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## **Silent, indirect strategic processes in small and medium sized enterprises**

### **Full paper for Theme 20:**

#### **Invisible/silent aspects of change: The role of phronesis in managing organizations**

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*'There has to be room for the strategy to be dynamic and generate energy... it's also about experimenting - and accepting that sometimes our efforts turn into a failure.'*

*(Small company CEO, 16 September 2015)*

*'Phronesis inheres in the ability to allow for the fluid, indeterminate nature of the circumstances in which we must act, and to accept that, each time we act, we must, in a sense, start afresh.'*

*(Shotter & Tsoukas, 2014A:240)*

Based on empirical data we in this paper explore day-to-day strategising with an emphasis on phronesis. This way we shed some light on the nearly silent, quiet, indirect strategic change processes as they are practiced and reflected upon by leaders in small companies in their daily practice and in conversations with each other and with us.

Phronesis is the ability to grasp a situation well from within for the sake of the common good (Nonaka et al., 2014; Nonaka & Toyama, 2007; Noel 1999; Shotter & Tsoukas, 2014a; Shotter & Tsoukas, 2014b). To be able to act for the common good is a matter of being able to in a unique situation figure out how 'we' – in this context perceived as an organisation – can act in ways that are congruent and further support what 'we' believe are ethical, sensible, valuable and in line with the company's guiding philosophy (Nonaka & Toyama, 2007).

Phronesis is way to describe people's ability to contextually and based on their experiences take various aspects of a complex situation into account as they here-and-now jointly figure out how to handle a given and concrete situation in a way that is perceived to be constructive (Nonaka & To-

yama, 2007; Shotter & Tsoukas, 2014b). It is a ‘situated performance’ (Shotter & Tsoukas, 2014b: 378) that revolves around people’s ability to grasp a situation well and ‘afresh’(Shotter & Tsoukas 2014a) in collaboration with others and for the common best, i.e. the company, its employees, owners, customers and main suppliers.

Phronesis as a concept that can learn us more about how people lead, learn, strategise and make decisions have been explored in various ways (Nonaka et. al. 2014; Nonaka & Toyama, 2014; Noel, 1999; Psychogios, Antonacopoulou & Bento 2015, Shotter & Tsoukas, 2014a; Shotter & Tsoukas, 2014b). These explorations and what has been written about them circle around the ability to judge between right and wrong, to understand a specific context, to express it in language or concepts, to share that with others, to apply general concepts to a particular case, and to foster phronesis in others (Konno et al. 2014: 24).

Some studies like the one by Nonaka and Toyama (2007) explore how phronesis can be understood as a type of knowledge that is constituted by six abilities. Noel (1999) present three interpretations of phronesis; rational; situated and moral and couple these to ways people can improve teaching. Other studies (Shotter & Tsoukas, 2014a; Shotter & Tsoukas, 2014b) bring in moral and ethical aspects of phronesis as they explore how people exercise engaged judgments in more bewildering situations. And how people engage in imaginative work as they aim at bringing about a solution that resolve the bewildering problem in ways that also support people in becoming who they are trying to be.

Phronesis is in this paper inspired by the above studies and is linked with strategy with the intention to focus on how, what often is perceived as, silent, indirect and everyday mundane practices play a part in how strategising unfolds (Chia, 2013; Chia & Holt, 2009). Shotter & Tsoukas (2014b) write how phronesis can be understood as; “... *taking a prudent step forward – a step that is in-formed by a moment-by-moment felt sense of ‘in-touchness’ with both our own inner resources and with crucial features of our surroundings...*” (p. 388)

This prudent step of practical wisdom is presented as a practice and sensitivity that have common features with Ingold’s terms; wayfaring and being a wayfarer; “... *the wayfarer has no final destination, for wherever he is, and so long as his life goes on, there is somewhere further he can go. His orientation and pace – is continually responsive to his perceptual monitoring of the environment that revealed along the way. He watches, listens and feels as he goes, his entire being is*

*alert to the countless cues that, at every moment, prompt the slightest adjustments to his bearing...*" (Ingold, 2008: 77f)

Looking at the data we are using in this paper it becomes apparent how these leaders in their everyday practice use their practical wisdom, prudence, the guiding philosophy of the company, their sense of the territory, experiences and couple these to their dreams and imaginations about a desirable future as they here-and-now wayfare and work on realising their strategic ambitions.

### **Strategy and phronesis**

The paper explores how phronesis can be understood from a strategy-in-practice perspective (Carter, Clegg & Kornberger 2008; Chia & Holt, 2009). We present two specific empirical examples from two different small companies within the Danish clothing industry. Examples that illustrate and explore how phronetic practice is an integrated part of strategising. We have for some years researched into the field of strategic processes in small and medium sizes enterprises (SMEs) (Larsen 2014; Larsen & Rasmussen 2013; 2014).

