

## The Dialectical Nature of Business Strategy

### *Strategy story telling*

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**The dialectical nature of business strategy**  
*Strategy story telling*

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## **Introduction**

The study of strategy is a recent phenomenon. Apart from early attempts on describing strategy in terms of how to conduct wars and subtle diplomacy, strategy as a theoretical and practical concept did not occur within business administration theory until the middle of the twentieth century. Since then, a plethora of concepts and management recipes has evolved. To some extent, the proliferation of concepts and ideas reflects that strategy as a scholarly activity is still in its infancy.

Based on a theoretical overview and empirical observations, the paper discusses a variety of concepts of strategy. The main argument is that even though the concepts of strategy mostly reflect the perception of science at the macro-sociological level, the research field of strategy seems keen on mixing paradigms. The paper arrives at the argument that contemporary scholarly activities may benefit from viewing strategy as a dialectical phenomenon in terms of a continuous transposition of managerial decision making situations.

A brief review of theories on strategy in terms of a variety of major schools leads to the conclusion that we need to pay more attention to organisational practice. In consequence, the theoretical concepts are contrasted with the every-day experiences of six managers of small and medium-sized Danish private business firms that have volunteered in discussion with researchers on telling stories about how strategy appears and evolves in the every-day life of the firms in question. The strategy story-telling shows that strategy making, both as a phenomenon of management design and as a phenomenon of leadership of organisational learning, is competing with other managerial activities about time and other limited managerial resources. In consequence, this is actually what constitutes the importance of the dialectical nature of strategic processes.

The final argument of the paper is that the state of dichotomisation does not involve mutual exclusiveness of different types of strategy activities, but rather involves a diversity of strategy processes that take place simultaneously. Similarly, different lines of thought need not be mutually exclusive, but may actually facilitate the understanding of strategy when combined into a dialectical framework.

## **A dichotomy of strategy worldviews**

Strategy is a relatively simple concept from the point of view of classic orthodox economics. The firm comprises one decision-making unit, and decisions are mainly based on how external price signals at the market place meet internal decreasing returns to scale. Information is readily available (or distributed evenly) and opportunities for growth appear as exogenous stimuli or as endogenous abilities that by and large are distributed evenly.

This is, of course, a very simplified picture and it is not really shared by mainstream economics anymore. Issues like internal and external economies, information asymmetries, multiple decision-making units and vested interests have been introduced in a setting where market power and increasing returns to scale prevail (e.g. such diverse contributions as Alchian & Demsetz, 1972, Williamson, 1964, 1975, 1985, and Richardson, 1960, 1972). However, to some extent the issue of how and why decisions are made is still a question of striking a balance, i.e. finding some sort of equilibrium state of contractual or co-ordinate relationships – of course characterised by imperfections and being unstable and dynamic, but nevertheless still a type of equilibrating phenomenon.

Adverse economists have tried to create an alternative to the story of equilibrating mechanisms. A strand of theoretical thinking of increasing importance is the resource-based theory of the firm that explains divergence from equilibrium towards sustainable competitive advantages by phenomena like experience-based managerial resources (Penrose, 1959), organisational cultures that are rare and can't be imitated (Barney, 1986), invisible assets such as product reputations (Itami, 1987) and prevailing heuristics for solving problems (Schoemaker, 1990). As explained by Knudsen (1996:28), this line of thinking is characterised by an attempt to identify isolating mechanisms (Rumelt, 1984), i.e. firm-specific characteristics that makes the firm unique and powerful at the market place, and is to an increasing degree contributing to the development of the capability-based theory of the firm (Wernerfeldt, 1984) according to which divergence from equilibrium is caused by cumulative historical processes.

The main characteristic unifying these theories is that they conceive the firm as a system comprising interrelated entities that together create some sort of synergy and irreversibility. They are part of the theoretical development that diverts from the picture of the economic man and reverts to the concept of the administrative man (Simon, 1957), also associated with the seminal work on *Organizations* by March & Simon (1958). The main feature of this line of thinking is that organisational behaviour can be described in terms of archetypes in the Weberian sense (as exemplified by his notion of bureaucratic behaviour, Weber, 1922), e.g. as the development of organisational routines (Cyert & March, 1963), the formation of specific competitive behaviours (Miles & Snow, 1978, 1986, Gjerding, 1998), or the recipe for growth-oriented behaviour associated with change (Peters & Waterman, 1982, Kanter, 1983), learning (Pedler, Boydell & Burgoyne, 1989, Pedler, Burgoyne & Boydell, 1991) or flexibility (Gjerding, 1996, 2003, Volberda, 1998).

