



# **Practical Wisdom and the Normativity of Strategy Practices**

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**Abstract**

The strategy-as-practice research literature has sought to develop greater understanding of what strategists actually do in organizations (cf. Johnson et al, 2003). However the normativity of practice has not yet been adequately conceptualized by strategy scholars. In this paper, we introduce practical wisdom as a conceptual framework that enables both description of, and deliberation about the normativity of strategy practices. We present a case illustration involving strategy practices among the senior HR executives in a Fortune 500 multinational firm. We then discuss the case in reference to our framework and close by considering the implications for future strategy-as-practice research.

Key words: strategy, practice, practical wisdom, normativity, positive organizational scholarship.

## **Introduction**

The overall purpose of this paper is to extend the strategy-as-practice research agenda by focusing on the normativity of practice. We argue, in reference to a range of practice source theories as well as recent strategy-as-practice publications, that normativity should not be considered as a function of the institutional context or the individual agent, but instead, as an intrinsic, emergent property of practice itself. We acknowledge that this argument raises more questions than it answers – and so, in the interest of taking a first, preliminary step toward the development of a theory of strategy practice that takes normativity into account, we introduce and explore the concept of practical wisdom. In the spirit of positive organizational scholarship, this concept directs our attention toward a special case of normativity, namely the optimal case in which people ascribe value to a practice, judging it ‘good’, and feeling an obligation to perform similarly optimal actions. Again, we acknowledge that questions concerning value and the force of obligation that may accompany it cannot be fully articulated, much less settled, in this paper – so we try to clarify how Aristotle’s notion of practical wisdom provides a theory of value that is uniquely appropriate to the practice research agenda. In the interest of demonstrating more precisely how the concept of practical wisdom can be used in the context of strategy-as-practice research, we introduce a theory that has been developed by one of Aristotle’s contemporary interpreters, psychologist Robert Sternberg. We present and explain his balance theory of wisdom, and then use it as a framework to discuss a case illustration dealing with the strategy practices of senior HR executives in a large multinational firm. Following this attempt to illustrate the potential of practical wisdom as a framework for understanding the normativity of strategy practices, we close by deliberating about the limitations and implications of the present work.

### *The Normativity of Practice*

An increased interest in practice within various disciplines of social inquiry has been widely acknowledged in recent years (e.g., Schatzki et al, 2001). From the broad perspective of intellectual history, this term – ‘practice’ – appears to have gained currency in the wake of historical materialism as an attempt to describe collective human actions in view of external, environmental conditions as well as internal, subjective dispositions. For example, the phenomenon of practice has been variously conceptualised: following Giddens (1984) as a recursive relationship between structure and agency; following Bourdieu (1990), as “a dialectical relationship (the ‘dialectic of objectification and

incorporation') between a structured environment and the structured dispositions engendered in people" (Bell, 1995: 78); following MacIntyre (1981) as "any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realised in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity (1981: 175); and following de Certeau, as "ways of operating" that emerge and proliferate "within technocratic structures" (1984: vii).

Our purpose here is not to trace out the various points of distinction between these conceptualisations of practice, but rather to take note of an important point of similarity among them. These practice theorists are all concerned with the ways in which patterns of human action are perpetuated and/or disrupted in accordance with the *value* ascribed to them within specific communities, including the communities of researchers who try to understand them.

According to Giddens, the recursive relationship between agency and structure both constrains and enables human actions (1984: 25) because as people engage in practice, they form social identities that are "associated with normative rights, obligations and sanctions" (1984: 282). As for the force of such obligations, Giddens indicates that "there is no more elemental concept than that of power" (ibid, 283). And in recognition of the normativity intrinsic to structuration theory itself, Giddens has famously entered the domain of politics, contributing to economic and social reforms in the UK. Similarly, Bourdieu developed the concept of symbolic capital to refer to the non-economic value associated with certain practices, while at the same time he insisted on the methodological importance of "participant objectivization" (Bourdieu & Wacquant, 1992: 68; cf. also Hamel, 1996), lest the sociologist him- or herself accumulate too much symbolic capital and masquerade as a philosopher-king. MacIntyre has in turn explicitly positioned himself as an expert in the political dimensions of his theory of practice, and elicited admiration as well as considerable critique with his claim that "in spite of the efforts of three centuries of moral philosophy and one of sociology, [we] lack any coherent rationally defensible statement of a liberal individualist point of view" (1981: 259). And while de Certeau echoes MacIntyre's distrust of market economics, he places his hope for the future of humanity not in the values held dear by "heroic societies" (ibid: 121), but instead in the "age-old ruses of fishes and insects that disguise or transform themselves in order to survive" (de Certeau, 1984: xi), calling for narrative methods of understanding such "cunning intelligence" as well as the political and organizational values associated with it (Letiche & Statler, 2005: 15).

Thus as the relationship between material conditions and human dispositions is conceptualized generically in terms of practice, it is widely acknowledged that qualitative assessments and attributions of value play a significant role in the perpetuation or the disruption of specific practices in specific historical contexts. We will here refer to this aspect of practice as 'normative' and use the term 'normativity' as a way of referring to the force of obligation that appears intrinsic to practice, whereby individuals feel as if they *ought* to perform a certain practice, and *perform it well* (Kirkeby, 2001; Korsgaard, 1996). Indeed, the normative force of obligation carries a potential sanction for individuals as well as groups, since particular decisions and actions may be judged 'good' or 'bad' by the community based on the degree to which they instantiate the value attributed to the practice as such.

As we begin to consider the normative aspect of strategy practices in organizations, we deliberately avoid the explicitly theological or religious connotations of the term 'morality', as well as the formal rules of conduct and compliance that are commonly associated with the term 'business ethics'. Though these terms are certainly relevant for our consideration, we believe they direct attention away from the phenomenon of practice itself – i.e., where in the context of business and organization studies morality appears more as a matter of individual choice in accordance with principles, and ethics appears more as a matter of liability reduction and compliance with law.<sup>1</sup> We appeal instead to the ordinary Greek meaning of the term 'ethos' as a 'disposition', a 'custom', a 'habit' or even a 'characteristic spirit' (cf. Aristotle, 1991) that is shared among members of a given community. So then, how might strategy practices normatively oblige individuals to perpetuate or disrupt the ethos within a particular organizational context? And how should we as strategy researchers try to answer this question?