Like so many other researchers (e.g. Chia, 2014; 2014; Chia & Holt, 2009; Golsorkhi et al., 2010; Jarzabkowski et al., 2007; Mintzberg 1994; Mintzberg, Ahlstand & Lampel 1998; Mintzberg & Waters, 1978; Nonaka & Toyama, 2014) we have experienced a large gap between how strategic processes are described in many main-stream text-books and articles and how leaders in SMEs describe their day-to-day management practices/phronesis. Such discrepancies was noticed nearly 40 years ago (Mintzberg & Waters 1978) and *emergence* has since become part of the strategic vocabulary. The same has strategic *processes* (Pettigrew 1992) in addition to Mintzberg's ongoing critical stance on strategy (Mintzberg 1994; Mintzberg, Ahlstand & Lampel 1998).

Part of the inspiration for the paper is strategy-as-practice (S-a-P) (Johnson et al. 2007; Jarzabkowski, Balogun & Seidl 2007; Golsorkhi et al. 2010), on how to understand the everyday, organizational micro-processes coupled to strategic leading. But the most important theoretical background for the paper is strategy-in-practice (Carter, Clegg & Kornberger 2008; Chia & Holt 2009; Chia & Rasche 2010) which more consistent than S-a-P leaves the realistic ontology of the

main-streams of strategic theory and at the same time leaves a view on organizations as social entities that changes (Chia 2014: 9).

We present how exploring strategizing from a focus on phronesis will make it possible to illustrate some of the more ‘invisible/ silent/ tacit/ quiet’ aspects of everyday strategizing. Much in line with Nonaka & Toyama (2007) we experience how the subjective and intersubjective aspects of strategising play a significant part in the realization and becoming of any strategy.

This argument is inspired from an indirect approach (Chia 2013: 675; Liddle-Hart 1967: 178 ff.), where the focus is on letting change happen rather than trying to control change through conscious, formalized decisions made by the CEO or the company board (Chia 2014: 10). Formalized decisions seen in a process perspective might not always have the largest impact or include the largest practical wisdom (Nonaka et al. 2014:367). So here the interest is on ‘un-owned’ (Chia 2014: 18) emergent processes and how they gradually enter into day-to-day strategizing in the life of a company. Processes, where small, often unnoticed, changes incrementally mesh together and become strategic.

The perspective on strategy presented in this paper is also inspired by strategy researchers who argue that a lot of strategy work revolves around bringing a desirable future closer to the present (Chia & Holt, 2009; Kornberger, 2013; Kaplan & Orlikowski, 2013; Larsen & Rasmussen, forthcoming; Nonaka & Toyama, 2014; Vaara & Whittington, 2012). A perspective that underlines how strategising also revolves around constantly reworking what is perceived as strategic intentionality dependent on how meaning is co-constructed and actions are taken here-and-now (Larsen & Rasmussen, forthcoming). And how people as they strategise base their actions on qualified guesses and anticipations about how the attractive future will look like (Chia & Holt, 2009; Kaplan & Orlikowski, 2013; Kornberger, 2013).

Weick and his seminal work with sensemaking and concepts like; ‘enactment’ and ‘future perfect thinking’ has played a significant role in illustrating how future images and dreams shape how people construct meaning and act in the present (Weick, 1979, 1995). This means that strategising also revolves around dreams and people’s imagination of a desirable future and how these future dreams influence and take part in shaping people’s actions in the present (Kaplan & Orlikowski, 2013; Kornberger, 2013; Larsen & Rasmussen, forthcoming, Weick; 1995).

The purpose with this paper is to bring in the notions of phronesis, strategising, future dreams and couple these to the day-to-day practice at the micro-level of managing in SMEs to explore how they can be used to understand how leaders incrementally and jointly experience and interpret important inter-acts in choice of new markets, development of new products etc., and ongoing changes in culture, values and philosophies. Such insight will contribute to existing knowledge about and understandings of how strategies are formed and practiced in subjective, intersubjective and phronetic ways (Nonaka & Toyama, 2007)

### **Studying strategy and phronesis in SMEs**

The methodology forms a small group of leaders (CEOs and deputies) from (in our present research project: four) different SMEs and us as researchers for ongoing conversations on strategic processes during two years. Part of the inspiration is Action Learning, AL (Revans 1981; Pedlar 2013). In our version of AL this is interpreted as social construction processes carried out by managers as co-authors (Cunliffe 2001) not only in the daily management within the company, but also, through the method, in reflecting on strategic management.

The leaders are, together with us, researchers co-constructing (Hosking & McNamee 2012) interpretations of daily managerial activities, both in formal, but also in more practical, hidden, silent and indirect forms, because ‘*..practitioners, in Polanyi’s memorable phrase, know more than they can tell (p.4).*’ (Shotter & Tsoukas 2014B: 384). This means that through conversations concerning day-to-day activities we discuss and generate knowledge about mundane everyday actions that the leaders take for granted and therefore initially seems to be tacit to them.

