

6.1 Strategy Context – Beyond the Market Given

“Those who talk about the environment determining the organizational structure introduce some rather severe simplifying assumptions that we are eager to erase (and replace with other severe simplifying assumptions).”

Karl E. Weick
(1979: 135)

6.1.1 Complexity – Beyond the ‘Necessity of Adaptation’

In section 3.2.1 we argued that the ‘necessity of adaptation’ resides in the belief that firms are part of an all-encompassing environment. The environment is seen as an ultimate point of reference to which firms have to adapt to while formulating their strategies. In the following, we discuss more closely why such a conception of the organization/environment relation obscures paradox. To unfold our reasoning, we must *assume* for a moment that the paradigm of adaptation was right: organizations adapt to an objective environment that displays the ultimate form of complexity.⁸⁸ If the ‘necessity of adaptation’ were right, the environment would represent a definitive point of reference that tells organizations how to identify themselves and their strategies. Accordingly, the *identity* of an organization (and thus the identity of an organization’s strategy) is a matter of pure adaptation to the environment. The environment yields an identity for an organization’s strategy that is not a product of the organization but of the environment. This identity is ‘pure’; it is self-defining and origin of itself; it needs nothing else to come into existence. That is why Derrida (1992d: 9-10) argues that such an identity, if it were to exist at all, were identical to itself.

Pondering about the possibility of such a ‘pure’ identity, an identity that simply is the product of some higher authority (i.e. the environment), Der-

⁸⁸ Because deconstruction argues for the irreducibility of meaning, Derrida (1995a: 118-119) has explicitly linked the problem of meaning and context to the fact that ‘the text’ represents the complexity of the world (see also Cilliers 2005: 259). Knowledge about referents always remains provisional. Luhmann (1995b: 24) gives a more formal definition of complexity: “A definition of complexity follows from this: we will call an interconnected collection of elements ‘complex’ when, because of immanent constraints in the elements’ connective capacity, it is no longer possible at any moment to connect every element to every other element.”

rida (1998c, 1992d) suggests that whatever entity is to gain an identity (e.g., the ‘I’ or the organization) is already caught up in the movement of supplementarity. Identity is not a static concept, not something that imposes itself on us from the ‘outside’. Identity is a constant reinvention. For Derrida, the enormous *complexity* that resides in ‘the text’ prohibits the creation of any fixed or given identities; to fix an organization’s identity would be similar to claiming that meaning could be conclusively determined. The identity of an organization (and its strategy) is a product of the ‘play of differences’; these differences are not stable but change constantly. Every difference is also a deference of a self-present identity into the future; every identity is subject to *différance*.

Because of the complexity that structures ‘the text’, there can be no pre-determined meaning. Indeed, the meaning of an organization’s identity is always moving, it is never fully ‘there’. Derrida (1992d: 9) argues in this context that no identity can ever be identical to itself. ‘Self-difference’, which is just another way to express *différance*, structures every identity. Derrida (1998c: 28) argues that “an identity is never given, received, or attained; only the interminable and indefinitely phantasmatic process of identification endures.” Identity is *identification* – a never-ending process that is well described by *Alice in Wonderland* who states that “at least I know who I *was* when I got up this morning, but I think I must have changed several times since then.” (Carroll 1994: 43-44, emphasis in the original)

To move Derrida’s rather abstract argument closer to our concerns, we have to ask *how identification occurs*. If we trust Derrida (1992d) that constantly changing *differences* constitute identity, identification results from the continuous processing of selections to reduce complexity. Organizations have to reduce complexity to perpetuate their capacity to act. If they fail to make selections and thus do not reduce complexity, there is no possibility of fostering the process of identification anymore (because in the absence of differences any distinction between environment and organization disappears). As discussed in section 2.1, organizations cannot practically realize all alternatives that are ‘offered’ by the environment.⁸⁹ Strategy is all about the reduction of complexity by selecting alternatives. The

⁸⁹ Strictly speaking, the alternatives that identify an organization do not rest in the environment. If they were to rest in the environment, the latter would be a kind of pool of all possible alternatives. Yet the environment only comes into being when alternatives are activated (when differences are made) by the organization. With regard to Derrida (2002), alternatives reside in the general text, a text that in Luhmann’s (1995b) conception of social systems is called ‘Welt’ (see also Luhmann’s [1995a] own remarks on Derrida’s conception of text).

differences that are drawn in the process of identification bring the categories ‘the environment’ and ‘the organization’ into existence. In fact, the environment is what the organization *is not*. If complexity reduction is at the heart of strategic management, we cannot neglect that organizations make selections (Seidl 2003b, 2000).

If organizations propel identification by creating differences, they *lack* what Ashby (1956) calls requisite variety. Following Ashby’s *Law of Requisite Variety*, we have to take as many control variables as there are external variations.

“This is the law of Requisite Variety. To put it picturesquely: [...] *only variety can destroy variety.*” (Ashby 1956: 207, emphasis in the original)

According to this law, an organization has to establish a point-to-point correspondence to the environment to remain in control. Yet because the process of identification relies on differences that reduce complexity, organizations *lack* this requisite variety that would allow them to react to every state of the environment. If an organization were to succeed in establishing such a point-to-point correspondence, the organization/environment distinction would be cancelled out; there would be no difference between environment and organization anymore, as both possess the same level of complexity. In Derrida’s terminology: both categories would no longer be textualized. Organizations can never capture the entire environmental complexity, because every attempt to come into existence requires a distinction that sorts something out. If distinctions act like a kind of filter, the environment turns out to be a construction from the side of the organization. In consequence, we need to give up the assumption that organizations adapt to an environment that exists *independently* of them, because there is nothing an organization can adapt to but its self-construction of the environment.

This makes the ‘necessity of adaptation’ an improper point of departure for theorizing, as a constructed environment cannot be objectively given to act as a point of reference for adaptation (every adaptation to a constructed environment already is self-adaptation). The ‘necessity of adaptation’ neglects that every organization *misses* the requisite variety that is required to refer to an environment that exactly suits the organization. Only with a point-to-point correspondence in place would perfect adaptation be theoretically possible. Because of the missing requisite variety organizations possess no formal criterion to check whether they have adapted yet. The organization’s inferiority in terms of complexity is due to the necessary but limited number of selections it needs to make in the process of identification.

We will briefly summarize our argumentation by highlighting the two major points of our discussion. *First*, an organization's identity, which influences the development of its strategy, is never simply given (for identity always already is identification). *Second*, this process of identification can be described as an active operation (i.e. the establishment of differences by the organization). These differences bring 'the environment' and 'the organization' into existence. Indeed, the environment turns out to be what the organization *is not*. The differences that organizations draw reduce complexity because every difference acts like a kind of filter. In consequence, the organization constructs its own environment. Yet a constructed environment provides no point of reference for adaptation because it no longer exists independent of the organization. Consequently, neither the environment nor the organization represent the 'essence' of strategizing, an absolute point of reference for the strategy context that 'is itself' by virtue of its being.

In conclusion, the problem of complexity reduction is at the heart of our thinking about strategy context. The creation of an organization, and especially strategizing within an organization, is just an answer to the problem of complexity. Thinking of the strategy context in terms of adaptation, means neglecting that organizations do not derive their identity from the 'essence' of the environment but are caught up in a process of identification that is based on the creation of differences that reduce complexity. Strategic approaches that find their conceptual foundation in adaptation-based logic (e.g., Porter's objective rules of an industry sector) seem to neglect this argument. This blind spot of adaptation-based strategy context research enables scholars to suppress a paradox. In the following section, we show how the arguments that were presented in this section enable us 'to see' the paradox that inevitably occurs once we try to justify the metaphysics of presence that belongs to the claim of an objective strategy context.

6.1.2 Strategy Context and the Paradox of Adaptation

“In the beginning there were markets.”

Oliver E. Williamson
(1975: 20)

“And in the beginning, there is the *and*.”

Jacques Derrida
(2000c: 282
emphasis in the original)

In the preceding section we discussed ‘complexity’ as the blind spot of the ‘necessity of adaptation’. Based on these remarks, we now demonstrate that adaptation-based logic, while trying to ‘prove’ that the environment acts as a kind of origin for strategic reasoning, obscures a paradox. Adaptation-based strategy research can be criticized for the denial of a paradox that arises once we consider the lack of requisite variety that any organization necessarily faces. In other words, if the ‘necessity of adaptation’ tries to show that the environment is a kind of origin for strategic reasoning, it obscures the fact that organizations lack requisite variety and consequently make selections, reduce complexity, and thus construct their own environment. This lack of variety gives rise to a paradox that will be explained in this section.

Because Derrida never explicitly focused or discussed categories like ‘the environment’ or ‘the organization’, we need look for a discussion of similar categories within his writings. From our perspective, Derrida’s (1987b, 1981a) understanding of the relation between *inside and outside* can help us to discuss the underlying paradox. This inside/outside-debate fits our remarks on strategy context, because we usually think that the environment is something outside whereas the organization is something inside. Derrida (1987b: 45) contends that the common distinction between inside and outside is an essential metaphysical thought that is especially revealed in the study of art.⁹⁰

⁹⁰ The discussion of the inside/outside opposition runs through many of Derrida’s discussions. In *Dissemination* he writes about hymen, the virginal membrane, that stands between the inside and outside. Hymen, similar to the frame, “is an operation that *both* sows confusion *between* opposites *and* stands *between* the opposites at once.” (Derrida 1981a: 212, emphasis in the original) Hymen is an undecidable term that represents fusion but by the same token also upholds the difference between inside and outside.

“This permanent requirement – to distinguish between the internal proper sense and the circumstance of the object being talked about – organizes all philosophical discourses on art, the meaning of art and meaning as such, from Plato to Hegel, Husserl and Heidegger. This requirement presupposes a discourse on the limit between the inside and outside of the art object, here a *discourse on the frame*.” (Derrida 1987b: 45, emphasis in the original)

The frame distinguishes between inside and outside but is not ‘given’ in a way for us to simply accept the difference. Rather, the frame occupies a sort of ‘non-space’ between inside and outside and thrives on its simultaneous presence and absence. The frame is not naturally imposed but constructed through differences that are never complete but perpetuated by *différance*. Such as there is no pre-defined limit to ‘the text’, there can be no natural boundary around what we believe to be inside. Of course, the performance of a frame seems rather unproblematic in a painting, where the frame seems more ‘given’ but is always recreated by the observer. In other aesthetic objects (e.g., sculptures) or in terms of social relations (e.g., environment and organization) frames are not so easily identified.

Based on this understanding of the inside/outside-relation, Derrida (1987b: 37) discusses Kant’s distinction between the *ergon* (which is the pure internal work) and the *parergon* (which is what is outside the work).⁹¹ He argues that the apparent pureness of the *ergon* depends on the supplementarity of the *parergon*. To be recognized as a work, the *ergon* needs to be set off against a background. This distinction is by no means naturally given but an active operation of framing. Derrida calls this active framing work *parergonality* and thus supports his argument that the *ergon* needs to be understood as an effect of the *parergon*. To understand the relation between inside and outside as *parergonal* (framing) means to give reference to its undecidable nature in which neither inside nor outside are simply ‘present’. The inside supplements and thus constitutes the outside. There can be no outside or inside just on their own as this would imply a metaphysics of presence; the outside is in the inside, whereas the inside also is in the outside.⁹²

⁹¹ The outside, here, is not merely understood as the wall on which the work hangs but the *general text* in which the art object is created or constituted (Derrida 1987b: 61-62).