### *Normativity and Strategy Practices*

If we turn to the strategy-as-practice literature, we find that although the theoretical groundwork has been prepared, these questions concerning normativity have to our knowledge not yet been appropriately articulated, much less adequately answered. Heracleous and Langham (1996) did develop what they referred to as a 'normative strategic decision-making process', but they

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<sup>1</sup> While these caricatures (of morality and ethics) are strong enough to motivate our avoidance of them, it should of course be noted that the practice turn has occurred within the discipline of religious studies, and that business ethics research extends beyond the relatively cynical emphasis on avoiding incarceration.

presented this model as “a typified framework for how strategic decision-makers can approach their task” (Heracleous, 2003: 98) without additionally reflecting on the normativity of decision-making practices as such. There are additionally a number of attempts, each with different theoretical underpinnings, to understand how and why certain patterns of action are initiated, perpetuated or disrupted. For example, we find relevant research: on the importance of top management behavior for organizational change in loosely coupled systems (Spender & Grinyer, 1995); on the relative importance of the center and the periphery for the practice of strategy creation (Régner, 2003); on the structural function of discourse and interpretative schemes for situated symbolic action (Heracleous & Hendry, 2001); similarly, on the power effects of corporate strategy discourse (Knights & Morgan, 1991); and on the enactment of change in technology use (Orlikowski, 2000). While future research might critically review each of these articles, we will here consider in detail only those three that we believe demonstrate most clearly the importance of, as well as the current need for theoretical reflection on, the normativity of strategy practices.

Hendry and Seidl (2003) rely on Niklas Luhmann’s social systems theory to develop a theoretical framework for understanding the relationship between organizational routines and ‘episodes’ in which communications between people explicitly acknowledge a beginning and an end to the sequence of communications itself, and employ “the distinction between the beginning and the ending as a kind of orientation” (180). Critics may find systems theory limited in its capacity to account for the normativity of practice because its fundamental units of analysis (i.e., psychic systems of cognitions, and social systems of communications) *de facto* exclude the ‘felt’ dimensions of human experience. Luhmann has however compellingly analyzed norms as “forms of time-binding” (1993: 54) that are “the outcome of form building in autopoietic systems already structurally determined (ibid, 55). And yet, as Hendry and Seidl finish their paper with a helpful list of specific research questions to guide future study of the practice of strategic reviews from a systems theoretical perspective (viz., “How are the reviews set up? Who participates and how are the participants determined? Which structures and routines are suspended and how? What arrangements are made for facilitation?” (2003: 192)), they do not explicitly raise the question of why people might feel as if they *should* engage in such strategic reviews, or not. Instead, the article ends with the distinctly normative claim that practitioners should seek to maximize the possibility of generating reflexive strategic discourse (194). Hendry and Seidl thus leave open the reflexive research question of whether such discourse is

generically and always a 'good' thing, and if so, why exactly practitioners in specific, concrete circumstances might feel normatively obliged to engage in it.

Similarly, Jarzabkowski (2004) draws on Giddens, Bourdieu and de Certeau to develop a thorough account of the tension between recursiveness and adaptation as a way to understand how strategy practices are perpetuated or disrupted by individual, organizational and institutional factors. On one hand, Jarzabkowski finds that the recursiveness of practice "is illustrated in path dependence, persistent organizational routines, and organizational memory" (493), and that this reciprocal tendency of practice to perpetuate itself can, somewhat paradoxically, have both positive and negative effects for organizations, providing resources as well as constraints. And on the other hand, Jarzabkowski finds that because social reality is not static but instead subject to dynamic change, practice can also be adaptive, involving learning and transformation as individuals interact with each other in and through a plurality of organizational contexts and social institutions. Thus in the interest of establishing a research agenda capable of addressing this tension as it spans multiple levels of analysis in organizations, Jarzabkowski focuses on the concept of 'practices-in-use'. In this regard, she acknowledges that although practices are developed within social structures for a particular intent or purpose, "actors are also intentful in their use of these practices and the intent of the actor may not comply with the objective purpose of a particular practice" (504). By acknowledging both the capacity of individuals to reflect on, interpret, and give meaningful purpose to their own practices, as well as the potential divergence of this meaning from the purpose that may be 'objectively' recognized, Jarzabkowski opens her theoretical framework up to considerations of ideology (Barley and Kunda, 1992), power balances and dependencies (Hannan and Freeman, 1984), and political processes (Rao and Singh, 2001). These various considerations are certainly relevant to the normativity of practice – and yet, when Jarzabkowski frames them as "characteristics of the within-firm context [which] might be associated with more adaptive or more recursive uses of particular management practices" (509), she dissociates normativity from practice itself, giving the impression that practice might somehow be free from power, or innocent of politics, only to be corrupted by its organizational context.<sup>2</sup>

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<sup>2</sup> On this point, Knights and Morgan take the opposite tact by arguing that power can be seen "to reside as a *property* of persons, or at best, specific groups rather than characteristic of social relations in general" (1991: 267). While we are sympathetic to their critical attempt to differentiate Foucauldian analyses of power relations from the search for causal links that remains more or less latent within social constructionist strategy process theory, we contend that by framing power as the 'property' of an agent or group of agents, they too miss an opportunity to consider normativity (in terms of power) as an emergent property of practice itself. They do, of

In turn, Mantere (2005) applies Jarzabkowski's theoretical framework in an empirical study of championing activity, developing a subtle picture of the tension between recursiveness and adaptiveness in a particular organizational context. Most relevant to our present considerations is his cross-tabulation of three categories of practice (viz., strategy formation, organizing and control) with the different positions of authority held by the individuals who engaged in them. He finds that top managers are enabled especially by adaptive formation practices, middle managers struggle to establish and maintain enabling control, and operational personnel are perpetually disabled by a lack of voice in strategy formation. These findings manifest the importance of developing a greater understanding of why people at different levels of the organizational hierarchy feel as if they *ought*, for example, to champion a particular strategy or not. Indeed, when Mantere concludes with a reference to "the perceived success of strategy-making episodes" (Johnson et al, 2003: 16), he raises but does not answer questions about how, exactly, the value of success is attributed to certain championing practices, and why exactly the managers in his study feel normatively obliged to perform those actions and not others.