The CEOs from the four companies and we meet quarterly for five to eight hours seminars. In between these seminars we visit each individual company where we through conversations with the CEO (-s) (three of the companies had each two leaders sharing the CEO function), other managers and employees, and through reading and observing get an update on the actual strategic processes as they are seen by our conversational partners. Data about sides of practical wisdom are condensed in a case description, and the case-description from each visit in each company is the input for the upcoming seminar. Both these conversations and the seminars are recorded. The tapes, transcripts, case-descriptions, and all other written material, web-sides etc. are research data.

As well CEOs, other managers and employees are not in any way restricted by us in what they want to present and discuss. They have realized that they are part of a research project on leading and strategy, but apart from that they talk about what they experience and think at the actual moment. The method is flexible both in development of research questions and in its practical activities.

Leader and researchers help each other to co-construct meaningful, useful and pragmatic interpretations of what they are doing. As the CEOs express the research process gives them possibilities to think about how mundane and daily activities and ‘grand strategic ideas’ could or could not be tied together. To us the entire process produces material for new understandings of strategy as it is performed (Larsen & Rasmussen 2013; 2014).

### **Examples on the ongoing construction of phronesis**

The two examples below are based on conversations with the CEOs in the companies either individually or in pairs combined with informations collected from the seminars where CEOs from all the four companies in common constructed knowledge on strategic and leadership issues. The inquiry and its conversations took place from late summer 2014 to spring 2016.

In the first example we explore how the two leaders of a Danish shoe and boot company; Tim and Joseph who are unsure about whether their existing chairman of the board is eligible for supporting them in their ongoing strategic effort towards expanding their markets and whether he is capable of identifying himself with the guiding philosophy of the company. During the conversations we have with them over a period of 20 months Tim and Joseph engage in imaginative work and move around in ‘mental landscapes’ (Shotter & Tsoukas, 2014a) as they use their practical wisdom to figure out how they can move on in sake of the common good for the company.

In the second example we meet Christina and Paul; the managers of a Danish children clothes company. In the example we illustrate how they in phronetic ways use their existing knowledge, ethics, values, sense of the surroundings to incrementally and from within the situation change the strategic direction of the company. In that process they use their dreams about what would be of common good for the company to co-construct meaning about why a change in products and initiatives can further support the guiding philosophy of the company. As the example unfolds we are invited to see how complex and meshed - with multiple other ongoing activities in the

company - this decision is and how Christian and Paul reach a desirable solution by using their different forms of practical wisdom and simultaneously deal with this situation 'afresh' (Shotter & Tsoukas, 2014a).

### ***To have or not to have the right chairman of board***

The phronesis process analyzed here is happening in a small and successful shoe and boot company owned and managed by two CEOs. One owner-leader is responsible for managing design and supplier relations, Joseph, and the other owner-leader for managing sale, Tim. During the period analyzed the company expanded from mainly part-time employees to six persons with permanent jobs. At the same time the sale was increasing rapidly on several continents and the number of suppliers who produced the shoes and boots increased gradually so at the end of the period production came from China, the oldest, Portugal, and Spain, the youngest.

The two owner-leaders started the company together: one with competences in design and production of shoes, and the other in sale. The guiding philosophy in the company is, as the leaders express it; *Mediocrity has never interested us.* In the first years they regularly sat down in a remote cabin to co-ordinate and discuss what they had experienced and how to run the company. Later however, they decided it was time to bring in a professional who could challenge them in their, what they referred to as; "... *provincial ways of thinking.*"

The chairman of board they had hired was an industrialist who was experienced in making smaller companies expand their markets and sale channels efficiently and rather fast. He was hired as a co-partner and he came to own 20 % of the shares and was asked to support Tim and Joseph in being visionary in their everyday practice and raise some demands regarding how to run a growing company in a traditional business-like way.

*'This is also an insight into that we are very [provincial] in our ways to think about levels of costs. When we have to invest in hiring people it has nearly [always] been too late. And so is it also now. We have developed ourselves from entrepreneurs to growth-entrepreneurs it has to happen in ways where we prepare ourselves for investing in growth, instead of saving us to growth. The first three years we felt like we were riding a bike and needed to balance on a knife's head because if we fell of the bike everything would come to pieces. Now there are other*



*challenges. You have to adjust to those. If we fall of the bike now it does not mean that the company dies.* ' (Tim, September 2014)

They have a saying in the company; *“Assumptions is the mother of all fuck ups.”* and they needed the input from the industrialist to challenge their assumptions and help them not to make that mistake.

