Module Handbook

Strategic Management

Organisation

Organisations have come to be the dominant social form of our time – and it is almost impossible to imagine the world in their absence, from getting up in the morning for university or work, listening to the radio, buying a coffee, taking a bus, to checking your emails: organisations are everywhere, running buses, radio stations, putting on advertisements, and making sure coffee beans, hot water and perhaps even a friendly salesperson are there, waiting for you to buy your double espresso. Yet, despite their ubiquity, it is rather difficult to 'define' what an organisation is. A theory of organisation (like any theory of a given subject) would include a system of ideas and principles explaining what an organisation is and how it operates. Such a theory must not only be an observation of facts. It is not only about buildings and, products, people or marketing slogans but requires something more. It needs to entail the construal of those facts to show how the human mind can understand the swirl of all these things, people, artefacts, and processes that we invoke what we mean by 'organisation'.

This is by no means trivial. Where, for instance, does an organisation start and end? Take the University of Liverpool – is it enough to include the lecture theatres, classrooms, and the offices of academics to sufficiently describe this organisation? Doesn't 'it' also extend to the certificates that students earn, their biographies and careers propelled by such a prestigious degree, and therefore their work-lives, their families, and son on? Moreover, what about lecturers? Do we have to include their past experience, and their future ambitions, their publications and so on? As you can see, it is quite difficult to draw a fixed 'boundary' around this phenomenon we call 'organisation'.

Similarly, it is not quite clear what we mean by an organisation being 'organised' – as this assumes some sort of stability or at least some rhythm or pattern in the orchestration of things and events that we come to associate with an 'organisation'. But what is such organisation like? Is it about doing the exactly same thing every day? For instance, can we really speak of the same organization at two points in time, say in 1983 and 2013? While the University of Liverpool, for instance, has been there much longer, is it really the same organisation thirty years on? There are new buildings, new lecturers and professors, different students, and I suspect you would be quite bewildered if I tried to teach you in the same way in which students were taught 30 years ago. There are many other changes that make it difficult to say that we are still talking of one fixed 'unit'. Academics have, for instance, investigated organisational 'routines' and found that, quite often, there are substantial variations in the seemingly fixed ways we work every day, because life always brings new problems and challenges, so that one fixed approach doesn't get one particularly far.

These are some of the basic problems when trying to understand and explain organisations and we can now start to look at how academics have attempted to theorise organisational phenomena.

Early thinkers in what is now called ‘organisation and management studies’ have come up with a number of metaphors to capture such patterns; the most widely used one being that of the organisation as a ‘machine’. In 1911, Frederick Taylor (you may want to look him up on the internet) took this view and proposed a ‘rational perspective’ upon organisations. He identified the task of organisation as combining, or assembling many trades and many skills, the most logical way to do so was by analysing each process scientifically and find out what works best and is most efficient. If all the parts would be optimised in this way, Taylor thought, the overall machine (the organisation) would run smoothly. Here, rationality, logic and scientific rigour play a key role in steering the organisation. What is more, individual workers whether on Taylor’s famous assembly lines or in offices, in marketing and sales, or in a company’s laboratory are only parts of a mechanism: cogs in the machine. This is, of course not only an unrealistic picture of the human being (we are not *really* cogs or other parts of a machine) – it is also potentially dangerous.

In the 1990s, for instance, there has been an influential movement which came to be known as ‘business process reengineering’ (BPR). You can already see from the terminology that BPR refers to a machine-like conception of how organisations work, as there is an assumption that they can be *re-engineered* in the same way as for example a motor or any other mechanical contraption. BPR became necessary in the in the 1980s and 90s after organisations, in particular in the US, had growing drastically in size following a strategy of portfolio development, where large conglomerates like General Electric bought together a large array of diverse business units. To manage these units, portfolio planning methods were developed (such as the BCG matrix, for instance). In the 1990s, then, this trend of portfolio building was increasingly seen to be inefficient and organisations engaged in BPR. BPR, which was promoted and also conducted through the involvement of management consultancy companies, led to large-scale redundancies in the wake of improved efficiency and more streamlined organisational machines.

What you can see from this is that the way in which organisations are viewed relates directly to which actions are being legitimised as it may be easier to justify laying off of many people if they are viewed to be only ‘parts of a machine’, rather than, say, parts of a family who they have to feed. We will encounter such rational bases of organising, and also of steering the organisation strategically, throughout this module, in particular when we will discuss the predominantly North-American approaches to understanding and prescribing strategic courses of action.

It is worth mentioning a couple of variations to the image of the machine, which have come to populate academic literatures on organisations. First, there is the work of the German sociologist Max Weber who, in the 1920s proposed ‘law’ to be the basis of modern organisations. He suggested that modern organisations are governed by ‘rules’; made by senior management and adhered to by lower managers and workers in institutions In such bureaucracies, there is little need to worry about organising processes as, once senior management is trained in establishing rules and lower ranked employees at following them, the running of the organisation would require little further consideration. One interesting aspect here is that, in addition to an affinity with the image of the machine, there is a clear top- down tendency; ‘thinking’ is left to senior managers and ‘doing’ to lower ranks. We will also come back to this issue when we will look at evidence from studies that look at processes of strategising in organisations and suggest that this portrayal of the organisation as a top-down, hierarchical phenomenon does not correspond with ‘reality’.

However, in particular since the 1990s academics have started to replace the rather stale and static image or metaphor of the machine when speaking about organisations. An entirely different way of viewing the organisation is to use the image of an *organis*m. Organisms are, of course, living systems and as such they interact with their environment and some are better adapted to the particular contextual demands than others.

The image of organisations as organisms is very appealing, as it allows us to understand how, sometimes, organisations that have performed very well disappear. They may face extinction, for instance when they are not able to adjust to new demands, for example when markets change (think of the European Union, for instance) or when technological breakthroughs require new ways of operating (think of the book market before Amazon, music before Apple, information before Google, or photography before the digital age). Researchers who think of organisations in terms of organisms therefore often pay heed to environmental dynamics, employing terms like ‘stability’ or ‘turbulence’. It is also clear that viewing the organisation as an organism means that the ‘boundaries’ between the outside and inside are less clearly demarcated. While machines have clear surfaces, edges, and outlines, organisms co-evolve and interrelate with their environment. To ‘manage’ an organism is a very different affair to managing a machine and, depending on what view one subscribes to, very different ideas about what it may mean to ‘organise’ may ensue. More recently, organism metaphors have been extended and partly replaced by other images that emphasise distributed intelligence, networks and the like, culminating, for the moment, in images that show organisations to be variously connected, for instance in the form of open source movements or crowd sourcing.

There are many more ways of understanding organisations and you may want to read Gareth Morgan’s book: ‘Images of organization’ (Sage, 2006, London) for an overview, or you refer to the work of Barbara Czarniawska who has written much on organisations as action nets, or you may find the publications by James R. Taylor (e.g. his recent book ‘The situated organization’ with co-author Elizabeth J. van Every; Routledge, 2001, Abingdon, Oxon) about the communicative basis of organisations interesting.