⁹² One may argue here that *parergonality* is restricted to the discourse about art in general. Derrida (1987b: 61), however, makes quite clear that the frame is “at the invisible limit to (between) the interiority of meaning (put under shelter by the whole hermeneuticist, semioticist, phenomenologist, and formalist tradition) and (to) all the empiricisms of the extrinsic which, incapable of either seeing or reading, miss the question completely.”

If we apply this kind of thinking to the relation between environment and organization, we can argue that the environment exists only because of the organization, while at the same time the organization cannot exist without its environment. The apparent purity of the environment is constantly supplemented by the organization that actively frames *its own* environment. The supplement is added to compensate for a lack in what is thought to be complete; the organization always adds a new dimension to the environment (Cooper 1986: 315). That is why the conception of the environment cannot be fixed or grounded in a notion of presence. There can be no strategy context that is simply derived from an objective and self-present environment, but only a strategy context that is based on the relation between organization *and* environment. Applying Derrida's thinking to strategic management demonstrates that the strategy context is something that is ungrounded (viz. has no origin from where to start reasoning).

These arguments enable us to demonstrate that adaptation-based logic is based on a paradox. If it is true that the environment consists only because of the organization (i.e. it is a construction of the organization), every adaptation to the environment is only possible as *self-adaptation*. This leads into a vicious circle: the organization can only be adapted to the environment if the environment is adapted to the organization. The implications of this finding lead to paradox: you cannot distance yourself from the environment for the sake of strategy formulation and at the same time produce this very environment. While looking for strategic fit, organizations need to describe the environment that exists regardless of them (as otherwise they could not establish distance), whereas in fact the environment exists only because of the organizations. The strategic environment cannot exist at the same time *because of* and *despite* an organization. You cannot adapt to something (and take it as a reference point despite yourself) that *at the same time* exists only because of your own existence (see Figure 24).

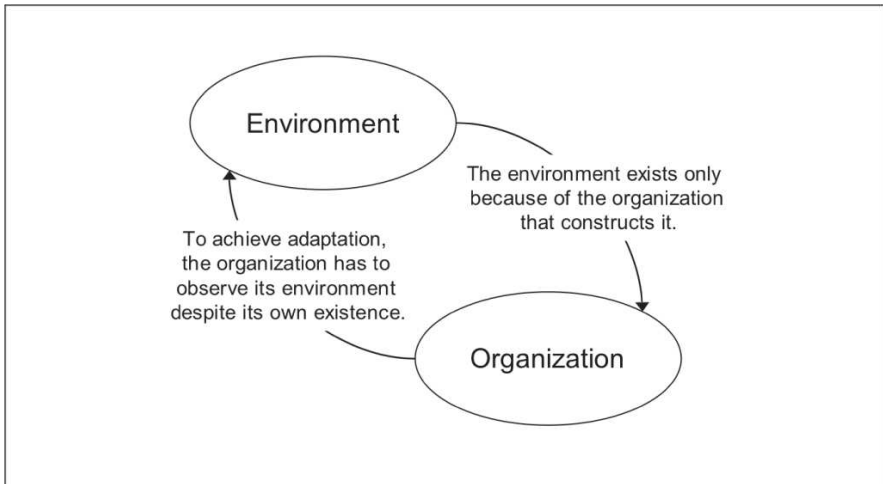


Fig. 24. The Paradox of Adaptation and the Strategy Context

Certainly, one could claim that even though the environment is an organizational construction there is at least something one can adapt to (i.e. the construction of the environment by the organization). At least, an organization could observe *its own* construction of the environment and then adapt to this construction, could it not? Of course it could; but it cannot do so in an objective way; the organization cannot *fully* observe its own existence. This argument can be explained as follows: To observe the construction of the environment means to observe the organization that constructs the environment (because the construction does not simply exist on its own). Yet if an organization really wants to achieve a *perfect fit* it needs to attain full knowledge of its constructed environment, which requires that the organization needs to observe itself *in a perfect way*. This, however, is not possible. Every self-observation of an organization contains a blind spot because during a self-observation an organization cannot observe that it is observing itself. In other words, self-observation is paradoxical because the organization/environment distinction, that the organization inevitably needs to make to reduce complexity, cannot be used to observe what is observed by this distinction. The same distinction cannot be used twice to observe something different. In consequence, each attempt to describe the environment (which is a construction from the side of the organization) by means of self-observation remains at least incomplete and contains a blind spot. Hence, organizations cannot ‘check’ whether they have adapted because the necessary self-observation is paradoxical. Contact with ‘my’

environment is only possible through self-contact, which requires a self-observation that has a blind spot.⁹³

These remarks suggest that the impossibility of the paradox that we uncovered is *limited to* a description of an objective environment. Because every organization describes itself when it describes its environment, but a perfect self-observation is impossible due to the blind spot that inevitably occurs, we must conclude that organizations cannot identify an *objective, fully present* point of reference that they could use for adaptation. In other words, organizations cannot describe their environment despite their existence, because it is the organization that is 'in the way'. This limitedness of the paradox is in line with Derrida's (1992a) reasoning because he suggests that the impossibility of a paradox is limited to the establishment of a metaphysics of presence that is self-defining and based on an 'origin'. Yet to suggest that an objective description of the environment is impossible does not mean that there can be no strategic descriptions at all.

Certainly, there are strategic descriptions of categories like opportunities and threats as well as strengths and weaknesses. But the consequence of the paradox is that we cannot assume any kind of *causal relation* between environment and organization.

"[S]ince elements and structures, situatedness and semantics are performances of the system, too much 'of its own' enters into the 'adaptation' for one to infer an increased compatibility of system and environment as a result. Paradoxically, precisely its own part in the process of structural adaptation may prevent a system from successfully stabilizing itself within its environment in the long run." (Luhmann 1995b: 351)

The environment does not act as a self-defining cause for the structural existence of an organization but is a necessary construction from the side of

⁹³ "Observing one's identity leads to paradox because you have to observe yourself as something else based on the same distinction that made it possible to identify yourself." (Vos 2002: 218) This paradox occurs because an observer cannot observe the spot behind the foundational distinction of a system by means of the same distinction. This is why every observation has a blind spot, because during an observation the distinction that enables the observation cannot be observed. Identity when observed by the organization itself is paradoxical: the organization only is itself because it uses the distinction of being itself and not being itself in order to distinguish itself. This paradox is a timeless identity, because observations of identity are paradoxical when they are extracted from time. One way to deparadoxify this situation is by means of 'simply' starting to operate (e.g., through an *As If*) to postpone the question about the unity of the distinction. Of course, one could argue that a second-order observer can uncover this blind spot. This, however, does not solve the problem since the second-order observer would face her/his own blind spot.

the organization. This does not imply that the environment does not influence the organization; it only means that the environment does not *determine* it. It is not being suggested that organizations do not face an environment, but that this environment constitutes no metaphysical ground which strategic reasoning can use as a source for adaptation.

We can conclude that Derrida's (2003a) deconstructive logic helped us to expose a paradox with regard to strategy context research. Organizations that strive for adaptation face paradoxical indecision: to adapt to something they need to describe an environment that exists regardless of them, while at the same time this environment only exists because of them. Of course, organizations can observe part of their own environmental construction, yet they cannot fully observe this construction: this is because observing the environment implies observing oneself, which is not fully possible due to the blind spots involved. This paradox demonstrates that the adaptation-based logic of the 'necessity of adaptation' aims at an impossibility (i.e. a paradox). The 'necessity of adaptation' obscures the paradox because the observation of the environment and the processing of complexity are not regarded as problematic. From this perspective, the dominant logic cannot be sustained any longer, because the 'core' of the logic (i.e. the belief in adaptation and strategic fit) aims at a metaphysics of presence that remains impossible.

As indicated in chapter five, the exposure of a paradox needs to be supplemented by a positive use of paradoxical reasoning for the sake of creating other strategic realities. The paradoxical foundation of the organization/environment relation implies that we have to think of the circumstances that shape strategy in a different way. In the following sections, we explore this way of thinking by showing (a) how the relation between 'the environment' and 'the organization' is deparadoxified by strategic actors and (b) that we can gain important insights from a deparadoxified understanding of strategy context.

6.1.3 The Deparadoxification of Strategy Context

To outline any implications at all, we have to explore how the strategy context becomes possible despite the paradoxical nature of adaptation. From a theoretical perspective, strategizing is paralyzed by paradoxical indecision: organizations cannot refer to their environment for the sake of strategy formulation despite themselves when they are constructing this environment *at the same time*. Yet from a practical perspective, organizations seem not too paralyzed. They somehow manage to identify their strategy context, although, strictly speaking, they cannot because of the

underlying paradox. Even though the paradox is only a theoretical limit to our knowledge and organizations do not usually demand an objective description of their strategy context, the question remains how strategists deal with an environment to which they need to refer themselves and from which they need to achieve distance, all while looking for a point of reference for the strategy context. If adaptation cannot be achieved, on which foundation do organizational members base their strategy context? How do they identity the strategy context when they have no perfect environment to which they can adapt?

To become operational, organizations deparadoxify this situation by making use of time. As indicated in chapter five, the temporalization of paradox is one possible approach for dealing with contradictory self-reference. This is not to say that temporalization is the only way to deparadoxify, but it is a widely used one with regard to questions of strategy context (Vos 2002). Because the paradox of adaptation tells us that strategists cannot get to the bottom of their strategy context (i.e. they cannot find a 'perfect' point of reference), they can at least act *as if* such a reference point existed (e.g., 'Let us act as if our strategic environment is highly competitive.'). Although it is impossible (i.e. paradoxical) to find a fully determinable point of reference for adaptation, the *As If* temporalizes the underlying paradox and thus preserves managers' capacity to act.⁹⁴ Faced with the indecision of the paradox – the need to achieve distance from something that is created by oneself – managers can identify their strategy context by acting *as if* there were a strategic environment (whereas in fact they are looking at their own construction of this environment). The ground that is provided by the *As If* is by no means a metaphysical one; there is no perfect justification for the *As If*, no higher-ranking authority that imposes exactly this assumption. As Vos (2002) suggests, the differences that the *As If* is based on underlie a sense of naivety.

Naivety does *not* imply arbitrariness. In particular, there are two reasons for this. First, every *As If* needs to be accepted by other actors (within the organization and in the market). In other words, strategists are not able to identify every environment they want to identify. The fiction needs to be communicated and objectified within social praxis to be of relevance for future sensemaking processes (Berger and Luckmann 2000; Ortmann 2004c: 124). Second, the contingency of the *As If* is path-dependent, meaning that its establishment does not happen in an unconditioned way. In-

⁹⁴ Indeed, the temporalization happens because organizations first look at their environment *because* of them (i.e. their construction) and then treat this construction *as if* it existed *despite* them. In this sense, the paradox does not disappear but remains invisible and is deferred into the future.

deed, former notions of the strategic environment have an impact upon those that follow; in this sense *As Ifs* are recursively related. Of course, at a certain point in time (usually in the very early stages of the development of a firm or after a crisis) every description of the environment is open to revision (Arthur 1994; Sydow et al. 2005). Yet after a while, already established environmental constructions restrain future choices. Identified ‘strengths’ remain ‘strengths’ and ‘opportunities’ keep on being ‘opportunities’.

Certainly, few practitioners would admit that their strategy context is based on fictions, fictions that are the product of organizational members and not ‘demanded’ by the environment. To legitimize certain strategic moves by claiming that ‘the environment demanded us to do this’ usually finds easier acceptance ‘within’ the organization and ‘the market’. The *As If* that acts as a nucleus for the identification of the strategy context usually remains unnoticed from the perspective of the strategist. Yet, from the perspective of an observer, we need to admit that the absence of an objective environment permits the establishment of a reference point that takes the place of the *As If*.