These three exemplary strategy-as-practice articles thus leave a series of open questions concerning the normativity of strategy practices. For example, following Hendry and Seidl (2003), if we accept that strategists start and stop episodes deliberately, then how does the practice of orienting toward a particular episode as such influence the sense of obligation felt by strategists to stop it, start it again, or start a new one? Similarly, following Jarzabkowski (2004), if we accept that power dynamics are not the context for, but rather an intrinsic, emergent property of strategy practices, then how and why does the normative force of 'practice-in-use' shift over time in specific organizational contexts? And finally, following Mantere (2005), if we accept that successful outcomes compel similar actions in the future, how might the normativity associated with a particular 'champion' depend on the specific ways in which the story of 'the successful hero's journey' is discursively shared among individual strategists?

Such questions might be easily answered, or even simply brushed aside as irrelevant, if we could safely assume that all strategists were constantly engaged in the rational maximization of self-interest, that firms optimally transform the results of such behaviors into shareholder value, and that

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course, go on to claim that individual subjectivity is produced by power – a claim that continues to merit consideration and debate among strategy-as-practice researchers.

the effective production and distribution of such value is a moral good in itself. And yet, however influential such ontological and ethical assumptions may be in management and organization studies, they cannot be unquestioningly sustained if we wish to understand the phenomenon of practice.<sup>3</sup>

If instead we entertain the possibility that such ‘bad management theories’ might be ‘destroying good management practices’ (Ghoshal, 2005), then our endeavor to develop knowledge about “how to *do* strategizing” (Whittington, 2003: 124), must also address the value that strategists themselves place on what they are doing, the sense of obligation that they feel to do whatever they are doing, and the dynamic relationship between that normativity and the various conditions and dispositions that give rise to it. Thus in the following section, we present an initial attempt to conceptualize the normative aspect of strategy practices.

#### *A Concept of Optimal Strategy Practice*

We have acknowledged the importance placed on normativity by practice theorists, and we have seen how the strategy-as-practice literature has not yet fully considered its relevance. As we begin to fill this gap in the research, we are motivated by the call of positive organizational scholarship to investigate “‘positive deviance,’ or the ways in which organizations and their members flourish and prosper” (Cameron et al, 2003).<sup>4</sup> Toward this end, we focus on a concept that can be used to describe normatively optimal practice, namely: *practical wisdom*.

This concept has recently been addressed by organizational researchers interested in the shift away from mechanistic and rationalistic theory in management studies (Tsoukas & Cummings, 1997), in practice-based management education (Clegg and Ross-Smith, 2003), and in the connection between action and reflection in organizational research methods (Calori, 2002; Eikelund, 2001). Practical wisdom has additionally been introduced to the strategy-as-practice literature by Wilson and Jarzabkowski, who claim that the concept “captures the oscillation between animation and orientation that comprises strategic thinking and acting” but acknowledge that “we lack a comprehensive understanding of what constitutes the political, social, cultural, conceptual and material resources

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<sup>3</sup> As for why the strategy-as-practice research stream has not yet addressed this issue, we think the paradigm is in a double-bind: on one hand, the discourses of management and organizational studies continue, in spite of recent, prominent calls to the contrary (cf., Ghoshal, 2005) to present themselves as value-neutral; while on the other hand, any consideration of moral, ethical, or otherwise non-economic notions ‘the good’ remains, following the deconstruction of the metaphysical foundations of truth and value, somewhat taboo among critical management scholars.

<sup>4</sup>cf. also <http://www.bus.umich.edu/Positive/WhatisPOS/>

through which such oscillation occurs” (2004: 16). In these various sources we find the compelling suggestion that practically wise strategists can deal effectively with conditions of uncertainty and ambiguity. However, in order to explore the normative aspects of this ‘effectiveness’, we must dig more deeply into the long history of the concept of practical wisdom. Thus as we open up a series of ancient epistemological and ethical debates, we recall Avolio et al’s hope that “[b]y starting where the Greeks left off, we hope to rediscover the lessons...that the Enron’s, Worldcom’s and Global Crossing’s have unfortunately forgotten or ignored” (Avolio et al, 2004: 818).

The concept of practical wisdom dates back at least as far as classical Greek philosophy, where Aristotle defined *phronesis* as the particular form of human intelligence that “deals with things which could be other than they are” (1962: 54). In the context of strategic management studies, it is important to note first that this definition differentiates practical wisdom from science (*episteme*), which by contrast deals according to Aristotle with things that exist and behave in accordance with necessary laws. Aristotle assumed that the human social world was unpredictable, but that people were capable of dealing with that unpredictability in ways that merit praise or blame based on the extent to which they exhibited or contributed to human well-being (*eudaimonia*). The concept of practical wisdom therefore refers to the virtuous habit (*hexis*) of making decisions and taking actions that are normatively ‘good’ rather than ‘bad’. Aristotle described this habit metaphorically as a dynamic balance (i.e., the famous ‘golden mean’) between extremes of thought, speech and action, and he believed that the balance could be trained and developed through deliberations about experience.

Two specific aspects of this classical definition of practical wisdom merit careful consideration as we position the concept within the context of strategic management studies. First, how should we understand ‘the good’? And second, acknowledging that any meaningful answer to this fundamental question will involve complex and unpredictable social processes, how should we understand the relationship between individual-level actions and the social context within which ‘the good’ emerges as such?

Broadly speaking, philosophical theories of value can be categorized as either consequentialist or deontological (cf. Schminke et al, 1997). The first category of theories conceptualises ‘the good’ in terms of the consequences or results of human action. For example, from a utilitarian perspective (commonly associated with Bentham and Mill), it does not make sense to speak about the intrinsic normativity of practice – instead, the value of a specific practice is always

extrinsic, pertaining to what practice produces. The second category of theories conceptualises 'the good' in terms of the formal character of an individual actor's intentions. For example, from a formalist perspective (commonly associated with Kant), normativity remains similarly extrinsic to practice itself, pertaining instead to the reasons why the individual has chosen to engage in it. Differences notwithstanding, both of these categories of ethical theory are frequently used as a basis for the development of objective standards to determine 'the good', on one hand empirically, in accordance with a universal principle of maximal utility, and on the other hand logically, in accordance with a universal principle of logical coherence.

