharing meetings, cross-business off-sites or investments in job rotation. This sort of collaboration is accompanied by a highly perceived competitive interdependence, as both parties compete for the same client segments, i.e., markets. Moreover, the resources they rely on are quite similar (products or advisory services).

To achieve joint success, this form of cross-business collaboration involves collaboration over a longer period. The activity is based on a vague business *potential* which cannot be framed explicitly in order to benefit all members involved in the collaboration. This is an ambiguous situation that requires an investment in terms of an 'act of faith' with regard to return under very uncertain circumstances. None from the group with low-level engagement and very few from the group with moderate-level engagement reported experiences with this type of cross-business collaboration. On the other hand, most of the highly engaged middle managers did mention experience in such a form of cross-business collaboration. However, as seen in 4.3.1, it seemed that the whole organization overall did not yet possess much experience in this type of cross-business collaboration and was only preparing to establish certain initiatives during the period of the investigation. Therefore, for our empirical evidence, we draw on the experiences of the highly engaged middle managers and contrast them with our conclusions regarding the other types (see sections above).

Findings and Empirical Evidence. Joint product / market development activities require strong forms of social capital as a necessary antecedent in order to result in growth synergies. Strong social capital was observed to be a function of (1) *strong ties* (tie strength dimension), (2) *identification-based trust* (trust dimension) and (3) *shared vision* (shared meaning dimension).

(1) *Strong ties.* Cross-business joint product / market development efforts require regular and sustainable social interaction on a long-term basis. Therefore, a high frequency of interaction is necessary in order to detect the business opportunities and develop the potential not yet elaborated. With regard to the dimension of tie strength, this requires what we refer to as *strong ties*. The overall higher contact frequency of highly engaged middle managers (please see 4.4.4) indicates that a higher degree of social interaction might, indeed, be at work. This is reinforced by the statements from the interviews expressing how beneficial the emotional closeness of professional bonds with people from the other business is for this kind of collaboration.

> "You recognize that you need to have a personal relationship. It is certainly very important to have everybody at one table. […]. The personal relationship is definitely important. HL-CBC18

To build such emotional closeness, these professionals mainly use collective settings. Within the business context, they look for continuous close contact through co-location, 'walking the halls' or initiating 'tables' to bring the appropriate people together. This refers to the need for building up identity-based trust which will be discussed further in the next section.

> "What we do when we visit a branch is floorwalking, which means that we usually have an official meeting first and then I stay where I am und tell them that I am available for discussions. And then we meet in the vending area and people come over and we can discuss their clients and their cases. […] That always works very well." HL-CBC28

Additionally, they actively share their contacts and use and initiate informal collective events beyond business, such as wine & dine, ski-weekends, etc.

> "And then informal events. We once had, e.g., a wine tasting evening together. It doesn't need to be a big thing, just some drinks, or we went skiing for a weekend together and invited the other business. And they have organized some events as well, such as barbecues, etc. Very simple things where you can gather away from the workplace. […] And we have organized things for ourselves and paid for them." HL-CBC03

This is the opposite of client referral activities, where contacts are established and maintained on a dyadic level (see section above). However, emotional closeness is not expected to just suddenly appear. It needs to be built up. In those cases where building up a relationship did not work out, the middle managers did not take it personally and tried to collaborate anyway. In other words, a lack of emotional closeness did not hold them back from doing business with each other.

> "In the end, if I also get along with a person on a personal level, information will flow, even if I don't ask. And when I am just ok with that person, information flows if I ask for it. That is the difference. It's rare that nothing at all flows. HL-CBC22

(2) Identification-based trust. Joint product / market development activities imply a high perceived uncertainty and risk-taking for the actors involved. This uncertainty is two-fold: First, with respect to the outcome of the collaboration and second, with respect to the individual benefit. The perceived risk involves opportunity costs, i.e., losing time and energy that could have been better invested in more certain business opportunities of one's own business. Secondly, it involves passing on individual tacit, rather case-unrelated market knowledge. This seems to be riskier than knowledge of a certain client-relationship in a client-referral situation. There, the risk is at least limited to one client interaction, whereas in the case of unrelated market know-how, the possibility of exploiting this know-how for the other party's own advantage seems to be unlimited. This weighs even more in the case where both parties compete in the market with similar resources (e.g., client advisory and products).

Therefore, this situation needs a more unconditional form of trust that is able to bridge these strongly perceived uncertainties and risks over a long period of time. We argue that this form of trust experience is sourced from a context-independent concept of one's desires, intentions, integrity and *identification*. The intentions of highly engaged middle managers who have been involved in joint product / market development were mostly rooted in the belief in an overall collaborative advantage for the firm. That implied that they had engaged in building up trust in their integrity and intentions by becoming involved in things that at first glance did not create benefit for themselves but for the company as a whole.

> "It would probably have been better for me if I had traded one or the other ticket [client mandate] in the usual way and not via the other business. But if I look at things from the company's perspective, it is better to do it [trading a ticket] with the other business group as the whole company can profit. […] But the mindset is mostly, 'why should I provide them with revenues?' And even if I do not earn more of it, most people take the easy way and do it without the other business." HL-CBC03

Further, they tried to change perspectives and constantly asked for feedback in order to understand, reflect on and anticipate the needs and intentions of the other party most effectively and create a common basis for identification.

> "I think the most important thing is that you can put yourself in the other persons' position. […] What is needed is to take the situation and look at it from an outsider's perspective and to see what the interests of the other person are. That is really the core, to put oneself into the position of the other party. […] The first thing I tell the people is, what needs to be clear here as an assumption, is that nobody does anything to annoy the other person. I have the same interest as you have." HL-CBC28

To build up identity-based trust, they made their intentions clear and used and appreciated co-location settings that enabled an interaction over a longer period of time, such as sharing an office on the same floor.

> "And to be closer, I am located here. That brings me closer to the people from the other business and the clients. […] And that works. It's much more informal. I can talk to somebody quickly by simply crossing the room." HL-CBC22

(3) Shared vision. Joint product / market development activities require that both parties collaborate over a longer time with an ambiguous outcome in the face of goal disparity. In absence of monitoring or control systems a *shared vision* is suggested to bridge divergent interests when interacting over a longer period in time. A shared vision in turn will provide the possibility for a collective identification as a basis for identification-based trust. Interviewees that were engaged in joint product / market development acknowledged the importance of a shared vision and direction, a collective commitment and believe to the advantage of cross-business collaboration overall.

> "In fact, the contact person from the other business was hierarchically much higher then I was, but we had the same mindset in the sense that we wanted to deliver a good result on the level of the company. One time we profit more and the next time the others, and so the overall result comes to the fore not the individual result." HL-CBC03

This implied as well an affect-based component which was indicated by a shared commitment and belief in the importance of celebrating common success.

> "And within this cross-business project, we won an award for second place, which is why we set up a weekend where we celebrated our success together." HL-CBC18

They invested in creating a shared vision through the early and continuous involvement of the other businesses and referred to the importance of shared off-sites.

> "What is needed? I think an exchange platform and that is already functioning pretty well because of the cross-business seminars and off-sites. I think it's perfect. We just had one in L., where we all gathered at one table and had discussions based on some concrete cases. You get to know the people who are considered the actors as well as the value proposition of the units." HL-CBC07

Discussion. It is argued in the existing literature that social capital – particularly trust - serves as an organizing, coordinating and governance principle in and between organizations to enable cooperative behavior (Das & Teng, 1998; McEvily, Perrone, & Zaheer, 2003; Ring & Van de Ven, 1992). From this perspective, social capital can be seen as a response to social exchange conditions of high uncertainty, task complexity and frequency (Jones, Hesterly, & Borgatti, 1997) in situations where governance and control systems are missing (Ring et al., 1992). The *degree* of social capital needed as a governance mechanism varies depending on how effectively other monitoring or governance systems, e.g., standards, controls, prices, can be put in place (Barney et al., 1994; Jones et al., 1997).

We observed in our study that the identified cross-business collaboration activities differ with regard to their perceived uncertainty, task complexity and frequency (please see 4.4.3). Joint product / market development activities seem to be accompanied by high uncertainty and risk-taking and thus require a high degree of social capital in order to govern the collaboration. Conversely, cross-selling activities are seen to entail rather low uncertainty, as collaboration – product supply - can be controlled by market-based mechanisms, such as, e.g., prices (Ring et al., 1992). In other words, the amount of social capital can be seen as the amount of risk one is willing to take on in cross-business collaboration activities.

Thus, we conclude that in cross-business collaboration settings, social capital serves as a governance mechanism to ensure collaboration and varies in the intensity needed according to the perceived uncertainty and risks involved. Considering the investment that entails the establishment and maintenance of a social network and particularly strong ties (Burt, 1997; Hansen, Podolny, & Pfeffer, 2001), it seems to be of interest to differentiate the social capital intensity needed with regards to each quality dimension. This is consistent with what some authors have emphasized (Hansen, 2002; Hansen et al., 2001; Reagans & McEvily, 2003): the importance of making explicit which kind of network tie is both most effective (in terms of achieving a desired outcome) *and* efficient (with regard to investments in building and maintaining relationships).

In the absence of existing research on the role of social capital in the particular setting of cross-business collaboration, we mainly based our research on the study by Tsai et al. (1998), who investigated unspecific *inter-unit* collaboration and addressed in particular the quality aspect of social capital. However, cross-business collaboration is a *specific kind of inter-unit collaboration* within an MBF that is confronted particularities which need to be taken into consideration. First, unlike inter-unit collaboration, cross-business collaboration appears in very different forms and is not necessarily supported by a certain value chain within a hierarchical setting where people complement each other (e.g., research and development unit and production unit). Secondly, unlike *inter-organizational* collaboration, it is an indefinite and long-lasting collaboration setting where actors interact not only for one defined collaboration purpose (e.g., development of a technology), but might encompass different purposes and sorts of collaboration activities (cross-selling, client referral and joint product / market development) at the same time. In other words, a cross-business relationship can serve more than one transaction content (Hansen, Mors, & Lovas, 2005; Krackhardt & Brass, 1994).

Finally, we observed that for cross-business inter-unit collaboration, particularly the *inter-personal* relationship with another party (person, group, unit or organization) seems to play the most important role in driving collaboration activities that originate in the daily business interactions of middle managers. These inter-personal social relationships may show *multiplexity* (Kildufff et al., 2003). This refers to the fact that inter-personal relationships might not serve only one purpose (e.g., functional work relationship) but also other and different (multiple) purposes (e.g., personal friendship) at the same time. According to these specific characteristics of cross-business collaboration settings, we assume with other authors that *inter-personal* relationships, to a high extent, drive ties among organizational units (Brass et al., 2004; Ibarra, Kilduff, & Tsai, 2005; Tsai et al., 1998). Therefore, we discuss and embed our results not only in inter-unit social capital literature but also in literature on *inter-personal* relationships.

(1) Tie strength dimension. The concept of strong ties refers mainly to a combination of the amount of time (frequency of interaction) and the emotional closeness (Grano-

vetter, 1973). Whereas weak ties can be characterized as being rather ‘infrequent and distant’, strong ties are frequent, long-lasting and affect-laden (Hansen, 1999). In the existing literature, strong ties have been argued to be important because they create the mutual will to support and enable conduits for efficient tacit and complex knowledge exchange (Hansen, 1999; Hansen, 2002; Tsai et al., 1998). Conversely, the benefit of weak ties - mostly measured by communication and contact frequency (Hansen, 1999) - is reported to be instrumental in accessing non-redundant information (Granovetter, 1973) and creating new opportunities (Adler et al., 2002; Granovetter, 1973). Thus, *exploitative* collaborative tasks based on codified and explicit knowledge require rather *weak ties* (such as cross-selling activities), whereas *explorative* tasks based on uncodified and tacit knowledge require rather *strong ties* (client referral and joint product / market development) (Hansen, 2002; Hansen et al., 2005; Hansen et al., 2001). That means that different kinds of tie strength are favourable with regard to different phases of knowledge sharing (Hansen et al., 2005).

Building and maintaining strong ties in particular require the investment of a great deal of time and energy. Consequently, social utility and transaction content seem to direct such an investment (Hansen et al., 2001; Krackhardt et al., 1994). We observed in our study that *joint product / market development activities* require combining and integrating the knowledge from different businesses in order to develop or detect new business opportunities. Thus, this process can be seen as rather complex and tacit in nature and requires *strong ties*. At the same time, strong ties also enable the access to new linkages, which accounts for the necessary non-redundant and diverse information sources needed in such an exploratory task environment.

In contrast, *cross-selling* activities represent a rather exploitative task requiring *complementary* product know-how from the other business to enable cross-business collaboration. Thus, they require access to non-redundant knowledge, where *weak ties* seem to be preferable. Weak ties seem also to be relevant for *client referral* activities in order to access non-redundant new client and prospect information. However, weak ties have the disadvantage of not supporting mutual will and support, which are equally important for client referral activities. Consequently, strong ties would be preferable, with the disadvantage that building and maintaining them requires high investment. This would not necessarily pay-off as client referral activities - other than joint product/ market development activities - have only a limited time horizon (please see table 4-2).

Middle managers in our study managed this trade-off by establishing a *personal tie* based on a professional tie. This ensured a certain level of trustworthiness that enabled both profiting from the advantages of weak ties to access non-redundant knowledge and compensating the disadvantages by establishing a certain level of mutual support. Indeed, recently so-called “trusted weak ties” (Levin & Cross, 2004) have been identified as being preferable to strong ties as they have the potential to combine the structural advantage (access to new and un-redundant knowledge such as client or prospect addresses) and relational advantage (trust and trustworthiness) in order to lead to collaborating in perceived high risk-taking situations.

(2) Trust dimension. The existing literature asserts that trust is needed in order to enable cooperative behavior (Jones & George, 1998; Mayer, Davis, & Schoorman, 1995; Schoorman, Mayer, & Davis, 2007). Particularly in situations of interactions where actors are unfamiliar with each other, trust is related to an *expectation* regarding the general reliability of the other party involved, resulting in a judgment about the trustworthiness of the other (Zucker, 1986). These expectations are taken for granted until they are violated. Particularly *cross-selling activities* are characterized by collaboration between rather unfamiliar actors, governed to a high extent through market terms. However, the risk that the other party will not satisfactorily meet the required know-how or competence standard remains. Therefore, an ability-related trust – not necessarily as a real experience but as an expectation - is needed as well in these kinds of cross-business collaboration settings. Indeed, a*bility, competence or expertise* is seen as one characteristic of a trustee that determines trustworthiness (Lewicki & Bunker, 1996; Mayer et al., 1995; Sitkin, 1995).

Competency- or ability-based trust reflects the belief that the other party has the competence, capacity, understanding, skills and resources necessary to act as expected (Sitkin, 1995). In this sense, one can trust another party with regard to performing a specific task related to his area of competency (e.g., supply of a certain product) but may not be trusted with regard to another ability (e.g., initiative a contact with an important customer) (Mayer et al., 1995). In *client referral settings* trust in the ability of the other party is not sufficient. As collaboration entails the referral of a contact or a client, only one party will benefit. Thus, referring a client requires trust in the *benevolence* of the other party that he will return the favor once the opportunity rises. Whereas ability-based trust refers to the cognitive aspects of trust, benevolence-based trust refers to its attitudinal and emotional aspects (Jones et al., 1998; Mayer et al., 1995). Benevolence-based trust reflects the belief that the other party will do his best to fulfill the expectations of the other party and will not intentionally violate one’s expectations (Sitkin, 1995). In other words, goodwill- or benevolence-based trust is rooted in an unconditional open commitment to exploiting new opportunities over and above what has been explicitly promised (Sako, 1992).

In situations where the personal aspect seems to be particularly strong and the situational factors particularly weak – such as client referral collaboration -, the emotional and attitudinal elements of trust may have the greatest predictive power (Bigley & Pearce, 1998; Jones et al., 1998; Mayer et al., 1995). That means that, in such situations, the affective dimension must join with the cognitive aspect of trustworthiness. Our study shows that bilateral lunches and other forms of fostering personal conversation served middle managers engaging in client referral activities so that they were able to quickly assess the others' intentions and motives in order to build benevolence-based trust. Indeed, assessing a partner's trustworthiness and detecting opportunism as quickly as possible are important antecedents for collaboration.

Communication frequency (Becerra & Gupta, 2003) as well as the ability to process information in order 'to read' the other person and learn about his attitudes and values seem to be the most important antecedents for collaboration (Carson, Madhok, Varman, & John, 2003; Jones et al., 1998). However, a personal bilateral relationship accompanied by benevolence-based trust does not seem sufficient for engaging in highly uncertain joint product / market development with a long duration. This aspect of trust became apparent in our study as a means of facilitating the development of a collective identity and played a role particularly in *joint product / market development activities*.

Successful middle managers in this category of cross-business collaboration engaged not only in dyadic but also in collective relationships by assembling people into task forces, through 'walking the hall', by moving desks to co-locate, and by inviting whole teams to drinks after work. In doing so, a common spirit and identification was able to develop, unrelated to a specific business request or situation, but necessary for a continuous collaboration behavior.

The existing trust literature indicates that there must be an aspect of trust that goes beyond ability-based and benevolence-based trust. It is referred to it as "value-based" (Sitkin, 1995), "integrity-based" trust (Mayer et al., 1995) or as "*identification-based*" trust (Lewicki et al., 1996). "At this level trust exists because the parties effectively understand and appreciate the other wants" (1996:122). Thus, this aspect of trust might explain the frequency and duration of cooperative behavior. At this level "the parties not only know and identify with each other but come to understand what they must do to sustain the others trust and thus are able to predict the other's choices and preferences." (Lewicki et al., 1996). On this level it becomes apparent that consistency with past action is no longer sufficient, as an actor might act consistently in a self-serving manner (Mayer et al., 1995). For identification-based trust one must share some of the choices, preferences, desires or intentions of the other party (congruency) to be able to respond and feel like the other and be able to develop a collective identity (Lewicki et al., 1996). Such a collective identity in turn serves as a source of trustworthiness, particularly in situations where repeated interpersonal relationships are not yet established, changing or missing (Kramer, Brewer, & Hanna, 1996). It might even be able to absorb individual experiences of violation in a particular personal relationship.

It has been reported that identification-based trust is particularly supported by co-location (in the same building or neighborhood) and shared goals (Lewicki et al., 1996). Hansen et al. (2005) found that the negative impact of spatial distance on competence transfer between units of a multinational firm was mitigated by existing informal relationships. Even though it was not part of the study, the identified informal relationships may have facilitated a sort of identification-based trust that was able to bridge the lack of geographical proximity in order to lead to a competence transfer between the units. Successful joint product / market development activities seem to need this kind of trust as the most efficient option for bridging the high perceived uncertainty over a long period of time.

(3) Shared meaning dimension. The cognitive dimension of social capital suggested by Nahapiet et al. (1998) refers to those resources "providing shared representations, interpretations, and systems of meaning among parties" (1998:244). While mostly operationalized as shared goals and shared vision (e.g. Tsai et al 1998), the dimension includes as well a "*shared language and code*" which enables the mutual understanding of organizational members, which in turn influences the motivation and the anticipation of value to be achieved. (Bolino, Turnley, & Bloodgood, 2002; Nahapiet et al., 1998). As *cross-selling* is based on weak ties, it requires interaction with unfamiliar actors, usually only for a one-time interaction. Thus, actors need to align their language in each situation to be able to explain what they need and what they have to offer.

The transfer of knowledge across organizational boundaries must be framed in a language that the recipient can understand; otherwise, misunderstandings, different interpretations of the same idea or disruptions might arise (Borgatti & Foster, 2003; Reagans et al., 2003). Under such circumstances, the process becomes costly. Particularly, interactions in the form of a range of boundary-spanning weak ties require communicating what we know to outsiders and thus enabling formation of a common language. This has proven to be particularly the case for explicit or codified knowledge (Hansen, 1999). Thus, in cross-selling situations, a shared language seems to be relevant in order to ease collaboration efforts.

In *client referral* activities, a shared language did not seem to be sufficient; however, very few researchers have focused exclusively on the aspect of shared values (Nohria

& Ghoshal, 1994). Most of the literature refers to the concept of shared vision, incorporating mainly the concept of shared goals and shared values (Li, 2005; Tsai et al., 1998). However, client referral collaboration might require us to think about them separately.

Although shared goals can be identified in client referral situations, competitive tensions can potentially arise in the wake of deciding *how* to go about achieving these shared goals. This was particularly obvious when it came to shared sales pitches. Whereas middle managers of the one business - used to dealing with private clients - initiated the conversation with small talk about the weather, the other business - used to dealing with busy corporate clients - entered the conversation in an aggressive sales manner. This shows that even in settings where goals are shared, a common value base seems to be important (Williams, 2001). Simply the fact that members of other groups have different ‘ways of doing things’ might impair the pursuit of a joint goal. Minor conflicts over the best means of achieving a shared goal can lead to a negative effect (Williams, 2001). In client referral collaboration, *shared values* seemed to be necessary to bridge these different styles.

Moreover, a *shared vision* seems to be particularly important in *joint product / market development.* Nahapiet et al. (1998) refer to shared vision as a collective identity embodied by the collective goals and aspirations of the members of an organization. This concept has been studied in order to understand cooperative behavior. Particularly where goals are in competition, a shared vision might bridge and harmonize the conflicts and facilitate a common orientation and identification (Li, 2005; Nahapiet et al., 1998; Tsai et al., 1998). Thus, a lack of a shared vision becomes particularly problematic in situations of dissimilar interests over a long period of time, which is the case in intra-organizational joint product / market development across businesses.

The results of the survey showed that shared vision ratings were overall higher than trust ratings (please see 4.4.4) and were particularly high among highly engaged middle managers (the group that engaged in joint product / market development). Thus, we conclude that shared vision plays a particularly important role for this kind of cross-business collaboration. Indeed, a recent study showed that shared vision was of higher importance in *intra*-organizational settings than in inter-organizational settings, as the latter are based on mutual interests for a restricted time, whereas *intra*-organizational settings are based on relationships that are rather *long-lasting* in nature and where *goal disparity* seems to be higher (Li, 2005).

In sum, we conclude that different cross-business collaboration settings (cross-selling activities, client referral activities and joint product / market development activities) vary with regard to the intensity of social capital needed. Stated formally as an overarching proposition:

Proposition 1: Different types of *cross-business collaboration activities (cross-selling, client referral and joint product / market development)* are related to different intensity levels of social capital (*weak, semi-strong, strong)*.

For each cross-business collaboration type, the following sub-propositions can be derived:

Proposition 1a: *Cross-selling* is most efficiently facilitated through *weak social capital* that is a function of weak professional ties, ability-based trust and shared language.

Proposition 1b: *Client referral* is most efficiently facilitated through a *semi-strong social capital* that is a function of weak personal ties, benevolence-based trust and shared values.

Proposition 1c: *Joint product / market development* is most efficiently facilitated through *strong social capital* that is a function of strong ties, identification-based trust and shared vision.

In order to elaborate the contribution of leadership development for the development of the required social capital, we theorize in the next section on how social capital is *developed* in cross-business collaboration settings and how the dimensions interrelate based on our observations. This refers to the second part of the first research question: *How does social capital contribute to middle managers' cross-business collaboration activities (1) and how is it developed (2)?*

5.1.3 Perspectives on Social Capital Development

As concluded in 5.1.2, cross-business collaboration activities vary with regard to the degree of perceived uncertainty involved and the *intensity of social capital* that is required to lead to a successful realization of the respective value creation potential. In order to promote social capital by leadership development, however, it is necessary to understand how social capital emerges and is developed in cross-business collaboration settings. According to our observations, the development of cross-business collaboration types is accompanied with the development of the respective social capital. Thus, it is proposed that the intensity levels of social capital we have distinguished (weak, semi-strong, strong) need to be considered as specific *social capital development stages* that are interrelated and reinforce each other. As they seem to emerge from each other over time, they are proposed to be *path-dependent* in nature. Further, it is suggested that specific interaction-related experiences – *contact-, assimilation* and *identification-experiences* - are most likely to facilitate the development of the next stage of social capital, which in turn encourages engagement in the respective cross-business collaboration activities. Figure 5-2 summarizes this idea, which will be discussed step by step in the following paragraphs, supported by *findings and empirical evidence* from the study, and a *discussion* in the light of the existing literature.

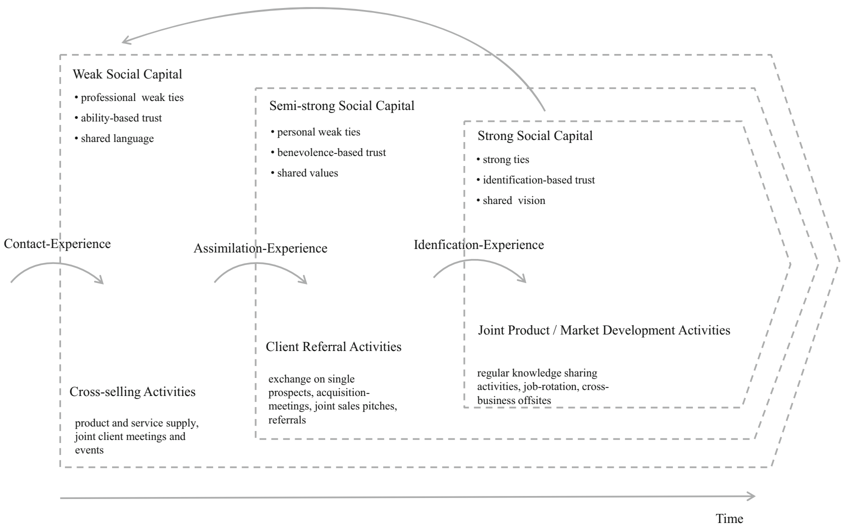

Figure 5-2: Social Capital Development in Cross-business Collaboration (Source: author, basic idea derived from Lewicki et al. 1996:124)

Findings and Empirical Evidence. We found that cross-business collaboration starts with cross-selling activities, based on which the two other forms subsequently emerge. This was observed on an organizational as well as on an individual level. We refer to 4.3.1 where we reported in the case study that cross-selling activities, client referral and joint product / market development emerged in the organization in a sequential manner after the strategic reinforcement of the integrated business model at SubFinanceCorp that began in 2002. Therefore it is not surprising that cross-selling activities were the first and most widely experienced form of cross-business collaboration among the middle managers under study. However, there is a difference between the middle managers with low and high engagement. Whereas middle managers with low engagement mainly have experience only in cross-selling activities, highly engaged middle managers have experience *in all three types* of cross-business collaboration types (please see 4.4.3 and appendix). According to the highly engaged middle managers, it seems that cross-selling is a good starting point for cross-business collaboration because it does not require intense social capital. Each collaborating party plays it safe as they need each other in a complementary way. Conversely, client referral and joint market development activities need stronger forms of social capital with different characteristics. Thus, they emerge subsequently.

> "Knowing each other is the basic condition. And at the moment, we are still in the egoistic phase where business 1 wants to make a deal and needs business 2 for it – or the other way round. Thus, I think knowing each other is necessary as one has a need and so the barrier to contact is lowered. You contact somebody because you yourself will benefit from it. However, you need to know the other party so that it is handled properly. But I'm not speaking here about the development of new business ideas. For that you need a next stage. I'm only talking about one party wanting to do business for which they need the other side. And in that case, knowing each other is sufficient. But to sit together and develop new market development ideas, you need more. In that case, you need an intensive dialogue." HL-CBC05

> "I first met the other businesses at a sales event. […] And there you have the opportunity to get to know the people personally. You recognize whether they are a good match or not. And since then the contacts have developed continuously. […] The collaboration is not limited to the cross-selling activities, but through the products, we have grown together. They know that we need new clients and we get a lot of referrals from them now as they know a lot of potential clients for us [for the respective segment]. […] And thus, by way of the collaboration in cross-selling activities I have already gotten one or another client referral. And in doing that, the collaboration has become more and more intense - in terms of revenue and client franchise growth, but also with regard to discussing market needs in general [market and product development activities]." HL-CBC03

The argument that cross-business collaboration performance is contingent on the development of social capital is further supported by the observation that overall experience and performance in cross-business collaboration did *not* seem to be related to tenure (please see 4.4.2). In other words, time and exposure per se do not seem to explain the differences in the cross-business collaboration performance of middle managers in a satisfactory manner. Rather, it seems that middle managers with higher engagement levels were able to develop their first *contact experiences* further to the next stages of social capital, which then encouraged them to engage in higher levels of cross-business collaboration activities.

> "Let me think… I've been with the firm for the last eight or nine years, and would say I started with contacts seven years ago, mainly through business. We sell financial products to the external market but also internally to the private client segment. […]And in doing that, the contact came automatically and since then it has intensified continuously. And of course it is helpful to have a common business model that supports it." HL-CBC23

> "Each time I start somewhere I try to enter the situation without prior expectations. [...] And maybe the most important thing is the approach. If I make a new start somewhere, I try to ignore everything that others might think about me. I do not take things personally. I let myself be 'assimilated' [influenced] by the others without losing my own self. I concentrate on my task as my core interest. And then I let others 'assimilate' [influence] me, try to understand the mindset of the other party, in order to anticipate which kind of benefit they could enjoy. So I don't only focus on my own benefit." ML-CBC09

Indeed, as presented in the section above, middle managers with a higher level of engagement pursued personal contact activities beyond business contacts in order to evaluate the intentions and attitudes of the other party and *assimilate* their differences. Positive experiences validated their trust decision and encouraged them to engage in further collaboration, which provided them with more information and knowledge about the other business, including their attitudes, intensions and interests. Putting themselves in the others' shoes enabled over time the assimilation of the differences and playing those differences to their strengths in the collaboration situation.

> "[There was an opportunity a]nd at that time, it was very nice that the colleague of the other business asked me 'Listen, I have some client contacts. Can you come with me?' There was no compelling reason to say yes, but I did anyway, and that was the reason why we have still have an understanding and trustful relationship today. By going with him, I got to see how he worked, and he heard what I said to the client. Our styles and thinking were a match. We could pass the ball to each other. It was clear that it was either something for his business or for me. […] These common conversations helped me to experience what the other person experienced. And also his perspective. They have much more focus on higher volume but still they can explain it and it helps to mitigate prejudices. And this was one of the most motivating factors and has led me to engage in about 10-12 contacts until today [...]." ML-CBC08

As indicated in section 5.1.2, highly engaged middle managers went beyond dyadic relationships and strove for the development of a common team spirit through get-togethers that they initiated themselves (e.g., ski-weekend, drinks after work, etc.). They were looking for such opportunities and acknowledged the importance of such platforms beyond business to create a common *identification*, whereas middle managers with lower experience levels were rather reluctant to use such social events as an opportunity to relate it to their personal identity.

> "Maybe I am somebody who has very limited experience. Maybe there are others who have much more experience than I do. And sometimes I ask myself whether I might not have the right network. But I am not the one going there and telling them: here I am. You need possibilities. […] And I am not talking about the year-end party, as you will not stand beside each other at such an event and talk about potential deals. I'm not always a banker. Sometimes I want my privacy. And if I'm sitting on a plane, I just want my own space [...]." LL-CBC04

> "And informally, you know a handful of colleagues who you sometimes go for a beer with after work. But that's nothing special. I got to know them based on business collaboration and it's natural for me to ask them „where do you live, what do you do" and that's how it starts. But very selectively. I am not a person who actively networks. I'm not willing to sacrifice my time for that. Instead, I approach somebody if I have a business topic. And not according to the 'principle of indiscriminate all-round distribution'." LL-CBC10

Highly engaged middle managers were able to use their strong social capital not only as an enabler for joint product / market development but also as a stepping stone to engage in *new* inter-personal linkages to the other business.

> "It was helpful that my former boss changed businesses because he's now a very good connection for us with the other business, which provides us with a very good point of entry. Direct contact [with him] is not necessarily very close anymore, but it is helpful to know somebody there. That helps particularly for new contacts." HL-CBC18

> "[…]I call somebody who I don't know, but maybe I can refer to a colleague who has already had good experiences with me and in the end you ask if we could meet for lunch to get to know each other. […]" HL-CBC05

Consequently, highly engaged middle managers were able to *distinguish different qualities and stages of social capital* needed in a cross-business relationship, such as knowing each other and the business as a basic condition (contact), but, just as importantly, trust each other's goodwill enough to refer a name (benevolence-based trust), and a common shared vision in order to realize cross-business collaboration on a long-term basis (identification).