Whichever book you read, however, it is important to bear in mind that the concept of ‘organisation’ is not straightforward and that whatever perspective is taken, there are different assumptions about what one is dealing with and what (strategic or tactical) courses of action may be suitable.

Strategy

This brings us to the term/concept of strategy, which is equally subject to a diverse and often co-existing set of worldviews, theories and positions. Some of these are compatible, while others are based on starkly differing assumptions about the nature and relationship between organisations and their environments - as well as the possibilities for managers to design, implement and control strategic directions.

We can get a sense of these views when we look at the emergence of the term "strategy", stemming from the Greek 'strategos'. In classical Greece, strategos referred to the office (i.e. the position, or function) of a general in command of an army. Later it came to denote a board of generals occupying political functions more generally. From these Greek origins has emerged an entwinement of strategy with military contexts and vocabularies. There are of course other military connections; most famously perhaps the ancient military treatise 'Art of War' by Sun Tsu, or von Clausewitz's recollections of his military expertise 'On War'. What we therefore find is that much of the language used in strategy texts up to our day (and even when dealing with perfectly benign and peaceful 'organisations') is one of 'attacks', 'positions', 'leaders', 'supply' and 'resources' – terms which would have made equally as much sense to Greek, Chinese or German military commander many centuries back, as they do to modern day business 'strategists'.

It is not only the language that has retained a military tone; also the modus operandi is often reflective of military planning processes. The strategy literature often suggests the analysis of the landscape and the assessment of the organisation's resources in order to plan particular strategic moves and campaigns, and to fight for positions, defend them, as if the marketplace behaved in the same way as a landscape filled with enemies and friends. In military as well as in business contexts there are therefore particular demands placed upon leaders to not only be able to analytically survey a scenario, but to also gain the support of followers and to deal with the day-to-day situations that disrupt and endanger carefully laid out plans and idealized scenarios. However, this military perspective has more recently been amended, challenged, and opposed, and a number of alternative conceptions of strategy have emerged. In addition to (or as an alternative– depending on the particular school of thought), there are researchers suggesting that military-style planning is not an ideal means of dealing with a world that is continually on the move; where the only seeming stability is that of continuous change.

Interestingly, this perspective stretches back to the ancient Greek philosophers; this time to a philosopher called Heraclitus of whose writings only some fragments remain. One of the most famous of these is his claim that 'all things flow' (you may have heard of a number of variations of this saying, such as 'one cannot step in the same river twice' or 'the only stable thing is change'). Assuming that the world changes all the time means that planning one's courses of action for the future is a somewhat futile endeavour. Henry Mintzberg, an often cited strategy researcher, calls this the 'fallacy of predetermination' – referring to the difficulty of making reliable, long-term predictions about the future so as to develop plans of action. For instance, who would have predicted the recent changes in Middle East, or the possibility of a multi-dip recession in the UK some five or more years back? Similarly, who will be able to predict – with enough certainty that it is possible to produce detailed plans for the future – what is going to happen in the worldwide education sector, the housing market, the European monetary union, and so on? At a conference organised in in 1968 a group surrounding the brilliant thinker Gregory Bateson (to whom I will refer frequently) suggested printing car stickers saying: “HELP STAMP OUT NOUNS”; and a bit later the eminent organisation theorist Karl Weick suggested that we should not use nouns (like organisation) but verbs (to organise) when we do our research, to pay heed to the active and changing nature of the world. You see, nouns make us think in static ways; about fixed entities when, really, what we talk about are many different processes that continually change because ‘all things flow’.

This module reflects these challenges and commences by looking at the role of the organisational environment. We start with the structure of the industry within which a firm operates and investigate its implications for the possible performance of a firm and the strategic directions necessary to attain abnormal returns. However, despite the appeal of rational, systematic, and scientifically enhanced analysis of the organisational environment and its internal resource base in order to compute ideal courses of action (as is typical for a top-down planning approach to strategy, for instance), many question marks remain. In this module we will therefore look at both the more rational (and often predominantly North- American approaches) to marshalling the business environment, as well as the more critical (and often more European) approaches that have come to understand strategy from sociological, philosophical, critical or ecological perspectives. We also question the notion of ‘change’ as an opposition to ‘stability’ and investigate how ‘strategy’ can be initiated in light of continuous changes, complex and contingent environments and the implications of organisational cultures and habitualised work routines which may resist change attempts initiated by managers.

This module starts from the more formal investigation of the strategic context and the possibilities for strategic analysis and control. We then move towards the ‘inside’ of the firm, where we discuss resource bases, competences and capabilities of the firm; organisation culture and strategic change.

What ‘is’ Strategic organisation?

While many influential scholars treat problems of organization and of strategy together, others see them as separate issues. As early as 1956, *Administrative Science Quarterly*, a top-tier American journal (above, I have suggested you look at the ABS list to find out how journals are ‘ranked’, that is, how highly they are regarded by academics and how often the ideas published therein are cited), has focused more exclusively on issues of organisation; *Organization Studies*, a top European journal was founded in 1980 with a similar focus. Strategic issues, on the other hand, have been the sole concern in journals like the (American) *Strategic Management Journal* (founded in 1979). This split has also been evident in academic groups, and quite often, it seems, there is not too much discussion between them. One of the reasons for this is that issues of ‘strategy’ are routinely related to disciplines of economics and populated by quantitative and large-scale studies. *Organisation Studies*, on the other hand, often draws on sociology and even philosophy, which has led to some fundamentally different and partly incommensurable ideas about how to understand and guide organisations strategically.

Such splits do not necessarily have to be sustained, however. You can see from more recent journals like ‘*Strategic Organization’* that both areas may very well be dealt with together. Researchers of strategy practice, for instance, make a conscious leap from the economic foundation of strategy towards sociological understandings of how human agents operate within strategic contexts. We will encounter this work towards the end of or lectures, when we investigate strategy as practice research approaches.

Lecture 2: Strategic context

Competitive Positioning School (external strategic context)

Industry analysis

Early business strategy approaches show many similarities to military planning, and frequently draw on the image of a machine when devising improvements of organisational efficiency. Like in military strategy, business strategic decisions were suggested to be long term and large in scope (McKiernan, 1997). Such strategies made sense because many organisations operated in what is called ‘producer markets’, where there was more demand than supply, and the managerial aim lay on increasing output and minimising cost. Strategic decisions therefore related primarily to the design of the organisation to improve its processes so as to increase possible output to meet the demand for large volumes of standardised products and reaping of economies of scale and scope (Yoo et al., 2006).

The focus on ‘making the organisational machine run better’ worked while there was increased demand and efficiency gains were the only maxim. You can think of this in terms of Ford’s model ‘T’ which was produced for almost 20 years from 1907. This model was a basic and affordable car and Henry Ford wrote in his biography that he said to his managers: “Any customer can have a car painted any colour that he wants so long as it is black”. Clearly, efficiency gains were at the forefront of production and strategy – resulting in long term investments in assembly lines and greater standardisation. However, when competitive pressures increased, so did the need for product differentiation. Instead of focusing primarily on efficiency considerations, organisations suddenly faced high levels of uncertainty, complexity and dynamism, continually changing business environments and, in particular, volatile customer demand. As a response, strategists shifted towards effectiveness, not merely efficiency, so that strategy became the aim of matching or *aligning* organisational resources with environmental opportunities and threats (Venkatraman and Camillus, 1984).