Aristotle's definition of practical wisdom is the source of a third, alternative theory of 'the good' that focuses neither on the intentions that guide action, nor the effects that result from action, but instead on the performative dimension of action itself. So-called virtue ethicists (e.g., Solomon, 1992; 2003; 2004; Moore, 2005; Koehn, 1995; Moberg, 2000; Jones, 2005) claim that actions can be considered 'good' when they exemplify the standards of value or excellence that are intrinsic to that action itself. And in keeping with Aristotle's ontology of the human social world, such standards of value do not necessarily remain the same over time – instead, they emerge through the performance of action, and through reflection on that action among the community of people for whom it has meaning.

This important point of distinction means that wise practice, if it should emerge in an organization, cannot definitively be identified in terms of its formal characteristics or measurable effects. By using the term 'practical wisdom' to describe normatively optimal strategy practice, we cannot expect to develop universal criteria by which practice could be evaluated and judged 'good' or 'bad'. Neither can any description of how the intrinsic normativity of practice functions in concrete circumstances attain objective verifiability. Instead, the normativity of strategy practice remains historical, contextual, and contingent on the community of people for whom the practice has significance, including the community of researchers who seek to understand it. Granting these epistemological limitations, the concept of practical wisdom focuses our attention on how people performatively enact (we use this term following Orlikowski, 2000; Orlikowski & Yates, 2002) 'the good' in and through their everyday practices in organizations, and how the people who recognize and affirm this value feel a normative obligation to act similarly.

The concept thus calls for additional consideration of the relationship between the individual-level domain of ethics and the group- and societal-level domain of politics. In the *Nicomachean Ethics*, Aristotle did try to differentiate practical wisdom from political wisdom (*politike*), claiming that while they similarly involve deliberation about matters that could be other than they are, one pertains to the individual, while the other pertains to the state (1962: 158). At the same time, Aristotle insisted that “surely one’s own good cannot exist without household management nor without a political system” (ibid. 159). By focusing on the term *oikos* (meaning ‘household’ in ancient Greek, but providing the etymological basis for economics) as the horizon within which human well-being can emerge, Aristotle blurs the line between ethics and politics, and prefigures several millennia of debate about the relationship between the value of individual practices and the social, political, and institutional contexts within which they take place.<sup>5</sup>

As we have already indicated, the solution to this issue that enjoys most widespread currency today has been inspired by neoclassical economic theory: the market institution provides an amoral framework within which the maximization of individual self-interest can be exercised as moral end in itself (cf. Ghoshal, 2005). But again, the practice turn involves a rejection of such universalist claims and a corresponding methodological affirmation of particular instances of ‘what people are actually doing’. And yet, whereas strategy researchers have paid a great deal of attention to the methodological considerations relevant to the relationship between individual- and organizational-level variables (cf. Balogun et al, 2003), they have not yet focused on the specific importance of normativity with regard to this relationship.

Thus as we introduce the concept of practical wisdom as a way to describe the normativity of strategy practices, we should remain mindful of several things. Recalling Aristotle’s distinction, practical wisdom (*phronesis*) refers to a form of human understanding that can neither be developed nor understood using the methods of predictive science (*episteme*). In this light, the concept of practical wisdom involves a rejection of the positivist endeavor, so widespread within strategic management studies, to analyze and explain causal relationships, and thereby to develop predictive

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<sup>5</sup> The spectrum of this debate becomes visible in reference to two well-known philosophers: Thomas Aquinas, who shaped Western metaphysical and political traditions by claiming that *phronesis* involves choosing the particular means by which to achieve ends that are divinely sanctioned and administered by Christian institutions; and Machiavelli, who wholly rejected such authority and instead raised the individual determination of appropriate (i.e., ethical) means/ends relationships above all external sanction, elevating practical wisdom above science as well as theology.

hypotheses about statistically likely future events. Instead, it involves an affirmation of the unpredictability of human social life, and of the ethical and political dimensions of all attempts to understand practice. At the same time, we should be clear that the concept of practical wisdom cannot yield a universal principle of 'good practice' for organizations. Instead, it provides a conceptual framework for the description of specific practices in specific contexts. And in turn, such descriptions provide a basis for deliberation and judgment about whether or not the practice in question is normatively optimal or not under the circumstances. Moreover, the concept of practical wisdom does not definitively settle the methodological question concerning the relationship between micro-, meso- and macro-level issues as they pertain to strategy practices. Instead, practical wisdom adds an additional consideration to the existing discussions of method insofar as the relationship between an individual and an organization cannot be fully understood unless the normativity of practice is also taken into account.

### *Describing Wise Strategy Practices*

Of the many available philosophical and psychological conceptualizations of practical wisdom,<sup>6</sup> we focus specifically on the balance theory of wisdom that has been elaborated by psychologist Robert Sternberg (1998; 2001; 2004). Sternberg's interpretation of Aristotle's concept of *phronesis* is that "a wise individual knows more than the material, efficient, or formal causes behind events...[but also] the final cause, or that for the sake of which the other kinds of causes apply" (1998: 348). While we cannot here settle the metaphysical question about the ultimate ends of strategy in contemporary organizations, we select Sternberg's balance theory of wisdom because it explicitly incorporates the various aspects of the normativity of practice that we identified above, and provides us with a framework that can be used to describe, and deliberate about, strategy practices.

The balance theory accounts for the embodied and habituated aspects of practical wisdom in terms of 'tacit knowledge'.<sup>7</sup> It acknowledges that every expression of tacit knowledge is mediated by

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<sup>6</sup> Given the fact that the status of practical wisdom (*phronesis*) with respect to theoretical knowledge (*episteme*) has been one of the most debated topics in the history of Western philosophy, it is hardly possible to present a comprehensive summary in this context. For our purposes, given an interest in developing the theory of practical wisdom in the context of strategic management studies, the most relevant contemporary philosophical sources have been MacIntyre (1984); Ricoeur (1986); Gadamer (2002 [1960]); and Nussbaum (2001). This philosophical tradition has been partially taken into consideration by psychologists seeking conceptualizations of knowledge that extend beyond cognitive intelligence. From our perspective, the most relevant and insightful summary of these debates can be found in the recent special issue of *Human Development*, (2004, (47)).

