

Günther Ortmann/Harold Salzman

## Stumbling Giants The Emptiness, Fullness, and Recursiveness of Strategic Management<sup>1</sup>

»Is not competition supposed to keep a firm ›on its toes?«  
*Albert O. Hirschman (1970, 3)*

»Can the elephants start learning to dance?«  
*Rosebeth Moss Kanter (1989, 31)*

»... defining man as that animal who himself  
draws lines that he himself stumbles over.«  
*Karl E. Weick (1979, v)*

*Zusammenfassung:* Allgemeine Konzepte und Rezepte des strategischen Managements sind meistens entweder einseitig oder leer, Reflex auf einen *horror vacui* der Träger strategischer Entscheidungen. Diese Entscheidungen und die Orientierung an einmal dieser, einmal jener Managementmode werden in diesem Beitrag als Entfaltung der Paradoxie des Entscheidens interpretiert, einschließlich der Oszillation zwischen kontextabhängig wechselnder Fokussierung der Themen und der strategischen Aufmerksamkeit. Es wird ein Konzept rekursiver, supplementärer Füllung einer notwendigen Leere von Strategien im Zuge ihrer Implementation und Realisierung vorgestellt, unter Rekurs auf Alfred Schütz, Anthony Giddens, Jaques Derrida, Donald Schöns Begriff »knowledge-in-action« und Eric Leifers Idee einer strategischen Ambiguität. Strategisches Management ist, so gesehen, ein permanentes Tasten und Stolpern. Fiktionen der Fülle und Verlässlichkeit strategischer Konzepte geben dann Halt.

### 1. Alice In Wonderland: About Reason, Chance, Necessity, and Power

A rational decision is inherently paradoxical because its necessity goes hand-in-hand with its impossibility. Not only is our rationality bounded, as Herbert Simon has so convincingly shown, but we also must make decisions under

<sup>1</sup> This paper draws from empirical work conducted with Philip Moss and Chris Tilly of the University of Massachusetts – Lowell, and Klaus Ruth from the University of Bremen, on »Corporate Restructuring: Skills, Work, and organizational Change« funded by the Alfred P. Sloan Foundation. Some of this work is reported in Moss/Salzman/Tilly (2001).

conditions in which there are no rules by which we can make a decision – even if it be a just satisficing decision. We have to decide when we don't really know and cannot know how to decide.

This essential fact of decision making is ever the more true for strategic decisions which are, at their very core, about action under uncertainty and contingency: Decisions, and particularly strategic decisions, are characterized by being *possible one way, but also another way*, without being arbitrary. That is, decisions are contingent and they have to bridge the »cleft of contingency« without being perfect or even really good bridges because of the limits of methods of reasoning. This essential characteristic is what makes a decision a »decision« rather than a calculation, of just applying a rule. In deciding about a business strategy, one is not merely deriving a strategy from among many possibilities within a business portfolio. Rather, as captured in a recent collection of contributions from the best strategic thinkers, titled »In Search of Strategy«, the task of strategic management is »about how to prepare for the unknown« (Markides 1999, 7).

Strategic management steps into the paradoxical territory of decision making dilemmas, of decision making pointing at the »undecidability« of decision problems – undecidability just in situations when the need to make a decision is most necessary (Foerster 1992; Luhmann 2000). And it is in accordance with the »emergence view of decision-making« as developed by Reinhard Selten, the German economist and Nobel prizewinner, arguing that »Decisions are not made, decisions emerge. The conscious mind supplies inputs to the black box containing the inaccessible parts of the decision as an output« (Selten 1993, 4). Strategic decision making therefore means, *necessarily*, groping in the dark. And, this is all the more true in the current period of rapid and accelerating change and rapidly decreasing certainty about, and confidence in, proven or even self-evident structures and strategies of firms.

Strategists, and firms »in search of strategy«, cannot help but, while groping in the dark, occasionally stumble, and that's exactly what they do as the evidence from our studies of restructuring firms shows. Successful strategy is not the elegant implementation of a well thought-out plan, of a choreographed dance, as some would suggest, but rather an inelegant process of going along a path while being buffeted by a strong wind. The successful firms in our study actually stumbled through strategy, the illusion of dance appearing only from the distance where fleet-footed changes and adjustments are less perceptible and from the vantage point beyond the finish line which makes the winner's every stumble seem the correct stride to success. Every stumble does not lead to a fall, and fleet-footed adjustments may look graceful – just as microscopic points appear to be graceful lines from afar. But, whatever the appearances, analytically graceful lines are but points and successful strategies are but graceful and successful stumbles into the unknown.

If we accept impossibility of calculated decision-making as inherent, and stumbling through change as an inevitable element of strategy formation, then developing a theory of management and change follows a different path from that often taken. Rather than suppressing these insights by elaborating more and more sophisticated models and metaphors of strategic planning – which eventually become idiographic descriptions, *post hoc* – we engage in a serious and careful reflection on what »stumbling« and »groping« mean. We must ask: »How do, and how can firms make (strategic) decisions in the face of the unknown?«

Our concept of stumbling as part of strategy formation is not to suggest that decision makers are inept but, rather, the best strategists in our study were self-conscious of the limitations of calculation or a *priori* decision making as establishing a plan to be »implemented«. We hold with Anthony Giddens (1984) that knowledgeable agents have at their disposal a good deal of knowledge and competencies (capacities often underestimated in structuralist social theory). On the other hand, it is clear that strategists and firms were not in full control of the (unacknowledged) conditions and (unintended) consequences of their action. What the best strategists did was to implicitly, and sometimes explicitly, engage in change as a reflexive process applying considerable portions of social knowledge in the formation, implementation, and execution of strategies and in the restructuring processes. An apt description is Anthony Giddens' image of the juggernaut:

... a runaway engine of enormous power which, collectively as human beings, we can drive to some extent but which also threatens to rush out of our control and which could rend itself asunder (Giddens 1990, 139).

According to Giddens,

The ride is by no means wholly unpleasant or unrewarding; it can often be exhilarating and charged with hopeful anticipation. But, so long as the institutions of modernity endure, we shall never be able to control completely, either the path or the pace of the journey (139).

Gareth Morgan's (1988) book, titled, *Riding the Waves of Change*, makes this point but confers it with a somewhat heroic characterization that we want to avoid.

The process of strategy development, in our schema, occurs through knowledge development by reflexivity, circularity, and recursiveness. That is, each step proceeds with the knowledge generated by the previous step, and thus only by a process of acting, reflecting, and then acting, making each step contingent on the outcome of the previous step. In conditions of modernity, the social world can never form a stable environment because the output of

processes of knowledge and strategy formation and execution will become the input of the following recursive loops of social practice, altering its nature and spinning it off in novel directions (Giddens 1990). All this takes place under conditions of what Talcott Parsons called »double contingency«: the mutual dependence of actions. One firm will make its action dependent upon its competitors' action, *and vice versa*, and none of them knows or can have full knowledge about what the other will do – each conditions its actions on the actions and outcome of the other and factors in the environment. (As Oskar Morgenstern (1928) wrote in the late twenties of the last century, in situations like these full, and even perfect information, the heroic »As If« of neoclassical theory would immediately lead to an inability to decide and to act.)