To conclude, the paradox of adaptation clarifies that there is no reference point within the strategy context that firms can use for adaptation. Deparadoxification helps us to understand what strategists do in the absence of such a reference point and how they create a non-metaphysical ground on which the strategy context rests. Inevitably, the resulting strategy context is ‘imperfect’; there is no ‘origin’ on which to base strategy. No organization can perfectly observe its environment because of and despite itself to then find a point of reference for adaptation; the paradoxical nature of adaptation prevents access. To speak with Luhmann (1995b: 208), the deparadoxified strategy context represents “the world after the fall from grace.” In the following section, we illustrate the ‘theoretical’ and ‘practical’ implications of this discussion. These implications need to show that, based on the *As If*, strategists link environment and organization in recursive loops. As indicated above, an *As If* reflects a starting point for identifying the strategy context (e.g., ‘If we act as if we face a highly competitive environment, our major strength is our short product-to-market time.’). The question then is how such recursive loops between environment and organization appear and what we can learn from them.

6.1.4 Implications of the Deconstruction of Strategy Context

Framing – The Enactment of Strategy Context

“Your inside is out /
And your outside is in”

John Lennon/Paul McCartney
(“Everybody’s Got Something to Hide
Except Me and My Monkey”)

We start by outlining ‘theoretical’ implications that mostly address the scholarly community. The basic question we need to ask is: What happens with the *As If*? If the fiction provides a ground from which further sense-making processes can unfold, we need to know more about the process of identification that underlies managers’ understanding of the strategy context. To discuss this issue, we should (re)consider the following aspects: The *As If* is based on differences that are drawn by practitioners within organizations. Because of these differences, managers regard certain aspects of the unordered general text (Derrida 2003a) as relevant; they kind of sort information out which then makes up their construction of the environment. This construction, though, is what they subsequently experience as a constraint (i.e. ‘the environment’). In other words, the environment is a self-created constraint from the side of the organization (see also parts in section 6.1.1).

What is important for us is that the argumentation that was just described is well reflected by a single concept: *enactment*. The theoretical notion of enactment refers to the ideas of Weick (1979: 130) and “captures the more active role that we presume organizational members play in creating their environments which then impose on them.” Enactment reaches beyond the idea of pure notional constructions; it *is* activity to enforce a state of the world.⁹⁵ Enactment *does* something to the world. Although certain environmental aspects sometimes seem imposed by the environment –

⁹⁵ Weick (1979: 164) argues: “The concept of an *enacted environment* is not synonymous with the concept of a *perceived environment*, even though citations of the concept would suggest that it is. If a perceived environment were the essence of enactment then the phenomenon would have been called enthinkment, not enactment. We have purposely labeled the organizational equivalent of variation *enactment* to emphasize that managers construct, rearrange, single out, and demolish many ‘objective’ features of their surroundings.” (emphasis in the original) Daft and Weick (1984: 288) even speak of a new type of organization: “These organizations construct their own environments. They gather information by trying new behaviors and seeing what happens. They experiment, test, and stimulate, and they ignore precedent rules, and traditional expectations.”

for instance when considering formal and informal regulations – it is the organization that directs its attention toward them. By engaging in activity, organizations isolate and combine these regulations and thus regard them as relevant (or not relevant) to *their* environment. According to Weick (1979: 154):

“Once something has been isolated, then that *is* the environment momentarily for the organization and that environment has been put into place by the very actions of the employees themselves.” (emphasis in the original)

An *As If* reflects an attempt to enact a strategic environment. Strategists start drawing lines between events and objects in the ‘real’ world so that the strategy context appears meaningful. The enacted strategy context is what they then experience as a constraint. Organizations, as Weick (1979: v) argues, draw the lines that they themselves stumble over. Enactment teaches us that the strategy context is not ‘given’ but ‘becomes’. This process of becoming is one of ongoing differentiation to appropriate order out of disorder; environment and organization arise as categories because they result from an *active* operation (Cooper 1986). Similarly, Cunliffe (2001: 352) argues that managers ‘author’ the shape of their environment *and* by doing so create a sense of their own identity. Hence, enactment influences the organization (i.e. its identity) and the environment (i.e. its enacted landscape).⁹⁶ Based on the notion of enactment, how should strategy scholars think about the relation between organization and environment?

Because the organization is as much *inside the environment* as the environment is *inside the organization* (Cooper 1986: 303), we propose to conceptualize the organization/environment relation as supplementary *sensu* Derrida. To grasp the supplementary nature of the organization/environment opposition, we suggest portraying the relation between both spheres by means of *framing*. Framing is itself an undecidable term, because the frame is at the limit separating inside from outside (or outside from inside). The frame remains undecidable, caught between organization and environment, inside and outside (Derrida 1987b: 61). A frame neither belongs to the organization nor to the environment. Framing draws our attention to the interrelatedness of both spheres: the organization creates its environment while at the same time this environment constrains its future

⁹⁶ Organizations cannot enact any reality that they choose. People experience limits to what they enact, just as they experience limits to what counts as an *As If* (Smircich and Stubbart 1985: 732). First, because prior enactments act as constraints and people cannot simply forget about what they used to believe. Second, enactment is a collective process and whatever is enacted needs to be socially accepted. Individuals can introduce their enactments to other people, but whether and how they are accepted remains an empirical question.

actions and thus identity. There is no environment or organization as such, but whenever an environment is framed the organization is framed as well *et vice versa*. That is why the frame has *no* place of its own, belonging *either* to the environment *or* the organization. Only *framing effects* occur (Derrida 1987b).

As *Ifs* generate such framing effects. On the one hand, an *As If* frames the environment of an organization (because of fictions, people regard certain aspects of an apparently unordered state of the world as important). On the other hand, *As Ifs* also give the organization identity and thus constrain future sensemaking processes (because they serve as plausible guides for subsequent actions and interpretations [Weick 1979: 229]). The resulting supplementary relation is depicted in Figure 25. This treatment of Derrida's supplementarity reflects our belief that this logic can also be interpreted in a non-paradoxical sense (see section 5.2). According to Derrida (2003a), the supplement constantly 'adds something' to the original and eventually also 'takes-the-place-of' the original. As indicated by Weick's (1979) remarks on enactment, the organization constantly carves out new dimensions of the environment; the organization frequently adds something to the void that the environment leaves. Both, the organization and environment are unstable and underlie the force of *différance*. Most of the time, of course, the enactment just adds-on: it highlights new facets of the environment. Rarely, does the organization carve out a completely new, enacted landscape and consequently 'takes-the-place-of' the environment.

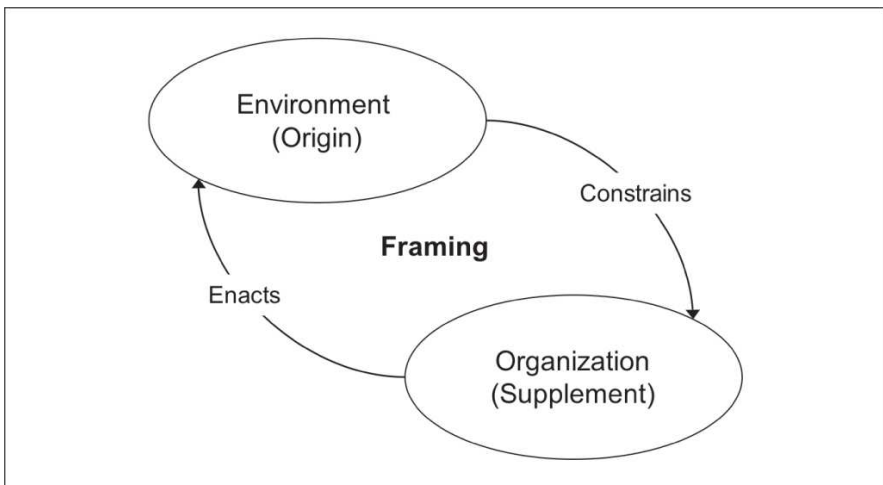


Fig. 25. The Framing of Strategy Context

Whereas the idea to treat the organization/environment-relation in a recursive way (i.e. in our case as ‘framing’) has also been acknowledged by scholars in the field of organization theory (Kieser 1998; Ortmann 1995: 107; Weick 1979, 1995), the strategic management community remained notably silent and at best discussed the implications of this finding in an implicit way (Harris and Ruefli 2000).⁹⁷ In a sense, this is unfortunate because there are a variety of more precise ‘theoretical’ implications that the notion of a framed strategy context brings about. We would like to highlight particularly the consequences for the strategy/structure debate, since we identified this discussion as belonging to strategy context research (see section 2.3.2).

The basic question is whether ‘structure follows strategy’ (Chandler 1962) or ‘strategy follows structure’ (Hall and Saias 1980; Rumelt 1974). In this debate, structure is equated with *internal* efficiency, whereas strategy represents *external* effectiveness. Chandler’s dictum means nothing more than that the environment specifies the strategy and the organization has to adapt accordingly by adjusting its structure. From the perspective of a framed strategy context, the assumption that internal structure follows external strategic intent overlooks that, at the same time, internal structure also enacts the external strategy. Strategy-making is constrained by the

⁹⁷ Although Smircich and Stubbart (1985) opened a debate about the general nature of the environment in strategic management, their plea for a consideration of enactment remained largely unheard. Henderson and Mitchell (1997: 6) put in a nutshell: “[R]esearchers interested in characterizing the environment have typically been content with very simple models of the firm while researchers interested in the internal dynamics of firms have usually been content with very simple models of the environment.” Most scholars rely on models where the direction of causality is unidirectional. Ingram and Baum (1997) suggest that firms learn from their own operating experience in the market and thus shape their internal capabilities accordingly. Firms learn from their own or others’ experience in *the* market. Arguing the other way around, Tripsas (1997) shows how existing competences shape responses to technological change. Her work points towards the relationship between organizational competences and environmental conditions, yet it remains unidirectional in its argumentation because the influenced environmental conditions impose on the organization like constraints. Peteraf and Shanley (1997) and Ocasio (1997) discuss the interactions of competition (environment) and managerial work (organization). In fact, Peteraf and Shanley (1997) argue that the formation of strategic groups results from managerial cognition rather than ‘real’ differences in a firm’s characteristics. These groups are perceived as constraints to further strategizing. Ocasio (1997) shows that firm behavior is the result of how firms channel and distribute attention of their decision-makers. Firms enact their environment, which then imposes on themselves (see also Grimm 1996).

way organizational members make sense of their environment. Structure not only follows but also enables strategy.⁹⁸

Today's structure, by limiting the enactment of the environment, influences tomorrow's strategy in the same way that today's strategy, by constraining the internal way of operation and demanding new administrative behavior, limits tomorrow's structure. Structure affects the scanning mechanisms of organizations that drive the enactment of the environment. For this reason, management's strategic choices not only shape the organization's structure, but structure also influences what is regarded as (un)important and thus the strategic direction of a corporation (Miles and Snow 1978: 7-8). Once again, organizations define the lines that they stumble over.