<sup>7</sup> Sternberg cites Polanyi (1976) as the source for his understanding of tacit knowledge.

values.<sup>8</sup> It furthermore uses the term 'common good' to refer to the well-being that can emerge in a community where practically wise actions are taken. Finally, the balance theory indicates that any action based on tacit knowledge and mediated by values in such a way as to enact the common good involves two distinct balances: of interests, and of responses to the environment. We here focus directly on these two balances in the interest of developing a framework that is directly tailored to the phenomenon of strategy practice.

The first balance pertains to intra-, inter- and extra-personal interests. Sternberg writes:

"What kinds of considerations might be included under each of the three kinds of interests? Intrapersonal interests might include the desire to enhance one's popularity or prestige, to make more money, to learn more, to increase one's spiritual well-being, to increase one's power, and so forth. Interpersonal interests might be quite similar, except as they apply to other people rather than oneself. Extrapersonal interests might include contributing to the welfare of one's school, helping one's community, contributing to the well-being of one's country, serving God and so forth" (2001: 231).

In view of these different interpretative possibilities, we suggest that the three distinct interests may be empirically traced by describing how specific strategy practices differentiate between self, group and organization. One concrete methodological possibility for studying this differentiation (that we will illustrate below) is to track the ways in which these different interests are explicitly invoked in the discursive practices of strategists themselves.

The second balance involves three distinct forms of response to the external environment: adaptation, selection, and shaping. On this point, Sternberg writes:

"In adaptation, the individual tries to find ways to conform to the existing environment that forms his or her context. Sometimes adaptation is the best course of action under a given set of circumstances. But typically one seeks a balance between adaptation and shaping, realizing that fit to an environment requires not only changing oneself, but changing the environment as well. When an individual finds it impossible or at least implausible to attain

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<sup>8</sup> Sternberg cites Kohlberg (1969, 1983) as the source for his understanding of moral values, and by extension, the common good as the highest of moral values.

such a fit, he or she may decide to select a new environment altogether, leaving, for example , a job, a community, a marriage, or whatever” (2001: 231).

This balance of responses to the environment explicitly acknowledges the human capacity to adapt willfully to new circumstances, as well as the material and structural conditions that constrain that capacity. More importantly, although the behaviorist logic of stimulus-response may adequately describe the adaptation of certain natural phenomena, the creative endeavor to shape existing environments and select new ones involves a reflective capacity for choice that cannot easily be accounted for by classical behaviorist theories of human action.<sup>9</sup>

In this light, we believe Sternberg’s balance theory provides a conceptual framework that is appropriate for the study of the specifically normative aspects of strategy practices in organizational contexts. The balance of interests sensitizes us the tension between individual- and group-level considerations. The balance of responses to the environment sensitizes us to the tension between adaptation and recursiveness in practice, while adding ‘selection’ as an additionally relevant dynamic. And generally, the metaphor of balance provides not a mean of different behaviors, but instead as a description of normatively optimal practice as it is performatively enacted over time. Thus in keeping with the expectations that we set above, rather than presenting this framework as a way to assess and predict causal relationships between specific actions and their consequences, we believe it can be used to describe nonlinear interactions between and among a multiplicity of factors at various levels of analysis, and to deliberate about whether or not a specific practice is normatively optimal or not under the circumstances.

In order to illustrate the potential of this conceptual model to shed light on the intrinsic normativity of practice, in the following section we present an empirical case in which what was considered ‘good’ strategy practice shifted over time among a group of HR executives.

### **Case Illustration: HR Strategy Practices at Circuit**

#### *Methodology*

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<sup>9</sup>We suggest that the ontological assumptions that are most appropriate for future research on this balance can be found in the stream of complex adaptive systems theory that emphasizes the autopoiesis of human knowledge and behavior, cf. von Krogh & Roos (1995) and Oliver & Roos (2000). Additionally, adaptive structuration theory (AST) may be particularly useful in cases where the strategy practices involve technology use (cf. Desanctis & Poole, 1994).

We have studied the strategy practices of HR executives in a publicly traded, US-based corporation, here referred to with the pseudonym 'Circuit', from 1997 to present. Our contact with Circuit and their HR practices was initiated in early 1997 when one author, in the role of business school professor, designed and directed the company's first executive education program. By interacting with more than 250 executives from the company's operations worldwide through the eight repetitions of this one-week program that took place beginning in late 1997 through late November 1999, gradually he came to learn about Circuit's overall business situation, as well as the practices both among Circuit's operational managers and Circuit's HR managers. In 2001-2002, this contact took a different shape when both authors acted as action researchers and collaborated with the HR director and one of his executives to design and facilitate two strategy retreats. The first of these retreats involved the 12 corporate HR executives and took place at an off-site location near to the corporate headquarters. The second retreat involved the entire group of 58 international HR managers and took place at an off-site location in the foothills of the Alps. In 2003-2004, one author remained in close contact with a particular senior HR executive who, over the preceding six years, had acted as a liaison and as a participant in the executive education program as well as the strategy retreats. This last phase of contact took the form of regular interviews, conducted via telephone and in person.

We present these data gathered from 1997 until 2004 using a variety of qualitative methods and techniques in close contact with Circuit HR executives in response to the call for increased proximity to practice, long-term qualitative data-gathering, and attention to the micro-level of activities in strategy research (Johnson et al, 2003; Balogun et al, 2003). However, because the case serves as an illustration of the theory we developed above, we make no claim to validity, reliability and generalizability of the data. At the same time, we do believe that over these seven years we have obtained a reasonably good understanding of what Circuit's HR executives are actually doing when they practice strategy. Furthermore, in view of our conceptual framework, we are well-positioned to describe normatively optimal practice – i.e., what was considered practically wise – in the specific organizational context of Circuit.