This applies, of course, to the relations *within* an organization such as occurred in the electronics firms whose strategies we examined in the study mentioned in footnote 1. It was more than a third of a century ago that W. Richard Scott described Philip Selznick's image of an organization in a way that pointed to this feature of reflexivity, circularity, and double contingency:

If the organization as conceived by Weber (1947) operates like a smoothly-functioning professional football team, Selznick's image corresponds more closely to Alice's efforts at croquet with equipment and competition provided by the Queen of Hearts. Alice swings her flamingo mallet but the bird may duck his head before the hedgehog-ball is struck; just so, the manager issues his directives but they may be neither understood nor followed by his subordinates (Scott 1964, 511).

Selznick's contributions to organization theory, dating back to the late forties, have an awareness of the difficulties controlling the actions of »others«. What Selznick depicts with regard to the inner relationships of organizations, Rosebeth Moss Kanter uses to refer to the relationships between a company and its competitors and other players in its environment – using the very same metaphor of Alice in Wonderland:

To some companies, the contest in which they are now entered seems increasingly less like baseball or other traditional games and more like the croquet game in Alice in Wonderland – a game that compels the player to deal with constant change. In that fictional game, nothing remains stable for very long, because everything is alive and changing around the player – an all-too-real condition for many managers. The mallet Alice uses is a flamingo, which tends to lift its head and face in another direction just as Alice tries to hit the ball. The ball, in turn, is a hedgehog, another creature with a mind of its own. Instead of lying there waiting for Alice to hit it, the hedgehog unrolls, gets up, moves to another part of the court, and sits down again. The wickets are card soldiers, ordered around by the Queen of Hearts, who changes the structure of the game seemingly at whim by barking out an order to

the wickets to reposition themselves around the court. Substitute technology for the flamingo, employees or customers for the hedgehog, and everyone from government regulators to corporate raiders for the Queen of Hearts, and the analogy fits the experience of a growing number of companies. It is getting harder and harder for executives in Alice's position to succeed by traditional corporate methods when technology, customer preferences, employee loyalties, industry regulations, and corporate ownership are constantly changing. Instead of simply keeping their own eyes on the ball, they have to watch all the changing elements of the game at once (Kanter 1989, 19-20).

Kanter is dealing with the difficulties in »mastering the challenges of strategy, management, and careers in the 1990s« as the subtitle of her influential book goes. She continues:

If the new game of business is indeed like Alice-in-Wonderland croquet, then winning it requires faster action, more creative maneuvering, more flexibility, and closer partnerships with employees and customers than was typical in the traditional corporate bureaucracy. It requires more agile, limber management that pursues opportunity without being bogged down by cumbersome structures or weighty procedures that impede action. Corporate giants, in short, must learn how to dance (Kanter 1989, 20).

This is why she gave her book the bright and optimistic title »When Giants Learn to Dance«. In a sense, this title and the whole book – its »*winning in the global corporate Olympics*« style – may reflect the need for, or illusion of, the manageability of a firm's direction and maneuvers and the science rather than art of management. (This is typical of normative thinking of disciplines like business administration or the German *Betriebswirtschaftslehre*.) Kanter wants us to learn from the example of »change masters« as suggested by the title of an earlier book (Kanter 1983).

We, for our part, want to keep our distance from discovering or developing supposedly universal recipes – patent remedies which Donald McCloskey (1990) calls »snake oil« (see also Micklethwait/Wooldridge 1996). On the other hand, Kanter has a strong appreciation for the difficulties of the search, and the implementation and execution of strategies as shown by her beautiful Alice-in-Wonderland metaphor. So we build on her insights but cast them in a different framework, one that makes the stumbling, groping, and learning-in-context the essential component of strategy, rather than viewing the plan as the strategy. We don't want to rule out the possibility that our giants, large corporations at the beginning of the new century, will be able to walk gracefully, to run, or sometimes even to dance. We want to emphasize, however, that the essential core of strategy is the unacknowledged conditions and unintended consequences of action, (the latter becoming new and unexpected conditions

of action in the next round of practice, and so on). And, we want to take into account the important role of chance – chance followed by necessity – and good luck within the processes of strategy formation and corporate restructuring. As Kanter herself (1989, 21) put it: »Some companies are stumbling over the roadblocks to perfection – the backlash, the resistance, the cynicism, and the sheer fatigue of taking on so much chance.« Of course, some companies are stumbling on the edge of a precipice, too, and, of course, some actually precipitate. In fact, the latter is an essential and inevitable feature of capitalist economies.

The components of the process of strategy formation, which we have put forth to this point, are: quite a bit of reason, or bounded rationality; one part chance and, at the very best, luck; and one part necessity. All these we will discuss further in the following sections. But first, we want to add one additional and crucial piece to the picture outlined up to this point, namely, power. In order to explain the role of this component we can make use of Lewis Carroll's tale of Alice in Wonderland again because there is something to add to the episode recapitulated by Scott and by Kanter – a nuance, however, lacking, and not by chance, in their reproduction of the story. Remember the croquet wickets that were built by bent soldiers?

The players all played at once, without waiting for turns, quarreling all the while, and fighting for the hedgehogs; and in a very short time the Queen was in a furious passion, and went stamping about, and shouting ›Off with his head‹ or ›Off with her head!‹ about once a minute (Carroll 1971, 74).

Strategy-making amidst bedlam, then, is not through rational calculation nor is it the »unforced force of the better argument« (Habermas). The decisive factor in making a tension either in corporate restructuring or in strategy formation within organizations, as well as corporate strategies within market contexts usually is through means of threat and power – be it power in organizations or market power. This is to say, not the most rational but the most powerful actors are more likely to triumph within organizations as well as in the markets.

What do we have then, to this point in our argument? A touch of reason, a touch of chance and necessity, a good deal of power, double and multiple contingencies, the circularity and recursiveness of knowledge, and strategic decision making and corporate restructuring as a kind of riding the Juggernaut.

Our analysis of corporate restructuring draws on a deep well of research, theory, and philosophy. Before using this framework for our analysis of management and restructuring, we first discuss the existing literature on management theory, the basis for knowledge underlying decision making and action, and strategy formation.

## 2. Conventional wisdom of strategic management: emptiness and fullness

In a marketplace thought to be so competitive, in which success is achieved only by the most fit, there are a strikingly large number of *different* strategies for success and a strikingly large number of failures littering these same strategic paths to success. There are many criticisms that are made of the enterprise of strategy formation, but our focus is on the core processes and assumptions about »strategy«.