In a Derridean sense, structure supplements and thus adds a new dimension to strategy which can, but does not have to, lead to a new strategic orientation. Structure supplements strategy, because when enacting the environment people constantly recreate their reality. Enactment adds *a new* dimension to strategy, since enactment as argued above, has a great deal to do with creating novel meaningful relations between events and objects. Especially in times of crisis or obvious ecological change (Weick 1979: 130), new meaning structures are more quickly incorporated into existing strategic orientations. Although, Miles and Snow (1978) discussed the interrelated nature of strategy and structure quite early, deconstruction enables us to see that we face an opposition that is based on a supplementary relation. In this way, one central task for strategic managers becomes the encouragement of new strategic directions (e.g., by fostering multiple interpretations or creating test markets) to fully leverage the creative force of the supplement. To conclude, the strategy/structure-debate is not irrelevant but based on inaccurate questions. Strategy scholars, by trying to identify an Archimedean point, attempt to find reasons why strategy or structure are supposed to be at 'the beginning' of a chain of causation. From the perspective of deconstruction, strategy and structure are supplementary and mutually inform each other (Ortmann 2003a: 134, for a similar point see also Gaitanides 1985).

⁹⁸ Fredrickson (1986: 281), for example, suggests that strategic decisions are affected by the centralization of an organization's structure because of the cognitive limits of the central decision maker. In a similar way, Burgelman (1983: 64) argues that "[b]ecause of the effects of structural context on the generation and shaping of strategic projects, it is also possible to posit that strategy follows structure."

Managing for a Framed Strategy Context

Having outlined more ‘theoretical’ implications of our discussion of strategy context by emphasizing the need for framing, we now discuss what strategists can take away from the notion of framing. Indeed, we ask how practitioners can manage for framing. In the following, we particularly discuss three aspects (i.e. a reinterpretation of the SWOT framework, the value of counter-assumptions, and the need to look at regulation in a recursive way) as these issues are frequently considered to address managerial concerns with regard to strategy context research (Beardsley et al. 2005; Hill and Westbrook 1997).

First, framing implies rethinking classic tools like SWOT. In fact, environmental analysis is managerial analysis *et vice versa*. The recursive relation between organization and environment prohibits a strict distinction between both spheres without acknowledging the influence of ‘the other’ that Derrida (2003a) places so much emphasis on. For instance, getting to know opportunities and threats from outside inevitably means getting to know oneself, since the self rather than ‘the environment’ enacts these categories. Many strategic managers tend to look at and blame ‘the environment’ when looking for explanations of their situations, whereas they should look at themselves and their actions and interactions that bring about reality. As Weick (1979: 152) argues:

“If people want to change their environment, they need to change themselves and their actions – not someone else. Repeated failure of organizations to solve their problems are partially explained by their failures to understand their own prominence in their environments. Problems that never get solved, never get solved because managers keep tinkering with everything *but* what they do.” (emphasis in the original)

When looking at the other side of the SWOT framework, one can argue that if organizations want to change their strengths and weaknesses, they need to change their enacted environments. This is because mental schemes that enact an environment shape and are shaped by the identity of an organization and affect the perceived strengths and weaknesses. To alter one’s environment can result in different strengths and weaknesses. Beer companies, for instance, believed for a long time that diet beers could not be sold (because of the missing ‘taste’). Only an ‘unwisely’ acting corporation tested the assumption and introduced diet beer. By doing so, the firm not only created one of the most significant product innovations in the beer industry and changed the competitive environment but also revised its own strengths and weaknesses.

Second, if the strategy context is a product of framing effects, managers should be less concerned about what is typically regarded right and wrong

within an industry. Rather, they should test their own assumptions periodically by acting *as if* counter-assumptions are viable (Smircich and Stubbart 1985: 732). Experimenting and testing are undervalued activities in strategic management, since frameworks like Porter's industry analysis or portfolio analyses often act like straightjackets and do not allow for the creative destruction of currently held assumptions. Enacting an environment requires forgetting; or, in more mundane words: learning requires unlearning. Framing strategy context implies as much the creation of organization and environment as their destruction.

Third, based on our conviction that the strategy context is framed, we can also show the implications for the nature of regulation in strategic management. When writing about regulation, strategy scholars usually assume that there are laws or other regulatory frameworks that *constrain* the way business is done (Beardsley et al. 2005). To a certain extent this is true; firms need to comply with regulatory schemes that impose upon them. This, however, is only half of the story, because the environment, characterized here by existing regulations, is enacted by organizations. Enactment implies that managers make something out of the regulations that surround them. In fact, managers attend to some regulations, ignore others, and try to arrange them in a way that makes them appear more orderly. Many firms even 'manage' regulatory risk to create potential opportunities for themselves.

Why does the notion of framing lead us to the claim that regulative frameworks are influenced by organizations? For this, reconsider that we discussed framing as a more general concept to express the supplementary relation between organization and environment. This supplementary relation is based on our conviction that organizations enact their environment. Enactment means to *establish* something into the world. As Ortmann (2004c: 203, emphasis in the original, translation A.R.) claims: "*Enactment* is the performative enforcement of something that 'counts as', that thereby comes into effect." Enactment means to create something, to carve out reality, not solely as a pure notional construct, but through activity, an activity that has consequences. Such consequences can be 'used' to the advantage of firms. Following Weick (1995: 162), enactment can result in the active 'manipulation' of the environment; it *enforces* a state of the world and brings reality into being. The environment does not impose limitations on organizations, but organizations impose these limitations on themselves.

"Limitations are deceptive conclusions but, unfortunately, people don't realize this. What they don't realize is that limitations are based on presumptions rather than action. Knowledge of limitations is not based on tests of skills but rather

on an *avoidance* of testing. On the basis of avoided tests, people conclude that constraints exist in the environment and that limits exist in their repertoire of responses.” (Weick 1979: 149, emphasis in the original)

When applying this line of thinking to the common understanding of regulation, we have to admit that it is not only regulation that regulates, but that the regulated sphere (viz. the firm) has a certain influence on regulation. Following Ortmann and Zimmer (2001), we call this exertion of influence on regulation *recursive regulation*.

By influencing regulating instances on the national and supranational level, organizations create the foundation on which they base their subsequent actions. Recursive regulation is a bootstrapped operation; it influences institutions that organize political, economic, and social interactions. When discussing recursive regulation, we mean the intended modification of supraorganizational, formal institutions like laws or property rights (Ortmann and Zimmer 2001: 310-311). Deliberately influencing formal institutions entails shaping a regulatory framework, which organizations then experience as constraints to their behavior. Weick (1995: 165) gives an example by referring to the daylight savings time coalition:

“This coalition, consisting of people representing convenience stores, fast food chains, greenhouses, and makers of sporting goods, lobbied to the U.S. Congress to move the start of daylight savings time from last Sunday in April to the first. This effort, which was successful, created extra hours of evening daylight, which in turn led more women to visit convenience stores and restaurants on their way home because they felt safer, led gardeners to think of spring earlier and to purchase more plants quickly, and led people playing sports to begin their season earlier.”

This coalition found that regulation not only runs from the regulating instances to firms, but also the other way around. In the spirit of the Derridean supplement, recursive regulation adds a new dimension to existing regulations, which, in an extreme case, can also mean to replace them entirely.

In a pragmatic sense, recursive regulation requires that managers more explicitly reflect on practices like lobbying and the overlap of posts between business and government. These phenomena are usually considered to be sleazy and ethically questionable. Thus, recursive regulation asks managers to include ethical reflection in their thinking about strategy formation (Crane and Matten 2004: 399; Hosmer 1994; Meznar et al. 1990). In summary, our discussion of recursive regulation shows that a deconstruction of strategy context is not a mere theoretical endeavor but is already rooted in everyday strategic practice.

6.2 Strategy Process – Beyond the Notion of Feasibility

“Cause and effect, means and ends,
seed and fruit cannot be served;
for the effect already blooms in the
cause, the end preexists in the
means, the fruit in the seed.”

Ralph Waldo Emerson
(*Essays and English Traits*)

6.2.1 Contingency – Beyond the ‘Primacy of Thinking’

In section 3.2.2 we argued that the ‘primacy of thinking’ reflects the belief of a variety of strategy scholars that thinking (strategy formulation) comes before action (strategy implementation). Although most scholars do not overly believe that the strategy process is purely linear, but rather highlight its political and incremental character (Chakravarthy et al. 2003), there remains the deeply held assumption that thinking comes before action. To discuss the dysfunctional nature of the ‘primacy of thinking’ and to demonstrate that this dominant logic obscures a paradox, we first need to expose the blind spot that underlies the detachment of thinking and action from the perspective of deconstruction.

Of course, if the ‘primacy of thinking’ asserts that the future is to a certain degree determinable, any notion that disregards this dominant logic must be based on the conviction that the future is to a large extent indeterminable. We can only plan in the light of what we already know. But what do we know about the future? Derrida (1995b: 386) claims that the future is something *monstrous*, something that we neither can nor should predict.

“[T]he future is necessarily monstrous: the figure of the future, that is, that which can only be surprisingly, that for which we are not prepared, you see, is heralded by species of monsters. A future that would not be monstrous would not be a future; it would already be a predictable, calculable, and programmable tomorrow. All experience open to the future is prepared or prepares itself to welcome the monstrous *arrivant*, to welcome it, that is, to accord hospitality to that which is absolutely foreign or strange, but also, one must add, to try to domesticate it, that is, to make it part of the household and have it assume the habits, to make us assume new habits.” (Derrida 1995b: 386-387, emphasis in the original)

What does Derrida mean by the phrase ‘monstrous arrivant’? Royle (2003: 111) argues that, like the word ‘arrive’, ‘arrivant’ has to do with what comes to the shore. A monstrous arrivant comes to a threshold, a border –

one that points towards the future – to surprise us. That is why, we, and especially we as strategists, need to welcome this monstrous arrivant, since no strategic decision would be possible without the singularity that is attached to this arrivant.

For Derrida (1992b: 200), deconstruction is about “the opening of the future itself” because, as remarked in chapter four, a deconstructive thinking necessarily destabilizes any context. In fact, this destabilization is a necessary condition for the *dangerous* monstrosity of the future. As Derrida (1977: 5, emphasis in the original) claims: “The future can only be anticipated in the form of an absolute danger. It is that which breaks absolutely with constituted normality and can only be proclaimed, *presented*, as a sort of monstrosity.” In a certain sense, this is also true for strategy. If the future were not a dangerous one, there would be no need to become involved in something like strategic management. Indeed, if we were able to calculate the future, regardless by which analytical tool, there would be no need for *strategic* management anymore. This is not to suggest that foresight is completely impossible, but that foresight is not a linear calculation.

Strategic management has tried to tame these monsters without recognizing that a future that is forced into the straightjacket of a plan is not a future anymore. In the absence of uncertainty, strategists only face a computational exercise. This, however, runs counter to the very idea of strategizing which is to prepare for the *unknown* (Ortmann and Sydow 2001a: 435). Brews and Hunt (1999: 891) even argue that it is the very nature of strategizing to be concerned with non-routine problems that cannot be solved in a predetermined manner. If the future is conceived to be calculable, there is no need for planning (and strategists) anymore. We could leave the task of strategic management to computers that enforce programmable decisions. This results in yet another contradiction: if we think of the future as something ‘manageable’, there is no future anymore. This is why Derrida (1989a: 80) argues that “[m]onsters cannot be announced. One cannot say: ‘here are your monsters’, without immediately turning the monsters into pets.”

When considering our remarks in chapter four, we can understand why Derrida thinks in such a way. Here, we have to recall the deconstruction of the sign and think about its implications. To announce a monster would fix the meaning of the future; to say ‘the future *is* about...’. However, as we know, meaning is always in a state of flux because it is subject to *différance*. There is no such thing as a self-present meaning of the future that could operate outside of the play of differences. Because there is no outside-text, where referents just ‘are’, but only textualized (i.e. interpretative) experiences of the world in which all reality already has the structure of a

differential trace, the future *as it is* needs to remain unknown. Meaning, regardless of whether we look at the meaning of the now or the meaning of the future, is always in the coming. To look at the future in a determinable way is like assuming that there is some 'present' meaning, something that stops *différance* from occurring.