But gradually Tim and Joseph got increasingly unsatisfied with the advises from the chairman of board because they saw him as too conventional, which to them was risky because this could destroy some of the originality of the shoes and boots they sold and harm the untraditional ways of selling and doing marketing they had developed and felt represented the guiding philosophy of the company.

What they had in common with the chairman was an ambition and dream about creating a large and important shoe and boot company that was represented on many global markets. They were not agreeing with the chairman on how untraditional and on what areas the company should stay untraditional. From the start of the company the first sales was not mainly on the home market, but was in Asia where the special design style of the product created rather big interest. From that knowledge they developed the idea of staying untraditional and in this way stay competitive on many different markets. This again implied that today less than 20 % of their products are sold on the home market.

The two owner-leaders wanted to some extent to keep an untraditional style not only in the design of shoes and boots, but also in advertising and marketing. They had developed a special universe with a close connection between design of shoes, design of marketing and what retail stores they wanted to sell their products through. They went for what they call *A+ stores* and were not especially interested in selling through more conventional shoe stores.

The chairman of board was not supporting this initiative and tried to draw them towards a more mainstream design and approach to the market. Increasingly the ideas of the chairman and the two CEOs differed. Tim and Joseph were not sure that they had the space to develop what they felt was the right way for the company. They did not think that the ambition to become a large company was possible through the strategy proposed by the chairman. This meant that gradually the content of the board meetings revolved more around keeping budgets and daily running pro-

cedures and less about visions and the strategic development of the company. Based on a board meeting in the fall 2014 Tim and Joseph began to discuss how they could deal with the situation:

*'And it was to some extent a wake-up call because it could not be true that it was the task of the board to tell the management what to do - it is their feed-back by the chairman – yes – but does it go that far then it is the majority of shares that decides who the chairman is'* (Tim, December 2014)

What however, made Tim and Joseph be reluctant to buying out the chairman of board was a concern if they themselves were able to shake of the last remaining part of their 'provincial' upbringing. Were they, on their own, able to steer away from the cautious style of management without running into financial troubles?

In the spring of 2015 they reached a decision to buy out the industrialist: *"A central issue right now is our decision to buy out the chairman of the board. The dialogue with him has been rather smooth and we were able to settle on a reasonable price. They [Tim and Joseph] fully enjoy their new situation... they are responsible for the full development of the company and on the one hand it is extremely liberating and they both agree that it is extremely important that they figure out where they want to go with the company before they let anyone else in... They also agree that regarding the visions, the strategic development of the company, the necessary resources, who to hire and what competences they should have – these are issues where they need support."*

(May, 2015) To buy out the industrialist has created a financial drain, but it was not in no way economically dangerous because of the strong raise in income made by the increased sales.

During the meeting in May Joseph tells us about one last remark from the former chairman of board that still lingers with them and that make him and Tim eager to find a new chairman of board. The last thing the old chairman of the board said to Tim and Joseph was they should be careful not to close the circle too much around them-selves, but make room for other opinions and ideas. A central challenge they both think about is who they would allow to get into the circle and who they want to be challenged from and they have also incrementally and unofficially begun to look for a new chairman of the board. To get that discussed they use a trip for both of them, to a supplier in Portugal in the early summer 2015. In the wake of the buy-out they have been busy in various ways:

- Changing and re-finance their loans

- Services earlier bought from external suppliers, i.e. factoring etc. is taken into the company and people are hired for this.
- Tim and Joseph decide to keep a closer eye on their agents to be sure that style of the shoes and boots, the style of marketing and the nature of the company as such becomes clear to retailers and consumers on all main markets.

When we meet Tim in August 2015 he tells us how he and Joseph have decided that it is important that they; *'... find those who can bring us forward. And what I am thinking about is what the hell is holding us back. I think we have to change our-selves - Joseph and I – on how we handle things.'* They have initiated a conversation with a new possible chairman who already works as chairman in other companies and has worked a bit ad consultant for the company, as Tim says: *'We want to get challenged on things we do not know enough about but we already solve today. We want to have someone who actually knows what they are doing on some of the subjects Joseph and I run across already today.'* *'... 'Mediocrity has never interested us. And it is what we are very interested in – what we are not able to do our-selves. We have to have someone into [the company] to help us further – or it becomes a middle-of-the road brand.'*

### ***The Disney adventure***

The process takes place in a small company with app. 15 employees designing and selling clothes for children globally under one specific brand name (in the quotes called: [our brand]). The company is owned mainly by the two CEOs; Christian and Paul who are married to each other and have divided the management task between them on design and sale, and administration, logistic and finances. The rest of the ownership is placed by a minority sleeping partner. The guiding philosophy in the company is to; *Design and sell children clothes in a good quality that has a Scandinavian appeal and that can be a door opener to a sale in a luxury kids' clothing store*” Over the last few years the company's sale and representation on both the national and international markets have grown rapidly and steady.