The first observation we make about the various strategies, whatever their content, is that when looking at them carefully they turn out to be one-sided – appropriate only for *specific* situations, but none of the specific situations being spelled out by the adviser. Does one »Stick to your knitting«, as firms once were advised by Peters and Waterman (1982)? Or is this a quick path to bankruptcy as R. J. Foster, another consultant from the same consulting firm, four years later (1986) claimed, referring to the technological upheavals of our times? Or *is* it really that firms have to stick to their, as the wisdom goes nowadays, core competencies and unique resources? Should companies define their business broadly, as Theodore Levitt (1960) argued, or exactly *not* as recommended by Hermann Simon (1996)? The obvious answer, of course, is: »it depends«. Less obvious is that those »either/or« approaches are a consequence of denying the paradoxical foundation of all strategic management and its inherent circularity (Vos 2002). What we need, therefore, is a second-order observation that reveals the oscillations between management fads as ways of untangling the seeming paradoxes of strategic management.

From the perspective of self-referential systems theory, it could be said that strategic concepts function as means to become operational. In other words, strategic concepts asymmetrise tautologies like that the markets to be served depend on the products offered and the products to be offered depend on the markets served. Because each asymmetry is arbitrary per definition, a strategic concept is neither necessary nor impossible to make sense of strategic issues. ... Therefore, somehow, all the »strategists« cited above seem right and wrong at the same time. They are right in formulating various ways to become competitive and wrong in their one-sided preference for highlightning specific ways to become competitive. (Vos 2002, 32)

Should firms always try to be leaders of innovation, or just »fast followers«? Should they strive for »sustainable employment« or for »employability«? Do they need a new »social contract« with employees and society or a stronger focus on shareholder value? Possible answers turn out to be either one-sided, that is, geared to particular circumstances not specified and not represented as such, or empty, devoid of real meaning. For instance, the advice from Henry

Mintzberg, one of the most ingenious proponents of strategic management, and his co-author Joseph Lampel, to blend or combine the wisdom of ten or so schools of strategy formation – e.g., design school, planning school, positioning school and so on – seems to be »empty« of content (see Mintzberg and Lampel 1999). One-sided management fads, on the other hand, oscillate from one side to the other, in this way unfolding the paradox of (strategic) decision making.

Are these the alternatives, then? One-sidedness or emptiness? Is all we, as social scientists, can hope to find in search of strategy is meaningful but one-sided, or general but empty, concepts?

We don't think so but we are convinced that what we need in this situation is an in-depth analysis of the relationship of (strategic) *concepts* and their *application*. We want to argue that this relation is, and has to be, one of emptiness and fullness: of a certain emptiness to be filled in through application and the fullness of specific application to be emptied in order to generalize. This, of course, is the essential condition of rules. Following Anthony Giddens's analysis of generalizable procedures, we focus on the generalizable procedure of strategic conduct as the key element of strategy. This is to say, the conventional critique of the conventional wisdom of strategic management literature, arguing against the emptiness of strategic advice and concepts, is not quite inappropriate but in a sense off the subject. This very emptiness, far from being a mere shortcoming of strategic thinking, is in a sense a *necessary*, inevitable feature of all general concepts, interpretative schemes, rules, procedures, and of every goal, plan, or design. As Edmund Husserl, the German philosopher and phenomenologist, put it:

In every action we know the goal in advance in the form of an anticipation that is »empty«, in the sense of vague, and lacking its proper »filling-in«, which will come with fulfillment. Nevertheless we strive toward such a goal and seek by our action to bring it *step by step* to concrete realization. (Husserl 1929, 149ff, quoted by Schutz 1980, 58; italics by authors).

In accordance with Husserl, Alfred Schutz, the phenomenological sociologist, has shown »that the action either »fulfills«, or fails to »fulfill« the project« (Schutz 1980, 92). Every projection, every plan, every design for what to do is an act of fantasizing action (59), a thinking *modo futuri exacti* (future perfect tense; it is imagining, »I will have done this«).<sup>2</sup>

To put it another way: the actor projects his action as if it were already over and done with and lying in the past. It is a full-blown, actualized event, which the actor pictures and assigns to its place in the order of

<sup>2</sup> For an application of Schutz' idea of thinking in the second future tense to management issues see Weick (1979, 197-200).

experiences given to him at the moment of projection. Strangely enough, therefore, because it is pictured as completed, *the planned act bears the temporal character of pastness* (Schutz 1980, 61).

There cannot be full knowledge, however, in the moment. (As Niels Bohr is said to have remarked: »Prediction is very difficult, especially about the future.«) Rather, the knowledge about the planned actions has to be developed in the course of acting, in the moment of enacting the plan. In the beginning of the strategy or decision process, the capability of »fantasizing« becomes important to supplement knowledge about the future with imagining the future. This is why »visioning« is more than a management fad: not only in order to motivate people by charismatic leadership but to provisionally – literally: pro-visionally – fill the empty places of our knowledge. (In the light what Eric Leifer tells us about »micromanagement« in this issue of »Soziale Systeme« we have to add: At the same time the management has to leave sufficiently open what the vision is – preserving, this way, *content ambiguity*, *target ambiguity* and the necessary awareness with regard to *contexts*.)

What kind of knowledge can we have of our project? As a matter of fact, it can be of any degree of clarity, from one of total vagueness to one of maximum detail.<sup>3</sup> However, it must be remembered that our knowledge here is of the *project of the act*, not of the *act itself*. Naturally, the first is what its name implies, a mere sketch with many empty places and variables in it. These empty places are filled in, and the variables are given values as the action progresses *step by step* (italics added).<sup>4</sup> At any moment we can compare our blueprint with what we are actually doing. Now we know each of these two items differently. We remember our blueprint or project, whereas we directly experience what we are doing. Naturally, memory-evidence is weaker and has less claim on us than direct, present experience. And the closer it is to the latter, the stronger it is. ... To cite a frequent example: we may start out with a clear plan of action, then get rather confused while we are executing it, and in the end not be able to explain what we have done. (Schutz 1980, 64)

The insistence upon the gradual development of plans in the course of time is so exceedingly important because things change during the time the plan is being enacted: environmental conditions alter, the knowledge grows, intended and unintended consequences occur, and, last but not least, the preferences of decision makers and actors may change, not the least as a result of what has happened in the meantime – the nature of double contingency as discussed above.

3 The latter would be the case within strictly rational behavior following a detailed plan.

4 Cf. Reinhard Selten's three stages of strategy construction beginning with a superficial analysis, i.e. an analysis with many empty places to be filled in step by step or, as Selten calls it, measure by measure; see the end of section 4, below.