*The HR Group's Strategy Practices 1997-2000*

Circuit started as a family-owned business, operating for several decades in a niche technology market. Then in the late 1980's, they acquired a proprietary software that enabled radical innovation and expansion of their hardware, initiating a huge expansion of sales and operations. By the mid 1990's, Circuit had gone public, and along with the rest of the technology sector the firm was in an enviable situation of huge growth, profits, and cash flow. Based on the continued development of its proprietary technology and its increasingly aggressive sales efforts, Circuit had become a successful and profitable company over a relatively short time period, outpacing even its successful competitor firms.

By the late 1990's, the HR function consisted of 12 corporate officers, led by a corporate HR director who served on the Circuit top management team. The HR officers had the following areas of responsibility: global compensation, benefits, corporate staffing, executive search, customer operations, communications, manufacturing, marketing, the virtual corporate university, and international. All male with one exception, these officers each led a group of HR managers, and all of them except one were based in the US headquarters. The officer responsible for international HR was based in London, and he coordinated the 57 HR managers responsible for the local, in-country operations. The strategy practices of the HR function during this time period can be described as follows: 1) to hire and fire; 2) to consolidate power in the US; and 3) to follow orders.

#### *Practice 1: HR hires and fires*

The rapid growth of the company in the 1990's overwhelmed the HR function. Circuit recruited both sales people and engineers at an increasing pace, competing for the best talent at universities in the US and Europe and, when possible, attracting their competitors' best staff. In addition, the firm had undertaken a series of acquisitions in the US, Europe and Asia, so thousands of people from different national and corporate cultures had to be rapidly integrated into the operations and culture of Circuit. As many of the new employees had formerly been with firms competing against Circuit, they often came with very different ways of working and making sense of their world.

To meet these various challenges, the HR group initiated and evolved a range of functional training and 'indoctrination' programs, including a virtual corporate university, as well as a series of general management education programs at leading business schools worldwide. Additionally, they relied on major consulting firms to devise a variety of schemes and tools for competence mapping and

development, performance evaluation, and incentives. The sanction for missing short-term performance targets was harsh, and since many new employees were unable to keep up with the rapid pace of working at Circuit, HR had to dismiss them after only a few months.

Thus the primary strategy practice among the HR managers and executives during this phase of rapid growth and high turnover was to hire and fire people – and the education, competence mapping and other various training and development programs provided various means to this single end. The practice dominated their daily work, remaining at the top of their minds and occupying even their casual conversation after hours. And no wonder: between 1997 and 2001 the twelve Circuit HR officers were responsible for hiring 9,000 and firing 5,000 people.

### *Practice 2: HR marginalizes International*

From its inception, Circuit was US-based and US-oriented, providing technology solutions to large corporations also based in the US. Driven by their technology innovation, the expanded internationally, beginning in the UK, then moving on to other large European countries, and eventually to OECD countries in the Asia-Pacific region. By 2000, Circuit was serving customers all over the world and almost 40% of its sales came from outside its US home market. And yet in spite of the increased scale and importance of its international operations, the company remained very US-centric. This bias was reflected in the nationality of the firm's top executives, in the US-oriented corporate strategy and in the organizational structure. Perhaps the clearest illustration of this bias is the fact that all international operations, involving sales operations in 57 different countries and sizable manufacturing operations in Asia and Europe, were lumped together in an 'international division.'

The strategy and structure of the HR function mirrored those of the corporation. The function was headquartered in the US and staffed entirely with US nationals, with one exception. The individual responsible for international HR was a British national with significant experience working in the US. The 57 country HR managers who reported to him were typically nationals of the country operation. HR policies were thus devised in the US and communicated from the US to rest of the world, with little to no sensitivity to local conditions. In some cases, strategic decisions were made without involving the international HR officer at all. And even when he was informed, the significance of the decisions was not always clearly communicated to all the country HR managers. For example, one strategic directive could not be implemented in a major European country because it ran counter

to labour laws. And yet, not only was that HR manager not consulted in the formulation of the strategy, his objections were ignored, and he was later held accountable for not meeting the performance target that would have involved breaking the law.

The particular executive education program that provided our initial point of contact with the firm was the only significant exception to this pattern of marginalization. This program was initiated by HR managers based in Europe, who developed it with significant anxiety 'under the corporate radar'. The pilot program offering was tailored to the successful (and thus respected) European country managers, and only when those individuals responded positively to the initiative did the European HR managers have the courage to report back to corporate headquarters seeking acceptance and further support. Once they did report their success to headquarters, corporate HR replicated the program in the US, where it evolved quite differently.

But this program was the only exception to the rule, and beyond it, there was no further evidence of strategic HR initiatives being taken in the 'rest of the world', and no evidence that headquarters encouraged such practices. Thus a second strategy practice of the Circuit HR function was to centralize power in the US, and to marginalize the international staff.

### *Practice 3: HR follows orders*

Circuit's overall strategy was based on ever-increasing, high-margin growth. Their primary objectives therefore included building new client relationships and developing additional technologies, both through in-house innovation and particularly through acquisition. In this context, the HR function had a relatively straightforward task: to support the company's continued growth. As noted above, this task involved hiring thousands of new people, and quickly firing those who could not be integrated. Thus while the HR director was a part of the top management team, and was present for the strategy conversations, because his function was at best an instrumental means to the end of the corporate growth strategy, he did not significantly shape it. Instead, his strategy practice was to follow orders from the CEO by managing the company's human resources effectively to support ongoing growth.

This practice was replicated within the HR function. The HR director did not involve his team directly in his own discussions with top management about Circuit's overall strategy. He also did not engage his team members in group discussions about the HR function's strategy. Instead, he would meet with them individually, give them instructions and performance targets for the coming weeks and

months, and follow up with them regularly to ensure that they were acting in compliance with his directives. The 12 members of the HR executive team did not gather together for regular meetings. In fact they had little knowledge of the other's responsibilities and in no way did they work as a team. Instead, they sought to carry out their own unique tasks successfully in accordance with the performance targets they had been given. Overworked, many of them showed visible signs of stress and associated health risks, and they had little time to reflect on their situation. At the same time, they did not voice significant concerns – instead, they seemed to thrive as they engaged in the strategy practice of following orders.