One popular method of achieving such ‘strategic fit’ is the SWOT analysis. SWOT is a tool that matches internal strengths and weaknesses with externally imposed opportunities and threats (McKiernan, 1997). SWOT approaches emerged from earlier and more informal strategy processes, such as Ansoff’s (1965) planning system. Ansoff proposes a structured and systematic analysis of the organisation’s possibilities of attaining strategic fit. Such strategy approaches were typical for much of the strategy work that happened in the 1960s and ‘70s which focused on the role of the strategic planner. Organisational planners, like military strategy planners were seen to be somewhat detached analysts who were regarded pivotal to the organisation's success. Many organisations therefore started to build up large planning departments and spent much time and resources on the development of elaborate planning cycles which became manifest in the strategic plan. Because planning was seen to be an analytical process that can be learned and done by analysts who do not necessarily have to be experts in a particular industry as long as they knew how to perform strategic analyses, many firms started collaborating with consultants who introduced a tool-box for strategic planning and implementation, such as the Boston Consultancy Matrix, the McKinsey Matrix, or PIMS (McKiernan, 1997).

The heydays of strategic planning were in the 1980s when many organisations got larger and larger, acquiring more and more diverse business units and requiring ever increasing efforts at controlling these operations. What emerged towards the end of the 1980s, however, was that organisational machines were more efficient when they were streamlined and focused, and not too diversified. Accordingly, the dominance of strategic planning approaches was challenged by more analytic and economically grounded strategy models. One of these approaches, and perhaps the most influential one, is the work of Michael Porter. Porter appropriates microeconomic theory to understand the sources of competitive advantage and it is this appropriation that has formed the foundations for modern strategic analysis and also for the first part of this module.

Porter's work is based on Industrial Organisation Economics (IO) and it forms the centerpiece of the competitive positioning school in whose wake important concepts, such as the 'five forces', 'generic strategy', and 'value chain' have been developed (Stonehouse and Snowdon, 2007). One of the most pervasive concepts developed by Porter is termed 'five forces'. The five forces concept emerges from IO and relates to something called the 'structure-conduct-performance' (SCP) paradigm. The SCP paradigm represents an attempt at analysing and contextualising the competitive conditions of industries:

It examines how the underlying *structure* (the factors that determine market competitiveness) of an industry is related to, and affects the *conduct* (the behaviour, such as price, capacity, advertising, R&D decisions) and *performance* of firms.

What Porter means by market structures are the size and distribution of the market (its concentration), but also entry barriers and product differentiation, which represent external contextual variables. These variables, he argues, determine how a firm can conduct itself; what options for action and for profitability are open to it. This link between the influence of industry factors and the determination of a firm's profitability and the scope of its decision making has therefore been investigated in a many empirical studies over the last decades – with very varying results (e.g. Schmalensee, 1985, McGahan and Porter, 1997, Bowman and Helfat, 2001).

SCP assumes that there is a stable and causal relationship between the structure of an industry, firm conduct, and market performance so that differences in market structure govern any difference in firm policy and decisions (Mason, 1939). The implication is that if we can identify the structure of these market elements, which vary across industries, we can say a lot about how a firm should behave and what its scope for performance is (Bain, 1968). While the conditions within industries are relatively stable, they may differ substantially from one industry to the next. The structure of the automotive industry is therefore quite distinct from the structure of healthcare industries (Porter, 2008/1979). Porter's work therefore aims at identifying the very basic blocks of profitability to make different industries comparable so that by analysing these structural building blocks, optimal courses of action can be determined for any firm in any industry on the basis of rational, analytic calculations based on rigorous microeconomic theory. What is therefore of great importance is the link between stable, identifiable structures and profitability, as this would allow strategists compute optimal courses of strategic action for the organisation.

Competitive Strategy

Porter suggests that a firm's profitability is predominantly influenced by the industry it is in and the position it holds within this industry. What is important for a firm to achieve sustainable competitive advantage is therefore to **pick the right industry and to find a good position in it**. This also means that even if a firm is in an industry that doesn't perform too well, it may still achieve good results if it manages to find a particularly good position – that means it has to leverage its strengths and build a competitive advantage that it can sustain for a long time.

Generic Strategies

Firms can do this in two generic ways, Porter suggests. They can build their competitive advantage on low cost, or on differentiation and it is the task of managers (strategists) to decide upon which of these two they want to focus on.

Take Porsche, the German sports car manufacturer, as an example. Porsche pursues a differentiation strategy, investing heavily in brand image, technology, customisation, quality, and so on. This investment means that they can charge superior prices for their cars. Staying with German examples, we can look at Aldi as an example for low cost strategies. Here, there are few gimmicks, little extra service, and many economies of scale and scope due to standardised products to ensure that overall cost leadership is achieved.

When managers consider which strategy to pursue, they are also faced with the question of how 'narrow' or 'broad' they want to compete. The focus on a narrow scope of business activities may involve a small market segment (high income consumers, a particular geographical area, or special tastes or likes). A broad scope may include a variety of markets, customer segments, and so on.

What emerges from Porter's work are therefore three generic strategies: Cost leadership, differentiation, and focus (and the focus strategy can have a cost focus or a differentiation focus).

	Cost Leadership	Differentiation	Focus
How (examples)	• economies of scale • use of learning effects • large production runs • using cheaper labour and materials • moving to cheaper premises	• branding • quality & design • innovation • knowledge management • control over suppliers • support	• find a segment where the cost leader or differentiators have little or no presence and build business here • reduction in product range
Benefits	• high volumes • creates a barrier to entry • can operate in unattractive segments • win price wars • reduced power of substitutes	• builds brand loyalty and repeat purchases • higher margins • reduction in power of customers	• develops brand loyalty • little competition • often a first step towards the other generic strategies

Porter initially suggested that a firm should pick one of these strategies – and avoid getting 'stuck in the middle'. However, we increasingly see that firms do quite well without being absolutely clear about their generic strategies. Take Tesco, for example, who have premier and value segments, and who have smaller city centre shops in prime locations, as well as large outlets in industrial estates.

Rather than picking one of three strategies, it may therefore be more helpful to look at combinations of strategies in relation to the industry structure. Particular industry characteristics (buyer power, supplier power, entry barriers, substitutes and rivalry) may be better or worse suited for different generic strategy combinations.