> "I change jobs every two to three years. And now for the first time I've stayed a bit longer at one place and I recognize that I can reap the fruits of my labor. I was not aware of that. But this is especially the case in a relationship business, where you work in a network with others. […] In the beginning, I thought I needed to change jobs every year to make a career. I thought that if you stay too long at one place, your learning curve is just too flat. […] But today I recognize that my learning curve is not flat anymore because the learning curve as such did change. Before, the learning curve for me was technical business knowledge. Today, the learning curve is mutual understanding, experiencing how you can move people [to engage in collaboration] and how to move the firm. That was not clear to me in the beginning." HL-CBC22

> "A certain level of technical skill and business understanding is necessary in all business groups. Since you all come from different organizational cultures, it is helpful to be open and accept others' ideas and approaches. That you don't just say, I want to do this my way, as we do it in our business, otherwise I'm not interested. You should be willing to be open and ready to discuss things. Being willing to step back from your ideas and willing to compromise - I think that is most important." HL-CBC23

In contrast, we have shown in the section above that middle managers who had mainly only engaged in cross-selling activities did report of having some casual contacts that they do not maintain and develop consciously (section 5.1.2). Even though some of them also reported client referral activities, it seemed that they had stopped to developing their cross-business social capital further because they had experienced disappointment, mostly in the form of a violation of trust.

> "We had the experience that when we referred a client to the other business, we never heard back from them. And I can report this from my own experience. I was visiting a client in M. and called him to ask him how he was doing, etc. And then he said 'Great, thanks. Your colleague was here and just left' First, I tried to remember which colleague that could have been. Normally, we know if a colleague is going to see another's client, and I was sure they would have told me. That was pretty strange. And even it was very embarrassing. I finally decided to ask the client who it was and then I realized it was a colleague from the other business. And such situations are just embarrassing. That resulted, of course, in some general resentment. A person can't just go to our clients and not tell us about it." LL-CBC01

> "With regard to someone from the other business, I kind of miss the honesty. This is related to the topic „selling". […] If I am a client relationship manager, then I'm the one who does the selling. But I've had this gut feeling lately that they've been "selling" too much. But I want to get the product offering, complete with all of its advantages and disadvantages. I want to have the feeling that I'm getting honest information. And in the meantime I've gotten to the point where I feel like I'm at a car dealership and they're hawking their cars to me. […] I already know how to sell a product to the client. But if I have the impression that they are giving a creating a false picture of the world, I will lose trust in them. And then my motivation to collaborate will decrease because I don't have a good feeling about the whole thing anymore. […] And the problem with such a negative experience is that you sit in the next presentation and you start looking for mistakes." LL-CBC14

Thus, we suggest that the different levels of social capital represent *development stages* that develop gradually as the parties move from one stage to the other and thus are *path-dependent* in nature. A *contact-experience*, an *assimilation-experience* and an *identification-experience* facilitate the development of the next stage.

Discussion. From a development perspective, we will discuss all three dimensions of social capital in an integral way, accounting for their dynamic and interrelated nature (Tsai et al., 1998). The existing literature on social capital and its dimensions considers the development perspective from multiple viewpoints and contexts but rarely is it presented as a comprehensive concept. Thus, we refer to several literature sources, namely, social network and social capital literature as well as trust literature that focuses on the inter-personal and inter-unit level. In the following paragraphs, we first discuss the overall *(1) path-dependency* of social capital development, the *(2) development stages* of social capital and will subsequently refer to the respective development enablers, such as *(3) contact-experience, (4) assimilation-experience* and *(5) identification experience*.

(1) Path-dependency of social capital development. In cross-business collaboration settings, different intensity levels of social capital (weak, semi-strong, strong) represent development stages that are path-dependent in nature. That implies that one stage is developed from the other and thus includes the respective prior stage(s). In doing so, the social capital development from weak to strong forms facilitates the expansion of cross-business collaboration engagements. Indeed, the literature suggests that social capital is not only the outcome of social interaction but as well the antecedent of forming and accessing new linkages on an inter-personal, inter-unit as well as inter-organizational level (Gulati, 1995; Kildufff et al., 2003; Tsai, 2000; Tsai et al., 1998). Thus, prior relationships influence future relationships to a high degree and thus need to be considered in a dynamic and path-depend way.

Trust literature suggests as well a path-dependent nature of social capital development. It is referred to as a sequential iteration in that trust on one level enables the development of trust on a next level (Lewicki et al., 1996). Moreover, relational resources, such as trust, are particularly intertwined with the development of a shared meaning and sense, and a collective identity (Tsai et al., 1998; Nahapiet et al., 1998). This in turn enables a high level of trustworthiness in situations where inter-personal relationships are missing (Kramer et al., 1996; Zaheer, McEvily, & Perrone, 1998).

(2) Development stages of social capital. Based on the observations in our study, we suggest that the three groups of investigated middle managers seem to be in different maturation stages with regard to the development of their social capital toward other businesses. Middle managers without or with very few contacts to other businesses indicated very high trust and shared vision ratings (please see 4.4.4). Their positive expectations about the quality and know-how of the other businesses might be seen as a form of *undifferentiated idealization*, which might also occur in a recruitment situation when an employee is hired from an external company. Based on our interviews,

these high ratings can be interpreted as high-levels of ability-based trust in the sense of expected trustworthiness compensating real relationship experiences (Zaheer et al., 1998). Conversely, moderately engaged middle managers seem to be in an *evaluative stage*, as they indicate relatively low levels of trust toward other businesses. With the help of the interviews, we observed that these ratings were mostly driven by first-hand experience with disappointment.

Finally, highly engaged middle managers seem to be in an *accommodative stage* where they know the other party already very well and have confidence in their ability to negotiate the differences. In the absence of an existing comprehensive social capital development model for inter-personal working relationships, we build our discussion about the idea of path-dependent development stages on the organizational trust literature, i.e., the development model of Lewicki et al. (1996), which provides a highly elaborated developmental perspective for inter-personal working relationships. This implies that we focus first on the development of the *trust dimension* as the central quality aspect of social capital and discuss subsequently how the dimensions of tie strength and shared meaning may enable, facilitate and reinforce this dimension.

The literature acknowledges that trust is a dynamic phenomenon adopting a different character on each stage (Lewicki et al., 1996). Even though the authors focus on working-relationships, they provide a short excursion into romantic relationships, which is helpful in understanding the development dynamics of trust on an inter-personal level (Lewicki et al., 1996: 118).

In the romantic love stage, the partners experience an idealization of each other, which implies that trust is undifferentiable in its initial stage. In the next stage, partners start to evaluate each other. Sustained contact reveals imperfections, which results in a stepping back to evaluate the 'pros and cons' of the relationship. In this stage, partners learn to respond to and to trust each other. In the third, accommodative stage, they negotiate conflicting needs, expectations and perceived incompatibilities. They decide that although they might not know everything about the other, their ability to resolve differences leads them to sustain the relationship.

Lewicki et al. (1996) apply this model to working-relationships and indicate that even though work relationships do not start with intense emotionality, the processes of evaluation and information exchange are comparable. In this sense, we found equivalent dynamics with regard to social capital development in cross-business collaboration among middle managers. It was shown that, based on their initial professional contacts (e.g., cross-selling), highly engaged middle managers were able to develop one stage from the other and finally reached a level of unconditional trust, as they believed, independently of any distinct business situation, in similar entrepreneurial attitudes and a shared vision that encouraged their engagement.

Indeed, the literature suggests that trust as an important ingredient of social capital usually starts to develop in a working relationship bound to a certain task or condition (Jones et al., 1998). If these first contacts based on certain tasks develop in such a manner that they confirm the validity of trust, the parties might engage in repeated collaboration. As a buy-product, the parties gather more knowledge about each other, particularly about the attitudes and intentions of the other. Both are necessary ingredients for the other stages of trust, such as benevolence- or identification-based trust.

Thus, repeated interaction creates enough evidence to get to know the other more deeply than only in one situation and enables a rather unspecific sort of trust toward the other party beyond a certain situation. Jones et al. (1998) describe this sort of development as a transition of trust from a *conditional* to an *unconditional* state. Whereas conditional trust is bound and structured through a certain task or situation, unconditional trust starts when individuals abandon a certain condition, i.e., task or situation. There, shared values, attitudes or emotions structure the social situation and become the primary vehicle through which trust is experienced (Jones et al., 1998). This engagement is mostly drawn from empirical evidence of repeated behavioral interactions.

However, as has been seen, not all relationships developed to further levels of cross-business collaboration (and thus stronger forms of social capital) as that requires an energy and time investment which is not always desired or necessary. Particularly, as in cross-selling activities, if the relationship is heavily regulated, or if nothing more than arm's-length transactions are pursued, no further development of social capital is desired (Lewicki et al., 1996). On the other hand, a lack of further development of higher levels of social capital intensity might be rooted in negative experiences or a violation of trust as seen particularly among the moderately engaged middle managers.

In worst case the disruption experienced might result in distrust, with limited possibilities for remedies (Lewicki et al., 1996; Sitkin, 1995; Sitkin & Roth, 1993; Sitkin & Stickel, 1996). This seemed to be particularly the case if middle managers did not have the support and time to develop social capital from one stage to the other, if they perceived that one step was left out, or if they were stuck in one stage. This indicates the particular importance of also considering potential negative effects of failed social capital development that might impact even more than positive effects (Labianca & Brass, 2006). As not all relationships will go through all stages, middle managers in an organization engage simultaneously in working relationships at different stages of trust. Our study indicates that highly engaged middle managers indeed maintain working relationships with other businesses in all three stages of trust, whereas middle managers with low engagement seemed not to develop their relationships past the first (weak form) or second stage (semi-strong form) of social capital.

We observed that moving from one stage to the other involves a shift in the perceptual or experienced frame of the relationship: from experiencing contrasts, to experiencing sensitivity to assimilation, to experiencing personal identification (Lewicki et al., 1996). We refer to them as *contact-experience*, *assimilation-experience* and *identification-experience* and discuss in the following paragraphs how they are enabled, considering the interrelation between the quality dimensions of social capital, i.e., tie strength, trust and shared meaning.

(3) Contact experience. It is obvious that organizational factors, such as hierarchy (vertically) and division of labor (horizontally) influence the formation of ties (Krackhardt et al., 1994). Tsai (2000) showed in his study that the strategic relatedness of two units helped to create new inter-unit linkages. This seems to be particularly the case in cross-selling activities. The strategic relatedness between client relationship units of one business and the services and product offering units of the other business influenced the formation of contacts between the respective businesses based on concrete business opportunities such as client requests. These professional ties were accompanied by ability-based trust, fuelled through a contact-experience over the phone, by email, at a meeting or an event, and finally, good delivery quality. A mutual understanding of each other's business was enabled through a shared language that in turn facilitated engagement in further contacts. In this sense, organizational structures, mergers and acquisitions or other organizational events (e.g., downsizing) influence first and foremost the network formation and dynamics in an organization (for an overview Brass et al., 2004). However, middle managers report that a contact-experience is also fostered through formally organized platforms such as trainings, off-sites, seminars and the like.

(4) Assimilation-Experience. In cross-business client referral activities, however, a professional and formally channelled tie was no longer sufficient. To engage in this form of cross-business collaboration, an assimilation-experience on the inter-personal level encouraged the development of this stage of social capital. At this stage, engagement in collaboration only resulted in value creation if a professional, a personal and a rather informal interaction could be established that enabled the management of the higher level of uncertainties involved. Successful cross-business collaboration occurred if both parties were able to agree on a common set of attitudes and values regarding the coordination of the interface with each other. Indeed, the formation of in-

formal inter-personal ties usually goes hand in hand with perceived actor similarity, particularly attitudinal similarity (e.g., Mehra et al., 2006; Granovetter, 1973). While actor similarity is, on the one hand, discussed as an antecedent of social interaction (e.g., with regard to race or gender), it is also considered to be a consequence of interaction in the sense that actors who interact become more similar, e.g., with regard to their attitudes (Umphress, Labianca, Brass, Kass, & Scholten, 2003).

In client referral situations it seems that highly engaged professionals were indeed capable of creating actor similarity through the agreement on a subset of shared values and attitudes to bridge divergent business approaches. Thus, they developed the necessary foundation for benevolence-based trust. Whereas in cross-selling settings, ability and know-how are the primary sources for developing trust, in client referral situations, unconditional trust based on goodwill becomes the most important source of trust experience (Jones et al., 1998). In fact, referring a client to another colleague involves both trusting that the colleague will treat the client in a professional manner without causing disappointment (ability-based trust) and that he will not only pursue his own interests and will also reciprocate with a shared contact (benevolence-based trust).

As the approaches of the three businesses have been proven to be different, a common belief in the shared values harmonized divergences and competitive situations among the middle managers. The literature suggests that shared goals, vision and values act as both, motivation for engaging in collaborative behavior as well as anticipation of the value to be achieved through collaboration (Nahapiet et al., 1998; Li, 2005). In this regard, shared values seem to help to create in particular the motivation to engage in cross-business collaboration and facilitate taking on the risk of trusting each other.

(5) Identification-Experience. The investment in strong ties did pay off particularly well in rather ambiguous collaboration settings such as joint product / market development. Highly engaged middle managers had different kind of ties in terms of their strength and were able to initiate and maintain the tie strength required efficiently. However, they developed tie strength not only on an individual basis but also on a collective level by initiating get-togethers, such as drinks after work, ski-week-ends, etc. In that way, they enabled an identification-experience beyond a business situation that clearly exceeds individual benevolence-based trust. It seems that highly engaged middle managers were able to develop the necessary social capital, balancing all required dimensions in such a way that they reinforced each other.

Since in joint product / market development activities goal conflict exists to a high extent between the businesses, it is not astonishing that these middle managers pointed out the particular importance of a shared direction and vision to rely on, whereas in cross-selling activities a shared language and understanding of each business seemed to be sufficient. The shared vision items were rated overall higher in the survey than the trust items, and highly engaged middle managers indicated the highest ratings (please see 4.4.4). Shared vision seems to play a particularly important role in enabling the necessary sort of trust in order to engage in this kind of very uncertain and risky collaboration activities.

As seen above, a shared vision acts as a resource influencing both the anticipation of value to be achieved through collaboration and the motive to combine and share knowledge (Nahapiet et al., 1998; Li, 2005). As relationships within an organization are rather long-lasting in nature and goal disparity seems to be higher, shared vision is of higher importance in intra-organizational settings with regard to enabling an organizational identification than in inter-organizational ones (Li 2005). It also seems to be of particular importance in cross-business collaboration settings.

In a more general manner, this is acknowledged by social capital literature, which emphasizes the relevance of a shared understanding, values and vision to enable an overall organizational identification that facilitates resource combination and collaboration (Nahapiet et al., 1998). Organizational identification in turn facilitates and influences the decision to trust in collective settings in the absence of personal relationships (Kramer et al., 1996; Zaheer et al., 1998). In this respect, strong social capital might not only serve to maintain and develop the existing collaboration relationships for, e.g., joint product / market development but also enable creating and engaging in *new* interactions without existing prior personal experiences, as required in cross-selling activities. Indeed, as seen in the section above, most highly engaged middle managers reported that contacts to other businesses have been mediated through their own strong ties, such as, e.g., former superiors.

In sum, we propose that a development of cross-business collaboration activities from cross-selling to client referral and joint product / market development activities involves developing the respective social capital in a path-dependent manner through a *contact-, an assimilation- and identification-experience*. Stated formally as a proposition:

Proposition 2: The development of cross-business collaboration activities (from cross-selling to client referral and product development activities) is related to the development of cross-business social capital (from weak to strong forms), which is facilitated through specific interaction-experiences (contact-, assimilation- and identification-experience).

For each social capital development stage, this can be concretized in the following way:

Proposition 2a: *Weak forms of social capital* that lead to successful engagement in cross-selling is most likely facilitated through a positive *contact-experience*.

Proposition 2b: *Semi-strong forms of social capital (including the lower level)* that lead to successful engagement in client referrals is most likely facilitated through a positive *assimilation-experience*.

Proposition 2c: *Strong forms of social capital (including lower levels)* that lead to engagement in joint product / market development is most likely facilitated through a positive *identification-experience*.

5.1.4 Conclusion

This dissertation's aim is to advance research on how leadership development contributes to strategy realization, i.e., cross-business value creation, in MBFs. As social capital among middle managers plays a central role in the strategy realization of an MBF, we elaborate in particular on how leadership development contributes to the necessary social capital of middle managers in such firms.

In order to be able to evaluate this contribution, we analyzed, in a first step, what kind of social capital is required for cross-business value creation. Based on the results of our study (please see chapter 4), we observed three different types of cross-business collaboration, i.e., cross-selling activities, client referral activities and joint product / market development activities, each of which aims for different kinds of growth synergies. With this differentiation in mind, we discussed in this subchapter our first research question on a descriptive level: *How does social capital contribute to middle managers' cross-business collaboration activities (1) and how is it developed (2)?* In our discussion, we mainly draw on a cross-case comparison between the three groups of middle managers differing with regard to their engagement level in cross-business collaboration.

As a first result of our study, we conclude that (1) the different types of cross-business collaboration activities require *different intensity levels* of social capital. Whereas cross-selling seems to go along with weak forms of social capital (weak professional ties, ability-based trust, shared language), client referral activities involve what we call semi-strong forms of social capital (weak personal ties, benevolence-based trust, shared values). Finally, joint product / market development activities require strong forms of social capital (strong ties, identification-based trust, shared vision). (2) Secondly, we conclude that the different levels of social capital involved represent development stages that are path-dependent in nature, i.e., emerge from each other, including the respective prior level.

Based on our analysis, we propose an expansion and adaptation of the path-dependent development model of Lewicki et al. (1996) for inter-personal trust development with regard to the specific context of cross-business collaboration. Consequently, we enrich it with the other quality dimensions of social capital, i.e., tie strength and shared meaning and discuss its proposed development enablers: *contact-experience, assimilation-experience* and *identification-experience*. These conclusions are stated formally in the following propositions:

Proposition 1: Different types of *cross-business collaboration activities (cross-selling, client referral and joint product / market development)* are related to different intensity levels of social capital (*weak, semi-strong, strong)*.

For each cross-business collaboration type, the following sub-propositions can be derived:

Proposition 1a: *Cross-selling* is most efficiently facilitated through *weak social capital* that is a function of weak professional ties, ability-based trust and shared language.

Proposition 1b: *Client referral* is most efficiently facilitated through a *semi-strong social capital* that is a function of weak personal ties, benevolence-based trust and shared values.

Proposition 1c: *Joint product / market development* is most efficiently facilitated through *strong social capital* that is a function of strong ties, identification-based trust and shared vision.

Proposition 2: The development of cross-business collaboration activities (from cross-selling to client referral and product development activities) is related to the development of cross-business social capital (from weak to strong forms), which is facilitated through specific interaction-experiences (contact-, assimilation- and identification-experience).

For each social capital development stage, this can be concretized in the following way:

Proposition 2a: *Weak forms of social capital* that lead to successful engagement in cross-selling is most likely facilitated through a positive *contact-experience*.

Proposition 2b: *Semi-strong forms of social capital (including the lower level)* that lead to successful engagement in client referrals is most likely facilitated through a positive *assimilation-experience*.

Proposition 2c: *Strong forms of social capital (including lower levels)* that lead to engagement in joint product / market development is most likely facilitated through a positive *identification-experience*.

Thus, we expand the existing literature on cross-business synergies and organizational social capital in several ways: (1) We contribute to a more fine-grained understanding of growth synergies in MBFs, which only recently have began to be explored (Martin et al., 2001, 2003). (2) We elaborate on the role of social capital within cross-business collaboration settings as *a specific kind of inter-unit collaboration* which has not yet been considered in social capital literature so far. At the same time, (3) we elaborate on social capital as *content- and context-specific construct*.

The existing literature indicates that, indeed, social capital is not a content-independent concept. The *content* of network ties (e.g., Burt 1997; Hansen 2002) as well as the *context* (e.g., Li 2005) seems to matter in explaining how and to what qualitative degree social interactions might encourage individual and organizational cooperative behavior. However, those two elements are rarely considered. This study marks a step toward the elaboration of social capital with regard to the particular content of cross-business collaboration in the context of an MBF. (4) We specify *different stages of social capital intensity* considering *three quality dimensions* (tie strength, trust and shared meaning) and their *efficient matching* within a certain strategic context. In that way, this study contributes to harmonizing the inconclusive results of social capital research and makes a first attempt at a dynamic and context-related view.

Indeed, research on social capital and its dimensions (Tsai et al., 1998; Nahapiet et al., 1998) still faces to some extent inconsistent results and conclusions. With regard to the *dimension of tie strength* of social capital, for example, it appears that weak ties as well as strong ties have been proven to be beneficial (Granovetter 1973; Hansen 1999; Levin et al., 2004). With regard to the *trust dimension*, it seems that trust occurs on different levels (Mayer et al., 1995; McAllister, 1995; Sitkin, 1995) and might not necessarily be a linear concept in the sense of 'the more, the better' (Dirks et al., 2001; Dyer & Chu, 2000; Mayer et al., 1995; Rosenkopf, Metiu, & George, 2001). Moreover, it has been shown that the *shared meaning dimension* is of greater or less importance, depending on inter-firm or intra-firm collaboration settings (Li 2005). Consequently, searching for an 'optimal' level of social capital requires studying it in a more detailed and dynamic manner regarding its integral dimensions within a specific context (Hansen et al., 2001; Reagans et al., 2003; Wicks et al., 1999). By presenting a descriptive model of different social capital stages and their dynamics in cross-business collaboration settings, we complement the existing social capital literature.

In discussing the first research question of our study in this subchapter, we have provided the necessary basis for evaluating the potential contribution of leadership development to social capital development in cross-business collaboration settings. Our second research question involves such an evaluation and will be discussed in the next subchapter.

5.2 Leadership Development's Contribution to Social Capital

5.2.1 Introduction

Having described how social capital contributes to middle managers' cross-business collaboration activities and its development in the preceding subchapter, we aim here to evaluate the role of leadership development for the development of cross-business social capital. This refers to the second research question: *In which way do leadership development experiences most likely allow middle managers to develop the necessary social capital for valuable cross-business collaboration?* In other words, we will discuss how leadership development enables the relevant social interaction experiences (contact-, assimilation-, and identification-experience) for social capital development in cross-business collaboration settings, as identified in the precedent subchapter.

It will be argued that (1) leadership development with a cross-business focus not only contributed to human capital but also to the relevant social capital by facilitating the respective interaction-experiences: contact-, assimilation-, identification-experience. (2) However, it will be shown that a simple collective leadership development setting (e.g., a cross-business mix of participants) is not necessarily sufficient to build all relevant intensity levels of social capital (weak, semi-strong, strong) among middle managers. It is proposed that, counterintuitively, some individual-based leadership development practices have more potential than collective ones in facilitating stronger forms of social capital.

By evaluating this research question, we are able to contribute to the existing research on the impact of leadership development as a human resources management practice in two ways. (1) First, addressing content, we elaborate on the impact on *social capital* (tie strength, trust, shared meaning) and not - as is usually done - on human capital (i.e., knowledge, skills and competences) (Krackhardt et al., 1994). This implies a perspective on leadership development that goes beyond the traditional view by focusing on the employee relation (downward leadership) or the relation to the superior (upward leadership) and accounts additionally for the *relation to peers (lateral leadership), who* are particularly important in cross-business value creation. (2) Secondly, we incorporate into our view *all* of the leadership development practices employed as viewed by the middle managers rather than evaluating only the impact of *one* practice in an isolated manner (Kepes et al., 2007). This involves turning our perspective from the intention behind a practice (view of HR manager) to how the practice was *experienced* (view of participating middle manager) (Purcell et al., 2007).

We have structured this subchapter in the following way. In section 5.2.2, we evaluate and discuss the overall role of leadership development for the development of the relevant social capital for cross-business collaboration. In 5.2.3, we further evaluate the specific contributions of various leadership development practices based on the middle managers' experiences and their judgements about the potential for social capital development. We draw our conclusions from a cross-case comparison of the three groups of middle managers (please see chapter 4.4 and appendix), who differ with regard to their engagement level in cross-business collaboration. This is followed by a discussion in the light of the existing literature. Accordingly, each section begins with a summary of the *findings*, followed by the *empirical evidence* and a *discussion* section, which lead to formally stated propositions. Finally, in 5.2.4, we summarize the discussion of the second research question, the propositions and our contribution to the existing research.

5.2.2 Perspectives on the Overall Contribution

As has been seen, the three groups of middle managers differ with regard to their experience, their performance achievements as well as their *social capital* (please see chapter 4). In order to evaluate the contribution of leadership development on social capital, we draw on a comparison of the *highly engaged* middle managers with the *moderately engaged* middle managers as their social capital shows differences based on their existing social relationships with the other business (and not based on expectations) (please see 4.4.4) Consequently, we believe that it is best to compare these two groups in order to explain the differences in their social capital resulting from their leadership development experiences.

In the following paragraphs, we compare these groups with regard to (1) *their participation in leadership development with / without a cross-business focus* and (2) *their participation in collective versus individual leadership development experiences.* It will be argued that participation in leadership development plays a role in facilitating cross-business social capital. This is supported through a *higher participation rate* in leadership development with a dedicated cross-business focus of highly engaged middle managers compared to middle managers with a moderate level of engagement. Moreover, highly engaged middle managers report more frequent participation in individual-based leadership development, which enabled a *self-reflection-experience*. Thus, we conclude that participation in individual leadership development practices that enable self-reflection experiences is beneficial for cross-business social capital development. We discuss our findings in the light of the existing leadership development and social capital literature.

- **Participation in leadership development with / without a cross-business focus**

Findings. Controlling for cross-business collaboration engagement (and thus social capital intensity), we compare the participation in leadership development practices with a cross-business focus by highly engaged middle managers versus middle managers with a moderate level of engagement. As presented in chapter 4, *a cross-business collaboration focus* implies that a) the leadership development practice was addressed to participants of all three businesses (participant mix in leadership trainings, networks and action learning), b) was focused on cross-business relationships (360 feedback based on evaluators from other businesses; coaching that addresses particularly cross-business relationships, and mentoring that involves a mentor from another business group), and c) had cross-business collaboration topics (strategic collaboration projects in action learning or presentations of best-practice cases of collaboration in network events). It becomes obvious that such a focus is favorable for the relevant social capital development in comparison to leadership development practices that do not entail exposure to other businesses and focus only on topics that are relevant for one's own business. Therefore, we argue that a *higher participation rate* facilitates the development of necessary cross-business social capital.

Empirical Evidence. Looking at the survey results reveals that highly engaged middle managers participated more in leadership development practices with a cross-business focus. However, looking at the total participation numbers of both groups without controlling for the cross-business focus, it appears that they show more or less the same total average in participation (please see 4.4.5). This indicates that, indeed, the difference is not based on the participation in leadership development in general but in the participation in leadership development practices *with a cross-business focus.* However, one could argue that a more intense social capital may result rather out of a longer tenure or tenure in function than out of the participation in leadership development practices. In other words, those managers who have been with the firm or in their function for a longer period of time might have had more opportunities to build up their cross-business social capital.

Even though this study was not designed to carry out a quantitative analysis based on inferential statistics to test for significant causal relationships, we processed a high-level correlation analysis between tenure / tenure in function and social capital measures. The results (please see 4.4.5) provided us with no reason to assume a direct relation between tenure / tenure in function and social capital. Rather, it is assumed that this relationship is mediated through leadership development.

Accordingly, we conclude for our study that participation in leadership development with a cross-business focus plays a role in explaining differences in middle managers' cross-business social capital. This assumption was further validated through the interviews. In general, highly engaged middle managers were able to report in a clear and very self-reflected way of how their leadership development experiences affected their behavior, whereas the middle managers with a moderate engagement level indicated their development experiences in a less differentiated way. Moreover, highly engaged middle managers' most important leadership development experiences mainly referred to the *quality* of relationships, whereas middle managers with moderate experience discussed experiences with respect to the *quantity* of their contacts, i.e., broadening their network at these opportunities, or about interesting content they had gained.

> "What I really appreciated was having a program where one part was cross-business. […]. That was really good and has been my best development experience to date. Particularly the networking opportunities, the high management attention, which was clear from the speakers they chose for the event. Also, there were two professors that were extremely good. The whole program was somehow just cool. It lasted for three and a half days and was very intense, was really motivating and a good program." ML-CBC29

> "I took part in a sequence in a leadership training program which I really impressed by as it really elicited our inner responses and brought us out of ourselves without play acting. […] This was a small business simulation that lasted for two hours. There were different hierarchies and the task was to build a bridge as a team. The team leader always got advice and had to go to the management. Pretty similar to what we do in daily life. And there you could see that, despite all of the pre-exercises, communication between all parties failed. Communication from one party to the other wasn't clear and just broke down. Because of that, basically the whole project failed in the end. That was one of my most valuable development experiences and inspired me to really question things deeply and to anticipate concerns ahead of time. Particularly if my superior goes to the management with things that I know more about than he does. […] I benefited greatly from it." HL-CBC05

Discussion. The evaluation of leadership development effectiveness is an ongoing debate in Human Resources Management research (e.g., Collins et al., 2004). Only recently was a dedicated call for research in this domain launched for a special issue of the Journal Leadership Quarterly (2008). In general, two guiding meta-analyses in the field of leadership development suggest that leadership development plays a role in organizational performance but exhibits different kinds of effects on different levels (individual, group, organizational) (Burke et al., 1986; Collins et al., 2004). To our knowledge, however, the effect of leadership development on social capital has not yet been evaluated in a comprehensive manner. As indicated in the preceding subchapter, the assimilation- and identification-experience involved in integrating two different business approaches effectively is critical for cross-business value creation, i.e., building up the necessary intensity in social capital. Leadership development experiences with a cross-business focus try to expose the different business cultures to each other in order to enable this assimilation experience. In this regard, leadership development with cross-business focus might appear close to cross-cultural interventions that have been shown to impact on organizational development (Hoppe, 2004). Moreover, most literature predicts that the more leadership development is embedded in the real work context, the higher the effects on leadership action will be (Hernez-Broome & Hughes, 2004; McCauley & Van Velsor, 2004b; Seibert et al., 1995). In line with the general leadership development research, we propose that leadership development with a cross-business focus can be seen as being more closely aligned with the business challenges and thus affects the development of the relevant cross-business social capital of the participant. Stated formally as an overarching proposition:

Proposition 3: Participation in leadership development practices with a cross-business focus is positively associated with the development of cross-business social capital.

However, evaluate the effect becomes much more complex as it might be moderated by a variety of other factors. Accordingly, we will provide further evidence for this assumption by comparing in-depth the various leadership development experiences of the investigated middle managers in the next section and fine-grain our proposition. First, we analyze the proportion of participation in collective versus individual leadership development practices.

- **Participation in collective versus individual leadership development**

Findings. Based on our theoretical argumentation, we subsume under individual leadership development practices measures that enable *individual* development experiences, such as 360 degree feedback, coaching, mentoring and job assignment. By *collective* leadership development experiences, we understand those practices that enable both individual as well collective experiences, such as internal leadership training, action learning and networks/off-sites. As theoretically assumed (please see 2.3.2; table 2-1), *collective* leadership development practices with a cross-business focus seem to be favorable for the development of cross-business social capital, whereas individual leadership development practices seem to have only a limited potential to increase the relevant social capital between units. However, considering all of the different social capital development stages in cross-business collaboration settings, we argue that this assumption is short-sighted. Turning the perspective to how the middle managers experienced these practices reveals that individual development practices with a cross-business focus that enable a *self-reflection experience* are advantageous for developing the relevant social capital as these practices enhance the ability to reflect on cross-business collaboration experiences in a conscious way and to learn generally from development experiences.

Empirical Evidence. Again we compare the two groups of middle managers with regard to their participation in individual and collective leadership development practices with a cross-business focus. The survey results show that the highly engaged middle managers participated on average more in *individual* leadership development than in collective leadership development, whereas the moderately engaged middle managers had more evenly distributed rates (please see 4.4.5). At first glance, this result is surprising as theoretically one would assume that *collective* leadership development practices would be more favorable for social capital development than individual practices. However, a consideration of how these practices have been experienced by the middle managers, reveals this to be a short-sighted assumption. Highly engaged middle managers spoke specifically of the value of *self-reflection experiences* based on participation in individual leadership development practices, such as, e.g., coaching.

> "What was very helpful was the coaching at the end of the program. That helped me personally the most in getting to know myself and my own business profile, to assess

> where I fit in best in the firm and where I can create the most added-value. More generally, it helped me to identify where I can move beyond my comfort zone without neglecting myself, which means bringing my strengths to the business." HL-CBC05

> "What I appreciated about the local program was that it lasted for a longer period. The trainer was at the same time a coach. And I had never had coaching before in that particular form nor had I given feedback. That enriched me personally very much - especially, analyzing 360 degree feedback together with the coach. And because of the length of the program [ca. 1 1/2 years], the coach knew me better and was able to evaluate the feedback that I received better. And I really didn't believe that you could analyze things so objectively and neutrally and provide an overview – individually but also within a group – You always think that what you do is so complex that nobody else can understand it. Of course, it is related to people's willingness to open up. It was interesting that you could basically reduce everything to the three or four issues that were mentioned by most of the people. Even though they were from different perspectives and angles. And that was very beneficial for my personal development. I was able to reflect on things differently so that I could understand why the other reacted like they did, etc." HL-CBC23

This self-reflection experience was also sometimes enabled through a mentor. However, it was not the mentoring as such but rather, the fact that the particular mentor was able to take on the role of a coach.