Furthermore, the view on organisations shared by these attempts, although not explicitly stated by most of them, is what Scott (2003) defines as the rational perspective as opposed to a natural perspective. According to the rational perspective, organisational action reflects intention, which in many cases is explicitly directed towards achieving explicit goals. Rationality may be the outcome of deliberate uni-directional planning, internal political struggle, or the balance between different types of rationality within the organisation, but it is nevertheless rational in the sense that intention prevails although executing intention may be directed by hindsight and limited by the impossibility of foresight (as in the case of satisficing behaviour, Cyert & March, 1963).

Alternatively, according to the natural perspective strategy is something that occurs as the result of organisational and social processes, or strategy can even be the process itself. Of course, intention is still important since people act for some reason, but intention is not at the heart of the analysis. Instead, it is the processes and the events that occur within the organisation and during the interplay between the organisation and its environment that occupy the mind of the theorist. What becomes interesting as phenomena characterising the creation and shaping of strategy are processes of enactment (Weick, 1979), emergent properties of the organisation (Mintzberg, 1994), processes of strategy-making that occurs alongside planning-oriented activities (Mintzberg et al., 1998), strategic leadership and communication of mind-sets rather than strategic planning (Nonaka & Takeuchi, 1995, Hitt et al., 2005), and continuous reorientation of the organisational mindset (Ghoshal & Bartlett, 1999) associated with generative thinking (Witt & Meyer, 1998).

The distinction between the rational and the natural approach to strategy may be traced back to the dichotomy of grand sociological theories, i.e. the distinction between a functional approach and a phenomenological approach, as exemplified by the Weberian distinction between “*erklärendes Verstehen*” and “*aktuelles Verstehen*”

(Weber, 1922). While the rational approach is based on the assumption that phenomena can be understood and explained in terms of their contribution to e.g. the common goal or the function of an entity, the natural approach is based on the assumption that phenomena occur as part of the everyday construction of common understandings and social behaviour.

Planning occurs in both cases, of course, but while planning in a functional perspective is what defines the very organisational process, e.g. from a design point of view (Mintzberg, 1979, 1983), planning in a phenomenological perspective is merely a way in which the organisational actors orient themselves and employ umbrella concepts in order to make some sense of what is happening (Weick, 1979, Mintzberg, 1994). Similarly, leadership in order to create common understanding is important in both cases, but while the functional perspective focuses on organisational action directed by management, the phenomenological perspective focuses on organisational action facilitated by management.

Thus, organisational action is conceived, planned and directed in the first case and anticipated, experienced and facilitated in the second case.

### **The variety of strategy concepts**

Now, the distinction between two main approaches to strategy is, of course, a dichotomy only in a very general sense, since some of the scholars mentioned are difficult to place in one camp only and since combinations of the two views are continuously being discussed (e.g. Stacey, 2003, Wittington, 2001, Cummings, 2002, Balogun & Hailey, 2004). One may argue that from a theoretical point of view it ought to be impossible to combine two grand paradigms. It is, of course, true that when you construct models, whichever mathematical, conceptual or mental, you need to be very much aware of what are the basic assumptions of the mechanisms and relationships within the model since some types of assumptions and mechanisms exclude other types of assumptions and mechanisms. However, when dealing with applied science a clear-cut distinction between grand paradigms may become less obvious because applied science bridges what can be theoretically conceived and what can be practically put to use. While it may seem sensible to conduct an analysis of a problem and devise a solution to that problem based on formal analysis, it may also seem sensible to take into account that the analysis, the problem itself and the solution are influenced by what people think and experience (e.g. Weick, 1979, Mintzberg, 1994). Thus, when dealing with applied science we are often confronted with problems of analysis that make it appropriate to combine paradigms.