Competitive Positioning (Generic) Strategies vs. Resource-based Strategies

The next topic in the module is the **resource-based view (RBV),** it is a common error to believe that strategy is a bit of positioning and a bit of resource-based strategy. These are two conflicting explanations of competitive advantage with opposite assumptions. See below:

	Generic Strategies	**RBV**
Strategy Content	Strategies are **GENERIC** i.e. generaliseable to any firm in any type of industry regardless of the firm's history, culture, trajectory etc.	Strategies are **UNIQUE** or bespoke, made up of the firm's special complement of resources that emerge from the historical and long-term development of the company and its social complexity
Basis for Competitive Advantage	**MOBILITY** barriers to protect the industry and market POSITION	**INIMITABILITY** barriers to protect the firm's resources and capabilities from being imitated by competitors
Assumptions about the Firm	Firms are **HOMOGENOUS**	Firms are **HETEROGENEOUS**
Assumptions about Context	Industries/Markets are HETEROGENEOUS Theoretical focus on industry/market at expense of theorizing the firm	Industries/Markets are **HOMOGENEOUS** Theoretical focus on firm at expense of theorizing context

What matters – industry or firm?	There are greater profitability differences **BETWEEN** industries that within an industry **Industries** determine strategic performance	There is tremendous potential for large profit differences **WITHIN** industries **Firms** determine strategic performance
Prescriptive value?	Somewhat limited – firms can have little influence over industry structure	Somewhat limited – socially complex and historically determined resources are difficult to manage

Lectures 3: Strategy and the firm

Resource Based View & Dynamic Capabilities (internal strategic context)

Please note the comparison made last week between the resource-based view and the competitive positioning school. It is important to note that the RBV and the competitive positioning approach are fundamentally at odds with one another!

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	history, culture, trajectory etc.	company and its social complexity
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The Resource Based View of the Firm

After the hype around planning and positioning approaches to strategy up until the 1980s, which have led many firms to employ large numbers of strategic planners and tools for business analysis, the last three decades have witnessed a shift in focus away from sole focuses on competitive positions and long-term planning. For instance, increasing globalisation and volatile business environments have somewhat discredited static approaches that try to anticipate future market behaviours, as they allowed for little flexibility outside of *ex ante* assumed scenarios (Collis and Montgomery, 2008/1995). Moreover, industry analysis approaches, while prominent in boardrooms, have attracted academic criticism for lacking stable definitions of industries and markets as the basis of analysis, the mutual exclusiveness of the proposed generic strategies (cost, differentiation, focus), as well as the assumption of a causal relationship between industry structure and firm performance (McKiernan, 1997). The latter point has been pursued in a range of studies which questioned the degree to which 'industry matters' for firm profit (Rumelt, 1991, Bowman and Helfat, 2001). Rumelt (1991), for instance found that intra-industry differences in profits were greater than inter-industry differences and suggested that the importance of firm-specific factors and the relative unimportance of industry effects (Teece *et al.*, 1997), effectively turning Porter's arguments on their head.

With this questioning of the role of firm differences, rather than industry structure as key determinants of profitability also returned the question of the role of leadership and strategy for the ability of firms to exceed (or otherwise lag behind) the possibilities for profitability as dictated by industries. A seminal contribution to this altered view is a study by Edith Penrose (1959). Penrose argued that firms may be viewed as a collection of fungible resources and that optimal patterns of firm expansion may exist when firms utilise internal and external resources in particular sequence. Moreover, what has become known as the 'Penrose effect', refers to the identification of limits to the firm's growth rate which results from managerial constraints and the importance of behavioural elements and learning that can be achieved in growth processes (Rugman and Verbeke, 2002). Put differently, it is a firm's heterogeneity, not its homogeneity of productive available resources that gives the firm its unique character. The resource-based view emphasises the importance of within-firm aspects and, in particular, managerial choices which are guided by efficiency, effectiveness and profitability. It implicitly also includes extra-firm aspects, as rational managerial choices with regards to these resources is guided by external influences, such as competition, industry and market structure and the power of buyers and suppliers (Oliver, 1997).

It implies that the interaction of 'bundles' of resources and, especially, the emphasis of human elements of experience and knowledge of the external world could, however, no longer be easily modelled (McKiernan, 1997). Strategy researchers saw it therefore as necessary to develop a new vocabulary that was able to capture the stickiness (Szulanski, 1996) of knowledge and routines to add to the analytical and calculative terminology of industry analysis.

The emphasis of the firm's internal environment in the wake of the resource-based view of the firm has been taken up by a large number of strategy researchers, which has led to empirical and theoretical explications of the role of resources, competences, capabilities and, more broadly, the appreciation of localised knowledge, best practices, and firm- specific routines for the profitability of an organisation. The focus on soft skills and internalised modus operandi as a key aspect of competitive advantage means that the sources of superior firm performance are more likely to be intangible, rather than explicitly displayed. This implies, however, that not only researchers struggle to measure resources (Barney, 1999), but also that it is very difficult for managers to identify which resources they need to invest in. From this perspective, it is therefore no longer the strategic planner or the rational, calculative administrator who plays the key role in the identification of a firm's most viable actions, but the manager whose role is to maximise value through optimally deploying existing resources and capabilities and to develop the firm's resource base for the future (Grant, 1996).

What is important here is that a firm's resource base cannot quickly be established or copied. This is due to factor market imperfections; that is the inability of firms to replicate processes because these are immobile and cannot easily moved between firm contexts, managerial resource selection and deployment may be inhibited (Oliver, 1997). This suggests that transferring and monitoring resources between firms is much more difficult than anticipated by industry analysis approaches we looked at in the previous lectures. Firms are not able to quickly adjust their processes to copy and replicate successful positions. We will return to the need to create flexibility within a resource base, when investigating the role of technological disruption. This week we focus on the exploitation of firm resources and, in particular, on the ways in which resources can lead to sustainable competitive advantage. While one source of enduring persistent firm performance may stem from market imperfections which can represent barriers for the acquisition, imitation and substitution of key inputs as they restrict factor mobility, a second source lies in the characteristics of the factors themselves (Oliver, 1997).

As not every resource will contribute to a firm's performance, it is therefore necessary to be able to identify which of a firm's internal processes and assets play a paramount strategic role. In this week's question, we focus on the work of Barney (1991), who suggests that, based on the assumptions that the resources that are strategically important are heterogeneously distributed across firms, which means that firms are different, even if operating in the same industry, and that these differences do not change over time, resources can create sustained competitive advantage if they are valuable, rare, inimitable and sustainable. Analysing these characteristics requires sensitivity towards interdependent aspects between variables and longer-term changes in resource and market structures (Teng and Cummings, 2002) (e.g. the value of a customer loyalty programme versus the costs of such initiatives or possession of copy rights over software codes versus the open source development of complementary applications). These characteristics can allow the owners of such resources to achieve sustainable competitive advantage based on lower costs, or higher quality or product performance. This perspective therefore shifts the source of competitive advantage 'upstream' of product markets and rests them on the firm's idiosyncratic and difficult to imitate factors (Teece *et al.*, 1997).

The Resource Based View of the firm represents therefore almost a reversal in focus; from looking at the industry to find out positions of sustainable advantage, towards a focus on what happens inside the firm. No longer is firm profitability determined by what is going on in the wider context – and it makes little sense to calculate contextual variables as suggested by the SCP school of thought (see above). Instead, success depends upon managers who can skillfully combine the factors of production (=resources) so as to make any firm in any industry profitable. In particular the work of Edith Penrose paints a nuanced picture of the relationship between resources and firm growth. It is worth reading Penrose's book even if it is a bit more difficult in parts, because it not only forms the basis of much work on resources in strategy, but also because it offers many insights which successive writers have overlooked or left out.