> "The most important experience for me was the mentoring, simply because I had a very good mentor. He helped to reshaped me, so to speak, in such a way that I was able to take a decision and take on this new job last autumn. He helped me to get to know myself better, to familiarize myself with my own strengths and weaknesses." HL-CBC 05

> "And I think that [accepting that the people from the other businesses are different and that it's ok] was the one experience that was maybe responsible for the success I have today. In the beginning I would get very angry if I found out that the other business was keeping something secret. And I would go and confront them by asking why this or that had happened. And at a certain point I asked myself whether I might be the problem. I then had several conversations with my mentor and finally understood much better what was driving those people. And if you know that, you can better understand why certain products evolve, why they evolve in a particular market situation and what they believe is in for their success. And by doing that I can now understand those people's attitudes and behaviors." HL-CBC06

This shows that even though participation rates in coaching were very low in absolute terms and only marginally higher compared to the other middle managers (please see chapter 4.4.5), this group seems to have engaged generally in more self-reflection, which was also fostered by other kinds of practices. Conversely, middle managers with minor experiences either wished to have more opportunities for self-reflection or had reservations and did not see much value in it.

> "I think coaching would be very beneficial for me because it is a target-oriented reflection about your own actions; outside of the day-to-day business, moving to a meta-level and rethinking the big picture from this perspective. That's what I miss. There's just too much happening every day. You're just stuck in your daily business routines and you rarely raise your head up or look around and ask yourself whether it makes all sense - what we do and how we do it, where could we improve - in the group but as well as an individual. […]" LL-CBC14

> "I believe that coaching makes sense, particularly if somebody does it who has nothing to do with your business and provides you with a totally different perspective. I am convinced that this is more beneficial than if your superior does the coaching. And so, I believe coaching could be handled in a more effective way in this firm" LL-CBC 20

Along with coaching, 360 degree feedback was also discussed as being central to the self-reflection experience, particularly in combination with coaching.

> "I appreciated it [360 degree feedback] very much at that time and I just did it again recently. I think it is very meaningful to receive feedback across all hierarchy levels. I must say that I learned a great deal from it. I discussed the results with my coach. It was, for me personally, a really enriching experience - recognizing where my weaknesses are. Most people fear 360 degree feedback; I saw that as well in my team. […] But I think it has great potential for cross-business collaboration." HL-CBC03

However, 360 degree feedback as a single event did not automatically lead to a valuable self-reflection experience, particularly among the group of middle managers with a moderate level of cross-business collaboration engagement.

> "360 degree feedback is always a bit difficult. It's difficult to get really good, transparent, comprehensible feedback. That's always a bit…. I think you can do without it. Often it just doesn't reflect who you are properly and provides relatively meager benefits. Sometimes it's just not honest and ends up being very opportunistic." ML-CBC29

> "With it [360 degree feedback] human beings are sometimes too humane. They do not want to hurt you. Therefore, I think the benefit of 360 degree is high but only in learning about the people who evaluate you rather than learning about yourself." ML-CBC25

Thus, it seems that the higher participation rate in individual leadership development participation among highly engaged middle managers resulted in a higher self-reflection capability. This capability enabled them, in turn, to reflect and learn from any kind of experience and to develop stronger forms of social capital.

Discussion. The existing literature acknowledges the great importance of an ability to learn from experience for leadership development effectiveness. "[...] leader development outcomes are the result of an interaction of one's ability to learn from experience and a variety of well-designed developmental experiences. So in addition to providing an integrated set of experiences to each individual, an organization must also help many individuals improve their ability or their willingness to learn." (McCauley et al., 2004:208). Indeed, particularly feedback-intensive development practices, such as 360 degree feedback, have as a key goal the enhancement of self-awareness and meta-cognition in order to regulate one's own learning and behavioral change. However, it is acknowledged that this instrument will most likely only reveal its full potential when coupled with measures that support reflection on the feedback (Atwater et al., 2007; Chappelow, 2004; Hernez-Broome et al., 2004; McCarthy et al., 2007). If self-reflection as a personal ability is lacking, even very 'smart' managers often derail as they are unable to recognize the need for personal change or new behavior (Dotlich & Cairo, 2003).

That self-awareness plays an important role in developing social capital has also been proven in several social network studies. In this respect, some research found that an accurate perception of the network (Casciaro, 1998), including the monitoring of environmental cues and modification of individual behaviors to meet external expectations, are characteristic of people at the center of a network (Mehra, Kilduff, & Brass, 2001). Thus, we argue that the higher rate of individual leadership development practices enabled the development of a *self-reflection capability*. This capability, in turn, enhanced the individual's ability to consciously learn lessons from the specific challenges of cross-business collaboration experiences or from other, e.g., collective, development experiences and adapt his behavior in relationships.

Therefore, we add the following to the preceding proposition:

Proposition 3a: The development *from weak to strong forms* of cross-business social capital is moderated by participation in leadership development practices with a cross-business focus that enable *self-reflection* (e.g., through coaching).

In the next section, we will come back to this finding when we provide further evidence on *which* leadership development practices contribute to the development of the different social capital stages required for effective cross-business collaboration in an MBF.

5.2.3 Perspectives on Distinct Contributions

In this section, we analyze *which* leadership development practices enabled the experiences indicated to develop from one stage of social capital to the next in order to encourage engagement in the respective cross-business collaboration activities. Based on the comparison of the three groups of middle managers, we argue that leadership development practices can be distinguished with regard to their potential to enable a *contact-experience, an assimilation-experience* and an *identification-experience*. When considering the different social capital stages and their respective development enablers, leadership development practices are categorized according to their potential to most likely enable the relevant experiences and thus the respective intensity of social capital between units.

We argue that cross-business *action learning* and *job assignment* encompass the potential to develop *all stages* of social capital from weak to strong forms. Cross-business *leadership training* and *360 degree feedback* offer the potential for a *contact- and a subsequent assimilation-experience*, whereas *networks* and *mentoring* potentially support only the initial *contact experience*. It becomes apparent that the development of strong forms of social capital requires a higher resource investment in terms of time and costs. We offer a differentiated evaluation of the contribution of leadership development practices to social capital development in cross-business collaboration settings in order to draw conclusions regarding the strategic alignment of the respective development investment.

The following figure summarizes this idea and will be discussed in more detail in the following paragraphs.

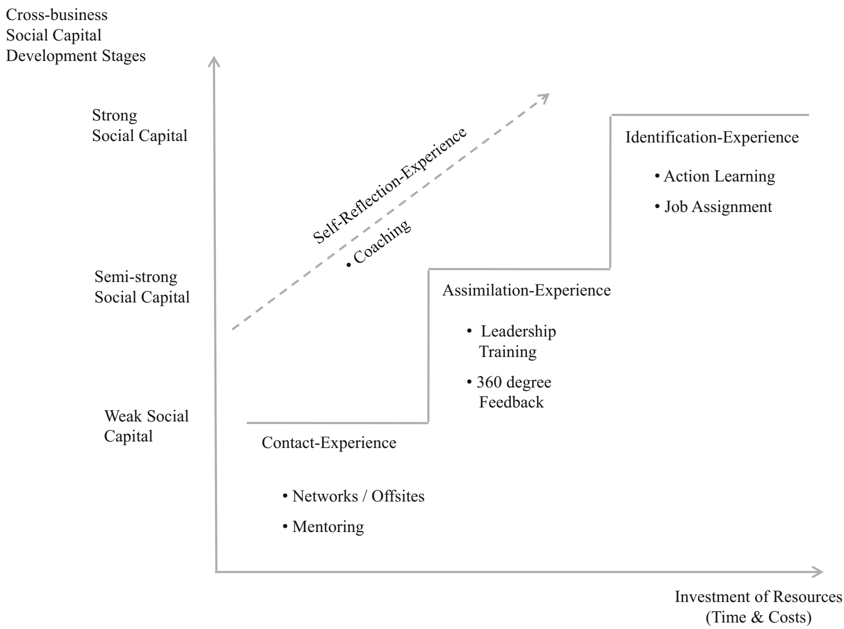

Figure 5-3: Leadership Development's Contribution to Social Capital (Source: author)

We validate our model through the comparison of the three groups of middle managers (low-level, moderate-level and high-level engagement), who differ with regard to their performance in cross-business collaboration and their cross-business social capital. Analogously to the preceding subchapter, we refer to the group of middle managers with overall low-level engagement for our discussion of the contact-experience (relevant particularly in cross-selling activities). With respect to assimilation-experience and identification-experience, we search for evidence among the moderately engaged middle managers compared with the high-engaged cross-business collaborators. By contrasting these groups, we will show that differences in social capital seem to be related to the different social capital experiences they encountered (or did not encounter) with the help of leadership development. Further support is provided by embedding the findings in the existing literature and research in management and leadership development.

- **Contact-Experience**

Findings. As proposed in the preceding subchapter, *contact-experience* with the other business most likely enabled weak forms of social capital necessary in cross-selling activities. Such contact-experience enabled in particular the necessary understanding of the other party's business in order to develop ability-based trust. This contact-experience was actually supported by any one of the leadership development practices with a cross-business focus indicated, except coaching and 360 degree feedback (5.2.2) as these practices build on the assessment of and reflection on *existing* contacts. Thus, we argue that *networks / off-sites* as well as cross-business *mentoring* might be the *most efficient* practices to enable the necessary contact-experience when only weak forms of social capital are required (such as in cross-selling activities). At the same time, these leadership development practices might mark a good starting point for cross-business collaboration activities.

Empirical Evidence. As noted in the last section, highly engaged middle managers participated on average more in leadership development practices with a cross-business focus than in the others. However, the difference is only remarkable with regard to the individual leadership development practices. With respect to collective leadership development experiences, no differences appeared (please see chapter 4.4.5). Under further consideration, it can be observed that there is no difference between the highly engaged middle managers and the moderately engaged middle managers with regard to participation in networks, leadership training and mentoring with cross-business focus. This suggests that these forms might have enabled an initial contact-experience but did not necessarily help with the assimilation- and identification-experience required for the development of stronger forms of social capital. This is supported by the interviews. As noted earlier, in relation to the value of cross-business leadership development, highly engaged cross-business collaborators spoke of *qualitative* relational experiences, whereas the others indicated the value of *quantitative* relational experiences, such as broadening their contacts across the other businesses. Such a contact-experience was seen particularly to enable the necessary *understanding* of the other business. Thus, it was associated with *networks/off-sites* or any other kind of information –event or leadership training.

> "It is not sufficient if the best-practice cases only get published in the intranet. I don't know how other client advisors handle it, but I just scan the titles. I never read the articles in-depth. I don't have time for that. But if that were integrated into a team event or an information event, it would be a positive development in my eyes. And I think that would foster the know-how and understanding. And, beyond that, it would provide you with contacts and you would know who is responsible for what." LL-CBC14

> "The meet-and-greet dinners with the other business were rather contact-driven and very short. That is generally not bad for contacts […]" LL-CBC13

Mentoring was also seen to enable a better understanding through a first contact with the other business. It was mentioned that mentoring did not directly contribute to better relationships to the other business and thus mainly served *only* as the initial contact and understanding.

> "Due to the fact that my mentor came from the other business, I got to know the other business better, at least theoretically. But that didn't help me with [cross-business collaboration] execution […]."LL-CBC01

However, cross-business mentoring seemed to engender a wide range of individual experiences encompassing both very disappointing and very enriching contacts. Highly engaged middle managers experienced it in more cases as an enriching coaching relationship, mostly sustained over a longer period and serving as a strong tie to the other business. Thus, in exceptional cases, mentoring might also have the potential to enable assimilation- and identification-experience. In one case, the mentor even made it possible for the individual to get a job assignment in the other business.

> "I got the job I have today through mentoring. I explained to my mentor that I was in business 1 and had learned a lot but that my learning curve had become flat and that I didn't see any prospects there. I also said that I wanted to do something different, and I explained to him what I wanted to do. That's exactly the job I'm doing today. My mentor enabled the contact so that I got the opportunity to take on the job. With mentoring, I learned to network, which I hadn't done in the branch where I was located before. And that was very beneficial." HL-CBC28

On the other end of this continuum, other highly engaged middle managers, however, had rather disappointing experiences.

> "What I found extremely negative and not very effective was mentoring. In theory, it's probably a good thing. In practice, it is totally determined by the individuals. And in my case, there was no appropriate match at all." HL-CBC23

> "The mentoring was a bit chaotic as you tried to find commonalities at the push of a button - just to have something to talk about. And that did not work out. You have to be able to open up on a personal level; otherwise it does not work. If you cannot establish a personal connection, I wouldn't feel safe opening myself up for developmental discussions. And that was in my case rather disappointing." HL-CBC19

That a contact-experience is a fundamental first stage in the development of cross-business collaboration can be discerned in cases where this experience apparently did not take place.

> "I had negative experiences in meetings with business 2. We met twice a year for dinner to establish a common prospect pipeline. It was disastrous. […] Why didn't it work? Because businesses and expectations were too different. We had an initial dinner as our first contact, just to get to know each other, and it was already much too aggressive for me – along the lines the message was: 'now collaborate!'. But I would have preferred it if we had just approached the whole thing in a more relaxed way and had discussed what our goals were and what the scope of those goals should be. And thus, we didn't continue. There was just too much tension in the air with regard to the different expectations. […]" ML-CBC08

However, a contact-experience collectively organized on a leadership development platform is seen as more efficient than other options for individual contact.

> "They [lunches] are certainly beneficial for the network but mostly it is limited to one person, which is different in a leadership program. Of course, I can get to know that one person better, but you also need individual initiative to approach the person for a lunch date. And most people have a built-in blocking mechanism against things like that. In this sense, programs and off-sites are much better, as you automatically sit together with these people at one table." ML-CBC25

> "I think, for social contact, its [leadership trainings] potential is very high. You have interaction with people for a couple of hours or days and this also increases your competences, which is more efficient compared with a lunch or playing football together." LL-CBC15

At the same time, the limitations of these development practices regarding directly influencing cross-business collaboration were also reported, as noted earlier in relation to mentoring.

> "I think for social interaction it [networks / off-sites] might be rather limited […] because you don't get to know each other very well, which wouldn't result in a sustainable contact where you call each other regularly afterward. However, on that particular day, the discussions can be very helpful to increase know-how." LL-CBC16

> "I think the best-practice events could help [with cross-business collaboration]. You would get to know what the other businesses do in more detail […] and that would foster understanding. And maybe you could invent something where, at the end, there is a board with everybody's names and you could invite someone to lunch, you then go to lunch with somebody you met there. That would be efficient for know-how and contacts. A creative form of follow-up so that the right people can meet again afterward." LL-CBC21

In sum, it was shown that particularly *networks/off-sites and mentoring* as well as leadership training with a cross-business focus have been recognized as providing a venue for initiating a *contact-experience*. Thus, the individual can readily enter the first, necessary development stage of social capital for cross-business collaboration. However, it appears that their effect is limited if provided in an isolated form. Clearly, these practices must be aligned with subsequent practices in order to enable a further development of the respective relationships.

Discussion. The existing literature on the developmental aspects of *network events* has acknowledged that social interaction is accompanied with an increased ability to access others for information and expertise, resources and cooperative action (Brown & Duguid, 1991). Networks and off-sites can be lateral or hierarchical, within an organization or organization spanning. They can be an ongoing practice or specific, for a certain purpose and might appear in a formally organized way or evolve rather informally. With regard to cross-business collaboration, it seems that an ongoing form of lateral network events was useful for distributing existing knowledge and creating new contacts. In this respect, our study is in line with the existing literature on knowledge diffusion and transfer (Kogut & Zander, 1992; Nonaka, Takeuchi, & Takeuchi, 1995).

However, research reports as well that the creation of new knowledge – which is required in joint product / market development collaboration - needs stronger forms of social capital than what results from participation in network events (Hansen, 2002). That is why networks might not be enough to establish strong ties for other types of cross-business collaboration; other practices should be employed to complement the networks. *Leadership training* might also serve to enable cross-business contacts and understanding if the participants from all of the businesses are mixed. Internal leadership training programs are typically classroom-based and take place away from work for 1 to 3 (maximum 5) days so that participants are provided with a safe and supportive learning environment. Meeting with people from other businesses who are different in terms of their functional or professional perspectives is seen to provide the individual the opportunity to offer - or to hear - a different opinion and mindset. This is designed to foster the participant's openness, courage and risk-taking with respect to interacting with other businesses (Guthrie & King, 2004). However, in leadership training programs, the interaction time is much more structured and guided over a longer period than a network event. Thus, we will argue in the next paragraph that leadership training might even entail the potential to result in stronger forms of social capital if it is designed with a dedicated cross-business focus and goes beyond mixing participants randomly together from the different businesses.

Development relationships, such as *mentoring*, are considered an essential ingredient for a leadership development process (McCauley & Douglas, 2004a). They might encompass multiple elements, such as assessment, challenge or support. Depending on which element is in the foreground of the relationship, the mentor takes on a different role. For fostering cross-business collaboration, a mentor from another business group is seen as incorporating the element of challenge. Thus, the mentor takes on the role of a dialogue partner who provides perspectives or points of view different from his mentee's. In doing so, people are challenged in their current thinking and pushed beyond their comfort zone. It helps to explore differences and underlying assumptions (McCauley et al., 2004a).

In a long-term mentoring relationship, mentors are likely to take on additional roles, such as an assignment broker, opening doors for further career opportunities, play the role of a sounding board, or providing advice and guidance for challenging situations and tasks. It was showed earlier that, in some cases involving highly engaged middle managers, these relationships were indeed sustained over longer periods, allowing those involved to develop personal closeness. In this sense, mentoring was a catalyst for an assimilation- and identification-experience, enablers for strong forms of social capital.

Mostly, it is assumed that the length of a developmental relationship is pivotal for the learning and development impact. However, the length of time is not necessarily always favorable (McCauley et al., 2004a). Effectiveness of developmental relationships might also reveal when involving only modest contact: "Instead of focusing on the length or depth of the relationship, the real question is whether the experience with the person brings a different perspective, new knowledge [...]." (McCauley et al., 2004a:95). We argue that a cross-business mentoring relationship might serve as the initial contact enabling this different perspective and new knowledge. However, having a certain purpose in mind when entering a mentoring relationship (e.g., career advice) might hinder an individual from seeing the opportunities inherent in such contact or cause him or her to underestimate the potential of modest contact. This became apparent in our study when some middle managers did not value what they had learned from their mentor about the other business.

In sum, we argue that most of the leadership development practices designed with a cross-business focus offer the opportunity for *a contact-experience* that triggers the development of the first stage of social capital. However, particularly *networks/off-sites as well as mentoring* are seen to enable these experiences in a most efficient manner.

Stated formally as a proposition:

Proposition 3b: The development of *weak forms* of cross-business social capital is supported by participation in leadership development practices that enable a *(cross-business) contact-experience* (e.g., through networks/off-sites and mentoring).

- **Assimilation-Experience**

As proposed in the preceding subchapter, *an assimilation-experience* in inter-personal relationships with the other business was most likely to enable the development of semi-strong forms of social capital. This kind of social capital was proposed to be necessary in cross-business collaboration such as client referral activities. Whereas a contact-experience enables the detection of elements contrasting with one's own business, an assimilation-experience enables the individual to find commonalities despite the diversity among business approaches or professions. It refers to the ability to 'assimilate' in order to agree on a common way of doing something. This involves detecting similarities or agreeing on shared values rather than intensifying contrasts. Focusing on similarities helps to form a common basis for benevolence-based trust.

However, as argued in the last subchapter, an assimilation-experience requires a contact-experience as a prerequisite. Thus, leadership training, 360 degree feedback, action learning and job assignment were viewed as supporting contact- and assimilation-experiences. However, we argue that, if only semi-strong forms of cross-business social capital is required (such as in client referral activities), leadership trainings and 360 degree feedback might be *most efficient* practices to foster the necessary assimilation-experience. At the same time, these leadership development practices might mark a second step in the process of increasing social capital intensity.

Empirical Evidence. Analogously to the preceding subchapter, we assume that the most of the middle managers who reached a *moderate-level* of engagement had experienced client referral activities. Thus, we compare their leadership development experiences with those noted in the preceding paragraph (middle managers with low engagement levels) and the following (highly engaged middle managers). Most of the middle managers who indicated a moderate level of engagement assigned not only a contact-experience but also potential for an assimilation-experience to leadership training, if it was designed with a dedicated cross-business focus.

> "The cross-business program in L. was an important experience. […] That was important and very interesting. One had the opportunity to speak with people. You get a picture of the internationality and diversity of the firm. And this is a big advantage in our firm and in all big firms in general. You have the opportunity to ask people what they do and how they do it, etc. You have the same questions but you see how differently they are approached. That is probably the most important thing. […] And I can't say exactly what affected me most, but every time [I approach another person], I notice each time, wow, there is another aspect to how this human being is functioning. It's more on a psychological level. Looking at it from the other side, if I had only stayed in my business and hadn't looked for contact with others, I would have missed the experience of dealing and negotiating successfully with different people in order to drive business." ML-CBC09

Even though an assimilation-experience in the context of leadership training was not specifically noted, the potential for it to develop was at least implied.

> "Training is an opportunity for me to establish very close contact on a very individual level […]"ML-CBC24

However, they indicate that a simple random mix of people from different businesses might not be sufficient; rather, a design that follows a dedicated cross-business focus is needed. Accordingly, they claim that leadership training programs based on a simple random mix did not provide them with any valuable experience for cross-business collaboration and thus call for a more business-oriented approach:

> "I would rather see the possibilities for networking limited there [at leadership training sessions] – certainly dependent on who is sitting there." ML-CBC27

> "There was something at the headquarter once. But the fact that it was cross-business actually had no impact as leadership skills were in focus […]. And whether somebody from business 1 in Spain was sitting beside me or somebody from my own business didn't really make a difference. […] I think generally [the potential for social capital development] is high. But it depends on how it is designed. I think it should take into account that people from the business are there to tell their stories. For example, the head of section 21 of business 2 and the head of business 1, who points out his strategy. In other words, I would not be happy if there were somebody telling us about cross-business collaboration in a theoretical way and we then had to play some games. But if it were organized as a workshop, I really think it would have high potential." ML-CBC13

Moreover, they indicate the limitations of impact if there is no carefully planned follow-up.

> "And I think that [the cross-business leadership workshop] should be followed-up. […] It should be done on a regular basis. And then I'm sure that contacts would develop from it." ML-CBC09

They discussed the use of 360 degree feedback, particularly peer feedback, to help them align themselves with the other businesses.

> "The most important experience was the 360 degree feedback exercise. You gain some interesting insights through the comparison of your self-evaluation and evaluation by others. You start to think about yourself. That helped me a lot. And I always tried to integrate as many peers as possible. With your employees it is always a bit biased. But the peer level is for me the most important one as they are the most honest. Blunt, direct and open. The same with coaching. I value much more highly coaching by people above the peer level, a person higher up or at other levels. I experienced peer-coaching in seminars but independently as well afterward. At the moment I am not pursuing one, but if I had a particular topic in mind, I would know exactly with whom I would talk about it." ML-CBC08

> "The most valuable experience for me was 360 degree feedback. I hadn't experienced it before in such a clear-cut way. Because you have no other platform where you get such open and honest feedback from various areas. From your superior, you get regular feedback but not from your employees and peers. And the ones who did the evaluation seriously put a lot of effort into it. And I think, other than that, you have only few platforms. And it did help me to align how I see myself and how others see me. Where do others see my growth potential and strengths." ML-CBC12

In the same sense, highly engaged middle managers reported having already aligned their behaviors in accordance with the other businesses, mostly with the help 360 degree feedback or other feedback providers, such as mentors or superiors, and indicated that they had embraced the opportunity.

> "The 360 degree feedback exercise was very good for me, particularly from my clients and team heads. That really hit the nail on the head. It wasn't necessarily new to me. But I really gained the insight that others see me the same way. Others notice, too, ok, in this and that he's not especially capable, but that's ok. Actually, I don't make a secret of it. I know what I can do and where my weaknesses are and I'm trying to work on them." HL-CBC 28

> "[…] And I think this was the main experience that has only now resulted in success: In the beginning I was very upset when I recognized that the other business had concealed something. And then I went back, was looking for a confrontation, wanted to know why it had happened. And at one point I thought, maybe I'm the problem. And so I discussed it with my mentor [in the other business] and suddenly I understood much better what was driving those people. And if you have understood 80% of that […], you can understand their motivation much better." HL-CBC 06

This is supported as well quantitatively. Highly engaged middle managers had a substantially higher participation rate in 360 degree feedback than other middle managers (please see chapter 4.4.5).

In sum, it appears that an *assimilation-experience*, including a contact-experience, was particularly fostered through leadership training programs with a strictly designed cross-business focus. 360 degree feedback that embraced feedback from peers from the other businesses enhanced the assimilation-experience based on existing contacts. However, these effects seem to be limited to certain conditions: The effect of leadership training is limited as it rarely involves a follow-up with the same participants, and the benefits from cross-business 360 degree feedback are related to one's self-reflection-capability, as seen in 5.2.2.

Discussion. *Leadership training* that enhances an assimilation-experience entails an assessment of an individual's leadership using multiple lenses to view numerous aspects of personality and effectiveness (Guthrie et al., 2004). The art of designing effective training lies in fully understanding the needs of the target population. The conceptual framework, content and placement of exercises must match and reflect the complexity participants face, be relevant to their challenges and action-oriented (Guthrie et al., 2004). Thus, the authors recommend exercises of many types, including leaderless group discussions, targeted experimental exercises and small-scale simulations. If placed early in the training program, these exercises boost - among other elements - the building of relationships among participants. These challenging exercises are strengthened by allowing participants to meet different people with different perspectives, as already noted earlier. The value of diverse perspectives in the classroom is seen in the challenge of collaborating with participants who differ from oneself with regard to working style. It is suggested that, with that perspective in mind, "[...] participants begin to appreciate the diversity in their own workplaces and realize that they may need to capitalize more on these differences, rather than approaching them as a nuisance or point of conflict." (Guthrie et al., 2004:46). When training exercises met these criteria by incorporating a dedicated cross-business focus and real challenges of the target group, they indeed had the potential to enable an assimilation-experience.

However, at the same time, the literature accounts for the limits of simply ensuring a variety of perspectives among people and acknowledges that a mix of diverse participants is a necessary but not sufficient condition for this experience. If the exercises are not supported consciously in how to handle diversity, conflicts may remain below the surface and not be explored. (Guthrie et al., 2004). Thus, it is clearly dependent on the design of the leadership training program as to whether it might enable the development of the necessary social capital in a cross-business collaboration environment.

This explains why not all middle managers in our study had valuable experiences in leadership training programs with regard to their cross-business relationships.

With respect to *360 degree feedback*, there exists an extensive body of literature, which reflects its increased popularity and use in firms (Chappelow, 2004; McCarthy et al., 2007; Van Rensburg et al., 2006; Yukl et al., 1995). The main goal of 360 degree feedback is to force the managers to examine the opinions that other people have of them. This might be particularly challenging when an individual is exposed to other views for the first time. The subsequent self-reflection can create disequilibrium, causing people to question the adequacy of their own skills and perspectives (Chappelow, 2004).

A study focusing on professionals using 360 degree feedback for the first time describes an avalanche of emotions caused by unexpected opinions and criticism, which forced them to confront themselves with their deepest fears and insecurities (Van Rensburg et al., 2006). Indeed, other studies confirm that 15-20% of all feedback falls into the unexpectedly negative category. Thus, it becomes clear why support elements need to be designed into the experience. The above-mentioned study showed that when the digestion of feedback was supported, participants became less emotional and more objective in their response to it. That stage of the process was followed by a vigorous activity to deal with the issues leading to behavioral change. These changes included improvement in social interactions, such as becoming more accessible and developing closer relationships and controlling inappropriate interactions, increasing communication frequency, and listening and questioning activities (Van Rensburg et al., 2006).

Thus, the authors conclude that 360 degree feedback assisted many of the participants in reflecting upon and rethinking behavior and attitudes that had become automatic and habitual. This was mirrored in two very frequently mentioned developments, 'a better understanding of myself' and 'a better understanding of how my behavior affects others'. More generally, evidence of the impact of 360 degree is indeed measured on two types: (1) the degree to which self-ratings become more congruent with ratings from others, and (2) the degree to which behaviors are changed in a useful way. For the required assimilation-experience in cross-business collaboration settings, the former seems to play a specific and important role. This is in line with our study, which shows that middle managers with strong social capital benefit from 360 degree feedback in such a way that they were able to adapt behaviors to achieve more congruence with other businesses.

In sum, we argue that most of the leadership development practices designed with a cross-business focus offer the opportunity for a contact- and an assimilation-experience that triggers the development of semi-strong forms of social capital. However, based on the experiences of the middle managers in the study, particularly leadership trainings (contact- and assimilation-experience) and 360 degree (assimilation-experience) are seen as enabling these experiences in a highly efficient manner.

Stated formally as a proposition:

Proposition 3c: The development of *semi-strong* cross-business social capital is supported by participation in leadership development practices that enable *a (cross-business) contact- and an assimilation-experience* (e.g., through leadership trainings).

- **Identification-Experience**

As proposed in the preceding subchapter, *an identification-experience* with the other business very probably enabled development of social capital up to strong forms of social capital. This kind of social capital was proposed to be necessary in joint product / market development. Whereas an assimilation-experience involves detecting similarities or agreeing on shared values within a specific business situation, the identification-experience enables commitment to a common shared vision that facilitates identification-based trust. This trust is long-lasting in character and is important in a highly ambiguous business context such as joint product / market development.

As argued in the last subchapter, an identification-experience requires a contact- and an assimilation-experience as prerequisites. It was observed in our study that action learning and job assignment have the potential to support the contact-, assimilation- and identification-experiences required for the development of strong forms of social capital between the businesses. Moreover, both forms involve entrepreneurial leadership and an openness to engaging in new and uncertain situations. In the case of a job assignment, personal engagement is required to see opportunities for new jobs in the other business and have the courage to shift one's own perspective. In the case of action learning, a long term engagement in a cross-business project above normal workload is required. Consequently, if strong forms of social capital between businesses are strategically required (e.g., in joint product / market development), it is beneficial to invest in these kinds of long-term leadership development practices as they enable the development of social capital experiences in a path-dependent and efficient manner.

Empirical Evidence. Comparing middle managers with low- and high-level cross-business collaboration, we found indications that highly engaged middle managers do collaborate across businesses because they identify with the overall strategic goals of the firm; in other words they identify with the whole firm and not only with their own business. It seems that they had the opportunity to develop a commitment to a shared vision beyond a certain business collaboration situation.

> "With regard to the integrated business model, I would say our events [with the other businesses] and our off-sites [have been the most important experience to me]. Because you can get to know each other, detached from any business setting or issues, and this is for me the key to collaboration. You can support the cohesion, the 'we-feeling', that you work for one firm. And that […] you have a common goal – to do business. In that context, you can focus on similarities instead of differences." HL-CBC19

They indicated that they had had the opportunity to develop stronger links and commitment to the other businesses with the help of leadership development practices – particular job assignment and - and not only through situational business opportunities.

> "In our case [action learning program], we did see each other for more than one year, which enabled a certain trust level. That was one of the most important things in the program. As you do not see each other, you're just there for only a few days, you really can let your hair down und you know for sure that it will stay in that room. You open yourself up much more and also discuss problems you have with your colleagues. Through the project we got to know our firm much better, established a lot of contacts. You live the competences in an active way and not on a theoretical basis, which is why I would say that it has more potential than a simple leadership training program." HL-CBC05

> "From my personal history -- I worked for over 11 years in business 2 and decided last year to move to business 1, with the aim to support cross-business collaboration. That also shows that I personally do not only pay lip service. I have given up a lot and put a lot behind me to work on this topic." HL-CBC05

Both forms seem to enable a deeper shift in perspectives, to make it easier to put oneself in another's 'shoes'.