The status as applied science is only one explanation of why a single-paradigm business administration analysis of strategy has not appeared. Another, probably parallel, explanation is that the theory of strategy is so recent a phenomenon in social science that a type of normal science in the Kuhnian sense (Kuhn, 1962) has not appeared. According to Kuhn, a normal science is characterised by two main mechanisms, i.e. its ability to explain anomalies, and its ability to integrate people into or exclude them from the scientific community. However, these mechanisms may be less important in the field of business administration since a variety of different lines of thought and analysis appear to exist, both within each part of the grand dichotomy and when the dichotomy is parted with and the general lines of thought become mixed.

Actually, Mintzberg and associates (Mintzberg et al., 1998, Mintzberg & Lampel, 1999) describe no less than ten different strategy schools of which three are prescriptive and five descriptive while two entail both prescriptive and descriptive elements. Furthermore, they argue that several recent developments are eclectic and operate across the schools. In effect, they arrive at perhaps fifteen different schools (cf. figure

1). In their point of view, the schools represent different stages or focuses of the strategy process, and although they may be mutually exclusive in some circumstances they still complement each other when considered from the point of view of the strategy as a process or a variety of phenomena where strategy takes different forms whether the external world is comprehensible and controllable or unpredictable and confusing, and whether the internal strategy process can be described from a rational or natural perspective.

Mintzberg and associates conclude that we need to ask more questions and pay more attention to practice and less attention to refining theory and proposing hypotheses. It appears that their basic point of view is that we know too little about what is going on in firms and have been too occupied with developing solutions to problems that we have not fully discovered yet. Kuhn (1962) would have found this argument in line with what he says about the development of a normal science. He argues that initially a variety of different approaches develop as researchers encounter phenomena which they describe in different ways. Gradually, competing preparadigmatic schools appear and the competition results in the establishment of a dominating paradigm – dominating, partly because it appears to be able to explain phenomena more satisfactorily than other paradigms, partly because it is able to attract the next generation of researchers. However, what can be inferred from Mintzberg and associates, and a variety of other researchers for that matter, is that the Kuhnian gradual development may not happen in the field of strategy, for two reasons. First, strategy as a scientific discipline is intimately connected to consultancy practice and thus different new ideas and principles seem to appear on a regular basis, perhaps even in a cyclical fashion. Second, the logic of the field in question may not adhere to the logic of the evolution-revolution sequence described by Kuhn. Dealing with strategy means dealing with organisational action, and since organisations are populated by people organisational action is continuously influenced by macro-social changes. So, the phenomena to be studied change continuously as “the times they are a-changin’”.

How exciting! It requires that we keep an open mind and never cease to explore the opportunities in contradicting and combining paradigms and schools of thought. And it requires that we take the advice of Mintzberg and associates and pay more attention to the practices that we are supposed to be able to explain in theoretical terms. The next section is devoted to observations from practice while the concluding section argues that these observations suggest that we meet the Mintzberg-challenge with a general dialectical approach.

## **The everyday life of strategy**

In order to explore the role that strategy plays in the everyday life of the firm, managers from six Danish firms were invited to share their thoughts and experiences with a group of researchers at the Department of Business Studies at Aalborg University. The choice of managers was conscious, i.e. based on the researchers' impression that the managers in question were able to reflect on their daily practice and interested in discussing their reflections in a scholarly setting. The discussions took place at a series of seminars where researchers presented ideas and theories while the managers presented their ex post cognition on what their firms had been doing so far. The process was complemented by interviews at each firm where the managers had the opportunity to elaborate at length on what they had presented at the seminars.<sup>1</sup> The following discus-

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<sup>1</sup> The seminars were organised by the FIRM group at the Department of Business Studies, Aalborg University, see [www.firm.aau.dk](http://www.firm.aau.dk). Rasmussen (2005a, 2005b) docu-

sion is based on three of the six cases. However, the features that are described in the following are to a large extent common to all of the six cases.

The three companies are all medium-sized firms and have been established a couple of decades ago. The group of firms comprises a full-service marketing firm mostly operating on a regional basis, a producer of electronic industrial machinery that operates on a world basis, and a producer of office furniture that has some export mainly oriented towards the North-Western European markets.<sup>1</sup> Although their history, circumstances and abilities differ they do share some features that are worth noticing while considering the Mintzberg-challenge.