The Resource Based View also forms the basis of the concept of dynamic capabilities, which we investigate next.

Dynamic Capabilities

This week we focus on dynamic capabilities which are defined by Teece et al. (1997) as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Rather than in fixed assets, that can be simply bought or is displayed in financial balance sheets, dynamic capabilities suggest that competitive advantage of firms emerges from its managerial and organizational processes; its routines, patterns of practice and learning.

Ambrosini and Bownman (2009) summarise definitional characteristics of dynamic capabilities as the ability to integrate, reconfigure, gain and release resources. Dynamic capabilities are therefore routines by which firms achieve new resources configurations as markets emerge, collide, split, evolve and die (Eisenhardt and Martin, 2000). They have variously been understood as learned and stable patterns of activity (Zollo and Winter, 2002), the ability to upgrade and reconstruct a firm's core capabilities in response to the changing environment (Winter, 2003), or the ability to reconfigure resources as deemed appropriate by principal decision makers (Zahra et al., 2006). Dynamic capabilities are not ad hoc or spontaneous ways of solving problems but refer to the repeatable ability to *change* a firm's resource base; they are developed within the firm, rather than bought in; and they are organised, deliberate patterns of intervention (Ambrosini and Bowman, 2009). As such, they are dynamic and more likely to be found 'hidden' in the way things are done, rather than directly measurable phenomena. Focusing on the development of dynamic capabilities, rather than static industry analysis or the relatively fixed characteristics of the resource-based view allows a firm to deal with the continuous demands emanating from technological changes.

Dynamic capabilities have become a very big research topic. What this perspective suggest is that it is not really what a company 'has' (its resources and so on) or what it 'knows' (its patents, technologies, or recipes), but that there is something intangible and difficult to grasp at play inside a firm that allows it to successfully (or not) combine these resources and bits of knowledge in ever new ways so as to stay ahead of the competition. While this is a clever and pervasive idea, it also poses serious problems for our understanding of dynamic capabilities. While we see the effects of dynamic capabilities, these capabilities themselves are not directly visible; they are meta capabilities which somehow (!) lie behind the firm's ability to always sense and seize new opportunities and to protect and reconfigure its resources for sustained competitive advantage.

Unfortunately, much remains vague when it comes to dynamic capabilities, despite the popularity of this concept amongst many strategy researchers and consultants. One of the most scathing critiques of dynamic capabilities is that they are 'tautological' which comes from the circular argument that if the firm has a dynamic capability it means that it must perform well (be successful); and if a firm is successful it is so because it should have a dynamic capability (Priem and Butler, 2001). Really, the concept of a dynamic capability adds very little here and it appears to be just a more scientific word for 'success'.

The competitive positioning school takes the market as the starting point in developing strategy. The RBV (including dynamic capabilities) takes the firm! See below for a comparison:

	Market Driven (Outside-In)	**Resource Driven (inside-Out)**
Emphasis on	Markets over resources	Resources over markets
Orientation	Market / Industry Driven	Resource-driven
Starting Point	Market/Industry structure	Firm's resource structure
Fit Through	Adaptation to environment	Adaptation of environment
Strategic Focus	Attaining advantageous position	Attaining distinctive resources
Strategic moves	Market/industry positioning	Developing resource base
Tactical Moves	Attaining necessary resources	Industry entry and positioning
Competitive Weapons	Bargaining power and mobility barriers	Superior resources and imitation barriers

De Wit, B & Meyer, R (2010) Strategy: Process, Content, Context, 4th Edition, Cengage Learning

Lecture 4: Strategic change and Organisation Culture

Change, Innovation and technology

One of the problems of the analysis of industries, which we discussed some lectures back, is that it makes it difficult to account for continually changing environments. In particular driven by technological changes and developments, we have witnessed an acceleration of market modifications. Entire industries have emerged and disappeared, in ever more rapid successions. The famous Manchester Ship Canal that was dug in the industrial revolution and connects Liverpool with Manchester over a distance of 36 miles became equally obsolete as the UK cotton industry or the railway system as the only means of transporting people and goods in an efficient manner. We have also seen the launch of individual products which shape industries (the electronic book, digital cameras, microprocessors, combustion motors, mobile phones, medical equipment, and so on) and the continuous transformation of industry structures through shrinking product life cycles and technological co-operations.

If you are interested in these changes you may find the work of Stafford Beer interesting. Beer, a heavily bearded and very unorthodox thinker, wrote early on about the non-linear development in technology. You may have also heard of Moore's law; a prediction made in 1959 that the development of electronics would double every year. While Moore made his prediction in the semiconductor industry, this exponential development prediction has been surprisingly accurate also for pixels in digital cameras, processing speed and memory of computers and so on.

Industries, in particular IT and other High Tech areas, have therefore been classed as 'high velocity' environments, when they are characterised by discontinuous and simultaneous change in demand, competitors, technology and regulation (Wirtz et al., 2007). While on the one hand, many products now require huge upfront investments, creating barriers to entry for competitors, these barriers become increasingly short-lived, as products become quickly outdated or substituted (think of rate at which you change your mobile phone). This is primarily so in emerging High Tech and other high velocity environments, but its mechanism is also extended to more traditional contexts, evidenced for example by the shake-up of the books market through Amazon, the digitalisation of music, or the provision of higher education through asynchronous distance learning. Within continually evolving settings, one of the key premises of strategy, namely that of the sustainability of competitive advantage becomes difficult to maintain. Yet, this renders the two key models of sustainable advantage, Porter's five forces and the Resource Based View inadequate, at least for rapidly changing market landscapes (D'Aveni et al., 2010).

In volatile markets, traditional strategy may no longer work and richly resourced, complicated and elaborately designed initiatives which are led from the top of the organisation (i.e. the typical strategic plan, written by the CEO and implemented with power and lots of investment) can prove less successful than simple, back-to-basics approaches which focus on capturing fleeting opportunities. When the future cannot be planned because everything is always changing, we have to accept that disequilibrium, rather than balance, and cycles of wealth creation and subsequent destruction are more likely than advantages to which firms can stick over their entire lifetime (Eisenhardt, 2002). What we find when we analyse an industry's structure, or when we determine an ideal strategic position, or investigate the ownership of a resource is therefore only ever a temporary finding. It is subject to the ongoing development of market forces of which technology is a key driver; according to the maxim: 'all things flow'.