> "I was in the local action learning program, which lasted for over a year and which therefore provided me with a lot of valuable experience based on the project. […] Within the project, which was mostly driven by business 1, you were able to learn a lot about how to do things, particularly when we discussed which board we needed to have sign off on our proposal. Quite frankly, I wasn't aware that we had so many committees and boards and how many members there are. I was completely awestruck when we discussed how to present and how to recognize certain board members. […]That was pretty hierarchical, which I wasn't familiar with from my business 2. But maybe it is related to the fact that our board is geographically in another region. […] And that was really new to us but it did help us to understand some of the things that happen [in collaboration] better. You could just live it within this [action learning] project. And that was fascinating. Not necessarily with regard to the question of whether something is right or wrong. But to understand that they have to consider other strategic decisions. […] It is just different. And this enables a higher degree of understanding." HL-CBC19

> "I personally think that this [job assignment] is the most important thing. And I think the longer, the better, but of course at the price of a higher investment. You need to find the trade-off here. We have trainees [from other businesses] and I did that once myself, too. But I am a bit reluctant to do shadowing [ultra-short-term assignments, a visit for a couple of days] or just to look over someone's shoulder. I didn't have a good experience with that. I think it is better if you do something within the team or department because you can get in touch via the task, for example, in a project for three months. I am then in the department, work with them, and this is different from just standing at their side and watching them." HL-CBC28

Moreover, both forms seem to involve an entrepreneurial mindset and openness to new and ambiguous situations, as one interviewee explains:

> "At a certain point you ask yourself, where am I, how long have I been here and what do I do, and in the end, I came to a decision - I wanted to do something else. And the decision was made without knowing that I would end up here. And it was a great experience because it was also liberating in that I recognized I wanted something that I apparently couldn't get here anymore. And when that happens, you pluck up your courage and you take your knowledge and go! And that experience helps me a lot in how I act today. I feel very independent in my thinking and acting. That is what I mean by sustainable. If I have my life and I want to move things along, I will proceed very persistently, even though I might get on their nerves, because I know if they don't want me anymore, there are others beyond these walls who might want me. That helps me to act, to deliberate, to be open to something new." HL-CBC06

Indeed, the survey indicates that the difference between highly engaged middle managers and middle managers with moderate engagement lies in the participation in job assignments and action learning (please see chapter 4.4.5). Most of the interviewees see in cross-business job assignments and action learning the highest potential to support cross-business collaboration activities by fostering the necessary social capital as well as relevant understanding, skills and competences.

> "We always have a trainee [from the other business] for 3 months. And I recognize change in everybody. And you recognize it with yourself too. The argumentation from a different perspective that you have. Of course, you lose it again if you leave. But for the people who are capable of changing perspective for a certain time, to put on different "glasses", it is great […]." HL-CBC28

In sum, it appears that an *identification-experience*, including a contact- and an assimilation experience, was particularly fostered through long-running or repeated leadership development experiences, such as job assignments or action learning, as they involve an entrepreneurial spirit more than other leadership development practices that have a shorter time horizon. However, it appears that the effect is again related to one's capacity for self-reflection, as seen in 5.2.2.

Discussion. *Job assignments* are one of the oldest and most potent leadership development practices. A number of research studies confirmed the growing importance of learning from job experience for leadership development (Seibert et al., 1995; Van Velsor, Moxley, & Bunker, 2004). They showed that people learned from influential people at work and experience in their jobs rather than from formal training programs. Along with technical skills and industry knowledge, they provide important leadership development opportunities for communication, team building, and quick decision making in the face of pressure and ambiguity (Ohlott, 2004). To be developmental, a job assignment must challenge people, push them out of their comfort zone and require them to think and act differently. It usually contains some elements that are new to the person. Until a job assignment calls for a particular competency, it may be that people do not know what level of that particular competency they possess.

As organizations become flatter, relying on alliances and partnerships, the lateral or cross-functional job assignments are increasing in importance (Ohlott, 2004). In such contexts, managing across lateral boundaries among different functional groups, different locations and managerial levels within one's own organization is demanded. The need to work with people over whom they have no formal or direct authority becomes a new source of challenge for leaders accustomed to managing downward (Ohlott, 2004). Building and sustaining relationships to other departments, how to deal professionally with people who have different working styles and to disagree while maintaining professional respect for one another are all cited as developmental experience from lateral job assignments (Ohlott, 2004). The study indicates that, for strong social capital between different businesses, cross-business job assignments might be a valuable source to increase the respective experiences, particularly for the ambiguous and uncertain context of joint product / market development collaboration. Moreover, a job assignment is not necessarily work that someone is ‘assigned’ to do. A person might seek out and volunteer for assignments.

In our study, most of the people who participated in a job assignment were actively seeking such a challenge and took on a new job. However, the expression job assignment is used for entire jobs as well as for an aspect of a job, such as a temporary task force to solve a particular problem. Long-term and short-term assignments are distinguished along those lines (Minbaeva et al., 2004). Whereas long-term assignments seem to support the *willingness* to share knowledge, short-term assignments foster the *ability* to share knowledge. This corresponds in a sense with our study, where most middle managers indicated that a short-term assignment in other business groups would mark a good starting point for cross-business collaboration activities. From this perspective, job assignments move closer to problem-based *action learning*, feigning a sort of temporary job assignment in an embedded real project or task force context. It might even compensate for some disadvantages of job assignments. Job assignments entail a large investment from both the manager and the company, and development outcomes tend to be vague and vary extremely on an individual basis (Ohlott, 2004). There is a risk that an individual will not successfully navigate the job, particularly if support in learning from experience is lacking (Van Velsor et al., 2004).

As not all jobs can be used for developmental assignments (McCauley et al., 1994), there are not necessarily enough job assignments for everybody. Action learning might be an alternative pursuing the same development purposes, but with less uncertainty and providing an opportunity for a specific development investment. In action learning formats, company-based projects serve as the principal learning vehicle and entail a real organizational challenge. In doing so, it ensures that the learning experience serves both the individual and the company (Conger & Benjamin 1999). It includes that which is usually lacking in a regular job assignments: time to reflect on the learning and development experience (Conger et al., 1999). In this way, it combines the advantages of a job assignment with self-reflection, which enables the individual to establish meaningful relationships within a real live context.

As most action learning is conducted in cross-functional groups, most people report experiences that have facilitated a deeper understanding of the organization’s overall corporate vision and strategic direction (Conger et al., 1999). Our study indicates that cross-business-oriented action learning provided an opportunity to understand the other businesses as well as to develop trustful relationships and experience a shared vision. Even though most action learning evaluations point to individual skills in terms of an increase in human capital, it is acknowledged that the team composition and dynamics play an important role in a successful action learning process (Conger et al., 1999). If teams develop strong norms about candor and diversity of perspectives, they produce more insightful and creative project recommendations.

Middle managers who participated in cross-business action learning indeed mentioned both reflection on and an understanding of the importance of diversity between the businesses and indicated that this was particularly helpful in conducting business with the other parties. Therefore, we believe that action learning entails not only high potential for human capital development among leaders but also for the development of social capital across different businesses. However, as noted earlier with regard to leadership training, this is strongly related to the composition of participants as well as the design of the action learning program (Conger et al., 1999; Yorks, Beechler, & Ciporen, 2007). Consequently, we believe that action learning is a beneficial investment, with tangible outcomes for cross-business value creation not only based on the project encountered but also with regard to the social capital developed.

In sum, we argue that job assignment and action learning designed with a cross-business focus offer the opportunity for a contact-, an assimilation- and *an identification-experience* that enables the development of strong forms of social capital. However, these experiences are strongly related to how these practices are designed and how they are reflected on.

Stated formally as a proposition:

Proposition 3d: The development of *strong forms* of cross-business social capital is supported the participation in leadership development practices that enable *a (cross-business) contact-, assimilation- and identification-experience* (e.g., through job assignment, action learning).

5.2.4 Conclusion

Our study indicates that participation in leadership development practices with cross-business focus supports the development of relevant cross-business social capital. However, *collective* leadership development practices (such as leadership training, action learning, networks/off-sites) are not necessarily per se superior to *individual* development practices (such as 360 degree feedback, coaching, mentoring, job assignment) in enhancing social capital development. Moving the perspective from intended practices to how participants experience them we argue that particularly a conscious *self-reflection experience* differentiates the successful middle managers with strong social capital from the group with weaker social capital. This indicates that a high capacity for self-reflection seems to be necessary for and beneficial to transforming social capital to higher quality levels by enabling the individual to learn from any kind of experience (be it on-the-job or dedicated development experience). This is in line with the existing literature on leadership development as well as inter-personal social capital findings, with respect to both strengthening the role of an accurate self-awareness and continuous self-monitoring. In this regard, *coaching* in particular seems to have the potential to *enable a self-reflection experience* that facilitates movement from one stage of cross-business social capital to another.

Moreover, however, some leadership development practices seem to be more favorable than others for efficiently developing certain social capital stages. *Mentoring* and *networks/off-sites* seem to enable, in an efficient manner, the required *contact-experience* in order to build the necessary degree of social capital relevant in cross-selling activities. *Leadership trainings* and *360 degree feedback* imply the potential to also enable an *assimilation-experience*, whereas a *job assignment* and *action learning* seem to foster the subsequent development of all stages of social capital, i.e., *contact-, assimilation*- and *identification*-experiences. We provide a reiteration of our propositions:

Proposition 3: Participation in leadership development practices with a cross-business focus is positively associated with the development of cross-business social capital.

This is concretized with regard to each leadership development practice in the following way:

Proposition 3a: The development *from weak to strong forms* of cross-business social capital is moderated by participation in leadership development practices with a cross-business focus that enable *self-reflection* (e.g., through coaching).

Proposition 3b: The development of *weak forms* of cross-business social capital is supported by participation in leadership development practices that enable a *(cross-business) contact-experience* (e.g., through networks/off-sites and mentoring).

Proposition 3c: The development of *semi-strong* cross-business social capital is supported by the participation in leadership development practices that enable *a (cross-business) contact- and an assimilation-experience* (e.g., leadership trainings).

Proposition 3d: The development of *strong forms* of cross-business social capital is supported by participation in leadership development practices that enable *a (cross-business) contact-, assimilation- and identification-experience* (e.g., through job assignment, action learning).

We have thus elaborated the potential contribution of leadership development experiences to social capital development in cross-business collaboration settings, which is the focus of our second research question. In order to provide the corporate management of an MBF with options for using leadership development as a strategic measure, the next subchapter will discuss how different leadership development practices can be strategically aligned, which is the topic of the third research question.

5.3 Strategic Alignment of Leadership Development

5.3.1 Introduction

How can corporate human resource management align leadership development practices to foster cross-business value creation? This subchapter aims to answer the third and last research question of this dissertation. We propose *normative guidance* in how leadership development practices can be aligned in order to support the development of the relevant social capital in cross-business collaboration settings. In subchapter 5.1, we described how cross-business collaboration settings (*cross-selling activities, client referral activities, joint product / market development activities*) differ with regard to their required stages of social capital (*weak, semi-strong, strong*). Moreover, it was argued that the development of these social capital stages is path-dependent in nature and is supported by certain interaction experiences (*a contact-, assimilation-, and identification-experience*).

As shown in 5.2, successful middle managers were able to develop all of the stages of social capital (i.e., went through a contact-, assimilation- and identification-experience), and leadership development experiences with dedicated cross-business focus seemingly played a role in enabling them. Thus, their leadership development experiences differed from those of the other middle managers in two ways: a) They pursued a cross-business job assignment or action learning, both of which were identified as supporting all three stages of social capital development, and b) they experienced self-reflection support (such as, e.g., coaching), enabling them to develop from one stage to the other.

Based on these findings we will argue in this subchapter that the strategic alignment of leadership development in an MBF is seen in consciously pursuing – along with the currently predominant human capital orientation – a dedicated *social capital orientation*. With regard to an a) *external alignment* of leadership development, we propose considering *mastery levels of social capital* when designing a practice. Consequently, for an b) *internal alignment* of *various* leadership development practices, we suggest that positive synergistic effects can be achieved if the practices are offered in a sequential manner, enabling a social capital development path from a contact- to an identification-experience.

Thus, we expand the existing contemporary research and practice in leadership development. As the research mainly focuses on human capital development, social capital dimensions are considered today more as a side-effect. Thus, leadership development practices scarcely go beyond a contact-experience. However, only by considering social capital mastery levels in a systematic way, will leadership development finally be able to acknowledge an understanding of leadership as a social interaction process embedded in a business context. In doing so, it will mobilize not only human capital resources but also social capital resources in an MBF, facilitating unique resource and exchange combinations that may create a source of competitive advantage.

We have structured this subchapter in the following way. In section 5.3.2, we suggest mastery levels of social capital for leadership development design. In 5.3.3, we illuminate possible sequences and combinations of leadership development practices that might lead to positive synergistic effects by considering social capital mastery levels. We draw our conclusions from a cross-case comparison of the three groups of middle managers, their real leadership development experiences as well as their estimations of the *potential* of leadership development practices. Thus, each section begins with a presentation of the main idea, followed by *empirical evidence*, which leads to a *discussion* in the light of the existing literature. We then present our formally stated propositions. We conclude this subchapter in 0 with a summary of our findings for research question three, including our contribution to existing research.

5.3.2 External Alignment of Leadership Development Practices

An *external* alignment of leadership development practices refers to the overall alignment of leadership development with the company's competitive strategy (please see 2.2.4). It implies a *contingency* perspective that business performance will improve if leadership development practices and the competitive strategy mutually support each other. In the case of an MBF where synergy realization – and thus cross-business collaboration - across businesses is an important ingredient of the competitive strategy (2.1.2.), leadership development needs to be aligned in order to support a *collaborative* culture. This is particularly the case if corporate management realizes its synergy potentials through *horizontal optimization* (please see 2.1.3). In this case, an MBF strives not only for efficiency but also growth synergies across businesses. That means that businesses are creating value interdependently and thus *collaboration across businesses* becomes strategically relevant. Accordingly, leadership development should, in the best way possible, impact the leaders' effectiveness for cross-business collaboration and an appropriate collaboration culture in order to be strategically aligned and serve as source of competitive advantage.

We argue that external alignment in an MBF following a horizontal optimization strategy involves systematically incorporating a *social capital perspective* into the design of leadership development practices. This might be different, however, in a strategic setting where an MBF is striving for a *vertical or portfolio optimization* through efficiency or financial synergies, and where each business operates more or less autonomously. In this case, an external alignment of leadership development practices might entail increasing the respective behaviors and skills with regard to the particular *business strategy*. The following figure summarizes this idea:

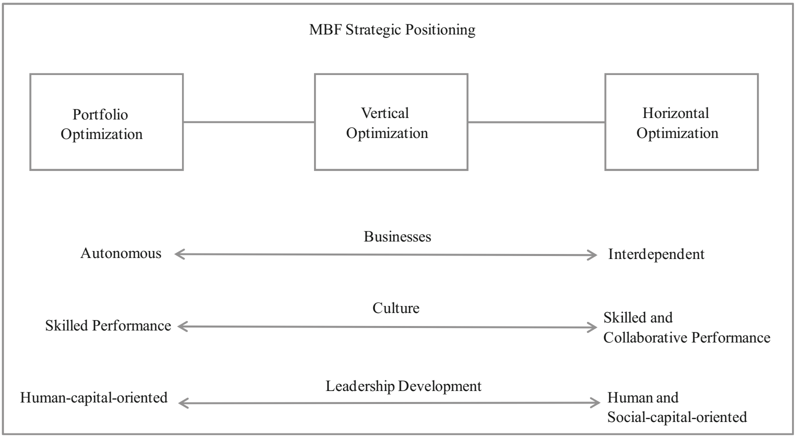

Figure 5-4: External Alignment of Leadership Development (Source: author)

In contemporary practice, strategic alignment is usually discussed with regard to the human capital dimensions of leadership development, focusing particularly on the *content* of a practice. For example, the design of a leadership training program is labelled strategically aligned if internal business leaders are invited to speak about the firm's strategy or a certain cross-business collaboration best-practice case, followed by a discussion with the participants. This is most often accompanied by group discussions on the cases presented and an exchange on best practices for application. Finally, participants are asked to establish an individual action plan for the own area of responsibility. Such a set-up considers the presently used mastery levels for leadership development design centering on human capital dimensions: *critical awareness & knowledge, guided application and independent application* (Van Velsor et al., 2004).

Although a socializing effect that impacts the participants' business relationships later on is generally desired, it rarely exceeds a contact-experience during a program event. Accordingly, we argue that in an MBF that strives for horizontal optimization, a human capital orientation in designing leadership development practices is not sufficient for strategic alignment. Social capital dimensions as a development target must also be valued in the same way as human capital dimensions. This results in human capital mastery levels being complemented by social capital mastery levels that guide the design of leadership development practices to support not only a skilled but also a *collaborative* performance across businesses in the MBF. The following figure summarizes this idea:

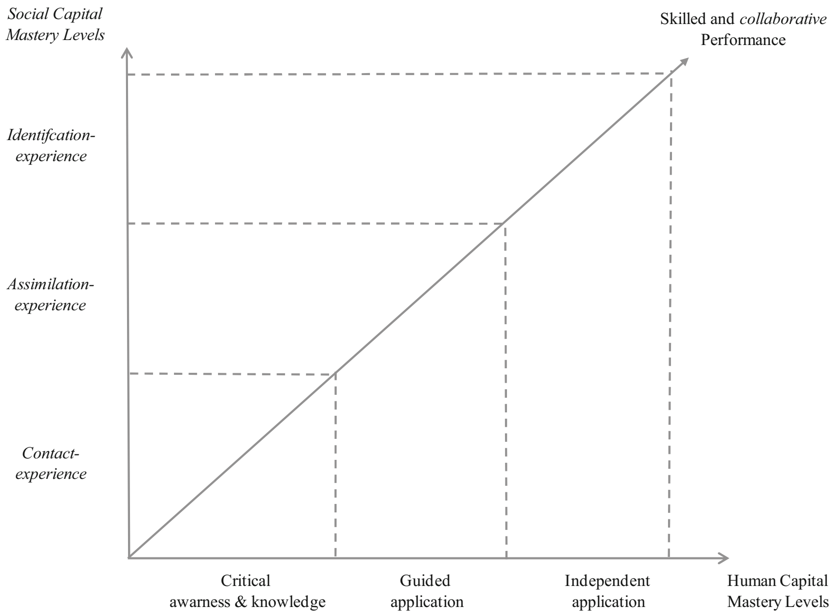

Figure 5-5: Social and Human Capital Mastery Levels for Design (Source: author)

Empirical Evidence. When asked 'What supports cross-business collaboration best', middle managers with low-level engagement mentioned *knowledge and contact issues*, such as getting basic information about the other business, getting to know the others or at least having an overview of who does what. Conversely, highly engaged middle managers pointed out the importance of identifying with the firm's goal, meeting people outside the business setting and for a longer period of time in order to deepen the relationship and discuss cases (please see 5.1.2 and 5.1.3). Thus, they expressed support for a leadership development approach that includes such opportunities. They indicated that a mere exposure to participants in other business groups only provided them with a contact-experience and did not necessarily impact the further social capital development (please see as well 5.2.3).

> “The leadership seminar […] did not necessarily provide me with contacts. I was able to establish a good connection to one co-worker who was from my business area. The participants from the other businesses weren’t from my region and we don’t really have business links to each other. It would probably have been different if there had been more people out of my region. If that had been the case, I would have assigned it a high potential [for the development of cross-business social capital].“ ML-CBC26

Indeed, in leadership development experiences that did consciously consider social capital development across businesses, such as the recently launched X-BLE program (please see chapter 4.2.2), middle managers expressed their appreciation for designs that brought together the right managers to elaborate real cross-business cases together. However, if not pursued afterwards or sustained in a certain way, they also expressed their concerns.

> “I think it would be great if that [the cross-business Leadership Workshop] were repeated once or twice a year, but with the same participants. Otherwise, you have to start at zero again. If you have the same participants, you can question things in a more target-oriented way, evaluate best-practices, etc. […]“ HL-CBC07

Overall, it was acknowledged by highly engaged as well as less engaged middle managers that leadership development practices would have the potential to support cross-business collaboration if the social capital dimension were integrated systematically to complement the human capital dimension.

> “I think the main problem is not the disappointments but the unsystematic way you get together with people from other businesses.” LL-CBC21

> “It lacks systematic [support for cross-business collaboration], particularly with business 2. Since I am with that firm, such efforts are only smoke screens, and are generally not a resounding success. That might be related to different components. And in my personal case I probably lack the contacts and competence as well. That means, even if I had the contacts, I would need a bit of know-how as a connecting factor. And a lunch would not be sufficient here. I think there is probably such a thing as a useful leadership training program or projects [action learning]. And there I would also as well the sustainability.” ML-CBC08

"I think that leadership development platforms can support more strongly [cross-business collaboration]. That is what we already had when we did our off-site in W. and M. [within business 1]. I think we could also do such things across businesses – even if not every year. Because it was pretty helpful within business 1. We gathered all the key players there, and we still have our contacts from there, still maintain them today. And I am sure that I would not have known them otherwise." HL-CBC03

When we asked middle managers about the potential of specific leadership development practices to foster social and human capital necessary for cross-business collaboration, most of the interviewees agreed upon the high potential of job assignment and action learning for *high levels* of cross-business social *and* human capital dimensions, if organized with a cross-business focus.

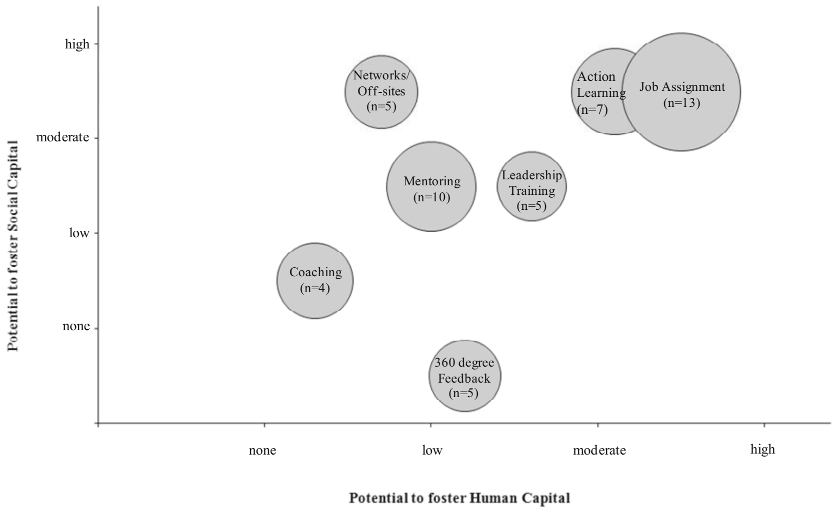

Figure 5-6: Interviewees' Opinion on Potential of Leadership Development (Source: author)[59]

Discussion. When designing a development practice, in general, a learning goal taxonomy in the form of certain *mastery levels* is applied as a guiding reference. Derived from the learning cognition literature (Bloom, Engelhart, Furst, Hill, & Krathwohl, 1956), such a framework may encompass three to six different learning stages which

[59] During the interviews, middle managers were asked about their opinion on the potential of the respective leadership development practice (if it were organized with a cross-business focus) to foster cross-business collaboration. For each practice they had experienced, they indicated the potential for fostering the necessary cross-business social capital as well as the necessary human capital development. The graph shows the mode and its frequency in the form of bubbles. The position of the bubble represents the mode, the size of the bubble represents the number of times mentioned (for details please see appendix).

differ in the *degree of complexity* of the learning goals. This suggests that development paths should be designed from less complex to more complex learning goals. The leadership development literature proposes a) *critical awareness and knowledge, b) guided application*, and c) *independent application* as corresponding mastery levels that result in the *skilled performance* of a leader (Van Velsor et al., 2004). It becomes apparent that these mastery levels focus on the competences, experiences and skills of a manager, which contributes to the human capital dimensions of a firm.

Even though the social interaction aspect has been acknowledged to be beneficial in driving learning and development processes efficiently, it is rarely discussed as an individual, dedicated learning goal dimension (Day, 2000). It is usually only considered to ease individual learning processes by mixing different participants together for networking at a dinner or other social events. Moreover, the composition of participants results more from individual schedules, i.e., whether a specific manager's time schedule will allow participation. Consequently, social capital development remains on the level of a *contact*-experience, facilitating at best a good learning experience during the program but not resulting in subsequent business collaboration.

As seen in our study, mere exposure to participants from other business groups did not necessarily impact their cross-business social capital in a sustainable way. A systematic development of higher levels of social and human capital was enabled, however, when managers were deliberately put together in the same constellation in which they interacted in their daily business lives or should interact in future (such as in the X-BLE program, recently launched by FinanceCorp– please see chapter 4.2.2). Thus, most of the interviewees thought that leadership development experiences such as dedicated cross-business workshops, job assignments and action learning organized in a systematic and aligned way would be the most preferable for supporting cross-business collaboration. They entail the potential to enable the necessary contact-, assimilation- and identification experiences, on the one hand, and the necessary human capital development on the other hand. In that way, they support both high levels of social *and* human capital in a systematic and sustainable way.

We suggest that the corporate human resources management of an MBF incorporate dedicated *social capital mastery levels* in the form of a *contact-, an assimilation- and identification-experience* along with human-capital-oriented mastery levels *(critical awareness and knowledge, guided application and independent application).* If the design of leadership development practices in an MBF is guided by careful consideration of the mastery levels of both dimensions (human and social capital), we would assume that leadership development practices lead to skilled *and collaborative* performance across businesses and thus are aligned (external alignment) best with the corporate strategy of the firm. This is illustrated by the following figure, which is based on figure 1-1 from the introduction to the dissertation and provides linkage between our conclusions and our original research intent:

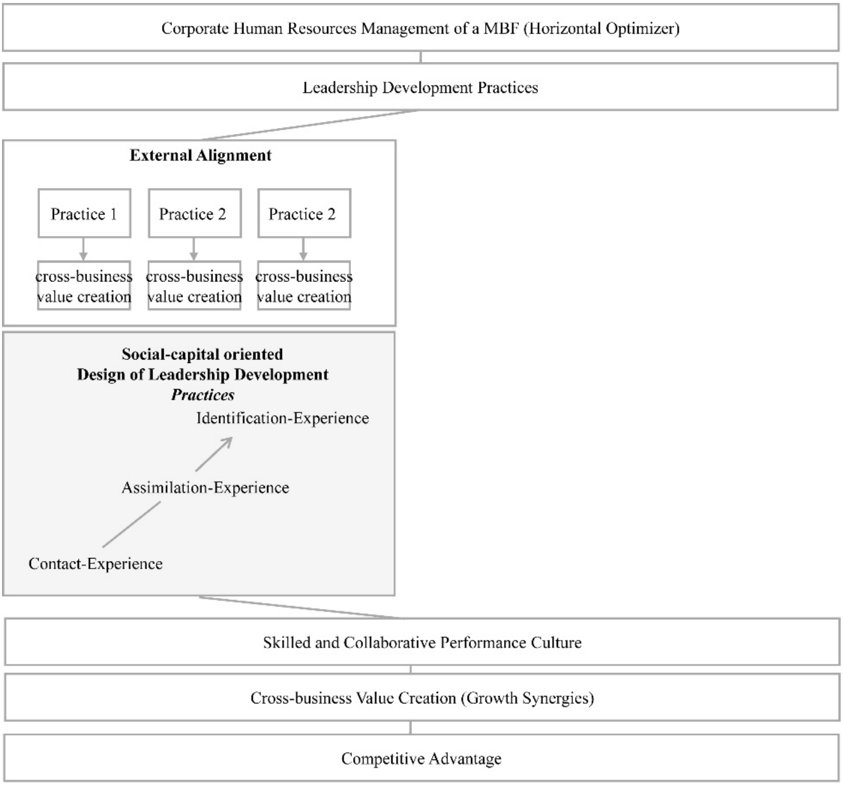

Figure 5-7: Overview External Alignment of Leadership Development (Source: author)

Formally stated as a proposition:

Proposition 4a: If leadership development *practices* are designed under consideration of *social capital mastery levels*, they will foster continuous cross-business value creation (growth synergies) and thus are strategically aligned (i.e., *external alignment*) with the corporate strategy of an MBF (horizontal optimizer).

However, as discussed in chapter 2.2.4, an *external* alignment of leadership development practices is only one part of a strategic alignment. The interrelationship of different practices and thus their *internal* alignment needs to be considered in order to create a sustainable approach to leadership development that might lead to competitive advantage. Based on the observations in our case study, we discuss in the next section which leadership development practices might create a *positive synergistic effect* between each other in order to reinforce their impact.

5.3.3 Internal Alignment of Leadership Development Practices

The *internal* alignment of leadership development practices refers to a *configurational* perspective on how different leadership development practices are interrelated within the broader context of all HR practices. As discussed in 2.2.4, different forms of internal alignment can be distinguished, such as *within*-HRM system alignment, *inter*-HRM activity alignment, and *intra*-HRM activity area alignment. The last is what we have considered in our study with regard to leadership development practices. It focuses on the question of how different leadership development practices (in our case, 360 degree feedback, coaching, mentoring, job assignment, leadership training, action learning, and networks) interplay with each other. *Positive synergistic* effects occur when practices complement each other and build 'powerful connections'. In contrast, *negative synergistic* effects occur if the practices undermine each other. Finally, *substitutable effects* may occur if practices have the same effect and nothing is gained other than raising additional costs.

Based on our observations and interpretations, we propose that leadership development practices in an MBF build *positive synergistic effects* (are internally aligned) if they are provided in such a way that they not only enable the development of human capital mastery levels but social capital mastery levels as well. This implies that they are provided in such a manner that they *start* by enabling a contact-experience, *followed* by an assimilation-, *resulting in* an identification-experience. The following figure summarizes this suggestion and will be discussed further in the following paragraphs.

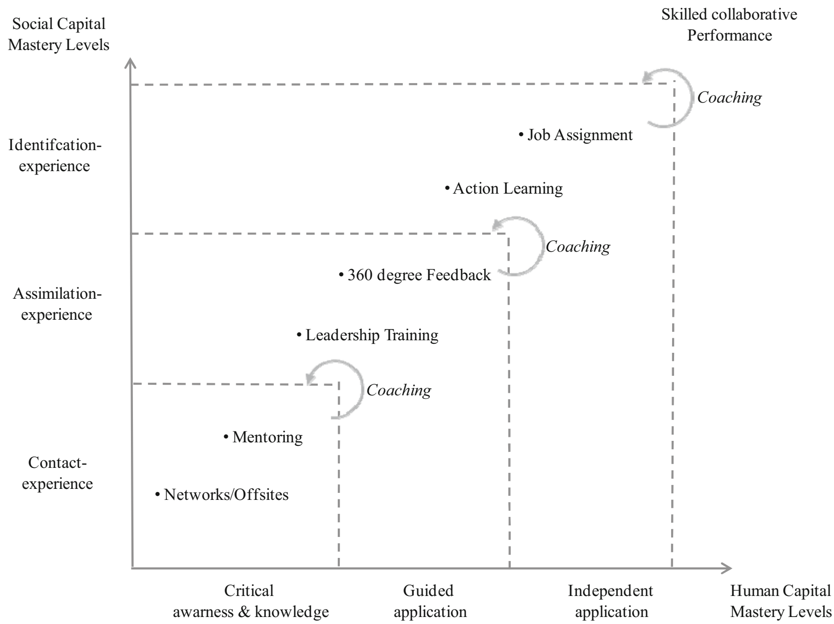

Figure 5-8: Social-capital-oriented Leadership Development Process (Source: author)

Conversely, *negative synergistic* effects result from a subsequent order that does not consider the different path-dependent stages of social capital development, for example, if an assimilation experience is introduced through 360 degree feedback where no contact-experience has taken place beforehand. *Substitutable effects* may arise between practices that involve enabling the same social capital experience, such as: between mentoring and coaching, between leadership training and action learning, and between leadership training and networks/off-sites. However, these effects are, to a great extent, dependent on the particular design and execution of the practice.

Empirical Evidence. Internal alignment of leadership development is an important factor in enabling cross-business collaboration among middle managers in an efficient way. It is not only the most *efficient* way to facilitate the relevant human and social capital mastery levels but also the most *effective* way to help individuals to make sense of their development experiences. It seems that highly engaged middle managers had the opportunity to experience a leadership development process consisting of a mix of practices that supported each other in such a way that social capital development was enabled in a sequential manner (from a contact-, assimilation- to an identification-experience). Accordingly, they report of being satisfied with their development process.

> "If I am honest, the firm has been very nice to me over the last few years. I have been very well supported in my development. There is no area that I should be upset about. […] Mentoring [was one of the most important experiences]. I got the job I have today through my mentor. […] I learned to network, which I had not done before. That was very helpful. The 360 degree was also very good for me. […] And the job assignment [from business 1 to business 3] was particularly great. If I had the choice, I would now love to see business 2 as well. Then, I would have the full picture." HL-CBC28

Conversely, as already indicated earlier (please see 5.1.3), approaches were seen as being less fruitful with respect to supporting cross-business collaboration if one of the stages was left out, such as, e.g., the contact phase.