It is a company where the first to greet you as you enter the main office is Carl; Christian and Paul's golden retriever. The second you enter the door you sense the family feeling present and as you spend time there you quickly sense how the atmosphere in the company is very warm

hearted and how the staff, Christina and Paul value and care not only for each other but also for their employees, their customers and suppliers.

Not long after the research project was initiated Christina and Paul tell us how they think about expanding their product line with yoga clothes for children: *“And we have made a new brand – yoga cloth for children... It is based on what we are good at. To create a universe and tell the story – and yoga is a big thing in the company – coincidentally we heard about yoga in Canada – as good for children. But you cannot find cloth for yoga for children. It is important to have a clear concept – it has to be able to fit for yoga without hindering the movements. But [it is important] to create a clear concept – [the retailers in] Canada is really competent with getting the message out online.”* (Christina, December 2014)

Initially they are a little uncertain whether there would be any interest for this among their customers, but over a period of six months they receive various indications from customers and retailers that a yoga line would be very well accepted. Over a period of 9-10 months Christina and Paul frequently talked about the strategic and market-related possibilities this expansion could lead to, but they remained reluctant regard making a final decision. During our meeting with them in August 2015 Christina and Paul tell us about an offer they have been presented with where they weren't the least bit reluctant:

*Christina: (Paul has left the room for a moment). It is exiting – it is very exiting – it is that the day before yesterday I signed the Disney contract – so when we have finished Spring 16 - we just have to create a Disney collection. And that means that in a half year on the fair - that is when we launch it – in February [2016]. And we have thought that we would hide it until it gets close. And then it is so – I knew that Disney is big – but it is very, very big. Even here in Denmark there is an office in Copenhagen with people (Paul returns to the meeting room). I was in Moltkes Palæ to a big Disney event here this spring – and was brain-washed – it is a little like Scientology... they had flown singers from Frozen in to perform a song. And it was so, so crazy. I don't know what I had thought – I had wondered if anyone would be there. There were 600 people! – and it was co-operative partners and exclusively license holders who were present. And there is a lot of money in it. Now we shall in there in next month again. It is each half year they make such an event in Moltkes Palæ.*

*Paul: The royalties on Frozen alone – it made in royalties, to Disney alone, 7 billion Dollars. Only for this one film and this was not even the largest. The largest - that is Cars because it still keeps running.*

*Christina: We have laid down a lot of categories in that we have applied for royalties on. We have Frozen and Princesses – we have the entire Duck-burgh and we have Cars. We have a long*

*list here. So there is a Disney designer associated to us now because there are extremely many rules for what we are allowed to and what not.*

*Mette: What kinds of rules?*

*Christina. You are not allowed to – if we take Elsa from Frozen – you are not allowed to redraw her. We are allowed to lay-down our own style if it follows the style of Disney. If we put a text on we are not allowed to do it our-selves. We have to use the Disney text and fond, but also what is written. It is clearly because so many unfortunate things have happened.*

*Paul: You are not allowed to use Disney in any other places than on the products - you are not allowed to use it the create attention. [The set of rules] contains 76 pages...*

*Christina; ... What Nancy [one of the company's designers] and I have talked about is that there are some things where we want to be a bit more edgy. We send them those pieces of clothes because it is a long approval process... That's the way we have to do it. But in addition to this there is a lot of help to get from Disney concerning events. And what we think is that we have to have the collection launched in a cool way – by an event at the CIFF fair next time. And then we have to do something again when the products gets out into the stores, so the stores get some help.*

*Paul: We have to use 2 % of the entire turnover for marketing*

*Christina: Ok- ???*

*Paul: I have read the contract, it was written approximately on page 5-6. §8, 9 and 10. I can't remember.*

*Mette: What does that mean for you?*

*Christina: So – hmmm - I think that really, really many will be impressed by this. It puts us a little – it elevates us – that it was us they contacted in this process... Disney is very trendy all around the World right now. That will be our trade off now - we have to figure out what is going to be designed as [our brand and] Disney. But we have to be sure that it is designed so far away from [our brand] so the one is not taking [market shares] from the other, Because the first become 14 % more expensive – because of royalties – 16 %. That will in its own right make a difference, but there is no reason for - in design – to style it too close to [our brand]. We have to remember to edge it so much that we can generate something else in the market. It is obvious that there has to be a red thread. But maybe precisely the things we dream about to make in [our brand] but we are not allowed to, because it is not what they [the customers] expect – this we have seriously to put into Disney, Therefore I have great expectations to – to that I can go hard-core in and take some market shares from others – someone who is breathing down my neck - It could be [Company Y].*

*Jørgen: Is royalties only on turnover?*

Christina: *Yes*

Paul: *But there is a minimum*

Christina: *So there is a risk calculation if we are not selling anything. But we know we will sell something. The question is – had we participated three years ago we could stand in a situation where we did not dare. But are we capable to make a t-shirt with Elsa print on it. Our goal is – during the entire negotiation we have had with Disney – that what we have to design is the Elsa t-shirt or Elsa dress, where as well mother as daughter find elegant.*