It appears that the firms pursue strategy both formally and informally. Strategy is frequently considered and reconsidered as part of a deliberate, structured and planned process that results in explicit visions and specific ways to realise the visions. The formal statements give direction for future actions and signalise to some extent proactive behaviour. However, at the same time the formal statements are the result of deliberation that is mostly a retrospective sense-making of what has been going on. So, creating the formal statements is a way of making sense of the past and the future at the same time. Sense-making of the present seems to fall outside the scope of the process, primarily because the formal statements (quite naturally) leave a lot of room for manoeuvring since it is hard to anticipate formally what will be going on in the everyday life of the firm. In consequence, the present is guided by the informal everyday life processes where the organisational actions depend on implicit understandings and tacit knowledge shared by the organisation members, the ability to solve occurring problems incrementally, and the willingness to reorient oneself as new events appear.

The managers experience that their scope of attention is stressed by an intensive competition among different problems and solutions that seem to pop up all the time. They live in a world of ambiguity where their scope of attention becomes occupied with incremental problems of the present for which they have to invent new ways of coping. To some extent they themselves limit their scope of attention by getting ideas for how to improve organisational actions which they want to test real-life. In a sense, the world they describe is like the well-known ambiguous garbage-can world (March & Olsen, 1976) combined with the daily muddling-through of organisations (Lindblom, 1958) where reflection-in-action (Schön, 1983) seems to be the basic principle. In the medium-term, it appears that they are continuously switching between decision modes such as the modes of routine, incremental, fundamental, and emergent decisions described by Lindquist (1988). In this situation, the managers have to balance between being absorbed of the situation at hand and the overall guidelines provided by the formalised strategy framework.

Organisational reorientation that leads to organisational action is very often stimulated by a sense of crisis, i.e. the feeling among managers that the extra-organisational task environment is changing, rapidly and unpredictable. This is not a phenomenon unique to the firms in question, but a phenomenon that is being described frequently in contributions on strategy (e.g. Nonaka & Takeuchi, 1995, Thompson, 2001). The sense of crisis leads to two things.

First, the managers try to interpret what is going on and attempt to decide on some organisational action by which the organisation can cope or even exploit the changes in the extra-organisational task environment. By constructing organisational actions they actually construct the extra-organisational task environment at the same time, because even though the environment may be “out there” the managers have to create a

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ments the cases referred to in the following, however in Danish. The case studies are part of a combined case study and theoretical study of strategy making, the so-called *Stracon* project (STRAtegy and CONText).

<sup>1</sup> A brief case story on each firm appears in Annex 1.

subset of the great variety of non-complete internal and external information on which to form an opinion and make decisions<sup>1</sup>.

Second, the interviews reveal that the solutions that the managers come up with are frequently opposed by some organisation members (sometimes even from other managers) for several reasons such as individual fear of what the change may bring about, organisational inertia, and conflict between existing positive feedback mechanisms and the signals sent by the changes proposed. While the managers have to propose and pursue changes, they also have to take into account that resistance occurs and that resistance may be a positive experience. Individual insecurity often reflects the need to align the changes with the history of the firm, the emotional processes involved in changes, and the ways in which the employees can become stakeholders in the process of change (Balogun & Hailey, 2004), and thus resistance points to an opportunity for making the new solutions a more integrated part of the organisational life. Inertia, as explained by Witt & Meyer (1998), does not only reflect that changes take time, but is actually an opportunity for taking into account that parts of the existing organisational actions are quite efficient and successful. The main point is that if changes are too easily accepted, the efficiency of the everyday life of the firm is continuously endangered (Rasmussen, 2005c: 21). Finally, the fact that changes may unintentionally hamper the existing positive feedback loops in the firm (Argyris, 1996, Stacey, 2003) is an opportunity for reconsidering the existing feedback loops and considering which (and whether) new ones are to be developed.

Summing up on the case studies, what the managers experience is that they are simultaneously engaging in formal and informal processes, the creation of explicit knowledge and the execution of tacit knowledge, planning the future and reflecting-in-action, creating the future by discovering the past and mastering the present by making sense, defining major changes and solving problems incrementally, implementing decisions and implementing themselves. The managers live in a world of transpositions characterised by dialectical relationships where syntheses result in new dialectical situations.