... while the action has yet to take place it is phantasied as that which will have taken place, that is, in the future perfect tense as something already performed. Thus what occurs is a reflective Act of attention to an action phantasied as over and done with. This Act of attention, of course, temporally precedes the action itself. Then as the action takes place and proceeds to its termination, the actor's experience is enlarged – he ›grows older.‹ What was inside the illuminated circle of consciousness during the moment of projection now falls back into the darkness and is replaced by later lived experiences which had been merely expected or protended. Let us imagine a person who projects a rational action that had been planned a long time before and whose goals, both final and intermediate, had, therefore, been clearly anticipated. It cannot be doubted that this person's attitude toward his plan will necessarily differ from his attitude toward the finished deed. This will be true even if the action proceeded according to plan. ›Things look different the morning after.‹ (Schutz 1980, 65)

This means that application or execution of strategic concepts necessarily implies *the filling*, literally, *the fulfillment of an inevitable emptiness*. All the consultants, management gurus, strategists, and strategic management theorists have to cope with this difficulty, some of them taking the role of parasites living on the *horror vacui* of managers – on the dread of this very emptiness and the desire to get it filled, be it by precise, tailor-made concepts, be it by management fads supposedly easy to copy, or just by sexy slogans. Of course, it is important to reveal the missing substance under the glitter of those fads and slogans (cf. e.g. Kieser 1997). Ortman (forthcoming) refers to those high gloss concepts and their legitimation function as »Katzengold« (»fool's gold«). But their success would remain an enigma were it not that they could feed on the necessity of a certain emptiness of every strategic concept. To put it this way: Every strategy has to establish an »As If«: Let us act as if we had something to rely upon. Sometimes even the wrong map may do (Weick 1995, 54-5). The much more difficult task, then, is to distinguish the »emptiness without any substance« of those fads and slogans from the necessary emptiness of even the most serious strategic concepts.

Prematurely filling the void takes the role of addressing the *horror vacui* of managers in its worst, and more common form, through implementing borrowed strategic plans. But, in its best form it provides the legitimation to proceed with a plan that has no content – that is, it is difficult to get approval (from a manager or Wall Street) for a plan that says, »we'll figure it out as we go«, versus one that looks rational, substantial, and even visionary. However, our analysis suggests that it is a plan that is overly specified and taken seriously (i.e., as a plan that needs to be implemented), that is illegitimate.

We can resolve this puzzle by means of Giddens' theory of structuration, of assuming a recursive constitution of thinking (strategy) and acting (executing

strategy) as shown below. For the present we can get by with the image of having both feet on the ground: thinking and acting. If we want to go, then, we will have to find our feet, to put one foot in front of the other, preferably to put our best foot forward. In the light of this metaphor it is not that important how to begin – by thinking or by acting – but it is important not to rely on either extreme. Our interviewees at one U.S. electronics firm (see footnote 1) characterized their company strategy as »Ready, fire, aim«, whereas managers at a German electronics firm described their decision making approach as »Ready, aim, aim, aim, aim ... fire.« The former company stressing action, sometimes done prematurely but avoiding a paralytic amount of thought, whereas the latter acknowledged being stymied by their overly analytic approach. By the time they were ready to act, they could copy their U.S. competitor, following another's strategy (which was »strategic« only *post hoc*), and best suited for another time and context.

Our empirical *and* theoretical analyses both lead to a conclusion that the accent should be on action and the inevitable stumbling that comes from not having a well thought-out plan (versus a well thought-out plan that avoids stumbling but leads smoothly to failure). Actually, there is growing evidence that often in the beginning there was not, as in the bible, the word but, as for Goethe's Faust, the deed. This is what follows from Albert Hirschman's (Hirschman/Lindblom 1962) analysis of human ignorance and the hiding hand, too. More important is going step-by-step, acting accompanied and followed by thinking, then acting again, but perhaps in the opposite way, and so forth. Sometimes somebody will get underfoot. Sometimes we will trip over own feet. And sometimes we will stumble over lines we have drawn ourselves.

### 3. Strategy formation and corporate restructuring as bricolage

How can we prepare for the unknown? Let's take »the dark« as a metaphor for the unknown and ask: How are we going to proceed while in the dark? Putting out our hands, feeling around, as we move forward with arms extended; groping; moving slowly and cautiously; moving back and forth; putting one foot in front of the other; going step-by-step, little by little, gradually.

One may argue that this is quite the opposite of strategic conduct. We are quite prepared to agree with this objection, up to a point. First, we should not presuppose that this type of process is not strategic but ask if and how firms are able to make strategic decisions. (More often than assumed, they do not make what would be considered »strategic decisions«, but just »muddle through«.) Second, even in cases where they try to behave in a way that deserves to be called »strategic«, we have to ask, »how?« And we believe this behavior – the

strategy formation process, including strategic decision making – also resembles, much more than widely supposed, processes like groping,<sup>5</sup> stumbling, and putting out feelers.

These metaphors or characterizations apply not just to immediate action but also to processes of looking for, and deciding on strategic alternatives. Performing these search and decision tasks includes groping, stumbling, and putting out feelers – exactly like dealing with the dark, with the unknown. This happens, *first*, in thinking, which in the case of strategic thinking means imagining remote future states and roughly how to get to them. This means putting out »think-feelers«, groping-in-thinking for possibilities and obstacles, and stumbling in thought over unexpected difficulties. It happens, *second*, in acting accompanied by what Giddens calls reflexive monitoring of action or what Schön (1983) refers to as developing knowledge-in-action. This implies a »putting out think-feelers« again, but now in a more detailed and experienced way, with better knowledge about possibilities and obstacles. We know more when we have done the first steps, and this knowledge, as an output of these first steps, becomes an input of following steps. With respect to the strategy executed by the action, this implies a possibly permanent feedback process from action to strategy modified, supplemented, or substituted if necessary, and from modified, supplemented, or substituted strategy back to new ways of action and so forth.

Again, the cases of our two electronics firms (Moss/Salzman/Tilly 2001) illustrate the way defining strategic initiatives were developed just through this process. The U.S. company made what could be seen as an impulsive acquisition based on an assumed strategic fit and assumptions about its operations that proved, in short order, to be mistaken. Fixing the problems under severe constraints led to rethinking organizational form, to outsourcing, and a »competitive strategy« that came to define »strategy« for other parts of its own as well as many other firms. The German company's parent made a »strategic« decision to dispose of its subsidiary and exit that business but the sale was stymied by unexpected currency fluctuations. Then, some years later, it took the opposite tack, namely expanding this business area of the subsidiary through major acquisitions to attempt global dominance in certain product markets. Yet another firm's strategy was to implement a well-thought-out strategic plan without the openness to modify its plan and develop its knowledge-in-action through the recursive process just outlined. Instead, it began with the best management consulting advice, to focus on its premium, high-profit market niche and not make acquisitions just for the sake of growth – rejecting several potential acquisitions because the price was too high. By all accounts the strategy was working according to plan, maintaining high levels

5 For phenomenological analyses of groping in the meaning of sensory perception see Merleau-Ponty (1996); Polanyi (1966), Schapp (1976, 24-30).

of profitability, except that their stock price wasn't increasing because Wall Street analysts believed size was the important long-term factor for success in this sector. This is a simplified account, and one could argue about ultimate causes, but an essential element was a management approach that followed the conventional, prescriptive process for developing and implementing a strategy as a blueprint to be followed no matter how the terrain changed.