Although Derrida's (1977, 1992b) emphasis on the indeterminable nature of the future provides the basis for our critique of the 'primacy of thinking', we can sharpen our understanding of how 'monstrosity' relates to strategic management by discussing the notion of 'contingency'. In its most general sense, contingency refers to the fact that something *might* or *might not* occur. Kant (1787/1995: 124) even equates contingency with coincidence and emphasizes that there is no God-given necessity that things happen. If we put this in more concrete terms and agree with Luhmann (1994: 47) that contingency describes that things can also be otherwise possible, that there is no predetermined way of history but always the possibility of alternatives, we need to concur that defining something as contingent means that everything is neither necessary nor impossible (Luhmann 1992: 96).

"Contingency means that being depends on selection which, in turn, implies the possibility of not being and the being of other possibilities. A fact is contingent when seen as selection from other possibilities which remain in some sense possibilities despite a selection." (Luhmann 1976: 509, quoted in Vanderstraeten 2002: 84)

Contingency does *not* imply arbitrariness (Ortmann 1995: 23), because arbitrariness means that everything is possible, while contingency states that things could have also happened in another way. This 'being otherwise possible' does not mean otherwise in an arbitrary way, but otherwise in a more or less restricted 'space of possibilities'. Every new step appears to be otherwise possible, but only against the background of what has already been determined in the course of social life. Contingency implies *forced freedom*; we cannot foresee the future because there is no way to predetermine one's own actions.⁹⁹

Contingency is a helpful concept since it allows us to explicitly consider that strategic decisions need to factor into the behavior of other market

⁹⁹ While this study is concerned with the intersection of contingency and the future, contingency also relates to the past, because humans have infinite ways of recalling (i.e. narrating, memorizing) the past (Gumbrecht 2001: 53). Contingency also interferes with the present in the sense that our descriptions and actions could always be otherwise possible, an argument that, as far as descriptions are concerned, gained much popularity under the label 'constructivism' (see Czarniawska 2000; Erdmann 1999; Hejl and Stahl 2000).

players. Strategies are never built in a vacuum but are all about the actions of other organizations. This brings us right to the concept of *double contingency* that considers that the actions of organizations are mutually dependent and that no firm can have full knowledge of what the other might do (Morgenstern 1935: 344). Since strategic management particularly needs to get by without a safe ground, because it is all about paving ways into an uncertain future (section 2.1), double contingency should be at the heart of our thinking about strategy formation.

Luhmann (1995b: 123) reminds us that double contingency cannot be neutralized or even eliminated; social interaction needs to be conceived as the confrontation of at least two *autonomous* actors (ego and alter). Double contingency is not a consequence of the mutual dependence of social actors, as Parsons (1951) assumes, but of the confrontation of at least two autonomous social actors that have the capacity to make their own selections with regard to one another. This is because contingency means that facts are selected from a range of possibilities, whereas the non-selected possibilities still remain (in some sense) possible despite their non-selection. In the case of double contingency, alter's contingent behavior depends on ego's while at the same time ego's contingent behavior depends on alter's. This is the basic condition of possibility for social action as such (Vanderstraeten 2002: 81). Because of this immanent circularity of the conditions of double contingency, social actions are made indeterminable.

The implications of the acknowledgement of double contingency are far-reaching. In terms of strategic management, social action in the situation of double contingency is always indeterminable and cannot be made otherwise by means of sophisticated strategic analyses. Even though we never face a situation of 'pure' double contingency (Vanderstraeten 2002: 84), because we always act against the background of what has already happened, the basic problem that is attached to double contingency remains: no organization can have full knowledge about its own conduct and the strategic actions of other actors. After all, isn't this what strategy is all about: the creative use of *ploys* to gain some advantage over others (Mintzberg et al. 2005: 26)?

To conclude, Derrida's discussion of the monstrous nature of the future and our extension of his remarks with regard to the notion of (double) contingency demonstrate that we cannot replace real actors by variables and real time by the order of these variables (Abbott 1991: 230). Each reduction of uncertainty is a constructed reduction and this is also true for analytical tools such as scenario planning or game theoretical concepts that recently have gained much popularity in strategic management

(Brandenburger and Nalebuff 1995; Lindgren and Bandhold 2003). Contingency disenables the metaphysical ground on which rationalized strategic decisions seemingly rest. In the following section, we show how a consideration of contingency helps us to uncover a paradox that arises once we attempt to establish a metaphysics of presence with regard to the relation between decision and action. Our remarks thus give reference to the call for conceptual research by Langley et al. (1995: 265) who argue that “the relationship between decision and action can be far more tenuous than almost all of the literature of organization theory suggests.”

6.2.2 Strategy Process and the Paradox of Undecidability

“The only decision possible
is the impossible decision.”

Jacques Derrida (1995b: 147)

Recall that deconstruction starts with an encounter of the metaphysics of presence that underlies our thinking. While looking at the classic thinking/action opposition, it is obvious that ‘thinking’ is defined in a self-sufficient way. This logocentrism classifies thinking (strategy formulation) as being full of meaning and action (strategy implementation) as its necessary consequence. Thus, strategic decisions have ontological priority over action. How does deconstruction approach the hierarchical structure that resides in the thinking/action opposition? Derrida (1995b: 147, 1992a: 24) starts by acknowledging the monstrous, double-contingent nature that underlies the future. He asserts that to make choice *real*, one needs to accept that the future cannot be certain, because if the future were certain, there would be no choice anymore. If strategic choice only is real in the light of uncertainty, why then is ‘real’ choice paradoxical?

To answer this question, we have to get back to the supplementary logic that is at the heart of any deconstruction. If thinking is not full of meaning, it is constantly supplemented by action. Action ‘adds’ a new dimension to the ‘original’ (i.e. thinking) – a surplus that can turn out to be dangerous because it modifies the decision premises that justified the decision ‘in the beginning’ (Derrida 2003a: 249-251). Decision premises are not entirely the outcome of thinking but are *completely* constituted in the course of action. Not until the decision has finally been executed can one decide whether and how contingency has been fixed and what justification was chosen. Action constantly supplements, in fact ‘gives-new-meaning-to’, thinking in a way that makes it impossible to *fully* justify a decision *a pri-*

ori. The justification one chooses prior to action cannot ‘stand in’, at least not in a pure sense, for the decision one is about to make.¹⁰⁰

These insights lead to a paradox: a decision can only be justified with regard to action, but action needs a decision to come about. Decisions are impossible in the sense that the preferences, which give the good reasons why the decision is carried out, are fully constituted *in actu* only (see Figure 26). Because the meaning of a decision is constituted in the course of action, we need to make decisions if, and only if, they are impossible to justify. The condition of the possibility of a decision, that is its justification, implies at the same time its impossibility since there is no full justification until the decision has finally been executed. No decision can reach a final definition (i.e. justification) since it potentializes other decisions. In the words of Derrida (1995b: 147-148):

“These are the only decisions possible: impossible ones. [...] It is when it is not possible to *know* what must be done, when knowledge is not and cannot be determining that a decision is possible as such. Otherwise the decision is an application: one knows what has to be done, it’s clear, there is no more decision possible; what one has here is an effect, an application, a programming.” (emphasis in the original)

The very nature of decisions excludes any form of constraint that would enable us to make calculable decisions.

Because of paradox, strategic decisions deserve their name only if they contain the ‘ghost of the undecidable’ (Derrida 1992a: 24-25). Every (strategic) decision remains caught in a ghost that represents the undecidability of an open future.

“The undecidable is not merely the oscillation or the tension between two decisions; it is the experience of that which, though heterogeneous, foreign to the order of the calculable and the rule, is still obliged – it is obligation that we must speak – to give itself up to the impossible decision, while taking account of law and rules. A decision that didn’t go through the ordeal of the undecidable would not be a free decision [...] That is why the ordeal of the undecidable that I just said must be gone through by any decision worthy of the name is never past or passed, it is not a surmounted or sublated (*aufgehoben*)

¹⁰⁰Culler (1982: 86) refers to Nietzsche to show that our traditional view on causality may be misleading. Nietzsche argues that the concept of causal structure is not something given but the product of a reversal (*chronologische Umdrehung*). For instance, if we feel pain, we start looking for a cause, maybe a pin, and start reversing the perceptual order ‘pain ... pin’ into ‘pin ... pain’. In a quite similar sense, Chia (1994: 788) discusses the concept of causality and talks about the ‘actionality of decision’ and the ‘decisionality of action’. The action already is in the decision and the decision is in the action.

moment in the decision. The undecidable remains caught, lodged, at least as a ghost – but an essential ghost – in every decision, in every event of decision.” (Derrida 1992a: 24-25, emphasis and German annotation in the original)

The force of *différance*, which defers the meaning of a decision and thus makes it impossible to arrive at fully justified decision premises that determine action, makes us recognize the ghost that is inherent to every event of decision. For Derrida (1995a: 116), undecidability implies that no completeness of a decision is possible. Every decision is structured by this experience of the undecidable, the limits of decidability, to finally become a decision. The point here is not whether decisions exist or not, but to question a *telos* that is present to and identical with itself. Whenever we decide upon in principle undecidable questions, we become metaphysicians (Foerster 1992: 13).

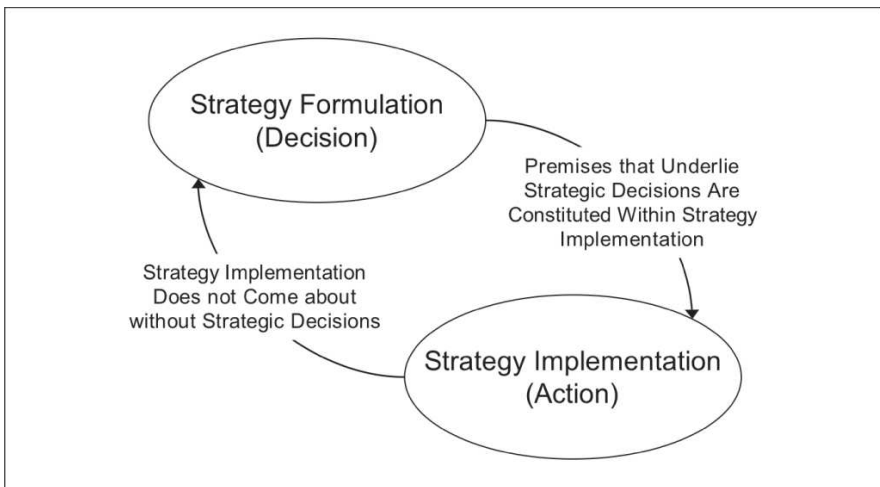


Fig. 26. The Paradox of Undecidability and the Strategy Process

Undecidability is at the heart of Derrida’s thinking about decisions. It is from the moment we surrender to the undecidable nature of decisions that the very question of how decisions come into being can be posed (Derrida 1995b: 147).¹⁰¹ Apparently, there is no moment in which a decision can be

¹⁰¹The undecidable nature of decisions has been discussed by a variety of authors. Foerster (1992: 14, emphasis in the original) states that “[o]nly *those* questions, that are in principle undecidable, *we* can decide.” In a similar way, Luhmann (2000: 131-132) devotes much attention to undecidability, because the undecidable nature of decisions acts as the presupposition of the possibility of every decision as such.

called present. That is why Luhmann (1995c: 51) argues that “the future never becomes present; it never begins but always moves away when we seem to approach it.” If contingency were fixed, the future would be present, but since it can only be fixed in retrospection, the decision is never ‘there’. Either a decision has not been made yet and is still in the process of fabrication or it has been made and is therefore ‘gone’. That is why, according to Derrida (1989a: 79), monstrosity can only be recognized after a decision, when it has become the norm. However, once it has become the norm, it is no longer monstrous. The very idea of a justifiable decision is infinite – it is *irreducible to itself* and owes its existence to ‘the other’ (action); the other, that constantly supplements, possesses a singularity that is forever new and different. Because *différance* is all about a deferral of meaning that makes ‘presence’ impossible, a monster never presents itself but always remains ‘to come’. According to Derrida (2000b: 534), “[d]ifférance is a thought which wishes to yield to the imminence of what is coming or about to come.” At first, this sounds devastating for anyone who tries to think about strategic management. Yet, on closer examination, the monstrosity of the future turns out to be the very condition of strategizing as such. As Mintzberg (1994a: 276) asks: “How can we know that a strength is a strength without acting in a specific situation to find out?”