In consequence, a sensible way to meet the Mintzberg-challenge is, apparently, to focus on transpositions in a dialectical setting.

## **Strategy as a dialectical process**

Our case studies indicate that strategy processes are not a linear chain of event. Instead, strategy processes appear as irregular spirals that actually in many cases function very well and lead to a successful chain of actions that generate products and income to the firm.

Even though the firms in our case studies are far from being ideals they have, nevertheless, managed to do more than exist, i.e. to expand and change their products, organisation and competencies so they continuously have matched dramatic changes at the market place and encountered innovation in technology and knowledge. They have transformed remarkably during their life-time by changing from producers of inexpensive products to a kind of bulk market to sellers of high quality and advanced products at niche markets. The transformation is associated with substantial changes of the production and product development functions of the firms, especially in the cases of the furniture and the electronic firm where production has become highly automated and partly outsourced while more attention and resources have been devoted to product

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<sup>1</sup> This is actually in accordance with frequent descriptions in strategy books, e.g. Mintzberg et al. (1998) and Cummings (2002).

and process development.<sup>1</sup> This development have made the firms able to operate on markets that are increasingly global, proving that it is possible to master international competition even though they use a labour force that is well paid, and as firms are working according to the standards of a modern welfare society where costs of production are substantial.

The basic dialectical opposition that characterises the strategy processes going on in the firms we have studied is the interplay between deliberate and emergent strategy. On the one hand, strategy-making is an organised activity with clearly defined milestones and time sequences associated with regular meetings. On the other hand, strategy making is also the outcome of the solving of problems when managers suddenly discover or sense a problem that they anticipate will lead to strategic difficulties, and where the solutions subsequently are applied to correct the formally defined strategy. In the case of the marketing firm this happened so often and impacted so strongly that it eventually caused a complete reformulation of the entire formal strategy procedure. In the case of the furniture firm, the continuous changes of the formal strategy process have occurred throughout the entire history of the firm and have by now become an important part of how the managers perceive the identity of the firm. In the case of the electronic firm, formal strategy processes have frequently been put on stand-by while emergent strategies were allowed to evolve.

The interplay between deliberate and emergent strategy reflects that there is a tension between on the one hand the rational management effort to define and pursue a clearly and linearly defined strategy and on the other hand the naturally occurring every day life events that create new directions of the firm. The success of the firms that we have studied can partly be explained by the fact that the managers of the firm understand and respect this tension in the sense that they emphasise the necessity of tuning the entire organisation to strategic change when needed. This means that the rational decisions on how to conduct the strategy process take, as their point of departure, what the natural organisation is able to understand and cope with. By doing so, the organisation tries to avoid the “talk versus action” type of organisation described by e.g. Brunsson (1985) and is more likely to arrive at a position where productive organisational actions can take place.

A striking example of this is how the firms in questions relate to their environment. A frequently applied rational line of strategy is to analyse the environment in terms of markets, competitors, suppliers etcetera in order to form an accurate picture on opportunities and threats. An exercise like this actually takes place on a regular basis. However, at the same time an important activity within the three firms is to arrive at a mutual agreement, primarily within the management group, on how the “world around us” ought to be seen. As one of the managers we interviewed put it, an agreed image of the market rather than an accurate picture is often more important to competitiveness because it is the agreed image that leads to organisational action.

The importance of having an agreed image might be seen as an example of bounded rationality where managers have to act in conditions of imperfect information and managerial focus of attention is a scarce resource. However, this is only part of the story. To an important extent, the managers create conditions of limited rationality themselves by deliberately defining some possibilities as not being part of the managerial agenda.<sup>2</sup> Thus, limited rationality is associated with an enactment process where the world in which to operate is socially constructed and becomes objectified within the management group. While objectification occurs as part of the history of the firm

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<sup>1</sup> A similar change is taking place in the marketing firm at the moment.