All this may not exactly be news, at least not for practitioners. But compared with existing metaphors, theories, and models of strategic management, the metaphor of groping and stumbling seems to us to have some advantages we should not sacrifice for a more pleasant image of a masterplan-type of rationality – what is sometimes called synoptic rationality.

This approach provides a more realistic picture of strategic management as it *is* (instead of, »as it should be«), avoiding in particular any overestimation of the role of heroic strategists and strategies, of foresight and boldness, in developing an *ex ante*-rationality – and, perhaps most of all, of sounding a warning to would-be imitators who take the end state as a road map rather than recognizing the need to develop their strategy *in situ*.

This approach also takes into account the gradualism of strategy formation, the incrementalism and piecemeal engineering, the step-by-step thinking à la Donald McCloskey (1990), the importance of muddling through, or what one of us once called the Kleist theorem.<sup>6</sup> In the light of the metaphor of stumbling, our theory is prepared to integrate insights of modern complexity theory and, therefore, concepts such as path dependency, trajectory, lock in, small events, insights, that is, if the role of chance and necessity within processes of strategy formation and corporate restructuring. We can read, then, Giddens' juggernaut as a metaphor for the self-reinforcing powers released in, and by, those processes and becoming independent in the course of action. This enables us, for example, to deal with an initiative to outsource for lower costs which, *in the course of time*, gradually turns into a quite different philosophy, *ex post facto*, to become a »strategy« of »focusing on core competencies.« This is to say, the emergence of strategies may very well be a case of chance, of small events in the beginning, giving rise to some initial and still quasi-strategic ideas followed by necessity during the next steps, finally following a trajectory we can then call strategy. This strategy, however, is not a matter of pure think-

6 Ortmann (1997) referring to the famous text of Heinrich von Kleist »The gradual production of thoughts in talking« and dealing with the gradual accomplishment of thinking (and planning) in and by acting and *interacting*. Kleist tells the story of Mirabeau not knowing what exactly to say when starting a speech to the French national congress in 1789 but clarifying his thoughts in and by speaking – reinforced by friendly and unfriendly reactions of the audience. Again, the idea is: There has not to be *first* the completed strategy and *then* the conduct, just executing the strategy, but an iterative, recursive process leading from acting to thinking (designing strategies) to acting and so forth. It is similar to what Donald Schön calls knowledge-in-action, of the way various professionals he studied (doctors, lawyers, engineers) generate their strategies for solving problems.

ing but of running through iterative, recursive loops of thinking, acting, reflexive monitoring of action, and acting again. We can leave it open to empirical research, then, if and when in the course of the process a »strategy« emerges. Moreover, we can deal with those questions as a matter of punctuation by either the lay actors or scientific observers. Often, we observe an *ex post facto*-manufacturing of rationalized legends concerning the supposed rationality and reflexivity of what happens in organizations.<sup>7</sup> This view also makes clear the false dichotomy between planning and execution because it is wrong to think that plans can exist as fully specifying a course of action and an outcome *a priori*, and independent of their implementation.

From this perspective on strategy, one must expect failures, steps backward, falling down, and »normal accidents« in strategy formation (and, at that, business restructuring). We are prepared to think of strategy formation and business restructuring as »surfing on the edge of chaos« or »competing on the edge«, as characterized by the sexy slogans of complexity theory.<sup>8</sup> The metaphor of »stumbling«, the outcome of trying to dance while walking into a strong wind, enables us to take into consideration double contingency (stumbling one over the other, or the other's actions or strategic moves, being obstacles for our moves). We can abandon the idea of »one best way« without abandoning a kind of rationality, foresight, and striving for better ways of action. This concept of strategy does not minimize the importance of visioning and positioning (but does qualify their role and puts it in relative terms – in terms, that is, of its relation to trial-and-error processes). This view is in accordance with the whole spectrum of strategies á la Mintzberg – including deliberate *and* emergent strategies – without opening the concept of strategy to the case of mere luck as suggested by some.<sup>9</sup>

There is, of course, a disadvantage or weakness to the metaphor of stumbling if one is trying to develop or discover normative or prescriptive procedures. It leaves a good deal of selecting and forming strategies to praxis. We are, however, quite prepared to declare this supposed weakness a strength because it leaves what Aristoteles called *phrónesis* and Kant called »Urteilkraft« (see his »Critique of Judgment«) to where it belongs – to praxis. In the light of the metaphor of stumbling, we cannot say all too much about the »should-be« of strategy formation. »Not too much«, however, does not mean »nothing«. In fact, we can say something about gradualism, avoiding masterplans and best

7 For rationalized myths in organizations and the retrospective function of planning in order to secure legitimation by exposing rationality and modernity cf. Meyer/Rowan (1977); Starbuck (1982); Cohen/March (1974); Brunsson (1989); Ortman (forthcoming).

8 Cf. Kauffman (1992; 1995); with respect to issues of (strategic) management Stacey (1996); Brown/Eisenhardt (1997; 1998); Eisenhardt (1999); Pascale (1999).

9 »Behind every successful company, there is superior strategy. The company may have developed this strategy through formal analysis, trial and error, or even pure luck.« (Markides 1999, 6) This is to empty the concept completely. If we cannot make a distinction between luck and strategy there is no meaningful concept of strategy left at all.

ways, establishing conditions of iterative, recursive loops of developing and implementing strategies, providing for reversibility of strategic concepts, and about coherency of strategies and consistency of strategies and structures.

We cannot, however, and don't want to, identify good or even »best strategies« in a substantial sense, and we cannot and will not define good or best ways of how to develop strategies. This may be a weakness at first glance but frees us from the illusion of deriving (best) practice from theory (actually, we believe it to be the nightmare of a central committee just over the horizon telling us how to live and what to do). Instead the metaphor of stumbling provides a series of good questions such as: How to face the unknown? How to grope in the dark? How to keep balance between strategy and conduct, between strategies and structures, between strategic intentions and structural capabilities, between thinking and acting, between visioning and positioning, between innovation and preserving the proved, between the needs for cost cutting and for motivating people, and the like. Much of this we discuss, below, as balance or, using a term of Richard Nelson (1991), coherency. We can take one of the opposite pairs as the first step and the respective other as the second step, and then in iterative fashion develop locomotion, going step-by-step including balancing, running, dancing, but also, and may be much more often, stumbling. This idea is captured neatly in the German saying: »in sein Glück stolpern« (stumbling into one's luck). This is what can happen to strategists and firms, too. They, of course, would never admit that it has been a matter of luck but insist that it was a result of sophisticated strategy. As social scientists we do not want to compound this illusion.