People often wonder why decisions are impossible if they make decisions every day. Strategists in particular are perceived as strong leaders who make the hard choices in business (Porter 1996: 77). Like any paradox that deconstruction exposes, the impossibility of decisions is limited to the establishment of a metaphysics of presence; in this case presence refers to decisions that are self-defining to then *determine* action. Accordingly, decisions are not impossible *per se*, but their reasonable justification becomes out of reach. The contradiction that underlies the undecidability of decisions arises from the desire to *fully* justify a decision *prior* to action. On closer examination the paradox of decision-making turns out to be a paradox of *justification* in decision-making (Ortmann 2003a: 145-147). However, particularly strategic decisions call for justification because they include considerable resource commitments and are irreversible (Mintzberg et al. 1976: 246; Schilit 1990: 436).¹⁰² Because of time and re-

¹⁰²By contrast, on the routine level, decisions are usually less reflected upon and reached relatively quickly (Selten 1990: 652). The impossibility that the paradox brings about is thus most visible when there are non-routine (strategic) decisions that need to be safeguarded against antithetic perspectives (e.g., from critical stakeholders). A strategist, who can give no reasonable justification why a strategic move is necessary, be it in front of the supervisory board or at the shareholders meeting, not only risks her/his job but also lacks institutional support.

source constraints, strategists are usually comfortable with *adequate* reasons for these decisions. This, of course, defies the underlying paradox. If strategists do not find these reasons, which act as bridges over the cleft of contingency, they mandate external consultants or apply analytical techniques (e.g., scenario planning) to at least keep up the appearance of a 'rational' decision.

To conclude, the paradox that underlies strategic decisions demonstrates that the dominant logic (i.e. the 'primacy of thinking') aims at a metaphysics of presence that remains impossible. Of course, as already recognized, the paradox remains a theoretical limit with regard to our reasoning about strategy formation. Not even the classical linear strategy process models (Andrews 1971; Hofer and Schendel 1978; Lorange 1980) demand a full justification of strategic decision prior to action. Nevertheless, they are based on the premise that action follows thinking, a premise that is upset by the paradox. Thus, it is not important for strategy process research whether this paradox *exactly* represents those strategic realities that comply with the dominant logic, but what we can learn from the necessary limits of knowledge about strategy formation that the paradox uncovers. To demonstrate what we can learn from the paradox, we need to move to a discussion of deparadoxification to then outline detailed implications of our deconstruction.

6.2.3 The Deparadoxification of the Strategy Process

Taking up Pettigrew's (1992a: 10) call for more explicit thinking about the assumptions that underpin strategy process research, we believe that theorizing has to start with a consideration of paradoxical reasoning to then show how strategies unfold despite paradoxical indecision. To show how strategizing becomes possible despite the paradox of undecidability, we need to discuss the deparadoxification of the strategy process. To grasp how the strategy process becomes deparadoxified, we should first of all recognize that a variety of authors have studied how managers make strategic decisions (Mintzberg 1976; Schilit 1990). Regardless of the ongoing debate whether strategic decisions can be identified at all (Langley et al. 1995; Mintzberg and Waters 1990), we have to admit that strategists somehow manage to get around the paradox. To put it metaphorically, strategists manage to build bridges over the 'abyss of contingency'. Our discussion of deparadoxification needs to identify these 'bridges'.

Of course, the easiest way to circumvent the paradox right from the beginning is to not desire *fully* justified strategic decisions. Aware of their bounded rationality and influenced by time and resource constraints man-

agers usually look for satisfying justifications (Simon 1971). In this case, the paradox seems less ‘visible’ because people act *as if* ‘whatever-reasons-they-have’ will do. The extent to which strategists realize that there is such a thing as a paradox – or, from their perspective a decision that is ‘tough to make’ – depends on the importance of the decision. In cases where a significant strategic investment is needed or a considerable number of resources are applied, there is a necessity to find not only some sort of justification but also *the* justification. To not lose their capacity to act, managers temporalize the paradox by acting *as if* their justifications were somehow ‘real’ and adequate, *as if* they had something they can rely on (Ortmann 2004c: 208). To temporalize the paradox means to *first* create a ground for action by proceeding *as if* the ‘good reasons’ for the decision were known to *then* unfold strategic deeds (Gumbrecht 2001: 55).

Although most *As Ifs* are not realized as ‘fictions’ but treated as ‘truths’, for reasons of legitimacy and institutional support, strategy researchers can observe them. Strategic plans, for instance, represent an *As If*. Yet, and this is a vital difference, when a researcher looks at a plan from the perspective of an *As If*, s(he) reconceptualizes the role of the plan from a different angle. A strategy scholar who observes a plan as an *As If* treats it as an ‘excuse to act’. Plans, from our perspective, are a pretext for action, they help strategists to negotiate a part of their reality that then comes back and imposes on the organization. Ironically, we have to agree with the ‘primacy of thinking’: yes, plans are important, but not for the reasons that most strategy researchers think. Weick (1979: 11), in the tradition of Cohen and March (1974), has described this very well:

“[P]lans become *excuses for interaction* in the sense that they induce conversations among diverse populations about projects that may have been low-priority items. The interaction may yield immediate positive results, but such outcomes are usually incidental. Much of the power of planning is explained by the people that it puts into contact and the information that these people exchange about *current* circumstances. When people meet to plan for contingencies five years away, contingencies that seldom materialize, they may modify one another’s ideas about what would be done today. But that is about all that can be accomplished.” (emphasis in the original)

Deparadoxification emphasizes that plans should not be studied as plans, but (a) as excuses to act, (b) as symbols and advertisements that give signals to observers (e.g., analysts) and show the organization at its best, and (c) as games to test the commitment of people to programs they advocate (Cohen and March 1974: 115; Weick 1979: 10).

As Ifs are not solely reflected by plans. ‘Visions’, although not as precise as plans, are also much about fictions. Especially in small entrepre-

neurial firms, the individual vision of a leader often replaces formalized plans (Mintzberg and Waters 1985: 260). Likewise, 'scenarios' provide a selection of multiple grounds that organizations can base their actions on (Wack 1985). In addition, on the more personal level, individuals often make assumptions about 'what-the-corporate-strategy-means-to-them' and thus base their actions on *As Ifs*. These kinds of fictions, of course, are likely to modify/extend/corrupt existing plans. 'Visions', 'scenarios', and individual assumptions should be valued for the same reason as plans: mostly they are excuses to act and thus *necessary* to foster strategic sensemaking. *As Ifs* provide a ground from which strategizing unfolds and defers paradoxical indecision into the future. Understanding this ground as fictional implies not understanding strategy formation merely as an analytic task, but to refocus analyses on the role of *confidence in the fiction*. Strong beliefs can bring events into existence. This makes strategic management more of a motivational problem than an attempt in forecasting (Weick 1987a: 225).

To understand the strategy process as resting on *As Ifs* also emphasizes another issue that is widely neglected by scholars who treat plans as unproblematic: the matter of path dependency. Schreyögg et al. (2003: 267) suggest that it is a common assumption in strategy process research that plans are developed with regard to the belief that strategists can 'start anew' every time a planning process starts. This, however, is not the case. Although *As Ifs* are in principle contingent, they are influenced by previous assumptions that hardened into a certain 'path'. Hence, an *As If* is always influenced by former decisions and occurs in the more or less restricted space of already existing strategic paths. In short, *history matters!* Porac et al. (1995), for instance, illustrate how organizations in the Scottish knitwear industry were limited in their ability to establish new strategic orientations due to already existing mental schemes. In a similar sense, Ortmann et al. (1990) find that existing strategic assumptions reflect a certain 'stickiness' because their reorientation would imply a reallocation of power within the organization, which, of course, is not favored by those who already possess power. Path dependency demonstrates that *As Ifs*, although contingent, do not emerge from 'nothing'; their formulation is restricted by existing cognitive patterns and and/or power relations (see also Prahalad and Bettis 1995, 1986).

Our discussion up to this point has already demonstrated (a) that *As Ifs* deparadoxify the strategy process, (b) that *As Ifs* can be interpreted as plans but lead to different solutions about the value of planning, and (c) that *As Ifs* are path dependent. Although *As Ifs* are different from plans, they share one aspect with them: *As Ifs* are seldom fully realized in praxis,

otherwise we would look at self-fulfilling prophecies. Like a decision cannot determine action, a fiction can only inform (but not determine) future strategizing. Fictions are constantly modified in the course of strategizing (Mintzberg 1994). Some modifications pass by unobserved or are skillfully hidden; others are more obvious and turn out as a ‘change in plans’. *As Ifs* are subject to an everlasting process of ‘becoming’ that is based on collective actions in social praxis; they are of relevance only if social actors collectively embed their effects into their daily activities. Such collective acceptance does not occur suddenly but is shaped by the process of social reality construction. According to Berger and Luckmann (2000: 58), collectively accepted reality constructions gain the status of objectified institutions once the actions of agents are reciprocally typified. To become socially relevant, fictions need to be objectified; they need to be accepted by the members of an organization.

In the following section, we illustrate the ‘theoretical’ and ‘practical’ implications of our discussion of the paradox of undecidability and the related deparadoxified understanding of strategy formation. The underlying question of this discussion is: What do strategists ‘do’ with the *As If* that helps them to circumvent paradox? Any *As If* is only a stimulation for further strategic sensemaking and is reworked/modified/supplemented within the course of strategizing. Our ‘theoretical’ implications will show how scholars can conceptualize a strategy process that constantly reworks *As Ifs* and thus deeply links formulation and implementation, whereas our ‘practical’ implications illustrate what managers can do to ‘manage’, or at least guide, such a process.