> "I had negative experiences in meetings with business 2. We met twice a year for dinner to establish a common prospect pipeline. It was disastrous. […] Why didn't it work? Because businesses and expectations were too different. We had an initial dinner as our first contact, just to get to know each other, and it was already much too aggressive for me – along the lines the message was: 'now collaborate!' But I would have preferred it if we had just approached the whole thing in a more relaxed way and had discussed what our goals were and what the scope of those goals should be. And thus, we didn't continue. There was just too much tension in the air with regard to the different expectations. […]" ML-CBC08

If the stage did not move beyond a contact-experience (e.g., to an assimilation- or identification-experience) to enable further social capital development, it was also perceived as negative.

> "[Negative experiences] That was with one initiative where a unit from business 1 and one from business 2 were supposed to collaborate. There was relatively little outcome. To be honest, almost nothing. We met three times, tried to coordinate and then it faded out. After half a year, the initiative was dead. I think there was a lack of commitment. The initiative was launched without the participant buy-in. The initiative was there. You were forced to go there. […] But in fact, the market was already pretty well coordinated and covered based on our daily business, so the initiative was actually useless. And the participants weren't asked whether they saw any sense in the initiative or not. It had to take place. That was the requirement." HL-CBC19

According to our observations, it seems that in earlier career phases, middle managers value *guided programs* providing contacts, critical knowledge and room for guided application. Having reached a certain mastery level, they were striving for development through on-the-job business challenges. Apparently, they were capable of seeing much more learning potential in their jobs than they had been before.

"[What I miss] is the follow-up of the [action learning] program. I do not feel that I am on the radar screen, on a certain leadership list. I think I have grown personally and I will continue to do so, but I would have been willing [then] to prove myself, to take what I had learned and give something back to the firm – in the context of a real business challenge, e.g., a task where the firm might say: We have a problem here; please elaborate on it, think about it and provide us with solutions. In such a situation, you would be able to show what you've learned. I would have been willing to do that. […] I think a person would be able to sustain his development if he could continue with another business challenge after the program. […] In general, you, as you get older, wind down with regard to your own development. You have already seen a lot and you can judge things better. In this sense I now profit much more from the on-the-job development potential, which was different before. That means, before, I wanted to participant in all the training programs, etc. And now I see a real business potential that I can realize. I don't need case studies anymore, because I have case studies every day that I approach and decide to develop. I know now where my strengths and weaknesses are and I don't need the MBTI [a training program] for that anymore. […] I think I have been through most of the formal parts. And they were packaged for me and I felt quite comfortable with them. I can say that a foundation has been laid and it is still there. And now I can develop it further through my on-the-job experience." HL-CBC05

In this sense, activities designed to support *learning from experience*, such as coaching or other options, become more important for reflecting on cross-business experiences.

"What I would have loved to have is more coaching and mentoring. That is what I never had. Simply to profit from experienced people or somebody who mirrors you but is not responsible for your bonus. Somebody who cares for you, to make you fit for the firm and who I can feel totally free with and can trust.[...] Or a mentor who opens me a bit to the world beyond my job. I would have appreciated that." HL-CBC22

"If you combined the job assignments or stages together with training. I think, working in the other business is really beneficial. If you then made the picture complete with a certain type of training program, I think that would create great potential for both [developing the relevant cross-business human and social capital]. That would allow you to reflect in a target-oriented way what you have experienced during the particular stage." HL-CBC18

Middle managers with less cross-business engagement referred to a lack of consistency, transparency, and interrelationships among the different development practices. In retrospect, they believed it to be a rather random assembling of development experiences without a clear goal.

> "I probably needed the leadership seminar earlier. That would have certainly been better two to three years before. Possibly before the first leadership experience. And then, there was also an internal leadership training program in our region, which helped me to understand our firm in all its facets. I would have loved to have gotten that the first day […]."ML-CBC26

> "I was nominated by my superior for this program, as a guinea pig for the pilot. I didn't even know that something like it existed. […] And in retrospect, the goal was probably to prepare me for a teamhead position." LL-CBC01

Even though highly engaged middle managers could cope with a lack of support, they also expressed belief in the benefits of a systematic approach.

> "I would have loved to have seen the other both businesses. I don't have a clue as to their products, and what I don't know, I don't sell. And then, they told me to organize myself. And how I could do that? Was I just supposed to go and knock on the door? I needed somebody who would introduce me there and help me to meet the right people in two to three days. Not months and weeks. I did it then myself and it was very beneficial […] I muddled through and thus got to know more and more co-workers. Now, I recently met a colleague from the B4B Initiative. He knows the whole firm. If I had only met him before!! And I don't understand why nobody told me that this colleague exists!" HL-CBC17

Discussion. The internal alignment beyond leadership development practices determines the effectiveness of any developmental activity in relation to others. For this reason, we apply the *intra-HRM*-fit perspective, which considers in which way leadership development practices might reinforce or complement (positive effect), undermine (negative effect) or substitute for (substitution effect) each other (Kepes et al., 2007). In contemporary practice, it seems to be considered only when designing a *single* program consisting of multiple elements, such as a comprehensive action learning program, made up of training, feedback and coaching elements. Other than that, it seems that leadership development practices are perceived to be offered in a rather random modular mix following contemporary HR trends and resources than a systematic strategic alignment.

It has been emphasized in leadership development literature, however, that leadership development is a process rather than an isolated event (Van Velsor et al., 2004). Moreover, a move toward viewing development as something integral – and not separate – from the daily work of the organization has emerged (Seibert et al., 1995). Finally, it has been acknowledged that development is a complex thing that requires one developmental experience to be linked to another: "[...]No single developmental experience, not matter how well designed, leads to substantial growth or change. Leadership lessons are learned best when one developmental experience is reinforced by other experiences." (Van Velsor et al., 2004:207). However, almost no research can be found specifically focusing on the mutual reinforcement and the interplay of different leadership development practices over time within a certain strategic context (Kepes et al., 2007).

Thus, with this dissertation we take a first step in this direction. For the strategic context of an MBF focusing on continuous cross-business value creation, we observed that leadership development practices were able to create *positive synergistic effects*. However, those effects only arose if the practices were provided in such a way that they facilitated – beyond human capital development - the sequential development of social capital mastery levels (contact-, then assimilation and finally an identification-experience). This might have been supported a) through *one program* that assembled all of these kinds of practices in the appropriate order, such as, e.g., a comprehensive action learning or leadership training program. Support may also have been provided b) through different leadership development practices following each other in such a way that they enabled the identified human and, in particular, social capital experiences in a sequential manner over time.

Consequently, in order to support cross-business collaboration in the strategic context of an MBF most effectively, we suggest *beginning* with leadership development practices, such as networks / off-sites, accompanied by a mentoring or buddy-system that provides first contacts as well as critical awareness and knowledge. In this way, c*ontacts, critical awareness and basic know-how* are initiated within a collective environment that lowers barriers to approaching each other. Questions that might rise can be clarified in a psychologically safe environment of a mentorship or with a dedicated assigned partner or buddy from the other business. However, this contact-experience is not exclusively limited to leadership development platforms. Individual lunch dates that emerge from the initial contact might potentially achieve the same effects as an organized mentorship. Further, product information events and sales roadshows might entail the same contact potential than networks / off-sites.

Following such a first contact and critical awareness stage, a cross-business leadership training activity might entail the potential to deepen a contact and enable an assimilation experience. Since middle managers gather for 2-3 days, a more intensive exchange is possible that leads toward *more trust* in the relationship on the one hand and to a *guided application* of the cross-business know-how on the other hand. As shown, the dedicated X-BLE program was seen as a good second step for people having already had their first cross-business collaboration experiences. Thus, it could serve as an enabler for a second mastery level of social and human capital. However, interviewees indicated a lack of follow-up. Thus, 360 degree feedback or cross-business collaboration peer focus groups might provide effective reinforcement for leadership training activities.

Further, a cross-business collaboration case or project – as provided within an action learning program – might be a good means to experience *collective identification* and to move from a guided application to an independent application to manifest cross-business collaboration as a general attitude. Consequently, we suggest that corporate human resources management creates *positive synergistic effects* (strategic alignment) between the practices by providing them in a *sequential manner* so that they foster the human *and* social capital development indicated.

Further, we argue that if the social capital dimension and its path-dependent development are not considered, the interplay among the leadership development practices is not optimal and might, in a worst case scenario, create *negative synergistic* effects and undermine each other. For example, if a development practice fosters an assimilation-experience where a first contact has not yet been established at a satisfactory level, participants might feel like they have been 'run over'. In this case, people create resistance to a program or – in the worst case – to the other business involved. In the best case, practices might only substitute for each other and raise costs, which decreases efficiency.

Based on our observations, we argue that coaching and mentoring might encounter a *substitutable effect*, particularly in the case where the mentor is able to apply coaching methods. Depending on the design, a leadership training program and networks/off-sites might also indicate some substitution effects, particularly if the design of the leadership training program is limited to a simple mix of different participants. The same effect might occur between action learning and leadership training, particularly, if the leadership training program is a full-fledged program where mentorship, coaching and 360 degree feedback are integrated. However, it seems that, due to the project-based approach and its embeddedness, an action learning program still holds a greater potential for developing stronger forms of social capital than leadership training.

In sum, we conclude that an internal alignment of leadership development practices leads to an overall leadership development process consisting of several leadership development practices that enable individuals to experience sequentially ordered social capital development stages. The following figure presents this idea, complementing the external alignment discussed above:

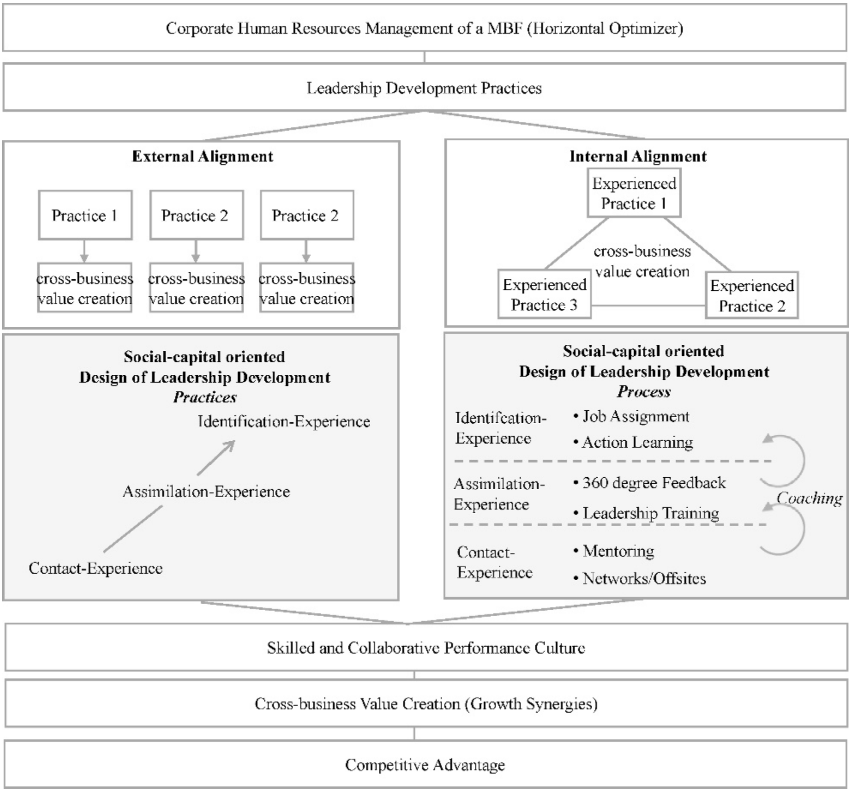

Figure 5-9: Overview Internal Alignment of Leadership Development (Source: author)

Formally stated as a proposition:

Proposition 4b: If leadership development practices are *offered in a sequential manner* that fosters social capital development, they will create positive synergistic effects between each other and are thus strategically aligned (*internal alignment*) with the corporate strategy of an MBF (horizontal optimizer).

5.3.4 Conclusion

Based on the conclusions in the preceding chapters, it is normatively suggested that leadership development practices are *strategically aligned* if they consider a systematic social capital orientation with regard to the design of each practice (*external alignment*), as well as with regard to their interrelations among each other (*internal alignment*). Particularly in the strategic context of an MBF that realizes value creation through *horizontal optimization*, corporate human resources management should employ leadership development to support not only a skilled but a skilled *and collaborative* performance culture. Consequently, being strategically aligned implies valuing social capital mastery levels as much as much the human capital mastery levels when designing leadership development.

In other words, if a leadership development practice is designed under consideration of the *mastery levels of social capital development,* enabling *a contact-, assimilation- and identification experience*, we refer to it as *external alignment* (in the context of an MBF). That means, for example, that the composition of the participants must be consciously chosen and must reflect the existing or potential valuable relationships for cross-business collaboration between the businesses consciously. As leadership development is experienced as a *process* from the perspective of the respective managers, we further suggest that the design of the whole process, consisting of a mix of differing practices, should consider these social capital mastery levels, too. That means that a *configuration* of leadership development practices that enables the sequential development of the different social capital stages over time will most likely create positive *synergistic effects* among each other, which we refer to as *internal alignment* (in the context of an MBF). This leads to the following formally stated propositions:

Proposition 4a: If leadership development *practices* are designed under consideration of *social capital mastery levels*, they will foster continuous cross-business value creation (growth synergies) and thus are strategically aligned (i.e., *external alignment*) with the corporate strategy of an MBF (horizontal optimizer).

Proposition 4b: If leadership development practices are *offered in a sequential manner* that fosters social capital development, they will create positive synergistic effects between each other and are thus strategically aligned (*internal alignment*) with the corporate strategy of an MBF (horizontal optimizer).

Thus, we contribute to the existing SHRM literature, leadership development and corporate management research in three ways: (1) We contribute to research on the impact of leadership development. It is widely acknowledged that leadership development impacts firm performance, but it is still not clear in what way. By suggesting that some of the effect might be rooted in social capital development, we indicate a further source of impact. Thus, we propose to complement the traditional view, which mainly evaluates the impact only on the human capital side, with a social capital dimension. (2) We contribute to SHRM literature by investigating the *interrelations* between different leadership development practices. Having turned the perspective toward how the mix of leadership development practices leads to a leadership development process that is *experienced* by the manager over time, we enable conclusions on how to sequence, i.e., align, leadership development practices in order to create the most ideal conditions for enabling cross-business collaboration. Finally, (3) we contribute to corporate management research in the context of MBFs by explicating internal social capital as a driver for cross-business value creation and indicating how to foster its development through strategically aligned leadership development. Thus, it might itself become a source of competitive advantage for a firm.

6 Conclusion

This dissertation's objective was to investigate the role of leadership development for strategy realization in MBFs. The overall guiding research question was *how* leadership development practices impact the realization of cross-business value creation on a corporate level. Acknowledging the important role of middle managers' activities and their social capital for strategy realization, three sub-questions were derived based on the existing literature: (1) How does social capital contribute to middle managers' cross-business collaboration activities and how is it developed? (2) In which way do leadership development experiences most likely allow middle managers to develop the necessary social capital for valuable cross-business collaboration? (3) How can corporate human resources management align leadership development practices to foster cross-business value creation? The following paragraphs provide a brief summary and review of the dissertation's contents and findings.

In the *first chapter*, we framed the research problem of an MBF with respect to its objective of realizing cross-business value creation. We outlined the existing research gaps and stated our intent to explore leadership development as a means for MBFs to achieve corporate advantage. Further, we highlighted the theoretical and practical relevance of our topic and defined the guiding research questions.

The *second chapter* provided the work's theoretical background and underlined its theoretical relevance. The existing literature was reviewed with regard to MBFs and leadership development. While we applied both a corporate strategy and strategy realization focus on MBFs, leadership development was studied from the perspective of a strategic human resource management activity. Based on the shortcomings identified in both fields, a guiding investigation framework was developed for approaching the research problem.

The *third chapter* outlined the empirical research approach, including methodological considerations. We justified an *inductive embedded case study* approach and the selection of SubFinanceCorp, a subsidiary of a large MBF within the financial services industry, as our research site. We described comprehensively the case selection of thirty middle managers and the research strategy applied, including data collection and analysis, in order to enable an evaluation of the quality of the research.

In *chapter four* we presented our empirical findings in the format of an initial within-case study. We described the research context and the research site in order to enable the embedding of the findings. Analyzing cross-business collaboration activities, social capital and leadership development experiences among the investigated thirty

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6_6,

middle managers, we conclude that, indeed, social capital and leadership development experiences explain the performance differences in cross-business value creation among the middle managers.

Chapter five provided the analytical generalization of the dissertation's findings. With the help of an in-depth comparative cross-case analysis between three groups of middle managers (low, moderate and high cross-business collaboration engagement), each research question was discussed extensively in the light of the existing literature, resulting in the development of a set of theoretical propositions. These insights can briefly be summarized as follows: 1a) different cross-business collaboration activities (cross-selling, client referral and joint product / market development) require different intensity stages of social capital (weak, semi-strong, strong); 1b) the social capital stages identified are path-dependent in nature and develop from each other; 2) different leadership development experiences (contact-, assimilation- and identification-experience) contribute to developing the different stages of social capital; 3) in an MBF, leadership development practices are strategically aligned if their design (practice and process) considers social capital stages explicitly as development objectives. Consequently, they contribute not only to a skilled but also to a collaborative performance in an MBF and represent a source of competitive advantage.

Finally, *chapter six*, the concluding chapter, consists of four subchapters. In 6.1 we discuss the contributions to strategic management theory and practice based on our research intent. Subchapter 6.2 discusses this study's methodological and theoretical limitations. Subchapter 6.3 outlines directions for future research. Finally, we conclude our dissertation in 6.4 with an outlook to its potential future value.

A comprehensive overview of the findings incorporated into our investigation framework is provided below, accompanied by a summary of all of our developed theoretical propositions:

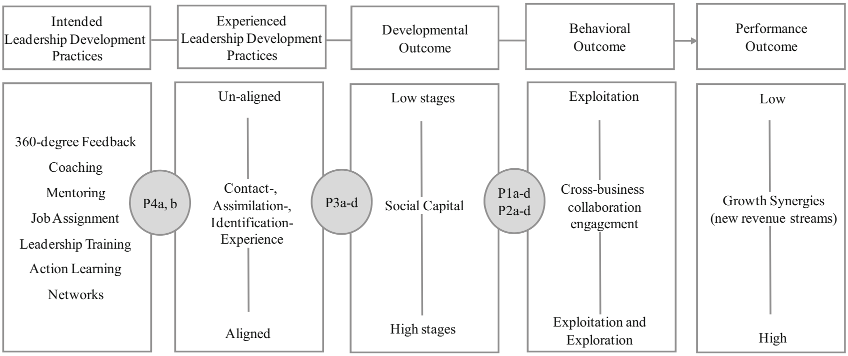

Figure 6-1: Summary of this Dissertation's Theoretical Findings

Proposition 1: Different types of *cross-business collaboration activities (cross-selling, client referral and joint product / market development)* are related to different intensity levels of social capital (*weak, semi-strong, strong)*.

For each cross-business collaboration type, the following sub-propositions can be derived:

Proposition 1a: *Cross-selling* is most efficiently facilitated through *weak social capital* that is a function of weak professional ties, ability-based trust and shared language.

Proposition 1b: *Client referral* is most efficiently facilitated through a *semi-strong social capital* that is a function of weak personal ties, benevolence-based trust and shared values.

Proposition 1c: *Joint product / market development* is most efficiently facilitated through *strong social capital* that is a function of strong ties, identification-based trust and shared vision.

Proposition 2: The development of cross-business collaboration activities (from cross-selling to client referral and product development activities) is related to the development of cross-business social capital intensity (from weak to strong forms), which is facilitated through specific interaction-experiences (contact-, assimilation- and identification-experience).

For each social capital development stage, this can be concretized in the following way:

Proposition 2a: *Weak forms of social capital* that lead to successful engagement in cross-selling is most likely facilitated through a positive *contact-experience*.

Proposition 2b: *Semi-strong forms of social capital (including the lower level)* that lead to successful engagement in client referrals is most likely facilitated through a positive *assimilation-experience*.

Proposition 2c: *Strong forms of social capital (including lower levels)* that lead to engagement in joint product / market development is most likely facilitated through a positive *identification-experience*.

Proposition 3: Participation in leadership development practices with a cross-business focus is positively associated with the development of cross-business social capital.

This is concretized with regard to each leadership development practice in the following way:

Proposition 3a: The development *from weak to strong forms* of cross-business social capital is moderated by participation in leadership development practices with a cross-business focus that enable *self-reflection* (e.g., through coaching).

Proposition 3b: The development of *weak forms* of cross-business social capital is supported by participation in leadership development practices that enable a *(cross-business) contact-experience* (e.g., through networks/off-sites and mentoring).

Proposition 3c: The development of *semi-strong* cross-business social capital is supported by the participation in leadership development practices that enable *a (cross-business) contact- and an assimilation-experience* (e.g., leadership trainings).

Proposition 3d: The development of *strong forms* of cross-business social capital is supported by participation in leadership development practices that enable *a (cross-business) contact-, assimilation- and identification-experience* (e.g., through job assignment, action learning).

Proposition 4a: If leadership development *practices* are designed under consideration of *social capital mastery levels*, they will foster continuous cross-business value creation (growth synergies) and thus are strategically aligned (i.e., *external alignment*) with the corporate strategy of an MBF (horizontal optimizer).

Proposition 4b: If leadership development practices are *offered in a sequential manner* that fosters social capital development, they will create positive synergistic effects between each other and are thus strategically aligned (*internal alignment*) with the corporate strategy of an MBF (horizontal optimizer).

6.1 Contributions to Theory and Practice

Briefly reviewing the theoretical and practical relevance of the dissertation at hand, this subchapter discusses the work's contribution to the various respective theoretical fields and to management practice.

6.1.1 Contributions to Theory

The fields of *strategic management* and *human resources management* view elaborating on leadership development practices as a strategic means for MBFs to foster cross-business synergy realization as a fruitful field for research. The inherent macro-level perspective of strategic management research fails to reflect adequately the importance of individual level people management that enables strategy realization. Human resources management's inherent micro-level perspective is equally unable to account for the interrelationship of diverse leadership development practices within a strategic context (Allen & Wright, 2007; Boxall et al., 2003; Kepes et al., 2007; Kerr & Jackofsky, 1989). The young discipline of *strategic human resources management* intends to bridge this gap by focusing on the interrelation and alignment of various human resources practices, such as leadership development. By elaborating on the interrelation of leadership development practices within the specific strategic context of an MBF, this dissertation takes a step in that direction and contributes to an improved understanding of leadership development as a means for strategy realization.

In addition to the suggestions regarding the strategic alignment of leadership development practices in MBFs, this dissertation provides insights for various substreams within the *strategic management* and *human resources management* fields.

- **Strategic Management**

Corporate Strategy. Corporate strategy and management literature has indicated that a convincing strategy as such is a necessary but not sufficient condition for an MBF to achieve corporate advantage. As it seems that the organizational arrangement as such does not *automatically* lead to superior corporate effects or synergy realization (Müller-Stewens & Brauer, 2007; Müller-Stewens & Knoll, 2005b; Rumelt, Schendel, & Teece, 1994), the *management* of these elements was identified as a critical factor in turning strategy into action. However, surprisingly little is known on how MBFs generate cross-business synergies, and the field of growth synergies and their related processes is particularly under-researched (Martin et al., 2003).

This dissertation's contribution to corporate strategy is twofold. (1) We provide a categorization of different cross-business growth synergies (cross-selling, client referral and joint product / market development) and an elaboration of their differing characteristics and underlying collaboration activities. In doing so, we contribute not only to a more fine-grained understanding of cross-business growth synergies as such but also to an understanding of their underlying collaboration processes. This description offers insights into how these growth synergies can be managed and further researched. (2) By elaborating the underlying cross-business collaboration activities, we strengthen the relevance of the *internal social capital* involved as a resource in an MBF, which requires dedicated management attention. Focusing our attention specifically on the *quality* dimension of social capital, we set a relational focus on social capital, following the insights from recent research that network structures as such do not satisfactorily account for performance differences. For example, Dyer & Hatch (2006) demonstrated that two firms with the same supplier network did not enjoy similar benefits from it and stressed the importance of the relational-specific aspects of such networks (Dyer & Hatch, 2006).

At the same time, the need for consciously managing the relational aspect of social capital, i.e., trust, has been identified the most problematic for managers (Limerick & Cunnington, 1993): “The key value in networking and the one that is most problematic for Western managers, is trust [...]. High levels of trust help reduce transaction costs [...]. Trust reduces uncertainty about the future and the necessity for continually making provisions for the possibility of opportunistic behaviour among participants [...]. Trust lubricates the smooth, harmonious functioning of the organization by eliminating friction and minimizing the need for bureaucratic structures that specify the behaviour of participants who do not trust each other. But trust does not come naturally. It has to be carefully structured and managed.” (1993: 95-96).

This dissertation offers propositions on how to manage the relational aspect of internal social capital in an MBF with the help of leadership development practices. In doing so, we address people management aspects on an inter-personal level in more detail, an area in strategic management literature that we identified as having shortcomings (Kepes et al., 2007).

Middle Managers. By focusing on the role of middle managers, this study adds to middle manager literature (e.g.Floyd & Wooldridge, 1992, 1996; 1997, 2000; Pappas & Wooldridge, 2007). We confirm the critical role of middle managers in strategy realization within the specific strategic setting of the MBF. In line with contemporary research (Wooldridge et al., 2008), we also reveal that a broader definition of middle managers which accounts for strategic actors with and without out a formal managerial role is beneficial, particularly for cross-business growth synergy realization. Existing literature focuses mainly on strategic activities that are directed up- or downward and thus address relationships with superiors and employees. We complement this focus with a lateral and peer-related view that is relevant in cross-business collaboration settings. Accordingly, we identify strategic activities across businesses that result in cross-business synergy realization. Further, we provide insights into middle manager activities that seek to build and maintain their internal social relationships to their peers, and insights into coping with the typical disparity between competition and collaboration existent on the peer-level.

Social Capital. Finally, we contribute to organizational social capital literature (Ghoshal & Bartlett, 1990; Leana & Van Buren, 1999; Mehra, Dixon, Brass, & Robertson, 2006; Nahapiet & Ghoshal, 1998; Tsai, 2000, 2002; Tsai et al., 1998). Most interaction in and between organizations involves uncertainties regarding their exact outcomes (Jones 1998). Trust – as a set of behavioral expectations among people – allows the managing of the uncertainty or risk associated with interaction in order to jointly optimize the gains as results from cooperative behavior (Jones & George 1998). In this way, trust serves as a governance mechanism to cope with the uncertainties and risks of social interactions within and between organizations (cf. Ring 1992, Jones & George 1998). We confirm the relevance of *quality* aspects of social capital, such as, e.g., trust, as a governance function for collaborative behavior in cross-business synergy realization.

Having specified the weak, semi-strong and strong forms of social capital related to specific cross-business collaboration settings, we contribute to an improved understanding of the most ‘optimal’ fit of social capital related to a specific task environment. In doing so, we reveal that social capital is not necessarily a linear construct in terms of ‘the more, the better’ and thus needs to be considered in a differentiated way. We are able to harmonize some existing inconclusive results in social capital literature on the benefits of tie strength, trust and shared vision. Further, we contribute to specify *inter-unit collaboration*. Whereas most of the literature does not yet distinguish specifically between inter-unit and cross-business-unit collaboration, we maintain that cross-business-unit collaboration is a specific form of inter-unit collaboration that incorporates aspects of both inter-unit and inter-organizational collaboration settings. Accordingly, it was identified as a specific subform of inter-unit collaboration that requires dedicated research attention and needs to be distinguished from both inter-unit and inter-organizational collaboration.

- **Human Resources Management**

Strategic Human Resources Management. On the other hand, we contribute as well to human resources management – more precisely, to strategic human resources management - literature. As outlined in 1.1, human resources management literature comprises a large body of studies investigating the contribution of human resources management practices (including leadership development practices) to firm performance (Huselid, 1995). Even though most studies acknowledge a correlation between practices and performance, there is a lack of sound evidence (Boxall & Purcell, 2003; Purcell & Kinnie, 2007; Wright et al., 2001). Consequently, we contributed to a deeper practices understanding of how human resources practices, such as leadership development practices, create organizational impact beyond individual career success (Mabey et al., 2005; Purcell et al., 2007).

We provided further insights into this relationship in three ways. (1) As most studies are based on HR managers as respondents, the view of the employee experiencing theses activities is surprisingly absent in contemporary research. Accordingly, this dissertation closes this gap by incorporating the employee's perception as a mediating role. In doing so, we derived critical development experiences (contact-, assimilation-, identification-experience) enabling cross-business relationship development. (2) Further, we addressed the shortcomings of the existing human resources management literature, which mainly focuses only on isolated practices regardless of their potential interrelations (Kepes et al., 2007; Lewis, 1997). By adopting a strategic human resources management view, this dissertation focused on leadership development practices, including their interrelationships and alignment. Consequently, we proposed social capital mastery levels as specific design criteria for each practice in order to be aligned with the strategy of an MBF focusing on cross-business collaboration.

Further, we proposed the sequencing of leadership development practices within a development process that accounts for their interrelations. (3) We offer a complementary perspective on social relations which we hold to be of benefit to human resources management. We developed that perspective as a response to the shortcomings of the predominant human-capital-oriented model in human resources management, which focuses on the attributes of individuals and matches them with the characteristics of the organization (Brass, 1995; Storberg-Walker, 2007). The difference lies in focusing on relationships and structures among actors rather than on individual attributes and isolated actors. This dissertation offers a step in the direction of incorporating a relational perspective to human resources management by concretizing how the relational aspect (social capital) can be integrated into leadership development practices as a subset of human resources management activities.

Leadership Development. Even though it is widely acknowledged that leadership development does contribute to organizational effectiveness, there is a lack of sound evidence on how it takes place. Accordingly, authors call for a review of the efficacy of leadership development programs (e.g. Mabey et al., 2005). This dissertation contributes to these existing shortcomings by elaborating the leadership development performance link and provides additional insights into it in four ways. (1) In contemporary research and practice, the predominant leadership development model focuses on the individual competences, skills and attitudes of managers. Accordingly, leadership development has to date mostly been considered and evaluated with regard to its contribution to human capital. Consideration with regard to its potential contribution to social capital is lacking (Brass, 1995; Day, 2000).

This dissertation represents one of the rare attempts at evaluating leadership development practices with regard to their contribution to social capital. Focusing particularly on the relational aspects of social capital, we made a counter-intuitive discovery: Collectively organized leadership development experiences do not necessarily contribute to stronger forms of social capital. Rather, leadership development practices that entail the potential to foster self-reflection (such as coaching and 360 degree feedback) as well as practices that enhance an identification experience (such as action learning and job assignment) help to support higher stages of social capital.

(2) Following the predominant leadership development model, most offerings are designed with regard to human-capital-oriented mastery levels, such as critical knowledge and awareness, guided application and independent application of skills (McCall & Hollenbeck, 2007; Seibert et al., 1995). Incorporating social capital into the design of leadership development requires considering it as a learning objective. This dissertation proposes social capital mastery levels as design criteria for leadership development practices, complementing the human resources mastery levels.

(3) Offering an appropriate leadership development process that effectively enables the social capital experiences required is a challenging proposition as it is not as straightforward as offering training programs for individual skill enhancement (McCall et al., 2007). This dissertation represents the first attempt to characterize the experiences necessary within a continuous leadership development process enabled by appropriately designed leadership development practices. In doing so, we provide insights into which leadership development practices result in positive synergistic effects, which of them might be substitutable, and which might cause negative effects.

(4) Incorporating a social-capital-oriented perspective into leadership development, we account for lateral and peer-leadership, which has become increasingly important in flatter and more flexible organizational structures. While this issue has not been specifically addressed to date, this dissertation provides insights into how middle managers build, maintain and develop relationships with their peers in order to collaborate effectively. Accordingly, this dissertation provides a broader understanding of leadership by going beyond individual attributes and defining leadership as a collective process.

6.1.2 Contributions to Practice

With this dissertation's findings, we contribute as well to *managerial practice*. We provide insights for corporate management, corporate human resource managers, leadership development professionals in MBFs, as well as consultants.

Management of Continuous Cross-business Growth Synergy Realization. Our dissertation offers insights on different types of permanent cross-business collaboration growth synergy creation that add to the revenue streams of MBFs. We provide corporate management with a basis for identifying, managing, supporting and tracking such collaboration activities. Further, insights on the underlying collaboration processes and the uncertainties and risks involved for the collaborating parties are provided. This enables corporate management to choose relevant governance and incentive systems. Moreover, our investigation revealed the specific and important role of middle managers and professionals in the middle of the organization for the realization of cross-business growth synergies. Accordingly, corporate human resources management should opt for including these actors in leadership development. More specifically, it is recommended to foster their cross-business social capital in order to achieve value creation on a continuous basis. Thus, we present how leadership development practices can be used as a strategic means to support middle managers' social capital generation in order to foster cross-business growth synergy creation.