There is another metaphor for restructuring and strategy formation resembling, in our view, the image of stumbling: Lévi-Strauss' concept of *bricolage*, to construct using the materials and means at hand rather than develop a perfect plan and then perform new and extensive searches at the next step in order to fulfill the *a priori* fixed plan.<sup>10</sup> This metaphor throws a light on the urge to get along with a *restricted* set of means, fitting nicely Simon's *bounded* rationality. This metaphor reflects a process based on the *mutual* dependence of means and ends, of the possibilities of changing strategic objectives depending upon opportunities presenting themselves; on the necessity to cope, as the bricoleur has to do, with already existing structures and strategies restricting the possibilities of bringing about the new; on the improbability of perfect or best solutions (because neither strategists nor bricoleurs are able to judge what they accomplished by measure of fixed and unchanging goals); and on the crux that strategy formation and corporate restructuring is and has to be a never-ending story, with no discernible starting point and no expected final state.

<sup>10</sup> Cf. Ortmann et al. (1990, 372-408). It is often remarked that Lévi-Strauss' notion of »wild thinking« and its interpretation in terms of bricolage applies to the thinking of engineers, scientists, and managers, too; cf., e.g., Douglas (1986); Derrida (1997); Bittner (1983).

#### 4. Strategy formation: iterative and recursive

The mutual dependencies we have been describing – between thinking and acting, strategy and execution, design and implementation, means and ends, strategic objectives and opportunities, strategy and structure – can be grasped by means of a more precise concept – Giddens' formulation of recursive constitution. Of course, at the core of this concept lies a metaphor again – the image of recursion. The Latin *recurrere* means »running back«. So, the metaphor enables us to think of strategy formation as recurring to (enabling and restricting) structures, and of structuration as executing strategies. Recurring to strategy in and by changing structures, to structures in and by designing strategies, to thinking while acting and *vice versa*: all these factors make even the most skillful proceed by stumbling, not moving in the smooth ways so wonderfully described by textbook wisdom about strategy and structure and the like.

A recursion in mathematics means the iterative application of an operation or transformation to its own result. The output of an operation, that is, becomes the new input of this very operation in the next round, and so forth. If the operation or transformation is »strategy formulation«, it will have as its »output« a certain way of action (intended and non-intended); the consequences of which, mediated partly by reflexive monitoring of action, will become new inputs of the ongoing process of strategy formation (see figure 1, p. 221).

Strategy formation, as iterative, recursive processes, would have the following elements:<sup>11</sup>

(1) They describe a circle, a spiral, or a helix going from acting to thinking to acting and so forth, the action accompanied by Giddens' reflexive monitoring, the reflexion referring to action already finished or just taking place,<sup>12</sup> and the action modifying the thoughts, the thoughts possibly modifying the action. Within this helix awareness of contexts as postulated by Eric Leifer will have its place.

11 Iterative, recursive loops of social practice are noticed by many students of strategic management and innovation. See, e.g., Cohen/Levinthal (1990) postulating recursive and self-enforcing circle between the firm's (prior) knowledge and expertise and its absorptive capacity; Tushman/Rosenkopf (1992) with respect to organizational determinants of technological change; Staudt et al. (1993) stressing the iterative and recursive relation between strategic planning and the firm's potential, especially its human resources; Stacey (1996) dealing with feedback-networks; Brown/Eisenhardt with the idea of »relentlessly shifting organizations« (1997) and of »strategy as structured chaos« (1998). Complexity theory turns out to be one of the most appropriate approaches to grasp these features of social practice and social systems. Note particularly the possibilities of self-enforcing mechanisms within pertinent processes the power of which one can hardly overestimate.

12 Strictly speaking the reflexion cannot but refer to the past. As mentioned above Alfred Schutz has shown this to be true even for planning, that is reflexion on future ways of action because this reflexion refers to action *modo futuri exacti* (*future perfect tense*): It is reflexion about what I or anyone else *will have performed*. This we bring about by imagining the action as an already performed one and thinking about it and its possible consequences *as if* it were performed; see section 2, above.

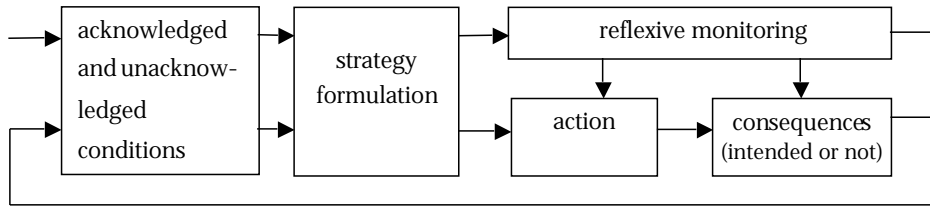


Figure 1: Strategy formation as a recursive process

(2) Strategy formation, therefore, has to go through action. It is not, and should not be, a matter of pure thinking.

(3) Circularity, recursiveness, and path-dependency are, in our view, the very features of strategic management that ask for a systems theory perspective (which is at least underdeveloped within Giddens' structuration theory). From this perspective, organizations are self-referential systems and all strategies, in a sense, are emergent (Vos 2002). That is to say, they are not the sheer result or emanation of intention or design but of self-organized processes. The intentions of strategists and the content of strategies are not denied but dethroned.

(4) Circularity and recursiveness are features of strategy formation with respect to structures, too. This is to say the venerable Chandler dictum »structure follows strategy« needs, as often remarked (see, e.g., Galbraith/Nathanson 1978; Pettigrew 1985, 21), to be supplemented by the insight that things also go the other way round: strategy follows structure. Firms cannot and should not decide upon their strategies independent from their structural possibilities, their power structures, their capabilities and competencies. All these are part of their structures *sensu* Giddens (1984), which can be thought of as »rules and resources«. Each firm has to select strategies different from those selected by its competitors, or as noted in our case studies, even use different strategies for its foreign office, because it is restricted and enabled by different structures. (This is also why there are limits to what each firm can imitate, or to some degree even learn, by studying other firms, structure or strategy at one point in time, or to regard the process as an imitable one – instead the process of developing strategy is one of interacting with the environment, to discover not just what works but what, through interaction with the environment, can be developed through a mutually interacting and dependent process.)

(5) The processes of implementing and executing strategies, far from being less important and a mere derivation from the strategy is, instead, actually part of the process of constructing the strategy. In the course of developing/implementing the initial strategy, the strategy is redefined, modified, supplemented, or replaced, at least in principle, and in practice in most cases.<sup>13</sup>

13 In other words, strategies are subject to a logic of *supplément sensu* Derrida (1976). *Supplément* in this sense preserves the double meaning of supplementing and substituting/replac-

(6) An important consequence is that strategies necessarily are subject to a permanent process of becoming deferred-and-different as compared with the original strategic concept in the course of action/application (what Derrida [1982] calls »différance«). This is inevitable and, on the one hand partly dangerous because it may replace or pervert the »original« strategy, but on the other hand partly desirable because it provides for flexibility and adaptation of strategies.