6.2.4 Implications of the Deconstruction of Strategy Process

Improvisation – About Real-Time Strategy

As already indicated in the preceding section, *As Ifs* do not determine action. If we consider Derrida’s (2003a) remarks on supplementarity, we can give a reason for the non-determinable nature of an *As If*. Because strategic actions always add a new dimension to the fiction, we never face a ‘pure’ and self-defining *As If*. The necessary fictions are constantly modified in a sense that thinking and action intermesh; thinking (i.e. the *As If*) in a sense informs action, but action also modifies (and thus constitutes) thinking. Such an understanding implies a non-paradoxical understanding of Derrida’s supplementarity relation; a perspective that takes the *As If* as a stimulus and then outlines the gradual production of the strategy over time. To conceptualize such a process, we refer to Derrida’s (2000a) interest in

improvisation.¹⁰³ The term improvisation fits our analysis since it is undecidable and highlights the rich interplay between formulation (thinking) and implementation (action). Although Derrida (2000) emphasized the need for improvisation, he never formally developed a definition. Since improvisation has not been applied substantially to strategic management but only with regard to organization theory, we supplement Derrida's remarks with comments by authors who discuss improvisation within organization theory.¹⁰⁴

Much of the literature on organizational improvisation is based on the jazz metaphor (Kamoche et al. 2003; Weick 1998; Zack 2000). Like in jazz, where musicians create music real-time while continually adjusting to the changing interpretations of other group members, organizational improvisation is about producing something (e.g., a strategy) on the spur of the moment. Weick (1998: 544) refers to Berliner's (1994: 241) definition of improvisation as

"reworking precomposed material and designs in relation to unanticipated ideas conceived, shaped, and transformed under the special conditions of performance, thereby adding unique features to every creation."

According to Weick (1993b: 348), organizational improvisation is about continuously reconstructing processes and designs; the creation of something while it is being performed. Improvisation accounts for the fact that the acts of composing and performing are inseparable and that order in organizations is constantly changing, as members have to react in a spontaneous way. Irby (1992: 630) puts it in a nutshell by arguing that improvisation is "thinking in the midst of action". If we apply these insights to strategic management, we need to recognize that decisions and actions not only interrelate in the sense that one informs the other, but both spheres are

¹⁰³ Pondering about the possibility of improvisation, Derrida (2000a: 10) remarks with a sense of irony in an interview: "The question was: 'What is improvisation? Is an improvisation possible?' *I had to improvise of course*, and I said 'No, an improvisation is absolutely impossible', and went on speaking for half an hour, I think. And today, I remembered this when you asked me to say something and I agreed on the condition that it would be totally improvised; that was the contract." (emphasis added)

¹⁰⁴ There has been almost no discussion of strategy as improvisation up to this point. Exceptions are the articles by Crossan et al. (1996) and Perry (1991) that, however, treat improvisation in a rather unconventional way without paying much attention to the convergence of thinking and action. Weick (1987a) also outlines improvisation as a 'substitute for corporate strategy', yet overemphasizes the role of action. Improvisation does not mean to focus solely on action, as the emergent strategy perspective does, but to conceive planning (thinking) as an activity while *action unfolds*.

deeply intertwined. As Orlikowski (1996: 63) remarks, improvisation considers strategy not as a drama staged by deliberate directors with predefined scripts. Rather, improvisational strategy slowly unfolds as people do what they are supposed to do (their job) and also do what they are often prohibited to do (the informal gossip about ‘how-things-work-out-around-here’). To further discuss strategy as improvisation, we follow Cunha’s et al. (1999: 302) definition of improvisation in general and define strategic improvisation as *the conception of strategic action as it unfolds that is enforced by organizational members and draws upon existing As Ifs*. To provide an ordered discussion of strategic improvisation, we explain the various elements of this definition.

Strategic Improvisation Draws on As Ifs: Every improvisation needs to start with something to improvise around. If there is no material that strategists can use for improvisation, there is no possibility of improvising. The necessity to draw on existing materials addresses the common misunderstanding that improvisation is anarchic and thus of no value to strategy scholars. Weick (1987a: 229) argues that improvisation contains some order, which, however, is underspecified. Like in jazz or in improvisational theater, improvisation does not occur from nowhere but needs something to improvise around. Jazz consists of variations of a theme, improvisational theater starts with a situation, and strategy starts with an *As If*. Improvisation means to make something out of these fictions as action unfolds in a spontaneous but historically contextualized way. If we understand strategizing to be about working out responses in real-time (Crossan and Sorrenti 1997: 156), there is less possibility of deploying sophisticated analytical tools or analyzing large chunks of data; one has to tackle the issues at hand with whatever is currently available.

Strategic Improvisation Reflects a Conception of Strategic Action as it Unfolds: This part of the definition highlights that the preferences on which strategic decisions rest do not exist prior to implementation but are constructed in the course of action. If preferences are fully constituted *in actu*, there is no need to assume that strategy formulation determines implementation (Moore 1995: 23). In fact, implementation constantly supplements the *As If* (see Figure 27). Decision premises and thus the meaning of strategy are gradually produced over time. Strategic improvisation suggests that strategy making is thinking *within* (and not prior to) action. This is not to claim that strategic decisions do not exist anymore, but that the meaning of these decisions can only be *fixed* in a retrospective manner. In analogy to Weick’s (1979: 133) organization formula, we might ask: How should we know what our strategy is before we see what we strategize? Or, in a more general sense: How can we know what we are supposed to want

before we see what we are doing? (Ortmann 1997: 54) Strategic improvisation is planning as action unfolds, the quick and unpredictable oscillation between thinking and action that occurs when initial strategic fictions are constantly redefined, modified, supplemented or even replaced (Mintzberg 1994).¹⁰⁵

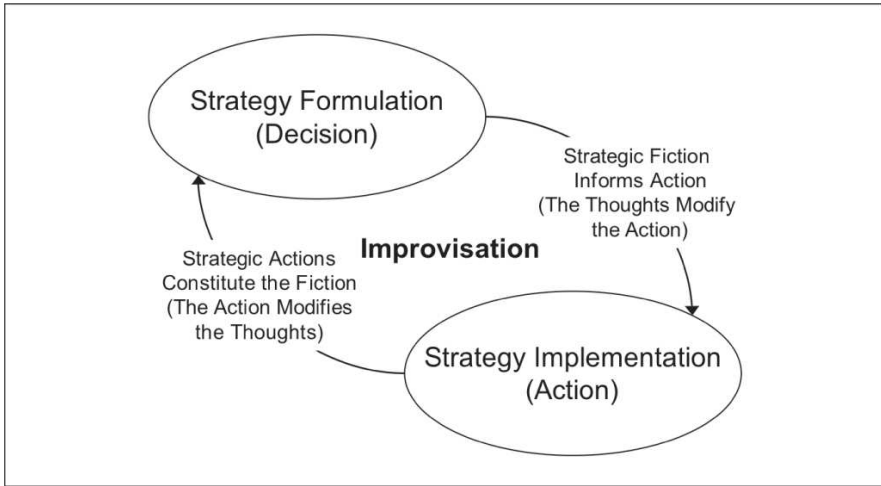


Fig. 27. Strategy Formation as a Recursive Improvisational Process

Strategy as improvisation teaches us that strategies come into being as action slowly unfolds. Strategizing, then, is not a matter of pure thinking, but each strategy is fully constituted in the course of action. This, of course, highlights the role of the Derridean supplement, which in this case is action. The supplement constantly haunts the ‘origin’; there is no time where strategic actions do not occur. The world does not suddenly come to a halt once managers start to plan (Huff and Huff 2000). Customers are served, products are produced, and the world changes. Considering that

¹⁰⁵Ortmann and Salzman (2002: 221) agree with this conception and argue that “[t]he process 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 a similar manner, Weick (1987a: 230, emphasis in the original) states that “[t]he thread that runs through this chapter is that execution *is* analysis and implementation *is* formulation.” Ortmann (1997: 46), while discussing the famous text of Heinrich von Kleist *The Gradual Production of Thoughts in Talking*, even generalizes this argument. Thinking and action are always connected in a recursive manner, and not only in strategy. This insight is also discussed in the context of knowledge. Tsoukas (2000), for example, encourages scholars to think of ‘knowledge as action’.

‘official planning programs’ are supposed to last between six to twelve months (Chesley and Wenger 1999), there is no reason to believe that actions do *not* occur during this time. Action cannot be postponed because meaning cannot be postponed. So why do we still like to think of plans? Mostly, because well-designed plans make actions seem to be sensible; then the acts *appear* to be under the control of the plan (Weick 1979: 103) and strategists can legitimize their strategic moves more easily. This is not to say that there are no plans, but that plans cannot fix meaning and that whatever a plan actually means can only be fixed retrospectively because reflection cannot but refer to the past.

While the supplement constantly ‘haunts’ the origin, it modifies and substitutes. What is planned is always already in need of modification – a modification that reinscribes thinking into the strategy process. This makes strategy implementation not a mere derivation of formulation (see similar Eisenhardt and Brown 1998; Ortmann and Salzman 2002). On the contrary, implementation is part of strategy formulation. In the midst of action, people ponder about strategic issues; they discuss, dismiss, defend, attack, and modify what they think is a plan. Modifications, here, are not to be confused with *ex post* strategic controlling where plans are adjusted. Rather, modifications happen constantly and are unavoidable, because the deferring and differing force of *différance* makes it impossible to think of strategy in a stable way (Derrida’s 1999a). In the words of Weick (1987a: 229): the strategy process becomes a *just-in-time* exercise in which formulation and implementation are recursively connected and the strategy content is quickly adjusted in the midst of strategy making. Formulated strategies are not ‘pure’ – in Derrida’s words: self-present – but come into existence by giving reference to their counterpart, not necessarily in a visible way but at least as a trace (Derrida 1977: 61).

Does this imply that there is no such thing as deliberate strategy formation anymore? To conceptualize the strategy process *solely* as a just-in-time endeavor does not reflect the empirical reality in a variety of organizations. Of course, there are cases in which strategy formulation and implementation *seem to be* related in a linear manner, although much of this classification is a retrospective appraisal. While the exact form of the strategy process remains an empirical question depending on a variety of factors (e.g., company size or leadership style) and we certainly have to admit that there is a continuum of possibilities as outlined by Mintzberg and Waters (1985), this does *not* make improvisation a useless conception. The degree of improvisation in a strategic planning process depends on the force of the supplement. The supplement, as discussed in chapter four, means *to add on* (a slight modification) but also *to-take-the-place-of* (a

substitution). Strategies can be slightly modified in the course of implementation. In this case it seems as if the linear perspective holds (although, strictly speaking, it does not). If, however, a strategy is substituted, the supplement replaces the 'original' *As If*.

Strategic Improvisation is Enforced by Organizational Members: Improvisation can be a collective or individual undertaking. Obviously, strategic improvisations can start on the individual level, for instance, if a strategist recognizes the need to promptly adjust resource allocations according to new market conditions. Yet, since strategy is a phenomenon that concerns the entire organization (see section 2.1), improvisations need to manifest themselves in the shared social practices of organizational members. An improvisation that is only relevant to a small group of people, but ignored by the rest of the organization, will not make its way on the strategic agenda. To gain strategic momentum, improvisations need to be acknowledged by others and thus 'move' in some way through the organization. For instance, a brilliant idea for a new product or service can be born during a coffee break conversation, which, however, is of no *strategic* value until the improvisation gains some momentum within the organization.

To understand how improvisations are embedded in social practices, it is worthwhile to disassemble the process of organizing. Weick (1979: 89) argues that this process consists of *interlocked behaviors* between two or more people. The development of a collective structure through interlocked behavior among individuals occurs through so-called mutual equivalence structures that rely on consummatory acts (concluding actions) and instrumental acts (initial activities that allow the consummatory acts to occur).

"A mutual equivalence structure comes into existence when my ability to perform my consummatory act depends on someone else performing an instrumental act. Furthermore, my performance of my instrumental act has the function of eliciting the other's instrumental act. If this pattern holds, and if I keep repeating my instrumental act, then the two of us have organized our strivings into a mutual equivalence structure." (Weick 1979: 98)

Organizations are full of mutual equivalence structures as nobody operates in a vacuum. The actions of people depend on one another and this mutual dependence interlocks their behavior in a way for collective structures to occur. If people depend on one another to do their job, they need to communicate which in turn allows them to move improvisations through the organization (e.g., through stories). Because of interlocked behaviors, improvisations also gain momentum through 'snowballing'. The snowball effect occurs, when some people show commitment to an improvisation,

which then leads to escalation (Staw and Ross 1978). A does it because B has already done it and C only waits for A to do it. What is important is that improvisations need to be socially accepted to make it onto the strategic agenda.