Recognizing the Value of Social Capital. Our research reveals the underestimated function of leadership development for strategy realization in general and cross-business collaboration in MBFs in particular. Despite the acknowledged importance of linking strategy realization and leadership development, research fails to provide recommendations on how this could be supported in practice.

The dissertation's findings provide recommendations on how to address this linkage in MBFs in a systematic and efficient way to strive for horizontal optimization with cross-business synergy generation. By combining a strategic management and human resources management perspective, our findings enable corporate human resources management to foster not only a skilled but also a collaborative performance culture, which is necessary in an MBF that focuses on cross-business growth synergies.

Even though the value of social capital in leadership development is mainly accepted, human-capital-oriented leadership development approaches are still predominant in practice. These approaches rarely go beyond a contact-experience. On the other hand, it must be noted that establishing, building and maintaining social capital across businesses requires a large investment in resources; however, research continues to lack concrete recommendations regarding which social capital intensity is most efficient in relation to different strategic settings and task-environments.

With the proposed social capital mastery levels, this dissertation provides corporate human resources management with recommendations on how to foster the respective social capital levels through leadership development in an efficient way according to the MBF's strategic focus on cross-business collaboration (cross-selling, client referral or joint product / market development). Incorporating social capital stages in leadership development, however, requires rethinking, conceptualizing and organizing leadership development in different ways: (1) From individual-oriented leader development towards collective-oriented leadership development; (2) from up- and downward leadership to embracing peer-leadership; and (3) including professionals in leadership development; (4) from competences-oriented to experience-oriented; and (5) from providing leadership development events to providing a development process.

(1) From individual-oriented to collective-oriented leadership development. Incorporating social-capital-oriented mastery levels into the design of leadership development practices provides the opportunity to move from individual leader-oriented development practices to collective-oriented leadership development. In contemporary practice, most leadership development programs are provided according to the individual competence levels and managerial position. Bringing managers together for a course is an efficient means of running a program and provides for improved individual learning on-site, but rarely enables a particular quality of social capital or a collective experience.

Turning our perspective from the intended practice (provider view - human resources management) to the practice as experienced by individuals (participant view – middle managers), our dissertation's findings reveal that mixing participants randomly from different businesses does not adequately support social capital, particularly if it is not followed up. Thinking in collective leadership development terms involves considering the relationships between the participants in a dedicated manner as that in which their individual competence levels are considered. Accordingly, it is recommended to provide programs for groups of middle managers who interact on a daily basis, have a business link, and possess the potential to collaborate in order to increase growth synergies. Thus, the classroom serves well for discussions of real projects and business approaches to starting a collaboration process that will be followed up after the program.

(2) From up- and downward leadership to embracing peer-leadership. Social-capital-oriented leadership development, as suggested in our dissertation, entails the opportunity to include peer leadership as a dedicated dimension in leadership development. Most middle manager and leadership research still focuses on the up-ward and downward relationships of middle managers. Very few approaches include lateral or peer leadership as an important dimension (e.g., Yukl et al., 1990). In recent years, the importance of addressing leadership among peers and partners has increased in response to the ongoing trend toward flatter organisations, virtual teams and secondary working structures within organizations as well as the increasing importance of collaborating on an inter-organizational level in supplier networks or strategic alliances. However, in an organization, most peers also face competition for promotion to a higher position. Consequently, in their peer relationships, middle managers encounter a tension between collaboration and competition that needs to be balanced. By incorporating social capital mastery levels in leadership development fostering cross-business value creation, our dissertation suggests addressing peer leadership as a dedicated dimension in leadership development in order to foster a collaborative performance culture.

(3) Including professionals in leadership development. A strategic alignment of leadership development in order to foster a collaborative culture involves embracing a leadership definition that goes beyond an individual attribute or behavior but acknowledges leadership as a social process among strategic actors in an organization (Day, 2000). As cross-business synergy realization originates between the businesses and not at the top of an organization (Martin et al., 2001, 2003), it is important that professionals from all of the firm's businesses be involved. This dissertation's findings show that middle managers with *and* without a formal managerial position have taken on leadership roles in realizing cross-business synergy realization. Accordingly, it is recommended that corporate human resources management also consider mid- and senior-level professionals for their leadership development programs.

(4) From competences to experience-oriented leadership development. A strategic fit of leadership development is today derived by identifying the critical competencies that characterize effective leaders of today and tomorrow in the organization (McCall et al., 2007). Thus, HR organizations usually engage in a lengthy procedure to identify a list of competencies that executives should have, given the firm's strategic priorities.

Very few tackle the question of what *experiences* are important in developing competent executives in certain strategic settings. Identifying experiences involves including the relational and the situational perspective into leadership development design (Fiedler, 1998). However, research has still not identified the relevant leadership experiences with regard to the respective strategic context. Our dissertation provides a first step in this direction by identifying the relevant interaction experiences (contact-, assimilation- and identification-experience) in relation to the strategic context of MBFs focusing on cross-business collaboration.

(5) From providing leadership development events to providing a process. In contemporary practice, corporate human resources management investigating leadership development still faces the difficulty of justifying its investments. Even though it is acknowledged that leadership development should be organized as a process (career path) considering the interrelationships and alignment of the different practices, this is generally not the case due to resource constraints and a pure provider-view. Research still lacks insights into how leadership development practices interrelate and reinforce each other in order to enable a development process. Consequently, corporate human resources management aligns different leadership development practices (mentoring, 360 degree feedback, job assignment, etc.) according to its available resources. Even though this ensures an efficient provision of practices, it neglects positive or negative interrelation effects that might result in providing the right practice to the wrong people at a wrong point in time.

This dissertation's findings represent an attempt at rethinking the interrelationship among different leadership development practices in order to provide guidance on how to structure career paths that are strategically aligned with the corporate strategy of the particular MBF. Accordingly, it was shown at which point in time which kind of leadership development practices is the most efficient and will most likely lead to organizational performance increase. Because of a lack of insight into the link between leadership development investments and organizational effectiveness, corporate human resources managers are still confronted with leadership development as an 'act of faith' (Mabey, 2005). Thus, it is particularly difficult for them to justify comprehensive and cost-intensive development paths or programs, such as, e.g., action learning. Our dissertation reveals that particularly the investments in development paths with interrelating leadership development practices that consider subsequent social capital development among participants pay off.

6.2 Limitations of the Dissertation

This dissertation attempts to develop generalizable theoretical findings based on the case study's empirical results. However, this dissertation includes several limitations in respect of the theoretical and empirical approach which are discussed in the following sections.

6.2.1 Methodological and Empirical Limitations

First, the adopted empirical approach in this dissertation involves a combination of quantitative and qualitative data collection and analysis methods. Thus, it involved making a trade-off between rigorous measurement and the practical concerns of collecting data on a large enough and theoretically relevant sample of middle managers. As this study mainly relied on a qualitative evaluation, the sample of middle managers was selected based on theoretical aspects. Consequently, it suffered limitations with regard to the quantitative data analysis as it was limited to a descriptive analysis level. As shown in 4.4, we cannot attribute any significance to the relationships between performance and social capital or social capital and leadership development participation. Such insights are the domain of purely quantitative research approaches that employ techniques like deductive methods, based on random and pooled statistical sampling. Thus, this indicates the need for quantitative follow-up studies.

Second, familiarity with the research site and the topic of cross-business collaboration was facilitated to a high extent by the fact that the author had previously worked in the company under study. Thus, a high level of intimacy and trust could be established with the interviewees, which enabled a very intimate and free sharing of information. Accordingly, the quality of the research benefited from the author's familiarity with the context. That familiarity also strengthened the research quality and the ability of the researcher to view the context and experiences from the participants' perspective. On the other hand, however, the literature points out the potential for bias when one does not enter a research field as a 'stranger' and the conflicts that might arise between one's role as a researcher and as a worker (Morse, 1994). Due to the fact that the author of this dissertation was no longer working at the research site during the investigation, her familiarity with the company and the topic was seen as, overall, favorable for the research.

Third, the methodological approach included retrospective data collection, particularly in respect of the leadership development experiences. Longitudinal research based on retrospective data in general faces the risk that interpretations may be biased through rational reconstructions (Weick, 1995). On the other hand, case study approaches have become a fruitful approach in strategic management and organization research to inquiring about complex and unexplained phenomena and particularly processes in a holistic way (Eisenhardt, 1989). However, an approach that accompanies cross-business collaboration activities over a longer period would probably capture the impact of leadership development practices with more accuracy.

Fourth, there are shortcomings with respect to measuring cross-business collaboration performance. Relying on subjective performance indicators involves a potential risk of bias, and accordingly, it should be paralleled with an objective performance measure (Venkatraman et al., 1986). However, another risk of bias exists in our objective performance measure, which relied on cross-business collaborators who had received a cross-business award. Those decisions might have been related to factors other than successful cross-business collaboration. Thus, there is still the risk that the sample does not necessarily represent successful cross-business collaboration activities but actors that are *seen* to be successful cross-business collaborators. To be able to rely on a sample drawn on tracked performance outcomes of cross-business collaboration would be preferable. However, as a track record was not available, it seemed to be the most reliable objective indicator for our investigation.

Fifth, even though we based our research on existing social capital constructs, we measured them only in a uni-directional way. According to network research, however, a reciprocal measurement would be preferable and would increase the evidence (e.g. Tsai et al., 1998). However, reciprocity is related to measuring the relationship on the same level, for instance, inter-individual and inter-unit relationships. As we focused on individuals and their relationships to another unit, reciprocity was difficult to capture. Accordingly, research would benefit from applying social network methodology in order to capture the reciprocity of social capital.

Sixth, introducing the experience-based perspective on evaluating leadership development involved weaknesses. Because of the retrospective data collection, the establishment of the link between leadership development experiences and certain practices could only be reconstructed and thus might be imprecise. Further, the relationship between leadership development experiences and social capital development suffers from weak quantitative evidence because of the non-linearity of the social capital construct. Thus, we could not clarify whether social capital is an antecedent and/or consequence of leadership development. Did participants in leadership development build their cross-business social capital as a consequence of participation or did their cross-business social capital lead them to participate more in cross-business leadership development? An in-depth evaluation of leadership development practices over a longer period with regard to their impact on social capital would be an effective way to overcome this shortcoming.

Seventh, our selection of variables may not be complete. We focused our analysis on relational factors of middle managers' social capital in continuous growth synergy realization and the role of leadership development experiences. Consequently, we neglected several other factors on the level of the organization (e.g., cross-business collaboration initiatives) or at the individual level (e.g., personal characteristics, age or education). Further research would be able to overcome this weakness by controlling for these potentially influencing factors.

Eighth, due to the limited time frame of accessibility to the middle managers under study, the recommended intertwined process of data collection and analysis phase was restricted. Thus, these phases were pursued in a rather linear manner, and it was decided from the beginning to select enough cases of middle managers to create a large enough basis for analysis. However, this might have hampered the identification of other relevant patterns emerging during the data collection process.

6.2.2 Theoretical Limitations

First, the study revealed that a further consideration of the interrelation between leadership development and other HRM practices, such as selection or rewarding (Van Velsor, Moxley, Bunker 2004), would be beneficial. However, since we focused on the *intra*-activity alignment of leadership development, this was beyond the scope of this dissertation. Additionally, our research site would not have been an appropriate site for studying this topic as it was a strategic decision by FinanceCorp not to establish a dedicated incentive system based on cross-business collaboration activities (please see 4.2.2). Accordingly, it might be worthwhile for future research to include the interrelationship between leadership development and activities involving selecting and rewarding systems.

Second, we captured only the relational, i.e., the quality aspects, of social capital. Including structural network measures to draw conclusions on the network structure, density, and structural wholes, etc. would probably have been helpful in validating and explaining the relational measures further. However, recent studies reveal that particularly the relational aspect of social capital has the potential to explain performance differences (Dyer et al., 2006; Tsai, 2002). Accordingly, we consciously narrowed our study to this aspect of social capital.

Third, after having distinguished between corporate strategies that follow vertical, horizontal or portfolio optimization, we limited our study to the case of a horizontal optimizer. Accordingly, we were able to derive insights on continuous growth synergy realization. However, our results are not generalizable beyond such a setting and might require further research to apply our theoretical model to other corporate strategies.

Fourth, we based our investigation on inter-personal ties, focusing on individual middle managers' ties to other units. Accordingly, we incorporated a micro-level-oriented approach to strategy management. In doing so, however, we are unable to generalize on higher levels of analysis, such as inter-unit ties. The interdependence between interpersonal and inter-unit ties remains unclear and needs to be captured by further research.

6.3 Directions for Future Research

Whereas the previous sections looked back at the dissertation's contributions and its inevitable limitations, the current section is concerned with the future as it discusses directions for future research. Research building on the study we have presented is encouraged, particularly with regard to overcoming the methodological and theoretical limitations previously discussed.

6.3.1 Methodological and Empirical Directions

First, and most importantly, the identified and proposed relationships between cross-business collaboration, social capital and leadership development would greatly benefit from further empirical evidence. Accordingly, further in-depth single and comparative case studies *across industries* will be useful in deepening the identified insights and will add empirical evidence of the relationships between cross-business growth synergy generation, social capital and leadership development. Can the same associations be found in MBFs with the same strategy in other industries?

Second, this study would benefit from further elaboration of the social capital construct proposed. Large sample studies across industries might help to validate the identified quality aspects of social capital and their interrelation. In doing so, it would be worthwhile to consider as well the structural dimension of social capital, i.e., density, structural wholes, multiplexitiy, etc., and its interrelation with the quality aspects. Are specific network structures or activities associated with qualitative aspects of social capital? Also of particular interest would be a further investigation of the causality relationship with regard to cooperative behavior within a working context. What role do the quality aspects of social capital in particular play for cooperative behavior within organizations? Is this a linear or curve-linear relationship, a mediating or moderating role? Are there differences between the different quality dimensions, i.e., between trust and shared meaning? How are they interrelated? Which dimension is of greatest importance for collaboration in general?

Third, this study would greatly benefit from applying social network analysis methods. Testing the social capital measures with regard to their reciprocity would add empirical evidence. Such methods would also help to answer the question of which conditions allow both parties to enjoy a high-quality relationship (or which conditions create a relationship that is only beneficial to one of the parties). Further, it would be of benefit to sharpen the level of analysis in order to learn about the interrelation between inter-personal and inter-unit ties (Zaheer et al., 1998). Under which conditions do inter-personal ties lead to inter-unit ties? How many ties and of what level of quality are needed to lead to inter-unit cooperative behavior?

Fourth, large sample studies across industries would be valuable in further elaborating the relationship between leadership development experiences and social capital. Controlling for other environmental and individual factors, research may evaluate this relationship further, particularly with respect to its direction. How much variance in social capital can be explained by leadership development experiences? Do leadership development experiences increase cross-business social capital or might an increased engagement in cross-business collaboration lead to a higher participation rate in cross-business leadership development?

Fifth, a fruitful avenue for further research is the investigation of the relationship between human and social capital within an organization. Further research on leadership development could embrace the interrelation, differences and similarities between human-capital- and social-capital-oriented practices. How do the human- and capital-oriented mastery levels support each other? Under which conditions are they undermined? Can typical human capital leadership development experiences be identified?

Sixth, longitudinal approaches following middle managers for a longer period of time would probably be beneficial in tracking cross-business collaboration performance, the development of social capital, and the role of leadership development with more accuracy. The interrelation could be analyzed based on objective measures over a time series and compared more adequately. This would particularly help in relating leadership development experiences to respective leadership development practices more precisely. Moreover, data on the interrelationships between various leadership development practices could be collected with more reliability.

6.3.2 Theoretical Directions

First, in offering a description of different cross-business collaboration activities, research would benefit from validating these types and characteristics across industries, particularly regarding their required social capital within a firm. Are their industry-specific differences in cross-business collaboration? Can the same types be identified in other industries? Are there other types of continuous cross-business collaboration activities that lead to cross-business growth synergies? Do they evolve in relation to the required social capital involved? Which role do other environmental factors play, such as a firm's organizational design or incentive system?

Second, having focused on the specific case of a horizontal optimization ('One firm') strategy, our study would benefit from research that expands our insights into other kinds of MBF strategic settings, e.g., vertical optimization or portfolio optimization. Can the same types of cross-business collaboration be identified? Do our findings apply as well to efficiency synergies? In which way does the required social capital differ in a setting where businesses operate more autonomously? How can leadership development contribute to it in such settings?

Third, with regard to the role of the quality aspects of social capital for cooperative behavior within organizations, it would certainly be interesting to apply the model as well to typical inter-unit collaboration within a *single* business firm. This might advance the theoretical differentiation between cross-business, inter-unit, and inter-organizational cooperative behavior. In this respect, it would be particularly intriguing to explore whether different quality dimensions, i.e., trust or shared meaning, might play different roles in one or the other setting (Li 2005). Further, having only considered the positive aspects of social capital, it would be equally important to investigate its downsides. For example, a shared vision might lead to cognitive and attributional mistakes in decision making as it might inhibit self-censorship and expressions of doubt. Thus, a high level of collective identification may lead to inappropriate and after-the-fact responses to violations of trust in and between groups (Kramer et al., 1996).

The same question could be applied to trust. With regard to the limited ways to remedy identification-based trust that has been violated (Sitkin et al., 1993), it is of importance to study not only the positive aspects of social capital but also how to avoid negative aspects that might impede collaborative behavior (Labianca et al., 2006). Consequently, future research should further study the *optimal* level of social capital related to different task environments, including factors that impede collaboration.

Fourth, research focusing on the interrelation of social capital and the set-up of related governance and monitoring systems, i.e., tracking and incentive systems, would be of great benefit for corporate management. As social capital can be seen as compensating for missing governance systems in order to enable collaborative behavior under risk and uncertainty situations, it would be interesting to know whether having a tracking and monitoring system in place is more beneficial to cross-business collaboration performance than social capital. Does the amount of social capital decrease in relation to existing control and governance mechanisms or do such systems hinder the development of social capital? As informal relationships bridge spatial distance better than organizational mechanisms (Hansen et al., 2005), it seems that informal relationships are superior coordination mechanisms, particularly in centralized organizations (Tsai, 2002). This raises questions like: What are the differences between social capital and other organizational governance mechanisms? Are they substitutable or do existing organizational governance systems impede the development of social capital?

Fifth, a fruitful avenue of future research is seen in investigating the interrelationships of leadership development practices and other HRM activities, such as, e.g., incentives and selection, cross-business collaboration performance. For instance, it would be interesting to know what kind of compensation system would be effective in creating positive synergistic effects together with leadership development practices that foster a collaboration culture. This would expand the focus toward how leadership development can be strategically aligned with other HRM activities. Under which conditions do they produce positive synergistic effects to foster a collaboration culture and when do they undermine each other? How are people rewarded for investigating opportunities for cross-business collaboration activities? Are successful cross-business collaborators promoted more often, earlier or faster?

Sixth, our study might also encourage future research to focus more closely on people management aspects in the field of strategic management and embrace the individual-level of analysis. Particularly, a *relational* focus involves bridging the gap between individual and organizational factors in order to learn about the interactions in between. This dissertation applies an individual bottom-up analysis of how continuous cross-business collaboration of individuals affects collective actions over time. It would be of equal interest to conduct a top-down analysis of how dedicated cross-business collaboration initiatives might affect individual actions and social capital.

According to Ibarra et al. (2005), this perspective is particularly fruitful as it would encounter the individual-collective dilemma of social capital. The authors thus call for applying a more dynamic perspective ('zooming in and out') on the underlying reciprocal and co-evolutionary processes between individuals and the networks in which they are embedded. This is particularly evident in identity construction. For instance, if an individual chooses a certain employer, he will affect the identity of the network he is entering, and at the same time, the collective networks of his new employer will affect his own identity construction. It would be of great interest for research in strategic management to capture these dynamics in cross-business collaboration settings. Research could then draw conclusions regarding how much management intervention is necessary to, beneficial for or might even undermine these processes.

6.4 Outlook

It is evident in today's economy that the corporate management of an MBF which is not capable of realizing value creation across its businesses will face increasing pressure from financial investors to abandon one of its businesses (Müller-Stewens et al., 2005a). While strategic management research has generally focused on efficiency synergies, it has discovered only recently the realization of growth synergies as a topic of interest, particularly in the context of a permanent and continuous collaboration between businesses. The dissertation at hand illuminates this particular field and provides insights into managing the continuous collaboration between the businesses. By identifying different types of cross-business collaboration activities and their related characteristics, it contributes in particular to a better understanding of the underlying processes involved. It reveals the important role of middle managers and their internal social capital for permanent cross-business collaboration activities that result in growth synergies.

Whereas the increasing relevance of social capital for cooperative behavior is acknowledged in research, it has not yet been researched within the specific field of cross-business collaboration. Further elaboration is still required for a fine-grained and task-environment-related understanding of the different aspects of social capital. Thus, recommendations for how to manage and develop internal social capital across businesses in an MBF are still absent. This dissertation offers a detailed understanding of the quality facets of the social capital involved in cross-business collaboration activities and a model of its development. In doing so, it provides a concrete picture of how to manage social capital and its development within MBFs in order to foster a collaborative performance culture across businesses. These insights might also serve as guiding thoughts for inter-unit or inter-organizational collaboration in general.

Further, this dissertation proposes that leadership development practices – if strategically aligned - serve as a corporate means to foster the necessary cross-business social capital and value creation. Even though most MBFs invest in extensive leadership development programs, the efficacy of these investments is not yet evident. Consequently, corporate human resources management increasingly faces the pressure to justify its investments by showing how leadership development impacts on corporate level organizational effectiveness. Thus, how leadership development can be used as a corporate means to support strategy realization is an intriguing question.

By shifting the focus from human to social capital, this dissertation offers a new avenue for evaluating the impact of leadership development. To date, most human resources management studies have not accounted for the impact of leadership development on social capital. Further, they have generally neglected the effect of the interrelationship of various leadership development practices over time. This dissertation offers insights into both. On the one hand, we evaluated which kind of leadership development practices supports which kind of social capital most efficiently in order to lead to cross-business value creation. On the other hand, recommendations are provided on how to combine leadership development practices to create a positive synergistic effect among them with respect to social capital development. As this illuminates a relatively new area of leadership development and human resources management in general, further investigation would be valuable for a social-capital-oriented perspective.

Incorporating a social capital perspective into leadership development will automatically lead to an embedding of learning in business processes and thus enable an experience-based development approach. However, organizing and evaluating this kind of embedded and experience-based leadership development process requires in-depth know-how about the business challenges of the targeted managers. Further, it is much more complex to have HR organize such a program compared with simply offering skill-oriented training programs. It calls for managing the shared responsibility of leadership development across senior management, HR, employees and line managers in an effective way. Consequently, corporate management might think about whether leadership development professionals are, with respect to the organization, more effectively embedded in the business than in the human resources function.

Moreover, this dissertation's insights might be evaluated as well in a more general way in the light of today's economic and societal challenges. In today's economy, corporate advantage is increasingly rooted in the human, social and intellectual capital of a firm. Accordingly, leadership and its development are increasingly acknowledged to be critical ingredients of firm performance (Daily et al., 2002). However, as noted earlier, there still seems to be little evidence that the large investments in management and leadership development result in more leadership and organizational effectiveness.

Since the beginning of this dissertation project, our world economy, and particularly the financial services industry, has been undergoing global turbulence and is moving in the direction of an extensive recession. This situation reminds us in an all too painful way of the need for good relationships, i.e., trustful relationships, for any kind of economic exchange. In particular, it has sensitized us to what happens if trust is lacking or if it turns into distrust. The title of an article by Sitkin et al. (1996) has become, in an almost tragic sense, a description of reality for most parts of our economic system: "The road to Hell – the dynamics of distrust".

In a similar vein, Labianca et al. (2006) advise a shift in perspectives to the negative impact of *a lack of* good relationships. We recognize especially today that good relationships do not only serve to *increase* individual or organizational effectiveness. It seems that they also play a central role in sustaining cooperative behavior at all levels and thus entail the necessary function to *avoid* the negative effects resulting from distrust.

Given the current situation, it seems to be more evident than ever that building and managing social capital with all kinds of stakeholders – internal and external to an organization - is a particularly important management and leadership capacity that has become one of the most important sources of sustainable competitive advantage. In the face of this historical crisis, managers are blamed for not being able to manage the social capital within their stakeholder relationships. Consequently, management and leadership capabilities and the role of management education and leadership development are under critical review as well. Leadership development - usually termed talent development - has managed to make its way on to the strategic agenda of the top management within companies. However, it continues to follow the predominant human-capital-oriented approach to leadership development which focuses on individual skills and competences and leads to competent and skilled individuals but apparently not to social capital and collaborative leadership. As Peter Senge's question reveals: "How can a team of committed board members with individual IQs above 120 have a collective IQ of 60?" (Hilb, 2009). A shift from the traditional focus on *talented individuals* and their human capital toward *talentship* (Barab & Plucker, 2002; Boudreau & Ramstad, 2005) embracing social-capital-oriented leadership development practices seems to be more than necessary given the current status of our economy. This refers to what is described as moving from 'me' (individual) to 'all of us' (collective) leadership development (O'Connor & Day, 2007). In the light of the current economic and societal challenges, this dissertation reveals, in a general way, the value of internal social capital as a source for a sustainable and socially responsible management in today's economy.

Appendices

Appendix 1: Interview Guide Internal Experts (FinanceCorp/SubFinanceCorp)

Topics	Subtopics	Exemplary Questions
Organizational Context	Strategy	• Could you briefly describe the strategic objectives and strategic concept of FinanceCorp/SubFinanceCorp *(rationale, source of corporate advantage, differentiation from competitors, long-term vs. short-term)*? • Could you briefly describe your firm's corporate strategy and the key strategic challenges that FinanceCorp/SubFinanceCorp faces? • Could you briefly describe the competitive strategies of each of your businesses and the key challenges that each business faces? • Which firms would you identify as your major competitors? • How would you compare yourself to those competitors? What are major differences? What are your strengths and weaknesses?
Cross-business value creation	Motivation	• What are your company's strategies for achieving cross-business synergies *(e.g., joint market penetration, joint offering development, joint market development, joint diversification)*? • What motivates cross-business collaboration at your company *(e.g., increasing efficiency, increasing growth, capital market pressures, integrated corporate business model, customer requirements, use of knowledge and other important resources)*? • How important will cross-business collaboration be for your company within the next five years? • What kind of factors influence cross-business collaboration in your company *(e.g., autonomy of business units, incentives, transparent tracking, trust, culture)*?

E. B. Galli, *Building Social Capital in a Multibusiness Firm*,
DOI 10.1007/ 978-3-8349-6171-6,

Cross-business value creation	Motivation	• Which organizational units have the highest *potential* for cross-business value creation today and/or in the future? • How much of this *potential* is already *realized* today *(in percentage, less than 25%, 25-50%, 51-75%, 76-100%)*?
	Activities	• Overall, in which area and how are you collaborating across your businesses to realize cross-business synergies *(growth and efficiency synergies, at what frequency level)*? • Specifically, how do you achieve profitable cross-business growth *(What are concrete activities / examples ? sources? How do they contribute to corporate advantage)*? • Generally, who generally initiates cross-business collaboration *(corporate center, senior management, out of businesses itself, certain key player, clients)*? • Do you follow a standardized approach to sensing / evaluating potential of cross-business value creation *(e.g., searching for new possibilities with respect to new products/services, clients, etc.)*? • What kind of specific cross-business collaboration initiatives did you pursue between 2002 – 2006 *(e.g., specific value chain activity approaches, processes or markets in marketing, R&D, production, sales, client relationship management, prospect management, etc.)*? • How are cross-business collaboration activities tracked in terms of accountabilities and success *(e.g., measurement, controlling)*?
	Success	**Quantitative Success:** • Did the cross-business collaboration at SubFinanceCorp between 2002– 2006 result in quantifiable results, such as cost-reductions, increase in turnover or revenues? To what degree? • How much of the market value of your firm (share price) is related to cross-business value creation? *(less than 5%, 5-10%, 11-20%, 21-30%, more then 30%)*?

	Success	**Qualitative Success:** • Overall, how would you evaluate the success of cross-business collaboration realized in FinanceCorp/SubFinanceCorp between 2002 and 2006 *(e.g., positive/negative contribution considering implementation costs*)? • How would you describe the quality of collaboration activities between the businesses *(e.g., what is the motivation of employees to engage in cross-business collaboration)*? • What are the most important factors for the success of cross-business collaboration *(e.g., which structures, which incentives which coordination mechanism, which culture, which mindset, which competences and quality of relationships etc.)*? • What are the factors that most likely hinder successful cross-business collaboration?
Facilitation of cross-business collaboration	Organizational Design	• Could you explain how the *coordination* of cross-business collaboration is achieved at FinanceCorp/SubFinanceCorp? • What mechanisms have been put in place to coordinate, enhance, stimulate or facilitate the cross-business unit activities among the businesses *(e.g., permanent teams, task forces, integration managers; off-sites*)? • How is the coordination of cross-business collaboration funded? • How would you rate the performance of stimulation efforts at FinanceCorp/SubFinanceCorp *(0= not successful 10 = highly successful)*?
	Corporate Center	• What is the role of corporate center with regard to cross-business coordination at FinanceCorp/SubFinanceCorp? Specifically, how does the corporate center add value in cross-business coordination? • How do you evaluate the contribution of the corporate center in the context of cross-business coordination at SubFinanceCorp *(low, moderate, high; helpful - disturbing)*?

	Corporate Center	• What constitutes successful corporate center involvement in the context of cross-business coordination *(What is supportive / what hinders it)*?
	Incentives	• To what extent is the variable part of management compensation related to the performance of the corporation or other businesses? *(0%, 1-10%, 11-25%, 26-50%, 26-50% more than 50%)*? • How is cross-business collaboration motivated and recognized? *(e.g., shared goals, KPI, cross-business objective-evaluation, cross-functional award)*? • Which are the criteria applied to evaluate successful cross-business collaboration, particularly with respect to the cross-functional award?
	Culture	• How would you describe the culture of FinanceCorp/SubFinanceCorp? *(e.g., competitive, collaborative, hostile, bureaucratic, high-performance, meritocratic, etc.)* • Do you feel that you have a strong corporate culture (in comparison to each business-specific culture)? *(What constitutes a strong/weak culture? Do you identify with SubFinanceCorp as a whole? etc.)* • Could you briefly name the two most important values of FinanceCorp/SubFinanceCorp? • How strictly have the corporate values been enforced until today at FinanceCorp/SubFinanceCorp? With what kind of measures? • In which way does communication enhance and stimulate a cross-business collaboration culture? • Which kind of intra-firm networks would you describe as crucial for realizing profitable cross-business collaboration?

	Leadership Development	• What is the leadership development strategy of FinanceCorp/SubFinanceCorp? *(What is the overall goal? Who gets nominated? Which skills are targeted? Which kind of measures are in place?)* • What kind of leadership development do you have in place to support particularly cross-business collaboration *(e.g., 360-degree feedback, mentoring, coaching, job assignment, training, action learning, off-sites)*? • In general, what kind of leadership development practices has the highest potential (high, medium, low) to stimulate cross-business value creation: 360-degree feedback, mentoring, coaching, job assignment, trainings, action learning, networks/off-sites? Why? • How did leadership development contribute from 2005 – 2007 to cross-business value creation at FinanceCorp/SubFinanceCorp? • What constitutes successful leadership development at FinanceCorp/SubFinanceCorp to facilitate cross-business value creation? • What would you continue to do in terms of leadership development? What would you suggest doing differently? What do you wish others had done differently? • What are your expectations for the future regarding the role of leadership development for cross-business collaboration? Why?
Closing	Personal Conclusions	• Could you provide an operative example of your involvement in cross-business collaboration or coordination? • What would you do differently to facilitate cross-business value creation? What do you wish others had done differently? • What are your expectations for the future regarding cross-business collaboration? Why? • Are there important issues I did not cover during the interview? • Are there documentation materials I should consider on

		this topic? • Are there events at FinanceCorp/SubFinanceCorp I should participate in to gin more insights into this issue? • Are there other people I should interview?