Mette: *It is not only the daughter?*

Christina: *Precisely. It has to be so much Elsa that the daughter gets her wishes fulfilled – and that the mother still finds it nice. That is what Disney wants us to do – and it is that – so far - while we have been busy – that is continuously running. We are in no doubt about how it should look. It becomes so cool – it is also the case with Cars and the rest.*

Paul: *It is also so that there is Finding Dora – there are three movies that have premiere within the next months*

Christina: *That is what one is hearing about when one is attending the [meeting at]Moltkes Palace – there you hear about the future*

Paul: *And there you may first make marketing and deliver the products 6 weeks before the launch.*

Christina: *I would have loved to have Start Wars and Marvel. The problem is that that is an additional minimum royalty. Because it is Marvel or Star Wars films. And Vanessa said to me – don't do it –start with it and come home safe. There are so many things at have to accomplish first with S 16.*

Paul: *But what I tried to say is that it is useless to change the existing budgets. Therefore we have to come out [at the other end].It will be tough.*

Christina: *I am not agreeing*

Paul: *Maybe we have to get a [additional] salesperson. Because it demands that we have to get around with this little collection four times a year – or when a new film is released. And at a point in time we have to realize that the new one comes – what is its name - Nemo*

Mette: *But that have to be a stand of its own?*

Christina: *No.*

Paul: *But a corner of its own.*

Christina: *Yes, but i has to be a part of [our brand]. We have to remember that it has to give synergy – it has to do both. But is has to draw some attention toward [our brand] – so it has to*

*do both... They tell us exactly when they are running extra campaigns on Frozen. In this month it is Elsa and in next month it becomes Anna or Oluf. And then it is on Disney Channel – there it is shown. It is so timed and planned. You get the entire plan...*

Jørgen: *And you have to follow that?*

Christina: *Yes*

Paul: *It starts by that they release a film. Six month later they launch at cartoon – a Disney Channel series of film - six month after something else - and six month after something third. And then two years has passed – and the Frozen Two film is coming. And then it all runs all over again and every six month they release something new that hypes it – so children do not forget it. It is just running.*

Christina: *Yes, but as long they just makes good films - then it is damned well. And there they have as mentioned an entire team [to help us...]*

Mette: *How have you thought about how it should play together, but also separate – have it in leggings and sweat-shirt style.*

Christina: *There is some structure we have to create. But you could also turn it around and simply say: We create a t-shirt with Elsa on and then she should have a turquoise tutu what matches. Then it would be completely silly to take one of our existing tutus and make it turquoise to 16 % Disney. There you could produce it cheaper over in [our brand] so it matches.*

Paul: *We are not allowed to put Disney on the hashtag that exists*

Christina: *But that is the girls complete indifferent toward. A girl will be happy for a t-shirt and a tutu that matches. So perhaps the tutu should have...*

Mette: *Stars?*

Christina: *Precisely yes – ice crystals in silver. But it has to go over to [the] Disney [collection]. So if it what we do then we put the expensive tutu over here with ice crystals together with the Elsa T shirt. But then of course we have the cheaper tutu for those who find is too expensive in my Disney [collection].*

Mette: *Or does not want ice crystals?*

Christina: *Yes we have to draw a lot of links. But I am not disagreeing with Paul – one of the things we should think about was to get a second salesperson in. Because it could also be so that when you gets out into the store and are confronted with another person that Tamara [the present sales person] that there already come to exist another budget. It could be so even if it is the same company that writes the invoice. More is not needed. But we cannot hire a salesperson from day one. We have to start it first. But that is one of the things we have to keep an eye to and*

*are we doing that we just have to fix it with that tutu. But she is still hired by us so she will be able to tell, if they ask: Yes, but there is also a tutu by [our brand].*

Paul. *But you are not able to know this already.*

Christina: *One has to remember to put it into one main order... It will be exiting – a challenge. But there are a lot odd dull things. Now we have to have the supplier we point out accepted. We are not allowed – and I am very sorry – to have Bangladesh into it. And Bangladesh is a production country where I think one could make a difference.*

Mette: *Why not?*

Christina: *They do not dare*

Jørgen: *The risk of child labor?*

Christina: *Yes, and buildings that collapse. And our guy out there has started to construct a green factory. So we are sad not to be able to give him [the order]. I wanted him to participate – and to get a Disney acceptance – that would be so cool for him. It is a kind of quality-mark. I can understand Disney [...] they send people out who approved such factories, but after that it is our responsibility that the production takes place in an acceptable way. But it is not us who are kicked in the bottom if someone finds out that there are wrong things going on. It will never hit us – only Disney.*

When we in November 2015 again talked with Paul and Christina on their main here-and-now leadership challenges, the Disney contract was only mentioned in one sentence from Christina and it concerned how difficult it would be for her to have the time for taking the lead in the Disney design. But the project was mentioned several times during the seminar with CEOs from the other three companies December 3.