These, then, are the core elements defining our view of strategy as an iterative and recursive process rather than a plan that can be developed *a priori* and in full.

## 5. »One of the Best« – The Paradox of Strategies for Uniqueness Remarks on the Concept of Resources

Strategy formation, as just outlined, is better understood as a process than as a fixed and definite concept. However, this does not prevent the lay actors or the scientific observers to freeze this very process and to identify the strategy at one point as a concept valid at that moment. But then we have to be aware that this cannot but be a snapshot observation and that things can and will be different/deferred in the next moment.

Understanding the processual character of strategy is all the more important because within the iterative, recursive processes of strategy formation there are the factors constraining action at any one point in the process; that is to say, although we argue that initial plans do not dictate the actual implementation outcomes, it does not mean that every moment starts the plan *de novo*, for what can and will become effective is, at the same time, constrained by factors of path dependency, self-reinforcing mechanisms, and lock-in. Strategy formation develops along a trajectory not easily influenced or controlled by the strategists. When people first are committed to a certain strategy it cannot be dropped easily. Once large investments are made in R & D in pursuit of an aggressive innovation strategy one cannot easily do an about-face to a strategy of fast follower. Both a cognitive lock-in and an economic lock-in (sunk costs) prevent all-too-fast moves away from the initially selected and implemented strategy.

Self-reinforcing mechanisms may also steady the path being followed: Success, and it may be just an *assumed* success of a strategy will reinforce motivation and commitment, and discourage critics. It will bring in money for

ing. Derrida sometimes (e.g. 1976, 141-2) calls it » that dangerous supplément«, and strategy formation gives a good example why: because there is a considerable danger for the strategy to be modified, replaced, or even perverted within the processes of implementation or execution. For an instructive account on what is called here logic of supplément see Dupuy/Varela (1992).

strengthening, extending, improving the seemingly successful strategy and taking the next steps. (Of course, whether a strategy is successful depends on interpretation and, therefore, the power to define or interpret outcomes. It is not at all determined by absolute truth or good arguments.) Moreover, as was evident in the cases, the mutual dependency and iterations between one firm and other firms and the market can produce »success« from any number of strategies. That is, dominant and/or leading firms shape their environment and the conditions for, and outcomes of success as well as respond to the environment and their competitors.

Strategic practitioners thus need a grasp of the constraints on the latitude for action in any particular recursive loop, that is, on change during the process of strategy formation. Giddens' concept of the relationship between structure and action, expressed by the term structuration (that is the recursive (re-)production of structures (rules and resources) by acting, and enabling and restricting action by means of structures), contains another concept mediating between them, namely the concept of modalities. Recurring to rules and resources means to make use of them under particular situational, contextual circumstances. The rules and resources in the specific *modus* they are made use of in particular situations and contexts are called »modalities of action«: interpretative schemes, norms, and facilities in use *hic et nunc*.

This concept of modalities throws light on the question, much debated recently, of unique resources, competencies, and capabilities as promoted by the resource-based view of strategic management and the core competencies approach of Prahalad and Hamel and others.<sup>14</sup> The crux of these approaches is the difficulty of identifying unique, non-imitable resources of firms, but to have to generalize about them, then, in order to identify the philosopher's stone of strategic management, to find the Holy Grail through general prescription and ideal ways for strategy. Yet, for Edith Penrose, mother-in-spirit of these approaches,<sup>15</sup> it was obvious that (rules and) resources *per se* are not the decisive factors but rather the specific use made of them by an individual firm.

Strictly speaking, it is never *resources* themselves that are the »inputs« in the production process, but only the *service* that the resources can render. *The services yielded by resources are a function of the way in which they are used* (italics added) – exactly the same resource when used for

14 For an excellent overview see Foss (1996); classical or seminal works are: Marshall (1925); Penrose (1959/1995); Nelson/Winter (1982); Lippman/Rumelt (1982); Wernerfelt (1984); Prahalad/Hamel (1990); Teece/Pisano/Shuen (1990); Barney (1991); Langlois (1992). There is a great deal of affinity between these works and the approach taken by us, particularly the insistence upon the importance of internal factors for understanding strategies striving for competitive advantage and the accent on firm heterogeneity; for the latter point see the next section.

15 As Nicolai Foss (1996, 3) remarked, »what Ronald Coase is to the contractual approach, Penrose is to the competence approach.«

different purposes or in different ways and in combination with types or amounts of other resources provides a different service or set of services. The important distinction between resources and services is not their relative durability; rather it lies in the fact that resources consist of a bundle of potential services and can, for the most part, be defined independently of their use, while services cannot be so defined, the very word ›service‹ implying a function, an activity. As we shall see, it is largely in this distinction that we find the source of the uniqueness of each individual firm (Penrose 1959/1995, 25).

This uniqueness, largely to be found not in the structures – rules and resources – of a firm but in the ways they are made use of, is *in the modalities of action*. This means that to a certain degree the ›search for strategy‹ as an ideal, general way to uniqueness is a paradoxical undertaking, hopeless insofar as it is aimed at a generalizable singularity. The pertinent strategic management literature resorts to so-called ›meta-competencies‹, such as ability to learn and so forth. This is not quite pointless, of course, but runs the risk of being ›empty‹, of sliding into an infinite regress, or both. In light of Giddens' concept of modalities we can see that we can *either* aim at resources and achieve generalizability – but at the price of identifying a durable uniqueness – *or* at modalities (services) and get uniqueness, but at the price of generalizability.

Certainly a firm can try to preserve unique rules and resources constituting competitive advantages for a while. We will argue that in the firms' strategies and structures – sets of rules and resources – lie important reasons for their diversity, and that firms have to strive for this very diversity in order ›to make a difference‹ as compared with their competitors. But the resource-based view of strategic management and the core competence approach are concerned particularly with questions of *durable* uniqueness, non-imitability, and non-substitutability and, therefore, with intangible resources hard to substitute or imitate. In search of these very particular types of resources, the prescriptive strategists show a strong tendency to arrive at what Penrose called services – running the risk of getting mixed up in the paradox of generalizing the ungeneralizable and freezing the fluid while preserving its fluidity. This paradox that comes from fixing otherwise fluid resources/capability is that it brings them into a generalizable form, and thus become a form that tends to be imitable and/or substitutable.

Often, however, it is not at all possible to fix and generalize the singular ways of making use of a firm's resources because these ways depend to a high degree upon situational circumstances not (easy) to identify and/or to isolate in the iterative process. Moreover, quite a bit of the pertinent knowledge may be what Michael Polanyi called ›tacit knowledge,‹ not at all that easy to explicate as some students of knowledge management suggest (see, e.g., Nonaka 1991). The search for unique resources and competencies – particularly for

ways of making use of them – at the least is a tightrope walk and all too easily it ends up with sexy but empty slogans and meta-competencies, or with meaningful concepts which are, however, unsuited for transfer to other firms operating under different circumstances. Certainly there may be tightrope dancers among practitioners. There is a considerable risk, however, of stumbling, and this applies all the more for theorists striving for generalization.