#### *HR Strategy Practices 2001-2004*

As the market matured in 2000, Circuit's growth slowed, while competition and market saturation squeezed the company's sales results. When Circuit's stock price began to plummet along with the rest of the technology sector, underlying tensions between the sales and product development functions flared, with each side blaming the other for the company's poor performance. Prompted by these challenges to the existing growth strategy, in 2001 the CEO decided to launch a new strategy that would drive change throughout the organization. The details of this initiative had been secretly devised by a major global strategy-consulting firm based on benchmarks from other technology firms that had already dealt with similar issues. One of the major elements of the new strategy was a radically changed role for the international country managers, who at that time were totally focused on and incentivized by sales, with no responsibility for local P&L. In terms of structure, the strategy change implied a shift from a functional to a matrix organization, in which country managers would become general managers with P&L responsibility for their own operations.

Because the HR function occupied a relatively neutral position between the increasingly antagonistic sales and technology functions, and since the new strategy involved the development of new skills and mindsets among existing staff, the CEO selected the corporate HR director to lead the implementation of this new strategy. The practices of the HR function from 2001-2004 can be described as follows: 1) to initiate change, 2) to include international, and 3) to think beyond its function.

#### *Practice 1: HR Initiates Change*

The first thing that the HR director did after being given his new task by the Circuit CEO was to gather his HR officers at an off-site retreat for two days in early 2002 to make sense of the unique task that he had been given. At this retreat, they experimented with a process technique that had not previously been used in the corporation. Rather than a traditional discussion format, this technique involved toy construction materials that participants used to build three-dimensional models of the organization in its business landscape. The HR director selected this process because he wanted the participants to gain a more concrete, hands-on understanding of the new strategy, including their own role as change agents within the Circuit organization.

Although they had previously been encouraged only to follow orders and directives from above, they began over the course of the retreat to identify specific ways in which this practice was incoherent with their new responsibility. Moreover, they identified several opportunities for concrete new initiatives that would extend their own capacity to serve as change agents. For example, the group identified a particular IT-related problem that required urgent attention and even removal in order for them to interact effectively with each other. They agreed that such problems had to be dealt with quickly, in accordance with the principle "Fix it now." They also began during the retreat to talk about how the transformation of the country manager role within the organization could not be accomplished through their existing practice of hiring and firing. Specifically, they saw a need for more longer-term retention and development of existing managers. Finally, they recognized the importance of involving the international HR managers in discussions about the international dimensions of the strategy, and the specific role they might play to support it.

Following that initial retreat, the HR director encouraged the international HR manager to invite his entire international HR staff to participate in a similar retreat in the summer 2002, using the same process technique. At this unprecedented event, the international HR managers were not only given privileged access to the reasoning behind the new strategy, but they were also invited to raise questions about it. They split into small groups, and each group constructed its own three-dimensional model of the Circuit organization and how it might change given the new strategy. These models were compared and discussed at length by the group in plenary. The HR director participated in this second retreat, both to listen to the viewpoints of the international participants, but also with the expressed purpose of role modelling hands-on, playful experimentation.

In the months and years that followed these two retreats, international HR managers played an increasingly important role in the implementation of the new strategy. They took various initiatives, connected with different kinds of professional experts outside the organization, and experimented with a wide range of process techniques that had never previously been used at Circuit. Over time, the strategic initiative itself was transformed from its original, standardized content and process, to become much more regionally sensitive in its content and more organizational development-oriented in its implementation process. Thus the HR function shifted away from its practice of following orders, and toward a practice of taking initiative and acting as change agents within the organization.

### *Practice 2: HR Includes International*

At the first HR executive team retreat, when the team constructed the HR function using the three-dimensional medium, they portrayed the group of international managers as physically small, grouped closely together, and distant from the rest of the organization. As participants started to reflect on the new strategy in view of their construction, it became obvious to them that the international part of the HR organization was marginalized, if not neglected. Since the major implication of new strategy pertained to the role of country managers, the international HR executive emphasized the need to rely on his own team and the local knowledge they had about the relevant country operations.

At around the same time as that first retreat, the CEO and the HR director were recruiting an executive from a major European company in another industry, where he had recently led a successful change process. Based in Europe and given overall responsibility for European regional sales operations, he was recruited to take on the high-visibility task of championing the new Circuit strategy throughout the organization. This champion made his first official presentation to the Circuit organization to the assembled group of international HR managers at the second retreat. He introduced himself as someone who could understand their viewpoint, and told them that they had been selected to receive privileged information because the success of the new strategy depended on their capacity to serve as change agents.

This inclusion of the international HR managers was not without its difficulties however. During the retreat, participants expressed surprise about the fact that they had been included, but also a significant amount of reservation about whether corporate headquarters really cared what they had

to say. Several managers expressed doubt about their own capacity to serve as change agents, given their deserved reputation as 'paper-pushers' within their country operations. They also expressed concern about the feasibility of taking on new tasks in addition to their busy schedule of hiring and firing.

Some of these sentiments were exacerbated several months later when the champion-executive suddenly left to join another firm. One international HR executive acknowledged that this departure was interpreted within the organization as a sign that the strategy was fatally flawed. And yet, the HR director recruited a replacement champion, someone who was also from Europe who had significant experience managing change processes in multinational contexts. Unfortunately, he turned out to be less successful than expected with the new strategy. After almost a year of false starts, he handed his responsibility for the strategic change to an international HR manager with seven years of experience developing training programs for Circuit.

Thus throughout those difficult times, the HR director and his executive officers did not revert back to their old, US-centric practices, but instead continued to rely on people within the 'rest of the world' to take the strategy forward. As of 2004, the idea of an overall, top-down champion had been completely abandoned, and the HR manager responsible for managing the process had pushed ownership of change to local country managers and HR managers, and encouraged them to coordinate regionally among themselves. Thus Circuit's HR practice also shifted away from marginalization, and toward inclusion of international HR.

### *Practice 3: HR Thinks Beyond its Function*

The two retreats in 2002 were the first occasions that HR executives and managers were given the opportunity to reflect on how Circuit created value across its various functions. They had previously focused exclusively on meeting their performance objectives within their own function, albeit with a keen eye for the stock price and its relation to their own personal stock options. But as they constructed and discussed their three-dimensional models of the Circuit organization, they began to see how the other functions in the overall 'corporate value chain' relied on HR, and how this reliance would only increase under the new strategy.