Appendix 2: Interview Guide Cross-business Collaborators (Middle Managers)

Topics	Subtopics	Questions
Introduction		1. How relevant is cross-business collaboration for the future success of SubFinanceCorp (on a scale from 1 – 7)?
Cross-business collaboration	Experiences	2. What has been your most interesting experience in cross-business collaboration? *(reasons, concrete activities, who did initiate it, what have been the results - quantitative and qualitative, what have been success drivers, obstacles)* 3. What has been your most disappointing experience with regards to cross-business collaboration? *(concrete examples, reasons)*
Social Capital	Contact	4. When was the first time you engaged in personal contacts to people of other business groups? *(how much contacts, since when)* 5. How did you develop these contacts? What did help you? *(what kind of activities did you undertake, what would you recommend a new joiner to do)*
	Quality of Relationship	6. How would you characterize the quality of relationships in collaboration situations that worked out well? *(What is a necessary condition? knowing names? knowing faces?etc.)* 7. What have been useful activities to develop and maintain the necessary quality of your relationships? *(What did you do to create reliability, predictability, credibility?)* 8. What formal processes, events, networks are put in place to coordinate, enhance, stimulate or facilitate the cross-business collaboration among the businesses *(e.g. permanent teams, task forces, integration managers; off-sites)*? 9. What formal or informal processes, events, networks did help you most (would help you most) to develop cross-business relationships? *(e.g., social events, integration managers, superior, seminars, etc.)*

Human Capital	Competences	10. Which of your competencies (skills) have been most useful in cross-business collaboration situations? *(How did you build these competencies? What did you help?)* 11. In general, how would you characterize a successful cross-business collaborator? *(skills, know-how, mindset etc.)*
Leadership Development	Experiences	12. What was your most important Leadership Development Experience *(Why? Why did you attend this experience? What were you looking for? What has been the most valuable outcome? How have you benefited from this experience)* 13. In which way, if any, have you been dissatisfied with a leadership development experience? *(What would have been more helpful?)* 14. What kind of on-the-job development experiences do you remember – with a dedicated cross-business focus? *(certain tasks, projects, situations, challenges, etc.)*
	Potential to enhance Cross-business collaboration	15. In general – **based on your experience (or hypothetically)** - what kind of leadership development practices has the highest potential (high, medium, low) to stimulate cross-business relationships / competences: 360-degree feedback, mentoring, coaching, job assignment, trainings, action learning, off-sites? Why?
Conclusion		16. In general, is there anything you are wondering that this is not (systematically) done that you would see as effective stimulation of cross-business collaboration?

Appendix 3: Survey Questionnaire Cross-business Collaborators (Middle Managers)

Dear respondent,

Thank you for supporting my dissertation project. In preparation for our scheduled interview, I would be very grateful if you could **fill in this questionnaire**. Please **hand it back to me at our interview session**.

The focus of my dissertation is to explore

- how **cross-business collaboration** is realized today **(Questionnaire Part A)** in order to derive ideas on
- how it can be best supported by **leadership development (Questionnaire Part B)**.

I am very grateful that the Board of Directors has agreed to allow me to explore these questions, using the example of SubFinanceCorp.

Therefore, I would like to learn from the Directors and Executive Directors of all three Business Groups – from those who have had extensive experience in cross-business collaboration as well as from people who have had little experience or none at all. First, I am particularly interested in opportunities for, examples of, as well as maybe disappointments in cross-business collaboration, including success drivers, quality of working relationships, and barriers, etc. Secondly, based on your personal experiences in leadership development, I would like to discuss your ideas on how leadership development can support cross-business collaboration.

All information gathered will be used for the purpose of this dissertation only. Your responses to this questionnaire and our subsequent interview will be completely confidential. No individual responses will be revealed to any third parties and all results will be presented in an aggregated format only.

Thank you very much in advance for your valuable contribution!

I look forward to our interview,

Sincerely,

Eva Bilhuber

Part A – Cross-business Collaboration

The 'One-firm' approach of FinanceCorp implies that by working together with units of other business groups growth and synergy potentials can be turned into additional value creation. This requires collaboration between Investment Bank, Wealth Management and Global Asset Management. The questions within this part are about your experience with cross-business collaboration at SubFinanceCorp.

1. Assigning your unit*)
Where do you work?

BG Business 3:	BG Business 2:	BG Business 1:
☐ Unit a)	☐ Unit c)	☐ Unit g)
☐ Unit b)	☐ Unit d)	☐ Unit h)
	☐ Unit e)	☐ Unit i)
	☐ Unit f)	☐ Unit j)

2. Experiences
Have you already engaged in cross-business collaboration at SubFinanceCorp?

Had not yet the opportunity	very few			regularly			very much
☐	☐	☐	☐	☐	☐	☐	☐
0	1	2	3	4	5	6	7

*) Unit names are disguised in this questionnaire to de-personalize the context in order to maintain confidentiality

3. Value creation potential between businesses
Please evaluate the value creation potential between your unit and units of the *other* business groups by checking the appropriate boxes. In column 1, I am asking you to rate the potential or possible value of collaboration between your unit and the units indicated in the rows. In column 2, I am asking you to estimate the percentage or proportion of that potential actually realized so far within the company. Leave the rows for your own business unit blank.

		Column 1 - Potential The level of collaboration potential between my unit and the…. unit is today and in the future…				**Column 2 - Realized Potential** The percentage of potential collaboration actually realized between my unit and the …. unit is today equal to…			
		no	low	medium	high	< 25%	25-50%	51-75%	76-100%
Business 3	Unit a)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit b)	☐	☐	☐	☐	☐	☐	☐	☐
Business 2	Unit c)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit d)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit e)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit f)	☐	☐	☐	☐	☐	☐	☐	☐
Business 1	Unit g)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit h)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit i)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit j)	☐	☐	☐	☐	☐	☐	☐	☐

4. Contact between businesses
Today, how frequently do you interact with colleagues in these organizational units? Again, leave the rows for your own business unit blank.

		Contact frequency Today, I interact with people of the unit….on a ….. base							
		never 0	yearly 1	half-yearly 2	quarter ly 3	bi-monthl y 4	montly 5	weekly 6	daily 7
Business 3	Unit a)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit b)	☐	☐	☐	☐	☐	☐	☐	☐
Business 2	Unit c)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit d)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit e)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit f)	☐	☐	☐	☐	☐	☐	☐	☐
Business 1	Unit g)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit h)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit i)	☐	☐	☐	☐	☐	☐	☐	☐
	Unit j)	☐	☐	☐	☐	☐	☐	☐	☐

5. Quality of collaboration
How would you evaluate the quality of collaboration? Respond by indicating the extent of your agreement with the statements at the top of each column. Please complete this section only for the units you identified in question 4 (with whom you maintain contact):

		Credibility Of people from unit.... I believe I can rely on without fear as they have always looked out for my interests.	**Reliability** In general, people from the unit….. are trustworthy as they always kept the promises they made to me.	**Predictability** I know how people from unit ….. are going to act. They always act as I expect them to
		1 = strongly disagree; 4 = neither agree / nor disagree 7 = strongly agree	1 = strongly disagree; 4 = neither agree / nor disagree 7 = strongly agree	1 = strongly disagree; 4 = neither agree / nor disagree 7 = strongly sagree
BBusiness 3	Unit a)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit b)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
Business 2	Unit c)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit d)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit e)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit f)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
Business 1	Unit g)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit h)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit i)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦
	Unit j)	①②③④⑤⑥⑦	①②③④⑤⑥⑦	①②③④⑤⑥⑦

6. Cross-business collaboration activities Please indicate the extent of experience in the first column; your satisfaction with the collaborative experience in the second column, and the degree of achievement of goals from the experience in the third column. If you have not experienced a particular activity, indicate that with "0" in the first column and leave the other columns blank. Please use the last two rows to describe any activity not listed.			
	Experience Have you participated in this activity yet?	**Satisfaction** How did this cross-business collaboration experience meet your expectations (qualitatively)?	**Achievements** To what degree did you achieve your targets?
	0 = not yet; 1 = very little; 3 = to a fair extent 5 = very much	1 = not met at all 3 = met 5 = exceeded substantially	1 = not at all 3 = met 5 = exceeded substantially
Products and client services of /for other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Informal knowledge sharing about prospects / client contacts with other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Regular cross-business acquisition and coordination meetings with other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Inviting colleagues form other BGs to client meetings	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Joint sales pitches with other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Transmitting referrals of clients, deals, mandates or prospects to other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Regular calls on product & performance development with other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Job-stages (rotation) in other BGs	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Cross-business Off-sites	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Other:	⓪-①②③④⑤	①②③④⑤	①②③④⑤
Other:	⓪-①②③④⑤	①②③④⑤	①②③④⑤

7. **Success and failure factors** In general, what were the main factors governing the success or failure of your collaboration experience? Please rank in order of importance:	
Success factor 1:	Failure factor 1:
Success factor 2:	Failure factor 2:
Success factor 3:	Failure factor 3:
Success factor 4:	Failure factor 4:

8. **Conditions and competences** Which are the most important conditions and competencies for successful cross-business collaboration? Please consider a ranking order:	
Condition 1:	Competence 1:
Condition 2:	Competence 2:
Condition 3:	Competence 3:
Condition 4:	Competence 4:

9. **Shared Vision and goals** How do you evaluate the degree of shared vision and common goals across business groups?	
	1 = strongly disagree; 4 = neither disagree / nor agree 7 = strongly agree
Our unit is in tune with the overall goals and vision and values of the whole company.	①②③④⑤⑥⑦
People in our unit are enthusiastic about pursuing the common cross-business collaboration goals and vision of the whole organization	①②③④⑤⑥⑦

10. **Results** My engagement in cross-business collaboration activities led to measurable results per year, namely to an approximate…					
… increase in Net New Money (NNM) by:	none yet ☐	> 0 - <5% ☐	5 - <10% ☐	10 - <20% ☐	20 - <30% ☐
… increase in Return on Assets(RoA) by:	none yet ☐	>0 - <5% ☐	5 - <10% ☐	10 - <20% ☐	20 - <30% ☐
… increase in client satisfaction by:	none yet ☐	>0 - <5% ☐	5 - <10% ☐	10 - <20% ☐	20 - <30% ☐

Part B - Leadership Development

To enable the development of leadership capabilities of its employees, FinanceCorp supports different tools and methods (= leadership development practices). The questions in this part are concerned about whether and how you experienced these practices. First, we ask about leadership development experiences in general; then, we ask about leadership development where cross-business collaboration was a key element.

11. Leadership Development Experiences

Which kind of leadership development practice have you already participated in?

	Participation Have you experienced this practice?		**Timing** When? (if several times please indicate each time)				**Result** In which way did you benefit? (insights, change of behavior, change of attitude etc.)
	yes	no	Today - 1 year ago	> 1-3 years ago	> 3-5 years ago	> 5 years ago	Please comment:
360-degree Feedback Multi-sourced feedback on performance, organized and presented to an individual	☐	☐	☐	☐	☐	☐	
Coaching Practical, goal-focused form of one-on-one learning	☐	☐	☐	☐	☐	☐	
Mentoring Advising/developmental relationship usually with a more senior manager or peer	☐	☐	☐	☐	☐	☐	
Job Assignment Providing "stretch" or short-term assignments in terms of another role, function or geography	☐	☐	☐	☐	☐	☐	
Internal Leadership Trainings Off-the-job classroom design, gathering participants to address strategic, relational, team and change topics based on diverse methods	☐	☐	☐	☐	☐	☐	
Action Learning Project-based learning directed at important business problems	☐	☐	☐	☐	☐	☐	

Internal Networks / Off-sites Connecting to others in different functions and areas in order to discuss a business topic	☐ ☐	☐ ☐ ☐ ☐	
Other:	☐ ☐	☐ ☐ ☐ ☐	

12. Cross-business Leadership Development Experiences
Which kind of cross-business leadership development practice have you experienced?

	Participation Have you participated in these practices with a dedicated cross-business focus (e.g., evaluator or mentor from another BG, mix of participants from other BGs, cross-business collaboration as topic)?	**Result** If so, what has been the major impact for you with regard to cross-business collaboration?
	yes no	Please comment:
360-degree Feedback Multi-sourced feedback of performance, organized and presented to an individual	☐ ☐	
Coaching Practical, goal-focused form of one-on-one learning	☐ ☐	
Mentoring Advising/developmental relationship usually with a more senior manager or peer	☐ ☐	
Job Assignment Providing "stretch" or short-term assignments in terms of another role, function or geography	☐ ☐	
Internal Leadership Trainings Off-the-job classroom design, gathering participants to address strategic, relational, team and change topics based on divers methods	☐ ☐	

Action Learning Project-based learning directed at important business problems	☐ ☐	
Internal Networks / Off-sites Connecting to others in different functions and areas in order to exchange on a business topic	☐ ☐	
Other:	☐ ☐	

13. **Additional cross-business on-the-job Experiences**
Which additional *cross-business* on-the-job experience do you remember?

On-the-job Experience What kind of cross-business on-the-job development experience do you remember (e.g., specific projects, tasks, situations, challenges, etc.)?	**Result** What has been the major impact for your cross-business collaboration activities? (contacts, competences, mutual understanding, change in attitude, etc.)
•	
•	
•	

Part C – General background information

Concluding, I would be grateful if you would provide some details with regard to your general professional background.

Your current role/function: ______________________________

	</=1 year	> 1-3 years	>3-5 years	>5 years
For how long?	☐	☐	☐	☐

	</=1 year	>1-3 years	>3-5 years	>5 years
Tenure at FinanceCorp:	☐	☐	☐	☐

	AD	D	ED	MD
Your current rank:	☐	☐	☐	☐

	</=1 year	>1-3 years	>3-5 years	>5 years
For how long?	☐	☐	☐	☐

	no	yes, 1-3 people	yes, > 3 people	yes, more than one team
Do you lead people?	☐	☐	☐	☐

	</=1 year	>1-3 years	>3-5 years	>5 years
For how long?	☐	☐	☐	☐

Thank you for your time!

Appendix 4: List of Sources (Interviews, Documents, Observations)

List of Internal Expert Interviews

Index	Interview Partner	Date	No.
FinanceCorp			
FC01	Leadership Development Specialist	June 2008	1
FC02	Leadership Development Specialist	June 2008	2
FC03	Group Human Resources	June 2008	3
FC04	Leadership Development Specialist	June 2008	4
SubFinanceCorp			
SFC01	Business Management	May 2008	5
SFC02	Human Resources & Education	May 2008	6
SFC03	Leadership Development Specialist	May 2008	7
SFC04:1/ SFC04:2	Controlling & Accounting	Nov 2007/ May 2008	8/9
SFC05	Communications	May 2008	10
SFC06	Senior Management	May 2008	11
SFC07	Business Management	May 2008	12
SFC08	Business Management	June 2008	13
SFC09	Business Management	June 2008	14
SFC10	Senior Management	July 2008	15

List of Middle Manager Interviews

Index	Business	Rank	Date	No.
Group of low-level engagement (n=11)				
LL-CBC01	Business 1	Executive Director	May 2008	1
LL-CBC02	Business 2	Director	May 2008	2
LL-CBC04	Business 1	Executive Director	May 2008	3
LL-CBC10	Business 1	Director	June 2008	4
LL-CBC11	Business 2	Executive Director	June 2008	5
LL-CBC13	Business 2	Executive Director	June 2008	6
LL-CBC14	Business 3	Director	June 2008	7
LL-CBC15	Business 2	Director	June 2008	8
LL-CBC16	Business 2	Executive Director	June 2008	9
LL-CBC20	Business 1	Executive Director	June 2008	10
LL-CBC21	Business 1	Executive Director	June 2008	11
Group of moderate-level engagement (n=9)				
ML-CBC08	Business 1	Executive Director	June 2008	12
ML-CBC09	Business 1	Director	June 2008	13
ML-CBC12	Business 1	Executive Director	June 2008	14
ML-CBC24	Business 2	Director	June 2008	15
ML-CBC25	Business 2	Executive Director	June 2008	16
ML-CBC26	Business 1	Executive Director	July 2008	17
ML-CBC27	Business 1	Executive Director	July 2008	18
ML-CBC30	Business 2	Executive Director	July 2008	19

Group of high-level engagement (n=10)				
HL-CBC03	Business 1	Executive Director	May 2008	20
HL-CBC05	Business 1	Director	June 2008	21
HL-CBC06	Business 1	Director	June 2008	22
HL-CBC07	Business 1	Executive Director	June 2008	23
HL-CBC17	Business 3	Director	June 2008	24
HL-CBC18	Business 2	Director	June 2008	25
HL-CBC19	Business 2	Executive Director	June 2008	26
HL-CBC22	Business 3	Director	June 2008	27
HL-CBC23	Business 2	Executive Director	June 2008	28
HL-CBC28	Business 1	Director	July 2008	29
HL-CBC29	Business 1	Executive Director	July 2008	30

List of Documents

No.	Date	Title (disguised)
FinanceCorp		
d-FC01	2007	Handbook FinanceCorp 2006/2007
d-FC02	2002-2006	Financial Reports 2002-2007
d-FC03	2006	FinanceCorp: The way to the top in Global Banking (1998-2005) (Case Study University of St. Gallen; Authors: Müller-Stewens, Günter & Shivacheva, Rositsa)
d-FC04	2006	FinanceCorp: Towards the integrated Firm (Case Study Harvard Business School, Authors: Lal, Rajiv, Nohria, Nitin and Knoop, Carin-Isabel)
d-FC05	2008	Description of newly launched leadership development program X-BLE (presentation)
d-FC06	2006	Vision & Values (brochure)
d-.FC07	2008	Description of all corporate leadership development programs (document)
d-FC08	2004	Description of global action learning program (presentation)
d-FC09	2008	Intranet page FinanceCorp
SubFinanceCorp		
d-SFC01	June 2006	Corporate Profile documentation
d-SFC02	March 2006	SubfinanceCorp – against the odds to 'One firm' (Case study for internal use in management development; Authors: Sweeney, Mike, Beeler, Martin and Weidmann, Georg)
d-SFC03	August 2007	SubFinanceCorp – IB/WM cooperation – status and areas for improvement (presentation)
d-SFC04	May 2008	Integrated Business Model – cross-business group collaboration (presentation)
d-SFC05	2004 - 2007	Cross-functional Award Communications (documents)

d-SFC06	2005/ 2007	SubFinanceCorp's action learning program (brochure)
d-SFC07	2008	Cross-functional Award requirements, criteria and process (document)
d-SFC08	May 2008	Country Fact Sheet - SubFinanceCorp (presentation)
d-SFC09	May 2008	Cross-business cooperation: Goals, objectives and KPIs (presentation)
d-SFC10	August 2006	Experience report on action learning program by participants (document)
d-SFC11	2004	Management & Leadership Initiative "We, SubFinance-Corp" (presentation)

List of Observations

No.	**Date**	**Title (disguised)**
Finance Corp –		
o-FC01	June 2008	Presentation on the future of FinanceCorp
o-FC02	August 2007 / July 2008	Visit to a cross-business Leadership Development Program, engaging in conversations with program managers and participants (ECLE)
o-FC03	May 2008 / April 2008	Discussions with Global Diversity Team and Head of Corporate Talent Management
o-FC04	May 2007	Visit to public Cross-business Women´s Leader-ship Conference
o-FC05	November 2007	Discussions with program managers on newly launched leadership development program for se-nior-level sales people (X-BLE)

SubFinanceCorp		
o-SFC01	2007	Presentation on future of SubFinanceCorp (Town-hall meeting)
o-SFC02	2007	Visit to Women's Leadership Conference enaging in informal discussions with participants
o-SFC03	March 2008	Discussions with program managers on cross-business action learning program
o-SFC04	February 2008	Discussion with CEO SubFinanceCorp
o-SFC05	August 2007	Visit to a cross-business Trainee Program Event on SubFinanceCorp
o-SFC06	May 2008	Discussion with ex-head of Sales Management and team members on cross-business collaboration challenges

Appendix 5: Middle Managers' Cross-business Collaboration Experiences

	Cross-business collaboration experiences in:		
Groups of Middle Managers	***Cross-selling activities***	***Client referral activities***	***Joint product / market development activities***
low-level cross-business collaboration engagement	LL-CBC01 LL-CBC02 LL-CBC04 LL-CBC10 LL-CBC11 LL-CBC14 LL-CBC15 LL-CBC20 LL-CBC21	LL-CBC01 LL-CBC04 LL-CBC13 LL-CBC15 LL-CBC16	
moderate-level cross-business collaboration engagement	ML-CBC08 ML-CBC09 ML-CBC25 ML-CBC26 ML-CBC27 ML-CBC30	ML-CBC08 ML-CBC12 ML-CBC24 ML-CBC26 ML-CBC27 ML-CBC29	ML-CBC09 ML-CBC12 ML-CBC25 ML-CBC29
high-level cross-business collaboration engagement	HL-CBC06 HL-CBC03 HL-CBC07 HL-CBC17 HL-CBC18 HL-CBC19 HL-CBC23 HL-CBC28	HL-CBC03 HL-CBC05 HL-CBC06 HL-CBC07 HL-CBC17 HL-CBC19 HL-CBC23	HL-CBC03 HL-CBC05 HL-CBC07 HL-CBC17 HL-CBC18 HL-CBC19 HL-CBC22 HL-CBC23 HL-CBC28

Appendix 6: Quantitative Analyses

Sample Characteristics		n	%
Business			
	Wealth Management	14	46.7
	Investment Banking	11	36.7
	Asset Management	5	16.7
Management Level			
	Director	11	36.7
	Executive Director	19	63.3
Tenure			
	> 1 - 3 Years	1	3.3
	> 3 - 5 Years	9	30
	> 5 Years	19	63.3
Management Level for			
	< 1 Year	8	26.7
	> 1 - 3 Years	14	46.7
	> 3 - 5 Years	7	23.3
Function for			
	< 1 Year	6	20
	> 1 - 3 Years	4	13.3
	> 3 - 5 Years	5	16.7
	> 5 Years	13	43.3
Leader responsibility			
	No	10	33.3
	1-3 People	7	23.3
	> 3 People	11	36.7
	More than 1 Team	1	3.3
Mentioned Experiences in			
	Cross-selling	16	53.3
	Client Referral	9	30
	Joint Product / Market Developme	5	16.7

Subjective and Objective Performance

Subjective Performance Variable		Objective Performance: non-rewarded Count	Objective Performance: rewarded Count	Total
Increase in financial performance **	none yet	6 (42.9%)	0 (0.0%)	6 (27.3%)
	> 0 - < 5%	5 (37.5%)	1 (12.5%)	6 (27.3%)
	5 - < 10%	1 (7.1%)	4 (50.0%)	5 (22.7%)
	11 - < 20%	1 (7.1%)	2 (25.0%)	3 (13.6%)
	21 - < 30%	1 (7.1%)	1 (12.50%)	2 (9.1%)
Total***		14 (100%)	8 (100%)	22 (100%)

Cramer's V = .67

*) received cross-business award
**) estimated increase of net new money and return on assets
***) total n=22 indicating financial performance increase

Performance and Experience

Subjective Performance Variable		Experience*: low-level (n=16) Count	Experience*: high-level (n=14) Count	Total
Increase in financial performance **	none yet	5 (45.5%)	1 (9.1%)	6 (27.3%)
	> 0 - < 5%	4 (36.4%)	2 (18.2%)	6 (27.3%)
	5 - < 10%	1 (9.1%)	4 (36.4%)	5 (22.7%)
	11 - < 20%	0 (0.0%)	3 (27.3%)	3 (13.6%)
	21 - < 30%	1 (9.1%)	1 (9.1%)	2 (9.1%)
Total***		11 (100%)	11 (100%)	22 (100%)

Cramer's V = .61

*) 7-point scale; 1=very few - 7= very much; categorized along median
**) estimated increase of net new money and return on assets
***) total n=22 indicating financial performance increase

Experience and Relevance

	low-level engagement (n=11)			moderate-level engagement (n=9)			high-level engagement (n=10)		
Variables	Mean	s.d.	n	Mean	s.d.	n	Mean	s.d.	n
Experience in Cross-business collaboration*	2.27	0.90	11	4.44	0.53	9	6.9	0.32	10
Relevance of Cross-business collaboration	4.88	1.89	8	6.89	0.33	9	6.60	0.70	10

*) 7-point-scale (1=very few / 7=very much)
**) asked at the beginning of the interviews 7-point-scale (1=very few / 7=very much)

Indications of Social Capital*

	low-level engagement (n=11)			moderate-level engagement (n=9)			high-level engagement (n=10)		
	Mean	s.d.	valid n	Mean	s.d.	valid n	Mean	s.d.	valid n
Trust **	5.04	0.97	7	4.59	0.59	9	4.87	1.12	10
Shared vision***	5.31	1.07	8	4.83	1.48	9	5.4	1.33	10
	Sum	Mean	valid n	Sum	Mean	valid n	Sum	Mean	valid n
Number of different tie	29	3.22	9	49	5.44	9	54	5.4	10

	low-level engagement (n=11)	level engagement (n=9)	high-level engagement (n=10)	
Contact Frequency	Count	Count	Count	Total
yearly	1 (10.0%)	1 (11.1%)	0 (0.0%)	2 (6.9%)
half-yearly	6 (60.0%)	2 (22.2%)	0 (0.0%)	8 (27.6%)
quarterly	3 (30.0%)	0 (0.0%)	3 (30.0%)	6 (20.7%)
every two months	0 (0.0%)	3 (33.3%)	6 (60.0%)	9 (31.0%)
monthly	0 (0.0%)	3 (33.3%)	0 (0.0%)	3 (10.3%)
weekly	0 (0.0%)	0 (0.0%)	1 (10.0%)	1 (3.4%)
Total	10 (100%)	9 (100%)	10 (100%)	29 (100%)

*) considers relationships to all organizational units of the other business (one-way)
**) 7-point scale; 1=strongly disagree - 7 strongly agree
***) 7-point scale; 1=strongly disagree - 7=strongly agree

Leadership Development Participation

	low-level engagement (n=11)		moderate-level engagement (n=9)		high-level engagement (n=10)	
	Count	mean / person	Count	mean / person	Count	mean / person
with cross-business focus	16	1.5	16	1.8	26	2.6
without cross-business focus	26	2.4	18	2.0	15	1.5
Total	42	3.8	34	3.8	41	4.1

Participation in Leadership Development with cross-business focus

	low-level engagement (n=11)		moderate-level engagement (n=9)		high-level engagement (n=10)	
Individual Practices	Count	mean / person	Count	mean / person	Count	mean / person
Participation 360 Feedback	2		4		7	
Participation Coaching	1		0		2	
Participation Mentoring	5		4		5	
Participation Job Assignment	1		0		3	
Total	9	0.8	8	0.9	17	1.7
Collective Practices						
Participation internal leadership training	3		5		5	
Participation Action Learning	1		0		2	
Participation internal Networks / Offsites	3		3		2	
Total	7	0.6	8	0.9	9	0.9

References

Adair, J. 2006. ***Effective Leadership Development***. London: Chartereed Institute of Personnel and Development.

Adler, P. S., & Kwon, S.-W. 2002. Social Capital: Prospects for a New Concept. ***Academy of Management Review***, 27(1): 17-40.

Allen, M. R., & Wright, P. 2007. Strategic Management and HRM. In P. Boxall, J. Purcell, & P. Wright (Eds.), ***The Oxford Handbook of Human Resources Management***. Oxford: Oxford University Press.

Allen, T. D., & Poteet, M. L. 1999. Developing Effective Mentoring Relationships: Strategies from the Mentor's Viewpoint. ***Career Development Quarterly***, 48(1): 59-73.

Analoui, F. 1993. ***Training and Transfer of Learning***. Newcastle: Avebury.

Ansoff, I. 1965. ***Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*** New York: NY: Wiley.

April, K. A., & Hill, S. 2000. The Uncertainty and Ambiguity of Leadership in the 21st Century. ***South African Journal of Business Management***, 31(2): 45.

Ardichvill, A. 2003. Constructing Socially Situated Learning Experiences in Human Resources Development: An Activity Perspective. ***Human Resources Management International***, 6(1): 5-20.

Armstrong, M. 2003. ***A Handbook of Human Resource Management Practice*** (9th ed.). London: Kogan Page Ltd.

Atwater, L., & Yammarino, F. J. 1997. Self-other Rating Agreement: A Review and Model. ***Research in Personnel and Human Resources Management***, 15: 121-174.

Atwater, L. E., Brett, J. F., & Charles, A. C. 2007. Multisource Feedback: Lessons learned and Implications for Practice. ***Human Resource Management***, 46(2): 285-307.

Baird, L., & Meshoulam, I. 1988. Managing two Fits of Strategic Human Resource Management. ***Academy of Management Review***, 13(1): 116-128.

Balkundi, P., & Kilduff, M. 2006. The Ties that lead: A Social Network Approach to Leadership. ***The Leadership Quarterly***, 17(4): 419-439.

Barab, S. A., & Plucker, J. A. 2002. Smart People or Smart Contexts? Cognition, Ability and Talent Development in an Age of Situated Approaches to Knowing and Learning. ***Educational Psychologist***, 37(3): 165-182.

Barker, R. A. 1997. How we can train Leaders if we do not know what Leadership is? ***Human Relations***, 50: 343-362.

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. ***Journal of Management***, 17(1): 99.

E. B. Galli, *Building Social Capital in a Multibusiness Firm,*
DOI 10.1007/ 978-3-8349-6171-6,

Barney, J. B., & Hansen, M. H. 1994. Trustworthiness as a Source of Competitive Advantage. ***Strategic Management Journal***, 15(8): 175-190.

Bass, B. M. 1985. ***Leadership and Performance beyond Expectations***. New York: Free Press.

Becerra, M., & Gupta, A. K. 2003. Perceived Trustworthiness Within the Organization: The Moderating Impact of Communication Frequency on Trustor and Trustee Effects. ***Organization Science***, 14(1): 32-44.

Besanko, D., Dranove, D., & Shanley, M. 2000. ***Economics of Strategy*** (2nd ed.). New York: J. Wiley.

Bettis, R. 1981. Performance Differences in related and unrelated Firms. ***Strategic Management Journal***, 2(4): 379-393.

Bigley, G. A., & Pearce, J. L. 1998. Straining for Shared Meaning in Organization Science: Problems of Trust and Distrust. ***The Academy of Management Review***, 23(3): 405-421.

Bloom, B. S., Engelhart, M. D., Furst, E. J., Hill, W. H., & Krathwohl, D. R. 1956. ***Taxonomy of Educational Objectives***. New York: McKay.

Böhm, S., & Vögtlin, C. 2007. The Influence of Employee Training Programs on Team Empowerment and Attitudinal Outcomes. ***Submitted, unpublished conference paper to the Academy of Management Meeting, Philadelphia***.

Bolino, M. C., Turnley, W. H., & Bloodgood, J. M. 2002. Citizenship Behavior and the Creation of Social Capital in Organizations. ***The Academy of Management Review***, 27(4): 505-522.

Borgatti, S. P., & Foster, P. C. 2003. The Network Paradigm in Organizational Research: A Review and Typology. ***Journal of Management***, 29(6): 991-1013.

Bortz, J., & Döring, N. 2006. ***Forschungsmethoden und Evaluation*** (4th ed.). Heidelberg: Springer.

Boudreau, J. W., & Ramstad, P. M. 2005. Talentship, Talent Segmentation and Sustainability: A new HR Decision Science Paradigm for a new Strategy Definition. ***Human Resource Management***, 44(2): 129-136.

Bowen, D., & Ostroff, C. 2004. Understanding HRM-Firm Performance Linkages: The Role of the "Strength" of the HRM System. ***Academy of Management Review***, 29: 203-221.

Bowman, E. H., & Helfat, C., E. 2001. Does Corporate Strategy matter? ***Strategic Management Journal***, 22(1): 1-23.

Boxall, P., & Purcell, J. 2003. ***Strategy and Human Resources Management***. New York: Palgrave.

Boxall, P., Purcell, J., & Wright, P. 2007. ***The Oxford Handbook of Human Resources Management***. Oxford: Oxford University Press.

Brass, D. J. 1995. A Social Network Perspective on Human Resources Management. In K. M. Rowland, & G. R. Ferris (Eds.), ***Research in Personnel and Human Resources Management: A Research Annual***. Greenwich: Jai Press.

Brass, D. J., Galaskiewicz, J., Greve, H. R., & Tsai, W. 2004. Taking Stock of Networks and Organizations: A Multilevel Perspective. ***Academy of Management Journal***, 47(6): 795-817.

Brass, D. J., & Krackhardt, D. 1999. The Social Capital of twenty-first-century Leaders. In J. G. Hunt, G. E. Dodge, & L. Wong (Eds.), ***Out-of-the-box Leadership: Transforming the twenty-first-century Army and other top-performing Organizations***: 179-194. US: Elsevier Science/JAI Press.

Brown, J., & Duguid, P. 1991. Organizational Learning and Communities of Practices: Toward a unified View of Working, Learning and Innovation. ***Organization Science***, 2(1): 40-57.

Bruch, H. 2003. ***Leader's Action. Model Development and Testing.*** München: Rainer Hampp Verlag.

Buller, P. F., & Napier, N. K. 1993. Strategy and Human Resources Management: Integration in fast Growth versus other Mid-sized Firms. ***British Journal of Management***, 4(77-90).