Bettis and Hitt (1994) accordingly suggest that especially executives in technology intensive environments, as well as in firms who use and depend on technology to a great extent, must develop a better understanding of the relationship between strategy and technological change. Moreover, though the dissemination of technology to almost all businesses, this relationship has become one of the key demands for executives in the 21st century. In terms of strategy, it suggests a fundamental shift in thinking as the very idea of forecasting, of determining the future state of the market environment, so as to adjust one's actions accordingly becomes jeopardised in light of the inability to make forecasts in a world of rapidly changing technologies (Bettis and Hitt, 1994). What has been called the 'Red Queen Effect' (taken from Lewis Carroll's 'Alice in Wonderland' – a book you should read because it may tell you more about 'strategy' than many so called 'strategy books') suggests that it is no longer sufficient to rest on achievements, but one has to constantly run harder, smarter and different than one's competitors (Voelpela et al., 2005, Chen et al., 2010). This requires an altered managerial mindset, which is geared towards continuous unlearning and learning (Bettis and Hitt, 1994), to be able and willing to actively destroy one's own advantages, so as to also affect those of other firms (D'Aveni *et al.*, 2010); and the ability, in particular of the top management team to act decisively, at great speed (Chen *et al.*, 2010).

Yet, while these newer approaches to strategy formation show more sensitivity to the temporal dynamics of the market and do not focus so much on overly static analyses of industries or firm resources as a basis for organisational responses, they maintain the fundamental ability of the firm to maintain control over change. This is often more narrowly defined in terms of the management team's ability to understand the environment sufficiently to make rational decisions – and trust in the ability of academics to develop models and tools that can detect these 'mechanisms' of the market.

It is particularly interesting to look at the roles which technology plays in the conceptualisation of strategy and organisation. Here we enter literature that is a bit more difficult to read because it is not based on simplistic ideas and straightforward relationships. Orlikowski (1992), for instance, suggest that there are at least three ways in which the relationship between technology and strategy can be understood. First, in what she terms the 'technologically imperative model', technology is portrayed as an external, unidirectional and independent influence upon human behaviour or organisational properties. Here, however, the actions of humans in developing, appropriating and changing technology are largely ignored. Second, Orlikowski refers to a ‘strategic choice model’, which views technology not only as an external force, but as a product of human action, design and appropriation. Here, technology is portrayed as the outcome of the decisions of powerful decision makers; of the political and strategic choices made. As technology is not immutably given, but can be controlled, marshalled and guided, the focus lies less on managerial reactions to changes, but on the ability to bring about technological changes through wilful human and organisational acts.

A third way of viewing the role of technology is neither in an objective sense, where it is ‘out there’, a fixed reality which impacts upon human and organisational affairs, nor solely as a product of human construction and of the motivations an interests of strategic decision makers, but as implicated in social practice. Here, technology cannot be separated from the socio-historical context, nor can it be reduced to a set of choices. Instead, there is an ongoing, dialectical interaction between action and technology, Organisational decision makers are no longer seen to be merely reacting to environmental changes and technological disruptions which may entirely determine the available choice sets, They have a degree of freedom of choice while at the same time being restrained by their socio-historical conditions.

While these three distinctions are not an exhaustive survey of the potential relationships between organisations and technological changes, they indicate that how the role of the manager-strategist is perceived, depends upon fundamental, paradigmatic assumptions about the ways in which environment, organisation and the individual are conceptualised. Locating the strategic manager as the source of technological changes implies a degree of freedom to act and shape the world. This so called ‘agency’ may be far reduced in accounts in which managers are seen to be merely reacting to environmental changes and technological disruptions which may entirely determine the available choice sets, affording them a degree of freedom while at the same time being restrained by their socio-historical conditions.

Strategic Change

Now we turn our focus towards organisational processes and investigate the question of organisational change. Specifically, we look at the possibilities and difficulties of bringing about strategic changes within organisations.

A good starting point for a discussion on strategic change is the early literature on Business Policy. This literature is largely seen as a precursor to more analytical approaches to strategy (Hofer and Schendel, 1978), which you have investigated in the other parts of this module. Business policy approaches focus more on managerial practice and the role of the general manager in guiding the development of the business (Grant, 2008). One key aspect of these approaches is the concept of matching or aligning organisational resources with environmental opportunities and threats, so as to achieve a *fit* between these various internal and external components. It is the pattern of matching these different elements that is regarded as strategy in business policy approaches. The role of the manager lies in achieving this fit through the adjustment of the organisation or through influencing and changing the environment (Venkatraman and Camillus, 1984). Managerial intervention is therefore necessary if a firm shows strategic erosion or drift (Mintzberg, 1990a, Mintzberg, 1990b).

In the wake of more analytical approaches to strategy, the role of the manager as a change agent (that is, someone who is able to bring about a change in the organisation) has somewhat diminished. It was no longer seen to be adequate to trust individual managers' decisions without 'sound' strategic analysis. Hence, the administrative planner rose in importance in the firm – and companies often set up large planning departments where they developed strategic plans for all kinds of scenarios – all based on the logics of the models developed by academics and consultants. Here, strategy-making was focused primarily on the analysis and formulation of strategic positions, related to the issue of strategic choice, in a detached and formalised fashion and increasingly separated from the question of how the plan could be implemented (Mintzberg, 1994). We will encounter one backlash to such overly analytical accounts in the next lecture, when we look at deliberate versus emergent approaches to strategising. Moreover, the importance of how strategic changes are actually enacted has been recognised by a growing number of strategy process researchers (Pettigrew, 1992, Van De Ven, 1992, Pettigrew, 1997, Langley, 2007, Langley, 1999). Johnson et al. (Johnson et al., 2003) argue that this process view has opened up the 'black box of the firm' by considering organisational phenomena and thus the inner dynamics of organisations.

One key issue for managers is the scale and speed of change or, put differently, whether they should effect changes in a fast (quantum/revolutionary) manner or more slowly (in incremental/evolutionary fashion) (Venkatraman and Camillus, 1984).

Arguing for a revolutionary, large scale approach to organisational change are, for instance, Hammer and Champy (1993). In an extension of Porter's work on competitive advantage (see the first lectures of this module), the authors suggest a fundamental rethinking and radical redesign of business processes under the umbrella of Business Process Reengineering. Such reengineering is suggested to achieve dramatic improvements in cost, quality, service, speed and other key performance indicators (O'Neill and Sohal, 1999). To achieve such radical change, it may be important to 'unfreeze' (Lewin, 1952) ossified work patterns. However, in the wake of extensive or more piecemeal changes to organisations, the role of people and organisational culture has increasingly been identified to be of key importance (Bartlett and Ghoshal, 1995). We have already encountered the difficulty to alter processes in Teece et al.'s (1997) discussion of dynamic capabilities when they argue that productive systems display a high inter- dependency which can make it impossible to change one aspect without changing other, connected levels and that a firm's previous investments and its repertoire of routines constrains its future behaviour.

This so called ‘path-dependency’ is amplified when routines entail a high level of tacit knowledge and when employees have a benefit from getting used to particular routines, for instance so that they can improve their output, and when changing work patterns means that they face detrimental effects, for instance by not achieving bonuses or having to work extra time. In this week we focus on the importance of culture for organisational change. Johnson (1988, 1992) suggests that we can understand this in terms of a ‘cultural web’ of organisations consisting of rituals and myths, symbols, routines, power structures, control systems and organisational structures – these, he argues, capture the paradigmatic sources of resistance to change. This paradigm represents the more generalised sets of beliefs about the organisation and the way it should be. It refers to taken for granted, often only implicitly expressed or tacitly enacted aspects of work practice and the identity of work practitioners.