<sup>2</sup> For instance, further outsourcing, closing down production lines and some types of reorganisations are not part of the normal agenda for strategic decisions in the firms in question.

without the managers necessarily being aware of the process going on, our interviews reveal that the creation and use of mutually agreed images are also the outcome of deliberate choices made by management in order to avoid unproductive and unpredictable organisational tension. Our interviewees express that “too much rationality” would damage the daily operations of the firm, and that the introduction of certain strategic themes would disrupt the management group, so consequently they strive for a mutually agreed image of the world and the situation of the firm. However, this does not imply that action-preventing consensus is the outcome of the process. Rather, in the firms in question it implies that a set of action-generating images of challenges is created. An extreme example of action-generation occurs in the furniture firm where the management group by assistance of external consultancy a couple of times have assessed themselves, defined new functions in relation to how they think the future should be met, and have radically changed positions among the individual managers accordingly in order to pursue a new strategic agenda. A process like this which requires a considerable amount of mutual trust and an outstanding willingness to operate as team members is a powerful example of the capability of mutually created images to create action and change.

The firms in question are continuously being challenged by new and increasingly skilled competitors at a market place where changes in products, technology, knowledge, and sales and marketing methods are frequent. The firms have been able to meet the challenges because they have productively exploited the contradiction between on the one hand structured decision-making and implementation processes and on the other hand creative norm-breaking decisions that have made the firms competitive on the edge of technology and knowledge. However, in order to do so the managers have sometime had to push rather strongly new ideas that were not easily accepted by other managers or by the organisation because it was not clear how the ideas related to the everyday understanding within the firm. In some situations, the managers ceased to push and resorted to well-known solutions that had worked successfully before. To some extent, this might not form a severe problem since organisational inertia frequently is a healthy sign of the fact that it is not productive to change processes that solve the problems they are supposed to solve and create the solutions necessary to do so. It signifies that norm-breaking ideas often have the best chance in conditions of crisis, i.e. where it becomes clear to everyone that the existing solutions do not solve the problems occurring – which is actually a problem because situations of crisis seldom create psychological conditions favourable to change. In all of the firms in question, the managers were aware of the dialectical relationship between the needs and the constraints of new creative ideas and the concurrent organisational tensions.

During the life-span of the firms in question, as long as the managers can remember or have been told about the previous history of the firm, the formation of strategy and especially the substantial strategic changes that have happened, strategy can in retrospect be explained in a rather linear way. But at the same time this linear retrospection can be formulated in the well-known Kirkegaard words: “Life can only be understood backward, but must be lived forward”. In a strategic context this means that we have to explain by a formal discourse what in the live situation for the managers very often are experienced as decisions and actions of a muddling through nature or in some situations crisis-responding decisions made rather abruptly.

In conclusion, we find that our case analysis shows that studying real-life strategy is highly facilitated if the researcher is open to combining perspectives and paradigms, and is keen on looking for dialectical relationships between opportunities and constraints, what people do and what they think, what is rationally conceived and planned and what occurs naturally. The cases presented above could hardly be understood without a general dialectical and pragmatic approach. By using a general dialectical and pragmatic approach, the incompatibility between different schools and paradigms

becomes less obvious, and the existence of different schools and paradigms enrich the analysis rather than create confusion and obscurity. This points to the importance of developing a more broad eclectic approach, and to the extent that it may become meaningful to talk about a normal science in strategy analysis – albeit not in the Kuhnian sense as argued previously – it would be “normal” in the sense that the scientific community mutually agrees on paradigmatic and disciplinary combinations looking for tensions that are productive and create new types of productive tensions.

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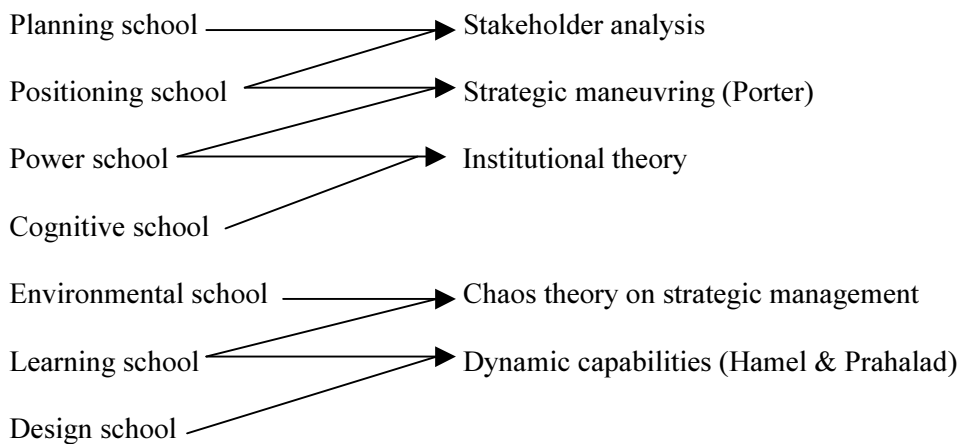
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External world as.....	<i>Unpredictable, confusing</i>	Environmental		Cognitive
				Learning
				Power in the organisation
			Cultural	
			Configuration	
				Power to negotiate the environment
	<i>Comprehensible, Controllable</i>	Positioning		
		Planning	Design	Entrepreneurial
		<i>Rational</i>		<i>Natural</i>
		Internal process as.....		