When the Disney collection came into the conversation in April 2016 it had shown its first success. Not only was the collection received very positively from the usual retailers and agents, also the Disney company it-self had appreciated the collection and made it possible for the collection to be sold in many more markets as originally decided. In addition to this the company had been licensed to design and sell cloth with figures from other Disney films on additional markets. So now the big challenge was what markets to choose and how to expand the production so much. What also came into the conversation in March 2016 was the previously mentioned yoga line and during the conversation Christina tells us why they were reluctant to initiate the production back in the fall 2015: “... *the board of directors had approved it [the yogaline] as we discussed our strategy and then when we were ready to hit the production button, I got cold*



*feet. And it wasn't only me, it was all of us, we couldn't really imagine how we would be able to manage it all and the girls in the purchasing department couldn't see how they would be able to make it and what about the online communication, the webshop, social media, who should handle all of that. We just don't have power to pursue all of it. And then I called the decision, we have to postpone this."*

### **How to grasp phronetic strategising**

From the two examples of how emergent challenges are seen, understood and handled the first impression of phronesis/ practical wisdom as an indirect, silent and tacit background for leading can be made out. Strategising in incremental every day ways becomes wayfaring processes where the leaders of these two companies attempt to bring their dreams of a desirable future about what is for the common good closer to the present. This phronetic way of strategising is not something that once and for all can be fenced in in one concept or put in a box with solid and impenetrable sides. It becomes easier to understand when it is interpreted as processes running along in a meshwork of different personal, relational and organizational threads that together constantly reshape not only practice, but also organizing change processes.

These processes seem to go on in ways that not at any moments forms one homogenous process, but are scattered and often even contradictory as any open learning process often are. The present inquiry takes its empirical focus in conversations between leaders and leaders and us as researchers, but many other conversations are also going on within the phronesis process. There are conversations between a leader and one or several employees between leader and customers or supplier and 'conversations' between a leader and her conversations and experiences of the past – and dreams about the future.

### ***In search of the common good***

The most 'stable' part of phronesis as it can be analyzed out of the empirical data is discussions about what based on the guiding philosophy of the company here-and-now is perceived to be for 'the common good' (Nonaka & Toyama 2007). In all these conversations the common good can be defined as a dream and prosperous future for the company both in sales and in finances. It is about stable relations to consumers as well as to the retail sector, but also to become well-known for

products and brands that create interest and good-will. For the shoe and boot company what is perceived to be for the common good is centered on the internal functions in the company and its employees. For the children clothes company suppliers who have been delivering to the company throughout the years with positive results are also included when it revolves around discussions about what is perceived to be for the common good.

The common good are related to the guiding philosophy of the company that according to the leaders creates the importance of the company in its surroundings. It is the internal *raison-d'être* of the company and it come to influence how the leaders generate anticipations and dream about a desirable future and it comes to shape how meaning is constructed here-and-now as the leaders solve everyday tasks. For the shoe and boot company their guiding philosophy to move beyond mediocrity make them reflect upon what kind of chairman of the board they need to have to ensure they act for the common good of the company and avoid relying too strongly on their provisional ways of thinking. For the children's clothing company the Bangladesh producer is part of who they perceive to be included in the common good and Paul and Christina therefore engage in dreams about a possible future where this particular producer can be used to produce parts of the new Disney collection. They both know this dream is not realizable, but they still pursue it and have it as a part of their mental landscape of their desirable future look like.

These interpretations of the common good is not only something that is shared between the leaders of the four companies in the inquiry it is also something that lasts despite minor or major changes in the surroundings and in the company. Included in the common good for the shoe and boot company is clearly the intention to grow large and important by designing and producing products that is outside the ordinary and that inspires the A+ stores. Included in the common good for the children-cloth company is to try to combine designing products that meets the expectations for style-oriented consumers and helping producers in the third world to increase their quality in production to improve the working conditions.

What is best – for the common good- for the company lies behind almost any action. It is the reason for leaving the small product line expansion with the yogaline and daring to meet new challenges in the Disney project that calls for a much larger expansion of the existing product line. A move that exhibits aspects of practical wisdom and how Christina and Paul are able to tacitly use their experiences to take various aspects of this complex situation into account as they afresh figure out how to handle this situation in prudent ways. A knowledge that emerges concordantly but only by looking

back in March 2016 are Christina and Paul able to put their indirect, silent and situated practices realised in the fall 2015 into words.. It is behind the wish to have the company elevated toward a new level and to create synergy between new and old activities. It seems to be the important basis for the working life of these CEOs.