However, it is important to highlight that there is also increasing research which suggests that even routines that appear on the outset to be stable, recurring and unchanged, are not enacted in exactly the same manner each time (Feldman, 2000), and that firms do change all the time, sometimes faster, sometimes slower. A growing number of authors suggest therefore that change is not the outcome of (wilful) management intervention, but the base condition of all human engagement (Tsoukas and Chia, 2002). Firms are therefore better understood in terms of verbs, such as organizing, rather than nouns (organisation) to emphasize the focus on enactment and continuous change (Weick, 1995). It is therefore important for managers to consider change not as an opposite to otherwise static, fix, and enduring condition, but to be sensitive to changes in the *tempo* of change, which can be understood as the ‘characteristic rate, rhythm, or pattern of work activity’ and the ability of those involved to adjust to different rates of change (Weick and Quinn, 1999).

Lecture 5: Strategic decision making: Deliberation and emergence and Strategy-as-Practice

The first four weeks of this module have concentrated much on analytical accounts of strategic management, which have also dominated debates in the literature. Such ‘normative’ strategy planning, policy, and resource- based frameworks propose systematic environmental analysis, assessment of internal strengths and weaknesses, goal setting, scenario thinking and the development of comprehensive plans to achieve these goals (Ansoff, 1965, Andrews, 1971, Hofer and Schendel, 1978, Porter, 1980, Hart, 1992). However, such macro-level analyses are suggested to produce high abstraction and broad categories (for instance, they talk about whole industries, and not individual firms, and they use very abstract terms like ‘structure’ or ‘position’ which are often difficult to translate into what actually happens inside a firm) and give minimal consideration to the organisational context and to actual managerial behaviour (Pettigrew, 1985a, Ezzamel and Willmott, 2004).

From such abstract and high level theories, managers are often portrayed to be rational decision makers; a presupposition taken from economics, where the concept of the homo economicus, or rational man is of great importance. For instance, Persky (1995) argues that an early version of economic man is postulated by Stuart Mill (1836). This figure has four distinct interests: accumulation, leisure, luxury and procreation. Mill's *economic man* thus features enough cognitive complexity to balance the urge to accumulate wealth at all cost with other motives such as aversion to labour and the enjoyment of costly indulgences. The economic figure of rational man has since shifted from the outline of the content of choices to the process in which they are made. Rational choices are characterised by the 'maximization of utility' for the decision maker, for instance when you go into a shop and compare different mobile phones, you are expected to buy the one which brings you the highest utility.

What is assumed is that such choices require observable and measurable tastes, desires and beliefs which are objectively better for a person if this person was fully aware of all decision variables. This assumes a stable, consistent and well-ordered set of preferences which is clearly defined and makes complete use of all information in order to select an alternative that provides the actor the highest benefit. However, we can see that this is quite difficult to put into practice – when choosing your phone or when buying something to wear or eat, you are clearly not only driven by a fixed set of preferences – often you may act in the spirit of the moment or depending on your moods, or what your friends think. Similarly, a manager may not always only select the option that brings the 'objectively' best outcome – they may choose according to their moods or beliefs about the future which may change all the time.

The idea of a rational *economic man* can therefore only limitedly account for the actions of managers in organizations. An influential critique of the rationality dictum underlying these traditional frameworks can be traced to the 'Carnegie' approach of Simon, Cyert and March who argue that organisational decision makers only possess limited information processing capabilities and thus make 'satisficing', rather than optimal decisions (Simon, 1947, March and Simon, 1958, Cyert and March, 1963). This implies that decision making processes are less stable, predictable and defined than assumed by early management theorists.

For example, Mintzberg (1990a) portrays strategies as 'patterns in a stream of actions'. In his view, strategy is emergent action, rather than the outcome of deliberate and intended processes.

Strategy is therefore seen to emerge in a messy, grass-root fashion from the bottom of the organisation which highlights the potential disparity between the top management and other organisational actors (Mintzberg and McHugh, 1985). This means, however, that this view of strategy questions the sole focus on the actions of top managers in strategy-making research (Hendry, 2000, Jarzabkowski, 2005). For Pettigrew (1997), the driving assumption behind such processual research is that social reality is a dynamic process which *occurs* – it does not merely exist in a steady state (for instance of fixed classes, or particular, static relations). This puts time and history at the centre of process analysis.

In this week we engage with these differences between rationally planned and emergent approaches to strategy. You are invited to reflect upon your own experiences and discuss which of the two perspectives you see closest to your own practical experience. For this, you may find Chia and Holt's (2009) discussion about the dangers of planning helpful. You can find this discussion in the first two chapters of the book which is available as an e- book through the library.

Moreover, you are required to think about the advantages and disadvantages of each perspective, for example the possibility of clear communication inside the organisation as well as with external stakeholders which is afforded by rigorous analytical methods, as well as the ability to be reactive and creative, which may be facilitated by less formalized procedures.

Strategy process

This week we drift even more from an understanding of strategy as concerned with particular theoretical concepts, analyses, and prescriptions and try to understand how strategy actually *gets done* in organisations. One helpful distinction is drawn by Bourgeois (1980) between content and process research in the strategy literature. 'Content' focuses on the question 'what strategy' while 'process' examines 'how' a particular strategy emerges in an organisation. Traditionally, the strategic management literature has been dominated by the content debate. Here, organisations are studied from a distance, largely relying on secondary data (Chakravarthy and Doz, 1992), often large datasets about industry structure and performance covering many firms or even countries. In this module we have already encountered content research we looked the idea of a 'fit' between an organisation's resource base and its strategic location within a competitive landscape (Webb and Pettigrew, 1999). Content research proposes systematic environmental analysis, assessment of internal strengths and weaknesses, goal setting, scenario thinking and the development of comprehensive plans to achieve these goals (Hofer and Schendel, 1978, Ansoff, 1965, Porter, 1980, Hart, 1992, Andrews, 1971).

However, strategy content research has been criticised for its macro-level analyses which produce high abstraction and broad categories. This means that from a content perspective, strategy is something quite theoretical, for instance when a plan is made or when a BCG matrix is drawn. What is missing in this focus on 'what' strategy to pursue is any consideration of the organisational context in which managerial behaviour is embedded (Pettigrew, 1985b, Johnson et al., 2003, Ezzamel and Willmott, 2004). The realisation that decision-making processes are less stable, predictable and defined than assumed by early management theorists has fuelled the interest in the 'processes' of strategy formation and implementation – we have discussed this in terms of Mintzberg's work, for instance. Although not a consistent body itself (Jarzabkowski, 2005), strategy process research generally moves the focus from *what* determines strategy and performance to *how* strategies are determined (Farjoun, 2002, Mohr, 1982).