*Examples of combinations*



**Figure 1.** *Schools of strategy, supplementing one another and creating combinations*  
Source: Adapted from Mintzberg & Lampel (1999)

## **Annex 1**

### *THE MARKETING FIRM*

The firm was established some twenty years ago. Over the years, it has taken over a number of smaller marketing firms in the region and is today the largest supplier of such services situated in the region. It has developed from a firm that delivered all kinds of marketing services to all payable customers to focus on the larger customers in and outside the region and given up servicing the smaller customers. It is now in a process of defining a number of key services that will create a more clear profile of the firm and use some of those specific competencies that are currently being developed. The management has abandoned a yearly procedure for strategic work that was designed a couple of years ago, because it was not used and nobody seemed to care. A new procedure is currently being developed. The process involves all the managers and one forth of the employees. It aims at a structure more suited for this particular firm with its focus, its employees and its culture and technology.

### *THE ELECTRONIC INDUSTRIAL MACHINERY FIRM*

The firm is some thirty years old and was founded on an idea for a completely new product for many industrial processes that was much smaller, had a larger capacity and was more flexible. The product became a success worldwide and during the years a portfolio of product variants has consistently been developed at the technical forefront of the field. All the time less advanced firms have tried to compete with less sophisticated but cheaper products and recently this kind of competition has increased and new competitors are continuously entering the market. In response the firm has increased automation of production, outsourced to Chinese firms and developed a focus on capacity to develop, to control quality and to sell. Presently, the management is asking itself whether the firm should carry on the technology trajectory that has always been of strategic importance, compete more aggressively on prices by using its competencies in cost minimisation, or concentrate on reorganising its channels of marketing and sales.

### *THE OFFICE FURNITURE FIRM*

The firm has existed for several decades and was originally started on an idea of selling cheap office furniture to the Danish market through retail shops. Gradually the products of the firm increased in quality and the channels of sales became specialised. In this process the firm has overtaken first a number of other Danish producers and later on producers in the neighbouring countries, focusing on market control and quality improvement. The firm has been through some ups and downs and has a couple of time been pretty near to bankruptcy. 9/11 impacted the industry and what was left of retail sales disappeared and newer came back. The firm managed because of its ability to change its product program and continue automation. Furthermore, the management group proved highly flexible and nearly everybody changed functions to meet the new situation. The firm recovered and even took over some of its competitors. By now, it does not seem likely to gain by further automation, and in order to be competitive focus has to be shifted from selling furniture to selling systems with high quality in design and ergonomics.

The supplementary cases are, in brief, the following.

### *THE PROCESS AND MATERIAL TECHNOLOGY FIRM*

The firm was established five years ago as a spin-off in order to exploit a number of technologies developed in a large Danish concern. It is highly export oriented and sells

to a number of very large global firms. The firm has been growing rapidly and is at the moment leaving the pioneer phase and entering a more steady growth stage.

#### *THE BUILDING MATERIAL FIRM*

The firm is fifteen years old and was started as a spin-off in order to exploit a product idea developed in a large Danish firm. It is an export oriented firm and the sole producer of this kind of product. The turn over is quite stable and the firm has during the last couple of years been occupied with changing its organizational structure by using lean principles.

#### *THE CONSULTING FIRM*

The firm is small and less than five years old. It specializes in application of business ICT solutions. It operates as a network partner together with a number of other firms who together supplement each other. The main fields are consulting, teaching and training, and ICT development projects.