Burgelman, R. A. 1991. Intraorganizational Ecology of Strategy Making and Organizational Adaptation: Theory and Field Research. ***Organization Science***, 2(3): 239-262.

Burgelman, R. A., & Doz, Y. L. 2001. The Power of Strategic Integration. ***MIT Sloan Management Review***, 42(3): 28-38.

Burgoyne, J., & Reynolds, M. 1997. ***Management Learning***. London: Sage Publications.

Burke, M. J., & Day, R. R. 1986. A Cumulative Study of the Effectiveness of Managerial Training. ***Journal of Applied Psychology***, 71: 232-245.

Burt, R. S. 1997. The Contingent Value of Social Capital. ***Administrative Science Quarterly***, 42(2): 339-365.

Burt, R. S. 2000. The Network Structure of Social Capital. In B. M. Staw, & R. I. Sutton (Eds.), ***Research in Organizational Behaviour***, Vol. 22: 345-423. London: Elsevier Science Inc.

Burt, R. S., Hogarth, R. M., & Michaud, C. 2000. The Social Capital of French and American Managers. ***Organization Science***, 11(2): 123-147.

Campbell, A. 1999. ***The Collaborative Enterprise: Why Links across the Corporation often fail and how to make them work***. Mass.: Perseus Books.

Campbell, A., Goold, M., & Alexander, M. 1995. Corporate Strategy: The Quest for Parenting Advantage. ***Harvard Business Review***, 73(2): 120-132.

Campion, M. A., Charaskin, L., & Stevens, M. J. 1994. Career-related Antecedents and Outcomes of Job Rotation. ***Academy of Management Journal***, 37: 1518-1542.

Carson, S. J., Madhok, A., Varman, R., & John, G. 2003. Information Processing Moderators of the Effectiveness of Trust-Based Governance in Interfirm R&D Collaboration. ***Organization Science***, 14(1): 45-56.

Casciaro, T. 1998. Seeing Things clearly: Social Structure, Personality, and Accuracy in Social Network Perception. ***Social Networks***, 20: 331-351.

Chappelow, C. T. 2004. 360-Degree Feedback. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

Collins, D. B., & Holton, E. F. I. 2004. The Effectiveness of Managerial Leadership Development Programs: A Meta-Analysis of Studies from 1982 to 2001. ***Human Resource Development Quarterly***, 15(2): 217-248.

Collis, D. J., & Montgomery, C. A. 1995. Competing on Resources: Strategy in the 1990s. ***Harvard Business Review***, 73(4): 118-128.

Collis, D. J., & Montgomery, C. A. 1997. ***Corporate Strategy: Resources and the Scope of the Firm***. Boston: McGraw-Hill.

Collis, D. J., & Montgomery, C. A. 1998. Creating Corporate Advantage. ***Harvard Business Review***, 76(3): 70-83.

Conger, J. A. 1993. The Brave New World of Leadership Training. ***Organizational Dynamics***, 21(3): 46-58.

Conger, J. A., & Benjamin, B. 1999. ***Building Leaders: How successful Companies develop the next Generation.*** . San Francisco: Jossey-Bass.

Currie, G., & Procter, S. J. 2005. The Antecedents of Middle Managers' Strategic Contribution: The Case of a Professional Bureaucracy. ***Journal of Management Studies***, 42(7): 1325-1356.

Daily, C. M., McDougall, P. P., Covin, J. G., & Dalton, D. R. 2002. Governance and Strategic Leadership in Entrepreneurial Firms. ***Journal of Management***, 28: 387-412.

Das, T. K., & Teng, B.-S. 1998. Between Trust and Control: Developing Confidence in Partner Cooperation in Alliances. ***The Academy of Management Review***, 23(3): 491-512.

Day, D. V. 2000. Leadership Development: A Review in Context. ***Leadership Quarterly***, 11(4): 581.

Delery, J., & Doty, D. 1996. Modes of Theorizing Strategic Human Resources Management: Test of Universalistic, Contingency and Configurational Performance Predictions. ***Academy of Management Journal***, 39(4): 802-835.

Denzin, N. K., & Lincoln, Y. S. 1994. ***Handbook of Qualitative Research***. CA: Sage: Thousand Oaks.

Dess, G. G., Ireland, D. R., Zahra, S. A., Floyd, S. W., Janney, J. J., & Lane, P. J. 2003. Emerging Issues in Corporate Entrepreneurship. ***Journal of Management***, 29(3): 351-378.

Dess, G. G., & Lumpkin, G. T. 2001. Emerging Issues in Strategy Process Research. In M. A. Hitt, R. E. Freeman, & J. S. Harrison (Eds.), ***Handbook of Strategic Management***: 3-24. Oxford: Blackwell Publishers.

Dirks, K. T., & Ferrin, D. L. 2001. The Role of Trust in Organizational Settings. ***Organization Science***, 12(4): 450.

Dotlich, D. L., & Cairo, P. C. 2003. ***Why CEO's fail***. San Francisco: Jossey-Bass.

Dotlich, D. L., & Noel, J. L. 1998. ***Action Learning***. San Francisco: Jossey Bass.

Dreher, G., & Cox, T. H. J. 1996. Race, Gender, and Opportunity: A Study of Compensation Attainment and the Establishment of Mentoring Relationships. ***Journal of Applied Psychology***, 81: 297-308.

Dyer, J. H., & Chu, W. 2000. The Determinants of Trust in Supplier-Automaker Relationships in the U.S., Japan, and Korea. ***Journal of International Business Studies***, 31(2): 259-285.

Dyer, J. H., & Hatch, N. W. 2006. Relation-specific Capabilities and Barriers to Knowledge Transfers: Creating Advantage through Network Relationships. ***Strategic Management Journal***, 27(8): 701-719.

Easterby-Smith, M., & Thorpe, R. 1997. Research Traditions in Management Learning. In J. Bourgoyne, & M. Reynolds (Eds.), ***Management Learning: Integrating Theory and Practice***. London: Sage.

Eisenhardt, K. M. 1989. Building Theories from Case Study Research. ***Academy of Management Review***, 14(4): 532-550.

Eisenhardt, K. M., & Graebner, M. E. 2007. Theory Building from Cases: Opportunities and Challenges. ***Academy of Management Journal***, 50(1): 25-32.

Facteau, C. L., & Facteau, J. D. 1998. Reactions of Leaders to 360-degree Feedback from Subordinates and Peers. ***Leadership Quarterly***, 9(4): 427.

Fiedler, F. E. 1996. Research on Leadership Selection and Training: One View of the Future. ***Administrative Science Quarterly***, 41(2): 241-250.

Fiedler, F. E. 1998. The Leadership Situation: A Missing Factor in Selecting and Training Managers. ***Human Resource Management Review***, 8(4): 335.

Floyd, S. W., & Wooldridge, B. 1997. Middle Management's Strategic Influence and Organizational Performance. ***Journal of Management Studies***, 34(3): 465-485.

Fox, S. 1997. ***From Management Education and Development to the Study of Management Learning***. London: Sage Publications Inc.

Gardner, H. 1993. ***Multiple Intelligences. The Theory in Practice***. New York: Basic Books.

Giber, D., Carter, I., & Goldsmith, M. 1999. ***Linkage, Inc.'s Best Practices in Leadership Development Handbook***. Lexington: MA: Linkage Press.

Gilley, J. W., Eggland, S. A., & Maycunich Gilley, A. 2002. ***Principles of Human Resources Development*** (2nd ed.). New York: Perseus.

Goldstein, I. L. 1993. ***Training in Organizations*** (3rd ed.). Belmont: ITP.

Goold, M., & Campbell, A. 1998a. Desperately Seeking Synergy. ***Harvard Business Review***, 76(5): 131-143.

Goold, M., Campbell, A., & Alexander, M. 1994. ***Corporate-level Strategy: Creating Value in the Multibusiness Company***. New York: Wiley.

Goold, M., Campbell, A., & Alexander, M. 1998b. Corporate Strategy and Parenting Theory. ***Long Range Planning***, 31(2): 308-314.

Govindarajan, V. 1988. A Contingency Approach to Strategy Implementation at the Business Unit Level: Integrating Administrative Mechanisms with Strategy. ***Academy of Management Journal***, 31(4): 828-853.

Granovetter, M. S. 1973. The Strength of Weak Ties. ***The American Journal of Sociology***, 78(6): 1360-1380.

Guba, E. G., & Lincoln, Y. S. 1994. Competing Paradigms in Qualitative Research. In N. K. Denzin, & Y. S. Lincoln (Eds.), ***Handbook of qualitative research***: 105-117. CA: Sage: Thousand Oaks.

Gulati, R. 1995. Does Familiarity breed Trust? The Implications of repeated Ties for contractual Choice in Alliances. ***Academy of Management Journal***, 38(1): 85-112.

Gupta, V., MacMillan, I. C., & Surie, G. 2004. Entrepreneurial Leadership: Developing and Measuring a cross-cultural Construct. ***Journal of Business Venturing***, 19(2): 241.

Guthrie, V. A., & King, S. N. 2004. Feedback-Intensive Programs. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

Hansen, M. T. 1999. The Search-Transfer Problem: The Role of Weak Ties in Sharing Knowledge across Organizational Subunits. ***Administrative Science Quarterly***, 44: 82-111.

Hansen, M. T. 2002. Knowledge Networks: Explaining Effective Knowledge Sharing in Multiunit Companies. ***Organization Science***, 13(3): 232-248.

Hansen, M. T., Mors, M. L., & Lovas, B. 2005. Knowledge Sharing in Organizations: Multiple Networks, Multiple Phases. ***Academy of Management Journal***, 48(5): 776-793.

Hansen, M. T., Podolny, J., & Pfeffer, J. 2001. So many Ties, so little Time: A Task Contingency Perspective on Social Capital in Organizations. In S. M. Gabbay (Ed.), ***Social Capital in Organizations***, Vol. 18: 21-57. Amsterdam: Jai.

Hernez-Broome, G., & Hughes, R. J. 2004. Leadership Development: Past, Present, and Future. ***Human Resource Planning***, 27(1): 24-32.

Hilb, M. 2009. Konsequenzen für die Corporate Governance. In C. Lechner (Ed.), ***Konsequenzen aus der Finanzmarktkrise. Perspektiven der HSG***, Vol. Responsible Corporate Competitiveness. St. Gallen: University of St. Gallen.

Hill, C., Hitt, M., & Hoskisson, R. 1992. Cooperative versus Competitive Structures in related and unrelated diversified Firms. ***Organization Science***, 3(4): 501-521.

Hitt, M. A., Lee, H.-u., & Yucel, E. 2002. The Importance of Social Capital to the Management of Multinational Enterprises: Relational Networks Among Asian and Western Firms. ***Asia Pacific Journal of Management***, 19(2): 353-372.

Hoppe, M. H. 2004. Cross-cultural Issues in the Development of Leaders. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

Horan, J. 2007. Business Driven Action Learning: A Powerful Tool for Building World-Class Entrepreneurial Business Leaders. ***Organization Development Journal***, 25(3): P75-P80.

Huselid, M. 1995. The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Performance. ***Academy of Management Journal***, 38: 635-672.

Huxham, C. 1996. ***Creating Collaborative Advantage***. London: Sage Publications.

Ibarra, H., Kilduff, M., & Tsai, W. 2005. Zooming In and Out: Connecting Individuals and Collectivities at the Frontiers of Organizational Network Research. ***Organization Science***, 16(4): 359-371.

Ireland, R. D., Hitt, M. A., & Sirmon, D. G. 2003. A Model of Strategic Entrepreneurship: The Construct and its Dimensions. ***Journal of Management***, 29(6): 963.

Jones, C., Hesterly, W. S., & Borgatti, S. P. 1997. A General Theory of Network Governance: Exchange Conditions and Social Mechanisms. ***Academy of Management Review***, 22(4): 911-945.

Jones, G. R., & George, J. M. 1998. The Experience and Evolution of Trust: Implications for Cooperation and Teamwork. ***Academy of Management Review***, 23(3): 531-546.

Kepes, S., & Delery, J. E. 2007. HRM Systems and the Problem of Internal Fit. In P. Boxall, J. Purcell, & P. Wright (Eds.), ***The Oxford Handbook of Human Resources Management***. Oxford: Oxford University Press.

Kilburg, R. R. 1996. Toward a Conceptual Understanding and Definition of Executive Coaching. ***Consulting Psychology Journal: Practice and Research***, 48: 134-144.

Kildufff, M., & Tsai, W. 2003. ***Social Networks and Organizations***. London: Sage.

Kipnis, D., Schmidt, S. M., & Wilkinson, I. 1980. Intraorganizational Influence Tactics: Explorations in Getting One's Way. ***Journal of Applied Psychology***, 65: 243-248.

Knoll, S. 2008. ***Cross-Business Synergies: A Typology of Cross-business Synergies and a Mid-range Theory of continuous Growth Synergy Realization***. Dissertation, University of St. Gallen.

Kogut, B., & Zander, U. 1992. Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology. ***Organization Science***, 3: 383-397.

Krackhardt, D., & Brass, D. J. 1994. Intraorganizational Networks: The Micro Side. In S. Wasserman, & J. Galaskiewicz (Eds.), ***Advances in Social Network Analysis: Research in the Social and Behavioral Sciences***: 207-229. Thousand Oaks, CA, US: Sage Publications, Inc.

Kram, K. E., & Isabella, L. A. 1985. Mentoring Alternatives: The Role of Peer Relationships in Career Development. ***Academy of Management Journal***, 28: 110-132.

Kramer, R. M., Brewer, M. B., & Hanna, B. A. 1996. Collective Trust and Collective Action: The Decision to Trust as a Social Decision. In R. M. Kramer, & T. R. Tyler (Eds.), ***Trust in Organizations***. Thousand Oaks: Sage Publications.

Kuratko, D. F., Ireland, R. D., Covin, J. G., & Hornsby, J. S. 2005. A Model of Middle-Level Managers' Entrepreneurial Behavior. ***Entrepreneurship: Theory & Practice***, 29(6): 699-716.

Labianca, G., & Brass, D. J. 2006. Exploring the Social Ledger: Negative Relationships and Negative Asymmetry in Social Networks in Organizations. ***Academy of Management Review***, 31(3): 596-614.

Leana, C. R., & Van Buren, H. J. 1999. Organizational Social Capital and Employment Practices. ***Academy of Management Review***, 24(3): 538-555.

Lechner, C. 2006. ***A Primer to Strategy Process Research***. Göttingen: Cuvillier.

Lengnick-Hall, C. A., & Lengnick-Hall, M. L. 1988. Strategic Human Resources Management Literature: A Review and proposed Typology. ***Academy of Management Review***, 13(3): 454-470.

Lepak, D. P., & Snell, S. A. 1999. The Human Resource Architecture: Toward a Theory of Human Capital Allocation and Development. ***Academy of Management Review***, 24: 31-48.

Levin, D. Z., & Cross, R. 2004. The Strength of Weak Ties you can Trust: The Mediating Role of Trust in Effective Knowledge Transfer. ***Management Science***, 50(11): 1477-1490.

Levinson, H. 1996. Executive Coaching. ***Consulting Psychology Journal: Practice and Research***, 48: 115-123.

Lewicki, R. J., & Bunker, B. B. 1996. Developing and Maintaining Trust in Working Relationships. In R. M. Kramer, & T. R. Tyler (Eds.), ***Trust in Organizations***. Thousand Oaks: Sage Publications.

Lewis, P. 1997. A Framework for Research into Training and Development. ***International Journal of Training and Development***, 1(1): 2-8.

Li, L. 2005. The Effects of Trust and Shared Vision on inward Knowledge Transfer in Subsidiaries' intra- and inter-organizational Relationships. ***International Business Review***, 14(1): 77-95.

Limerick, D., & Cunnington, B. 1993. ***Managing the new Organization : a Blueprint for Networks and Strategic Alliances***. San Francisco: Jossey-Bass Publishers.

London, M., & Beatty, R. W. 1993. 360-degree Feedback as a Competitive Advantage. ***Human Resource Management***, 32: 353-372.

Mabey, C. 2002. Mapping Management Development Practice. ***Journal of Management Studies***, 39(8): 1139-1160.

Mabey, C., & Ramirez, M. 2005. Does Management Development improve Organizational Productivity? A six-country Analysis of European Firms. ***International Journal of Human Resource Management***, 16(7): 1067-1082.

Markides, C. C., & Williamson, P. J. 1994. Related Diversification, Core Competences and Corporate Performance. ***Strategic Management Journal***, 15(Summer Special Issue): 149-165.

Marshall, C., & Rossmann, G. B. 1995. ***Designing Qualitative Research*** (2nd edition ed.). Thousand Oaks: Sage publications.

Martin, J. A., & Eisenhardt, K. M. 2001. Exploring cross-business Synergies. ***Academy of Management Proceedings***: H1-H6.

Martin, J. A., & Eisenhardt, K. M. 2003. Cross-business Synergy: Recombination, Modularity and the multi-business Team. ***Academy of Management Proceedings***: P1-P6.

Mayer, R. C., Davis, J. H., & Schoorman, F. D. 1995. An Integrative Model of Organizational Trust. ***The Academy of Management Review***, 20(3): 709-734.

McAllister, D. J. 1995. Affect- and Cognition-Based Trust as Foundations for Interpersonal Cooperation in Organizations. ***The Academy of Management Journal***, 38(1): 24-59.

McCall, M. W. J., & Hollenbeck, G. P. 2007. Getting Leader Development Right. In J. A. Conger, & R. E. Riggio (Eds.), ***The Practice of Leadership***. San Francisco: Jossey-Bass.

McCarthy, A. M., & Garavan, T. N. 2007. Understanding Acceptance of Multisource Feedback for Management Development. ***Personnel Review***, 36(6): 903-917.

McCauley, C. D., & Douglas, C. A. 2004a. Developmental Relationships. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

McCauley, C. D., Ruderman, C. D., Ohlott, P. J., & Morrow, J. E. 1994. Assessing the Developmental Components of Managerial Jobs. ***Journal of Applied Psychology***, 79: 544-560.

McCauley, C. D., & Van Velsor, E. 2004b. Our View of Leadership Development. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

McEvily, B., Perrone, V., & Zaheer, A. 2003. Trust as an Organizing Principle. ***Organization Science***, 14(1): 91-103.

Mehra, A., Dixon, A. L., Brass, D. J., & Robertson, B. 2006. The Social Network Ties of Group Leaders: Implications for Group Performance and Leader Reputation. ***Organization Science***, 17(1): 64-79.

Mehra, A., Kilduff, M., & Brass, D. J. 2001. The Social Networks of High and Low Self-Monitors: Implications for Workplace Performance. ***Administrative Science Quarterly***, 46(1): 121-146.

Miles, G., & Snow, C. 1984. Designing Strategic Human Resources Systems. ***Organizational Dynamics***, Summer: 36-52.

Miles, M. B., & Huberman, A. M. 1994. ***Qualitative Data Analysis*** (2nd edition ed.). Thousand Oaks: Sage Publications.

Minbaeva, D. B., & Michailova, S. 2004. Knowledge Transfer and Expatriation in multinational Corporations: The Role of Disseminative Capacity. ***Employee Relations***, 26(6): 663-679.

Morgan, G., & Smircich, L. 1980. The Case for Qualitative Research. ***Academy of Management Review***, 5(4): 491-500.

Morse, J. M. 1994. "Emerging from the Data": The Cognitive Processes of Analysis in Qualitative Inquiry. In J. M. Morse (Ed.), ***Critical Issues in Qualitative Research Methods***. Thousand Oaks: Sage Publications.

Müller-Stewens, G., & Brauer, M. 2007. Einführung ins Corporate Management. In G. Müller-Stewens, & M. Brauer (Eds.), ***Integriertes Corporate Management: Wertsteigerung im Mehr-Geschäfte-Unternehmen.*** St. Gallen: unpublished Draft.

Müller-Stewens, G., & Knoll, S. 2005a. Cross Business Synergies: A Categorization and Review of Risks and Benefits. In S. Foschiani, W. Habenicht, & G. Wäscher (Eds.), ***Strategisches Wertschöpfungsmanagement in dynamischer Umwelt***: 429-460. Frankfurt am Main: Peter Lang.

Müller-Stewens, G., & Knoll, S. 2005b. Erfolgreiches Management von Cross-Business-Synergien? Die Bedeutung des organisatorischen Kontextes. In H. Hungenberg, & J. Meffert (Eds.), ***Handbuch Strategisches Management***, 2nd ed.: 791-814. Wiesbaden: Gabler.

Müller-Stewens, G., & Knoll, S. 2006. Smart Linking: Steigerung von Wachstum und Profitabilität durch innovatives Geschäfseinheiten-übergreifendes Synergiemanagement, ***University of St. Gallen and Capgemini Consulting***.

Nahapiet, J., & Ghoshal, S. 1998. Social Capital, Intellectual Capital, and the Organizational Advantage. ***Academy of Management Review***, 23(2): 242-266.

Neck, C., & Manz, C. C. 1996. Thought Self-Leadership. The Impact of Mental Strategies Training on Employee Cognition, Behavior, and Affect. ***Journal of Organizational Behavior***, 17: 445-467.

Nohria, N., & Ghoshal, S. 1994. Differentiated Fit and Shared Values: Alternatives for Managing Headquarters-Subsidiary Relations. ***Strategic Management Journal***, 15(6): 491-502.

Nonaka, I., Takeuchi, H., & Takeuchi, H. 1995. ***The Knowledge-Creating Company***. New York: Oxford University Press.

O'Connor, P. M. G., & Day, D. V. 2007. Shifting the Emphasis of Leadership Development: From "Me" to "All of us". In J. A. Conger, & R. E. Riggio (Eds.), ***The Practice of Leadership***. San Francisco: Jossey-Bass.

Ohlott, P. J. 2004. Job Assignments. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

Olivero, G., Banc, D. K., & Kopelman, R. E. 1997. Executive Coaching as a Transfer of Training Tool: Effects on Productivity in Public Agency. ***Public Personnel Management***, 26: 461-469.

Palich, L., Cardinal, L., & Miller, C. 2000. Curvilinearity in the Diversification-Performance Linkage: An Examination of over three Decades of Research. ***Strategic Management Journal***, 21: 155-174.

Peck, S. 1994. Exploring the Link between Organizational Strategy and the Employment Relationship: The Role of Human Resource Policies. ***Journal of Management Studies***, 31(5): 715-736.

Peteraf, M. A. 1996. Resource-based theory. In M. Goold, & K. Sommers Luchs (Eds.), ***Managing the Multibusiness Company***. New York: Routledge.

Porter, M. 1996. Interrelationships across Businesses. In M. Goold, & K. Sommers Luchs (Eds.), ***Managing the Multibusiness Company***. New York: Routledge.

Porter, M. E. 1985. ***Competitive Advantage***. New York: Free Press.

Porter, M. E. 1987. From Competitive Advantage to Corporate Strategy. ***Harvard Business Review***, 65(3): 43-59.

Prahalad, C. K., & Hamel, G. 1996. The Core Competences of the Corporation. In M. Goold, & K. Sommers Luchs (Eds.), ***Managing the Multibusiness Company***: 218-240. New York: Routledge.

PriceWaterhouseCoopers. 2006. Key Trends in Human Capital - A Global Perspective 2006, ***PriceWaterhouseCoopers Saratoga***.

Punch, K. F. 1998. ***Introduction to Social Research. Quantitative and Qualitative Approaches***. London: Sage.

Purcell, J., & Kinnie, N. 2007. HRM and Business Performance. In P. Boxall, J. Purcell, & P. Wright (Eds.), ***The Oxford Handbook of Human Resources Management***. Oxford: University Press.

Ragins, B. R., & Cotton, J. L. 1999. Mentor Functions and Outcomes: A Comparison of Men and Women in Formal and Informal Mentoring Relationships. ***Journal of Applied Psychology***, 84: 529-550.

Ramanujam, V., & Varadarajan, R. 1996. Research on Diversification. In M. Goold, & K. Sommers Luchs (Eds.), ***Managing the Multibusiness Company***. New York: Routledge.

Reagans, R., & McEvily, B. 2003. Network Structure and Knowledge Transfer: The Effects of Cohesion and Range. ***Administrative Science Quarterly***, 48(2): 240-267.

Ring, P. S., & Van de Ven, A. H. 1992. Structuring Cooperative Relationships Between Organizations. ***Strategic Management Journal***, 13(7): 483-498.

Rosenkopf, L., Metiu, A., & George, V. P. 2001. From the Bottom-up? Technical Committee Activity and Alliance Formation. ***Administrative Science Quarterly***, 46: 748-772.

Rumelt, R. P. 1982. Diversification Strategy and Profitability. ***Strategic Management Journal***, 3(4): 359-369.

Rumelt, R. P., Schendel, D. E., & Teece, D. J. 1994. Fundamental Issues in Strategy: A Research Agenda for the 1990s (Paperback), ***Harvard Business School Press Books***.

Sako, M. 1992. ***Prices, Quality and Trust. Inter-firm Relations in Britain and Japan***. Cambridge: University Press.

Scandura, T. A., & Schriesheim, C. A. 1994. Leader-member Exchange and Supervisor Career Mentoring as Complementary Constructs in Leadership Research. ***Academy of Management Journal***, 37: 1588-1602.

Schmalensee, R. 1985. Do Markets differ much? ***American Economic Review***, 75: 341-351.

Scholz, R. W., & Tietje, O. 2002. ***Embedded Case Study Design. Integrating Quantitative and Qualitative Knowledge***. London: Sage Publications, Inc.

Schoorman, F. D., Mayer, R. C., & Davis, J. H. 2007. An Integrative Model of Organizational Trust: Past, Present and Future. ***Academy of Management Review***, 32(2): 344-354.

Schuler, R., & Jackson, S. 1987. Linking Competitive Strategies and Human Resources Management Practices. ***Academy of Management Executive***, 1(3): 207-219.

Seibert, K. W., Hall, D. T., & Kram, K. E. 1995. Strengthening the Weak Link in Strategic Executive Development: Integrating Individual Development and Global Business Strategy. ***Human Resource Management (1986-1998)***, 34(4): 549.

Sirower, M. 1997. ***The Synergy Trap: How Companies lose the Acquisition Game***. New York: NY: Free Press.

Sitkin, S. B. 1995. On the Positive Effects of Legalization on Trust. ***Research on Negotiation in Organizations***, 5: 185-217.

Sitkin, S. B., & Roth, N. L. 1993. Explaining the Limited Effectiveness of Legalistic "Remedies" for Trust/Distrust. ***Organization Science***, 4(3): 367-392.

Sitkin, S. B., & Stickel, D. 1996. The Road to Hell: The Dynamics of Distrust in an Era of Quality. In R. M. Kramer, & T. R. Tyler (Eds.), ***Trust in Organizations***. Thousand Oaks: Sage Publications.

Spreiter, M. 2005. ***Private Banking - Kundenbindung und Ertragssteigerung in der Praxis***. Wiesbaden: Gabler.

Storberg-Walker, J. 2007. Borrowing From Others: Appropriating Social Capital Theories for "Doing" HRD. ***Advances in Developing Human Resources***, 9(3): 312-340.

Strauss, A. L., & Corbin, J. 1996. ***Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*** (2nd ed.). CA: Sage: Thousand Oaks.

Tanriverdi, H. S., & Venkatraman, N. 2005. Knowledge Relatedness and the Performance of multibusiness Firms. ***Strategic Management Journal***, 26(2): 97-119.

Tsai, W. 2000. Social Capital, Strategic Relatedness and the Formation of intraorganizational Linkages. ***Strategic Management Journal***, 21(9): 925-939.

Tsai, W., & Ghoshal, S. 1998. Social Capital and Value Creation: The Role of intrafirm Networks. ***Academy of Management Journal***, 41(4): 464-476.

Umphress, E. E., Labianca, G., Brass, D. J., Kass, E., & Scholten, L. 2003. The Role of Instrumental and Expressive Social Ties in Employees' Perceptions of Organizational Justice. ***Organization Science***, 14(6): 738-753.

Van Rensburg, T., & Prideaux, G. 2006. Turning Professionals into Managers using Multisource Feedback. ***Journal of Management Development***, 25(6): 561-571.

Van Velsor, E., Moxley, R. S., & Bunker, K. A. 2004. The Leader Development Process. In C. D. McCauley, & E. Van Velsor (Eds.), ***The Center for Creative Leadership Handbook of Leadership Development***. San Francisco: Jossey-Bass.

Venkatraman, N., & Ramanujam, V. 1986. Measurement of Business Performance in Strategy Research: A Comparison of Approaches. ***Academy of Management Review***, 11(4): 801-814.

Venkatraman, N., & Ramanujam, V. 1987. Measurement of Business Economic Performance: An Examination of Method Convergence. ***Journal of Management***, 13(1): 109-122.

Walker, A. G., & Smither, J. W. 1999. A five-year Study of upward Feedback: What Managers do with their Results matters. ***Personnel Psychology***, 52: 393-423.

Weick, K. E. 1995. ***Sensemaking in Organizations***. London: Sage Publications.

Wicks, A. C., Berman, S. L., & Jones, T. M. 1999. The Structure of Optimal Trust: Moral and Strategic Implications. ***Academy of Management Review***, 24(1): 99-116.

Williams, M. 2001. In Whom We Trust: Group Membership as an Affective Context for Trust Development. ***The Academy of Management Review***, 26(3): 377-396.

Williamson, O. 1996. Transaction Cost and Market Failure. In M. Goold, & K. Sommers Luchs (Eds.), ***Managing the Multibusiness Company***. New York: Routledge.

Winterton, J., & Winterton, R. 1997. Does Management Development Add Value? ***British Journal of Management***, 8(Special Issue): 65-76.

Witzel, A. 2000. The problem-centred Interview. ***Forum: Qualitative Social Research (Online Journal)***, Available at: http:\\qualitative-research.net/fqs (25.03.2008).

Wooldridge, B., & Floyd, S. W. 1990. The Strategy Process, Middle Management Involvement, and Organizational Performance. ***Strategic Management Journal***, 11(3): 231-241.

Wooldridge, B., Schmid, T., & Floyd, S. W. 2008. The Middle Management Perspective on Strategy Process: Contributions, Synthesis, and Future Research. ***Journal of Management***, 34(6): 1190-1221.

Wright, P., Gardner, T., Mojnihan, L., & Allen, M. 2005. The Relationship between HR Practices and Firm Performance: Examining Causal Order. ***Personnel Psychology***, 58: 409-446.

Wright, P., & McMahan, G. C. 1992. Theoretical Perspectives for Strategic Human Resource Management. ***Journal of Management***, 18(2): 295-320.

Wright, P. M., Gardner, T. M., Moynihan, L. M., Park, H. J., Gerhart, B., & Delery, J. E. 2001. Measurement Error in Research on Human Resources and Firm Performance: Additional Data and Suggestions for Future Research. ***Personnel Psychology***, 54(4): 875-901.

Wrona, T. 2005. Die Fallstudienanalyse als wissenschaftliche Forschungsmethode. ***ESCP-EAP Working Paper European School of Management***, 10: 1-54.

Yin, R. K. 2003. ***Case Study Research. Design and Methods.*** (3rd ed.). London: Sage Publications.

Yorks, L., Beechler, S., & Ciporen, R. 2007. Enhancing the Impact of an Open-Enrollment Executive Program Through Assessment. ***Academy of Management Learning & Education***, 6(3): 310-320.

Yukl, G. 1989. Managerial Leadership: A Review of Theory and Research. ***Journal of Management***, 15(2): 251.

Yukl, G. 1994. ***Leadership in Organizations*** (3rd ed.). New Jersey: Prentice-Hall, Inc.

Yukl, G., & Falbe, C. M. 1990. Influence Tactics and Objectives in upward, downward, and lateral Influence Attempts. ***Journal of Applied Psychology***, 75(2): 132-140.

Yukl, G., & Lepsinger, R. 1995. How to get the most out of 360 Feedback? ***Training***, 32(12): 45.

Yukl, G., & Lepsinger, R. 2005. Why Integrating the Leading and Managing Roles Is Essential for Organizational Effectiveness. ***Organizational Dynamics***, 34(4): 361-375.

Zaheer, A., McEvily, B., & Perrone, V. 1998. Does Trust Matter? Exploring the Effects of Interorganizational and Interpersonal Trust on Performance. ***Organization Science***, 9(2): 123.

Zaleznik, A. 1977. Managers and Leaders: Are they different? ***Harvard Business Review***, 55: 67-78.

Zucker, L. G. 1986. Production of Trust: Institutional Sources of Economic Structure. In B. M. Staw, & L. L. Cummings (Eds.), ***Reserach in Organizational Behavior***, Vol. 8: 1840-1920. Greenwitch CT: JAI Press.