***Living in dreams of the future and improvising as they are drawn nearer***

A quite different part of the practical wisdom is much more diverse and fluctuating and contains how important parts of the relationships between parts of the environment and the company are felt. Even if the leaders express a wish that it would be possible to construct more stable and transparent relations they realize and accept that to be active in the business they have chosen means to work in a world that constantly is formed by flux by coincidences, by emerging possibilities and threats. Unforeseen changes are created daily by customers, competitors, suppliers, authorities and the market competition as such. Therefore a dream of constructing a strategy that last several years is an illusion and the ability to live in flux precondition for living as CEO in a small company in fast shifting environments. But at the same time having these dreams and moving around in these mental landscapes are significant for people as they in the present have to co-construct meaning and initiate actions – and they are often based on anticipations and dreams about how the future will look like.

For Tim and Joseph their dream about a desirable future as a prosperous company above mediocrity is difficult to realise as they here-and-now strategise because they feel that their existing chairman of board acts based on another future dream. Tim and Joseph therefore engage in imaginary work as they attempt to become more aware of what kind of a chairman of board they need to support them bringing this desirable future closer to the present. These processes are characterized by improvisation as neither Tim nor Joseph have any idea about how the future will unfold and how the new chairman of the board will act, what future dreams he has and what they will be able to co-construct once he is hired and they begin to explore the strategy and visions for the company.

For Christina and Paul the unplanned offer from Disney appears out of the flux and they begin to explore it coupled with their sense of the surroundings, the guiding philosophy of the company and decide that abandoning the yogaline and pursuing the cooperation with Disney is for the common good of the company. This is an indirect and prudent move where they based on their practical wis-

dom sense, silent and tacit knowledge this will make them come closer to a future they find desirable.

Strategising in these conditions is not to plan several years ahead. Instead the practical wisdom is directed toward the realization of dreams on becoming an important, untraditional shoe and boot company or becoming a company designing quality children cloth in collaboration with important companies on a world basis. And the realization is to a large extent based on grabbing and forming possibilities that are interpreted as nearly silent, tacit phenomena that certainly becomes challenges relevant for the company.

Working life is about grappling such emerging possibilities here and now and to transform them in collaboration within the company to find the right answer for this particular situation (Noboru et al 2014:24): to dare to sign a Disney contract, to bring in a new chairman of board. Beautiful dreams about the future of the company are important preconditions for creating a success and to launch such ideas is to live a dream through. Taking responsibility for leading the shoe and boot company alone is a dream realized, so is the Disney contract.

It is through the here-and-now back-and-forth non-linear movement around in mental landscapes of a desirable future and through conversations that dreams are developed further toward getting realised – dreams nearly self-growing among the CEOs. It happens in the considerations on buying out the chairman of the board and to take over the entire obligation of leadership and it happens in the decision to abandon the yogaline and pursue the cooperation with Disney. The CEOs are in these situations not only letting their own practical wisdom process take the entire responsibility for the strategic direction of the company, but at the same time they expand and develop their common phronesis because they engage in each of these situations afresh.

This can in many ways be interpreted as imaginative thinking about figuring out which futures they find desirable and perceive to be for the common good of the whole company. This process contains a number of micro processes of conversations, every-day actions and decisions where actions and decisions are intermingled and where the strategy work is ongoing and rather indirect as way-faring and rather close to a strategy-in-practice way of acting.

### **The indirect and silent forming of strategising**

Micro-level actions and decisions are formed in the daily dwelling which means that living in the here-and-now in the dialogical engagement is to be aware and to follow rules laid down by important partners, external institutions, and by the CEOs themselves, but also and importantly to have the guts to respond to challenges when they are felt.

The Disney contract develops to become an important strategic possibility for the company. It was from the beginning a dream that was formed through a number conversations, actions, small decisions and concrete particulars. And the decreasing satisfaction with the chairman of the board created a new situation where the two CEOs accepted to entire responsibility for the company and tried to maintain its experimental course by changing the organization from its well-known entrepreneurial loose organizational form to organizing activities more suited systematically to conquer and hold new markets globally.

The findings on practical wisdom through this paper and the empirical inquiry behind it shed light on how silent strategic practices within this field can be explored (Chia & Holt, 2009; Shotter & Tsoukas, 2014b). The findings draw attention to the significance of studying strategising in practice, in the context of active engagement in the surroundings and trying to present these findings in ways where we – as researchers – are; “... *not trying to get at the details but, rather [present] a suggestion of how people are under way...*” (Chia & Holt, 2009: 132). We hope that with the notions of phronesis, strategising, future dreams coupled to the day-to-day practice at the micro-level of managing in SMEs, presented here, that we have encouraged other interested researchers to further explore how strategies are formed and practiced in subjective, intersubjective and phronetic ways.

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