Pettigrew (1997) defines processes as "… a sequence of individual and collective events, actions, and activities unfolding over time in context". Process research focuses on the internal reality of organisations 'in flight' (Chia and MacKay, 2007) and is argued to present it in 'full colour cinematography' as opposed to the black and white freeze frame of photography of content research (Hirsch, 1991). Influential strategy process studies include the work of Mintzberg (1978, 1987) and Quinn (1980) in North America. Mintzberg (1990a) portrays strategies as 'patterns in a stream of actions'. In his view, strategy is emergent action, rather than the outcome of deliberate and intended processes. Strategy is therefore seen to emerge in a messy grass-root fashion from the bottom of the organisation which highlights the potential disparity between the top management and other organisational actors (Mintzberg and McHugh, 1985).

Prominent process studies in the UK involve Johnson's investigation of the complexities of dynamic strategic change at a retailer (Johnson, 1987) and, in particular, Pettigrew's (1985a) longitudinal study of change and continuity at Imperial Chemical Industries (ICI). For Pettigrew (1997), the driving assumption behind processual research is that social reality is a dynamic process which occurs rather than merely existing in a steady state. This puts time and history at the centre of process analysis. Process research demands a different methodological approach than that employed by content researchers. This leads Pettigrew (1997) to identify five guiding assumptions underpinning strategy process research. These are:

i. *embeddedness, studying processes across a number of levels of analysis;*
ii. *temporal interconnectedness, studying processes in past, present and future time;*
iii. a role in explanation for context and action;
iv. *a search for holistic rather than linear explanations of process; and*
v. *a need to link process analysis to the location and explanation of outcomes.*

What is suggested by academics interested in strategy process is therefore that we get closer to what is going on inside the organisation. This chimes with the ideal of qualitative research more generally (you may want to look at a series of seminal articles on qualitative research in the Administrative Science Quarterly, 1979, Vol 24, Issue 4). This view demands a range of more 'intrusive' research methods, in particular longitudinal studies with detailed fieldwork, to avoid overly simplistic assumptions about the strategy process and its boundaries (Chakravarthy and Doz, 1992). Pettigrew's (1985a) work represents one of the most influential strategy process studies. The author traces the attempts of ICI, one of Britain's largest corporations at the time, to change its strategy, structures, technologies and corporate culture over a 20 year period. By focusing on longitudinal data from divisions and corporate headquarter the author explores the role of internal and external consultants as well as senior executives and divisional management in the change processes. As Pettigrew puts it, the focus of research lies on:

> *"…describing and analyzing processes of change in context, illustrating why and how the content of particular changes and strategies for introducing them are constrained by and enabled by features of the traditions, culture, structure and business of ICI as a whole and each of its divisions, and by gross changes in the business, economic and political environment ICI has faced through time" (1985a).*

Paying particular attention to the dynamic and complex nature of organisational change, Pettigrew (1985a) sees historical processes of change as a complex dynamic system with a mixture of processes occurring at different levels and at various rates. Change involves the breaking down of established ways of thinking and behaving. Pettigrew (1985a) argues that change happens in radical, revolutionary periods, alternating with long periods in which the impacts of the changes are absorbed. Changes at ICI were precipitated, although not wholly explained by, economic and business related crises, managerial decision processes as well as the organisation's environment, structure, culture and systems of power and control (Pettigrew, 1985a, Siehl, 1986).

Strategy therefore emerges in a continuous and constantly changing fashion. It is patterned and idiosyncratic, individualistic and group oriented and it tends to focus on the activities of individuals and organisations, sequences of events, and the causal relationships that lead to organisational change (Pettigrew, 1987). The process school has therefore 'humanised' the strategy field (Chia and MacKay, 2007) and opened up the 'black box' of the firm by considering organisational phenomena and inner dynamics of organisations (Johnson et al., 2003). The recognition that these dynamics are largely processes of and between individuals is a further achievement of the strategy process development, legitimising small-scale studies and the application of psychological approaches to the study of managers in organisations.

Practice and Strategy-as-Process

Emerging from the process strategy research tradition, this trope of literature focuses on 'strategy practice'. In what is now seen an introductory special issue in the Journal of Management Studies, Johnson *et al.* (2003) argue that process researchers (which we looked at in the last lecture) have not gone far enough in exploring the micro-processes that make up organisational life; going beyond second-hand retrospective accounts of senior executives. In particular the first generation of process research in the 1980s views the organisation and its top-management board as the unit of analysis, giving little consideration to strategy 'content' in favour of 'processes', and disregarding strategic outcomes (Whittington, 1996). Johnson *et al*. (2003) propose that research should aim at these shortcomings by going deeper into organisations investigating the micro activities that make up strategising processes while considering strategy content as well as strategy outcomes. Moreover, the authors argue that strategy process research has largely neglected managerial agency and its relation to wider contexts. For instance, Whittington (1992) criticises Pettigrew (1985a) for not drawing a systematic link between internal politics and the broader social structures of class and professionalism that affected British managers during the post-war period. While there is the necessity to explore further the day-to-day activities of managers, solely focusing on specific activities will, as Whittington *et al*. (2004) observe, ultimately prove unproductive. Without links to more general routines and the wider organisational and societal macro-environment any description of individual action is devoid of context and impact. As a response to this criticism of strategy process research there has been a re-focus on competence in terms of how managers 'do' strategy (Whittington, 1996), rather than on organisational competences as a whole.

The turn towards practices in the strategy literature echoes calls for research into the details of organisational life and the practices that constitute the 'internal life of process' (Brown and Duguid, 2000, Feldman and Pentland, 2003, Tsoukas and Chia, 2002, Chia and MacKay, 2007). It particularly resonates with Weick's (1979) suggestion to make more extravagant use of verbs and gerunds, such as 'to organise' and 'organising', and to become 'stingy' in the use of nouns such as 'organisation' in order to re-envisage organisations as processes rather than states. This work tries to bring the actor back into the research landscape (Whittington, 2002). In doing so, practice research draws upon previous, albeit rather sporadic debates of practitioner-focused research (Schön, 1983, Pickering, 1992, Dougherty, 1992, Knights and Morgan, 1991, Langley, 1989).

'Strategy practice' research "...shifts concern from the core competence of the corporation to the practical competence of the manager as strategist" (Whittington, 1996). It is thus seen to be a necessary corrective to researching the nitty-gritty details of organisational strategy formation (Chia, 2004, Johnson et al., 2003). In a broad sense, practice strategy research focuses on managerial work; on people, technologies and activities, and takes a detailed view on the actors, their tools, strategies and discourses (Whittington, 2002). The practice perspective places emphasis on "...the detailed processes and practices which constitute the day-today activities of organizational life and which relate to strategic outcomes. Our focus therefore is on micro-activities that, while often invisible to traditional strategy research, nevertheless can have significant consequences for organizations and those who work in them" (Johnson et al., 2003).

Lecture 6: Revision, Review and How to Do Well

In the final lecture there will be a review of the topics covered on the module and a full briefing on the assessments. We will provide guidance on how to do well in the assessment and we will explain the assessment criteria so that you can work towards demonstrating the learning outcomes in your work. This will be a fairly short lecture compared to the others in the series, so that we can allow time for your questions.