Having discussed the three parts of our definition of strategic improvisation, we can conclude that improvisation within strategy assumes that strategists act their way into understanding. Does this imply that the strategy process is completely disorganized or even chaotic as Eisenhardt and Brown (1998) propose? As already mentioned, the degree of perceived order depends on the force of the supplement (to add/to substitute) and remains an empirical question. Even within a strongly improvised strategy process there is some degree of order, an order that is underspecified and often not immediately visible to agents. The literature on organizational improvisation calls this kind of order ‘minimal structures’ (Kamoche and Cunha 2001; Pinnington et al. 2003). Such structures provide a minimum framework of commonality that people use as a rough guideline for orientation while being in midst of the turbulence of improvisation. In the following, we explain the relation of minimal structures and strategizing in more depth.

Following the work of Langley et al. (1995: 270), we characterize such minimal structures in strategizing as *issue streams*. Issue streams reflect the everyday practice of strategizing, because strategy meetings are usually organized around issues rather than decisions. In strategy, well-known issues can be, for example, a merger, an initial public offering or a diversification into a new market segment. These issues persist in some form for a considerable time and do not suddenly disappear if a strategy meeting is finished. Issues flow through the organization and often intersect with other issues (see Figure 28). Strategizing is about improvisation around these issue streams.

Figure 28 depicts three issue streams (A, B, C). In line with Pettigrew (1992a), we propose that each issue stream consists of a variety of ‘events’. Events can be formally scheduled (e.g., a strategy meeting or a workshop) but also arise informally (e.g., a lunch break conversation). Conceptualizing the strategy process as an improvisational practice around issue streams yields a variety of advantages. First, issue streams can ‘absorb’ the often unplanned and thus emergent character of strategic events. A lunch break conversation may retrospectively turn out to be about an ongoing issue stream. Likewise, an officially scheduled meeting on issue A may turn out to be about no strategic issue at all. Second, issue streams allow us to acknowledge that there is not *the one* strategy in an organization but instead a variety of, often parallel, issue streams. Third, issue

streams also reflect our conviction that strategic events are not arranged in a linear manner but ‘simply happen’ in a rather disorganized style that we retrospectively make sense of. Last but not least, issue streams can be understood as being enabled by fictions. This allows us to link our remarks on the *As If* with regard to strategy process research with the conception of strategic improvisation.

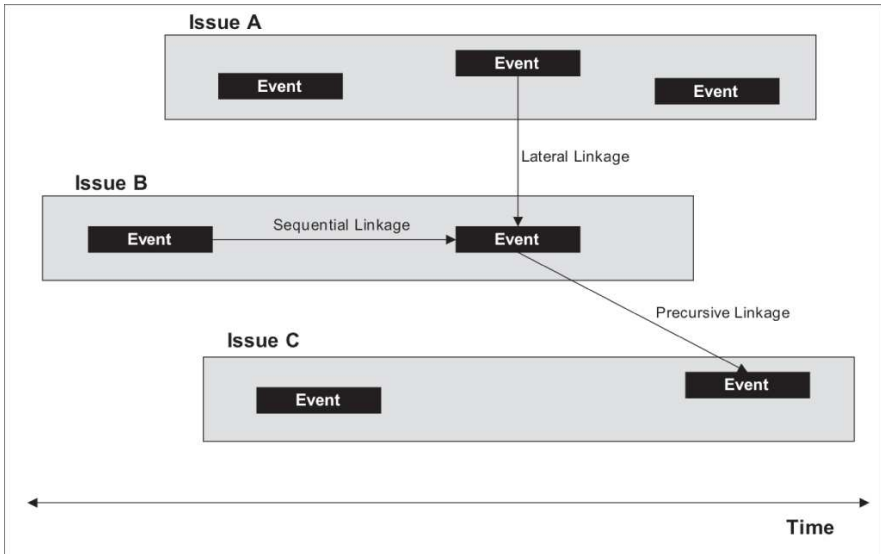


Fig. 28. Strategic Improvisation Around Issue Streams

Figure 28 depicts three ways of issue interconnectedness: sequential, lateral, and precursive. Although no comprehensive theory of issue interconnectedness currently exists (Langley et al. 1995: 270), we wish to examine these three linkages briefly. Sequential linkages should not be confused with reintroducing linear planning through the backdoor. Rather, a sequential linkage simply suggests that there are strategic events that cover the same issue at different points in time. Lateral linkages, in which an event that appears under issue A effects issue B, couple events that affect each other across different issue streams. Laterally connected events are likely to share common resources (e.g., management time). Resources used with regard to one issue stream almost inevitably affect the resources available in other issue streams. Precursive linkages also consider cross-issue connectedness but cut across different times. An event that occurred under one issue can affect subsequent events on other issues within the same organization. For instance, one event may evoke novel problems that turn out to be relevant for future events in other issues streams.

To understand strategizing as improvisation around issue streams can meaningfully inform future process research, since it recognizes the minimal structures that link strategic events (and thus provides order) and, because of its underspecified nature, allows for improvisations to occur (and thus reflects the recursively organized nature of formulation and implementation). Improvisation around issue streams takes into account that in everyday organizational life people tend to think in categories of issues rather than decisions. Issues reflect the minimal and often incomplete structures that organizational members use as a rough guideline for their actions.

To conclude, strategic improvisation fits the demands of today's competitive environment in which the general environmental predictability is down to a minimum and markets often call for *immediate* response (Kim and Mauborgne 2005). Failing to respond in the moment is likely to result in lost opportunities (Crossan and Sorrenti 1997: 156). Our conceptualization of strategy as improvisation shares some aspects with already well-known perspectives on the strategy process (e.g., the mix of deliberate and emergent elements [Mintzberg and Waters 1985] or the connection of formulation and implementation [Chakravarthy et al. 2003]). Yet, strategy as improvisation also underscores so far unacknowledged or at least widely neglected issues (e.g., the role of the supplement in adding and eventually replacing strategies, the focus on issue streams in providing minimal structures or the discussion of *As Ifs* as the necessary material for strategic improvisation).

We encourage other scholars and practitioners to imagine the strategy process as a recursively related loop between formulation and implementation (Broich 1994; Langley et al. 1995: 270). Strategy as improvisation allows us to embed the practice of strategizing into the everyday activities of organizations. Finding out what a strategy is all about is not a purely cognitive act but most of all an empirical question to be settled in the context of action. This moves strategy formation beyond any metaphysics of presence: the strategy *is* not, the strategy *becomes*. Such a picture of the strategy process may look delusive to many scholars, as it reduces the notion of feasibility. Yet strategy as improvisation considers the messy realities that organizations have to cope with.

Managing for Strategic Improvisation

What does improvisation mean for practitioners? We believe that improvisation cannot be prescribed and that managers cannot suddenly turn their organizations into improvisational ones. Nevertheless, the literature on organizational improvisation (Cunha et al. 1999; Weick 1998; Zack 2000)

suggests some general conditions that are likely to positively influence improvisation in organizations. First, improvisation implies that there should be *less investment in front-end loading* (Weick 1987a: 229). From an improvisational perspective it makes no sense to try to anticipate everything in advance, since people start to alter these analytical frameworks as soon as there is need. If there is a convergence between conception and execution (Moorman and Miner 1998), strategizing relies more on general knowledge, a large and diverse repertoire of skills, trust in institutions, the ability to do a quick study, confidence in strategic fictions, and last but not least the candidness to accept alterations.

Second, improvisation asks practitioners to consider *every employee as a strategist*. Whereas formal planning overemphasizes the role of specialists and top management (Levy et al. 2003), strategic improvisation considers the fact that strategy is often made without anyone realizing it. Crossan et al. (1996: 23) tell the story of Honda's entry into the US motorcycle market. Honda used bigger motorcycles to make its way into the market but underestimated the more demanding driving conditions that caused unexpected engine failures curtailing sales of the big bikes. Yet Honda had also brought smaller motorcycles to the US, which were solely used for employee transport. A Honda employee riding her/his smaller motorcycle encountered a customer in a parking lot. The customer wondered about the smaller motorcycle, expressed interest and thus caused the successful introduction of smaller motorcycles into the market enabling Honda to establish a 63% market share in the American motorcycle market in just four years. This parking lot conversation illustrates improvisation because it (a) was unplanned, (b) caused immediate reaction, (c) was not driven by an executive but a 'normal' employee, and (d) blurs the distinction between formulation and implementation.

Third, improvisation does *not imply that traditional tools are no longer of value* and should be discarded. Many tools permit temporary orientation in a game that is constantly changing its parameters. Improvisation does not mean conducting no strategic analysis anymore or leaving everything to chance, but understanding the value of tools from a different perspective and acknowledging that tools are not enough (Mintzberg 1994; Quinn 1980). Danger arises when executives use planning tools in too rigid a way, when they draw a too definite a line between formulation and implementation and thus act as if there is no need for improvisation, as if everything is under control. In a world where the future is monstrous in a Derridean sense, survival depends on improvised solutions that are often restricted by inflexible strategic plans. Conventional planning tools should

be understood as frameworks that help to formulate convincing *As Ifs* that the organization uses for improvisation.

In summary, the distinction between pure planning and purely emergent strategies is misleading, because the distinction between formulation and implementation is undecidable (Brews and Hunt 1999). By taking the impossibility of strategy formation as a *conceptual limit* for theorizing, we demonstrated how improvisation shapes firms' strategies *despite* their paradoxical foundation. Transforming the underlying paradox into a recursive relationship between thinking and action allows for a certain degree of intention (viz. strategic fictions) but at the same time considers the gradually constructed nature of strategic preferences by means of improvisation. The justification of strategy remains a retrospective undertaking and our reflections on future ways of action always refer to what anyone *will have performed* (future perfect tense).

6.3 Strategy Content – Beyond Simple Generalizations

6.3.1 Context – Beyond the 'Fullness of Rules/Resources'

The dominant logic that arises within strategy content research (i.e. the 'fullness of strategic rules and resources') proposes that strategy scholars conceptualize strategic rules and resources as if they were full of meaning, and thus generalizable, whereas in fact they are empty, waiting to be contextualized in the process of application. As indicated in section 3.2.3, strategic rules are thought to be generalizable *across* a variety of organizations, while strategic resources are usually treated as generalizable *within* a firm. Camillus (2003: 97), for instance, argues that "normative guidelines that possess wide if not universal relevance are obviously invaluable to designers of planning processes and systems." Taking a more critical attitude Grandy and Mills (2004: 1162) state that "[t]he assumption and acceptance that these typologies 'fit' all organizations in all industries is remarkable."¹⁰⁶ The orthodoxy seems to be to rely on principles that praise ana-

¹⁰⁶ A similar point is raised by Numagami (1998: 4) who argues that "[l]awlike regularities in social phenomena are not regularities 'out there', but are created and recreated by human conduct, consciously or unconsciously." Miller and Hartwick (2002: 26) even argue that generalizability is a characteristic of all management fads and suggest that "[f]ads claim universal relevance, proposing practices that adherents say will apply to almost any industry, organization, or culture – from General Motors to government bureaucracies to mom-and-pop groceries. But few management approaches are universally applicable, and attempts to implement a mismatch approach can do more harm than good."