Grammatically speaking, there can only be one »best,« but practically speaking, history suggests there is seldom only one best way. Add in the temporal dimension – best today, tomorrow, long term, short term? – and one must wonder if following today's best will make one tomorrow's best.<sup>16</sup> Or, as it turns out, even that very excellence was but a fiction, with Tom Peters, co-author of the ever-so-influential *In Search of Excellence* recently saying:

»We faked the data.«<sup>17</sup> Given our analysis of the strategy process, what, then, is the role of learning from example, even from those examples that are imaginary?

The management literature mentioned above urges firms to make *the* pilgrimage in search of excellence and of strategy by looking at »excellent examples«. But, of course, if the ways to excellence were to be written down in a book many could follow them. They would lose their uniqueness then and, moreover, their effectiveness in terms of competitive advantages.

Additionally, our reflection upon the *in situ* character of modalities makes clear that you never know and can never know if it is the resource or the idiosyncratic way of making use of it that constitutes the competitive advantage. You never know, to put it another way, if the situational, contextual circumstances of application of a resource or execution of a strategy will be the same or sufficiently similar to the excellent example, nor if the environment will be the same – for often followers compete in an environment transformed, sometimes in part by the success of the leaders. We ourselves argue that mimesis, imitation, or *me-too* behavior is an important and powerful means to deal with uncertainty.

The management literature concerned with the search for excellence is, of course, an invitation or request to imitate: »Do what the excellents do!« »Do what the successful do!« The problem, however, is: Can we do it the same way as the »excellent« companies did, and under the same (or similar) circumstances? (Entirely the same the circumstances can never be because imitation refers to something that has gone before, so, at least the time is not and can-

16 The pitfalls of this are amply clear in any follow-up of the companies professed to be »excellent«, many if not most of whom went to stumble over their supposedly best strategy into the competitive precipice (e.g., *Business Week's* review: »Tom Peters: Now ›There Are No Excellent Companies«; Dobrzynski 1987). The difficulties of trying to replicate success of one firm in another are noted, citing many of these issues, by executives of GE who took the helm of other companies (*Business Week*, November 13, 2000).

17 »The Real Confessions of Tom Peters,« *Business Week*, Dec. 3, 2001, 46

not be the same.) This doesn't prevent us from learning from examples but advises caution. The advice, trivial enough and yet paradoxical, is: »Find your own way, even when imitating!«

## 6. The Embedddness of Power, Politics, and Rationality – Each to His or Her Own ...

Strategy and other decisions are made within a firm and, as such, are subject to the pressures and limits of organizations. Thus, we need to take account of the micro-political issues that shape organizational outcomes. These are issues discussed by authors like Narayanan/Fahey (1982), Crozier/Friedberg (1980), and Pettigrew (1985), among others. Particularly Andrew Pettigrew, in his famous study of »The Awakening Giant«, the British firm ICI, stressed the political processes that influence strategic choices:

Strategic processes were now accepted as multi-level activities and not just the province of a few, or even a single general manager. Outcomes of decisions were not just a product of rational or boundedly rational debates, but were also shaped by the interests and commitments of individuals and groups, the forces of bureaucratic momentum, gross changes in the environment, and the manipulation of the structural context around decisions (Pettigrew 1985, 21).

Narayanan and Fahey in 1982 suggested differentiating between five stages of »the micro-politics of strategy formulation«: (1) activation, (2) mobilization, (3) coalescence, (4) encounter (of coalitions and actors with different interests and strategic ideas), and (5) decision. The first three stages are called »gestation«, the second two »resolution«. We like in particular the term »gestation« because it points to the gradualism of processes of perceiving problems, defining relevance, developing strategic ideas, looking for support, and building coalitions. In all phases a diversity of actors with a diversity of perceptions and interests are involved.

The iterative, recursive process we call strategy formation includes the pertinent micro-political struggles at many levels of organizational hierarchies – with the strategy to be thought of as reconstruction after the fact, a reconstruction being itself a possible subject of this very political struggle (recall, »history is written by the victors«). The outcome of these processes will become the input to the following recursive loops, setting the stage for arguing about and struggling for the right strategy. It is because structures – rules and resources – of an organization are the medium, the conditions and the means, of those struggles that not only structure follows strategy but strategy follows structure, too. Strategic solutions have to be passed through a micro-political sieve, letting through just, or at least much easier, solutions that fit within the existing

power structure – a process that, like biological and cognitive processes, favor assimilation over accommodation (Salzman/Rosenthal 1994). Recursiveness, therefore, refers to strategy formation as a political process, too. The analysis of strategy formation, it follows, may not just be about content – the ›What‹ – but has to be, too, about process – the ›How‹ of bringing about, formulating, and implementing strategies.

Another important element underlying the decision making in strategy formation is the bounded rationality defining the strategy options. Reinhard Selten's conception of »boundedly rational strategy construction« (Selten 1990, 654-656) distinguishes three stages of strategy construction under conditions of bounded rationality: (1) an initial phase of superficial analysis, (2) a phase of goal formation, and (3) a phase of policy formation. Especially important seems to us the concept of a measure-by-measure policy (Selten refers to an experiment, a twenty times repeated Cournot duopoly game). He writes, »a policy of this kind responds to movements of the opponent's quantity towards the ideal point or away from it by a ›similar‹ movement in the same direction. ... A measure-for-measure policy does not optimize against the opponent's expected behavior« (Selten 1990, 655). Note the similarity of this measure-by-measure policy with Robert Axelrod's »tit for tat«. This is to say that analyses of most serious economists do support the importance of step-by-step behavior and mimesis – Selten's similar movements! – as we emphasize. Selten is aware of the possibility and, in a sense, necessity to run through the three stages iteratively: »Of course, the impossibility of constructing something satisfactory may force a strategy builder to return to an earlier stage« (Selten 1990, 656).

Taken together, we have strategy formation as shaped by the elements of a *process*, embedded in *organizations*, that forms interactively and iteratively, into a strong wind along an unknown path. This is why images like juggernaut or stumbling seem appropriate to us: From a certain point things tend to get out of the control of the strategists, and all they can do then is stumble, ride the juggernaut, try to move forward, prevent themselves from falling down – and to pass off the whole process as emanation of lucid strategic planning – *ex post facto*.

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Prof. Dr. Günther Ortmann  
 FB Wirtschafts- und Organisationswissenschaften, Universität der Bundeswehr Hamburg  
 Holstenhofweg 85, D-22043 Hamburg  
 Guenther.Ortmann@unibw-hamburg.de

Dr. Harold Salzman  
 The Urban Institute  
 2100 M St. NW  
 Washington, DC 20037  
 HSalzman@ui.urban.org