They expressed a need to "know the total better," and reflected on their own position as an intermediary between the sales and manufacturing functions within the Circuit organization. In this

regard, one person said that “we [the HR function] can’t be better positioned,” and the team agreed to “communicate and drive the value” by contributing significantly to the success of Circuit’s new strategy. Because the HR group had for the first time been included in the Circuit corporate strategy process, they found themselves in a position to communicate the meaning of the transition to the entire organization.

This realization caused the group to place increased emphasis on the organizational development aspect of the HR function, while decreasing its emphasis on hiring and firing. By 2004, as noted above, the new strategy had been transformed into an organizational development project. After spending months interviewing Circuit country managers and project team leaders, managers in other organizations, and management consultants who had experience dealing with similar transformations, the international HR manager responsible for the transformed initiative described it as follows:

“This is an OD initiative, and I want to work with people who understand such development processes. I do not want to have a training company who delivers teaching. Nor do I want to have large management consulting firms – they are just too big and too expensive. Nor do I want a business school. This is not about being taught, or developing a training program. I need people who have experience in working across cultures, and who can build a team of consultants across the various regions.”

Thus the third practice involves a shift away from hire-and-fire, and toward thinking strategically beyond the HR function.

### **Case Discussion**

We began this paper with the claim that practice is intrinsically normative. We saw that normativity involves a sense of ‘the good’, and also an obligation to perform certain actions that exemplify this value. Following Aristotle, we looked at ‘the good’ not in terms of intentions or effects, but in terms of the virtuous performance of actions that contribute to human well-being. Sternberg’s balance theory then provided us with a conceptual framework that focuses attention specifically on

balances of interests and responses to the environment. We will now use this framework to discuss the case in order to illustrate its potential for description and deliberation about strategy practices.

### *The Balances from 1997-2001*

With respect to the balance of interests, we can describe the Circuit HR practices from 1997 to 2000 as follows. Circuit HR executives and managers focused primarily on their own *intra-personal* interests, paid little attention to *inter-personal* interests among the team or the HR function, and maintained a significant *extra-personal* interest in the stock price only to the extent that it benefited them as individuals.

The strong intra-personal interest is manifest most clearly in their near-exclusive focus on their own individual tasks and performance. Each member of the 12-member team was trying to achieve his or her own objectives by hiring and firing people as directed, without regard for each other's activities. The hub-and-spoke reporting relationship that the HR director maintained discouraged inter-personal interests among the team. The marginalization of international HR provides additional evidence of the lack of inter-personal interests, specifically including the instance in which corporate HR ignored the complaints from a European HR manager about the risk of breaking labor laws. Finally, because the HR function served to promote the continued growth of the firm, the executives did have extra-personal interests. For example, they had to ensure that there were enough well-trained people in the sales and manufacturing functions at any given time. They had to ensure that the employees of the acquired companies were effectively integrated, and they had to maintain and develop effective relationships with suppliers of training, development and other HR services. However, as they executed on these objectives, they remained a 'support function', receiving instructions without being invited to understand or contribute to the firm's overall strategy. Thus even though they had an extra-personal interest in the stock price, they interpreted the significance of this firm-level value primarily in terms of how it benefited them as individuals via performance-based stock option compensation.

With respect to the balance of responses to the environment during that same time period, HR executives were busy *adapting* to the demands of growth, while remaining US-centric in their overall orientation. In line with that overall objective, they were *shaping* the organization by hiring, firing and training people, without disrupting the existing role definitions within the other divisions. And because

they spent most of their time following orders and 'pushing papers', they did not seem to have the capacity or interest in *selecting* new environments, with the sole exception of the business school program where we first came into contact with them.

Consistent with the rest of technology sector at that time, the fast pace of Circuit's growth required everybody in the firm to become accustomed to constant adaptation. From the newly developed technologies, to the newly acquired firms, to the new markets around the world: Circuit HR managers constantly had to 'catch up' and adapt to new circumstances in the environment. At the same time, the US-centric orientation of the firm did not change significantly, as illustrated by the fact that the development of the executive education program by the international HR managers had to be accomplished 'under the radar'. Moreover, even while the HR function shaped the organization to some extent by hiring, firing and training people, these various people-management processes did not substantively shape Circuit's structure, purpose and activities. Nor did these practices lead to significant changes in the structure, purpose and activities of the HR function itself. In turn, even though the HR function did exercise a degree of choice by selecting new service partners (e.g., business schools, HR consulting firms, etc.), such choices were totally constrained by business decisions over which they had no control. And while the HR director may have been pushing for an expanded, more strategic role for this function, most of the HR executives and managers seemed content to follow orders without significantly shaping their environment or selecting new ones in which to act.

#### *The Balances from 2001-2004*

In the second time period, from 2001-2004, these two balances shifted significantly, as different strategy practices came to be considered 'practically wise' among the Circuit HR executives. The balance of interests shifted to include a greater emphasis on inter- and extra-personal interests, while the balance of responses shifted to include a greater emphasis on shaping and selecting of environments. And although the intra-personal interests and adaptive responses to the environment continued to play a role, they became less prevalent among the group.

The shift of the balance of interests became visible from first retreat in early 2002, when the HR director invited his team members for the first time to gather together and collectively take a broader look at the Circuit organization and role that their own function played in it. During this

session, the HR executives became familiar with one another, learning for the first time what the others were doing, and recognizing the potential benefits of increased coordination among themselves. For example, they saw themselves 'well-positioned' as a group to 'drive the value' of the new strategy. This self-recognition by the group involved the discovery of a shared, inter-personal interest in the value of the HR function as such, beyond the achievement of individual performance objectives. Most importantly perhaps, during the first retreat the team recognized how they had marginalized their own international colleagues. This discovery of inter-personal interests among the HR function was extended during the second retreat, where the international HR managers were similarly invited to develop a shared sense of identity through a participative process.

We should further note that during both of those retreats, participants developed a sense of shared identity within the HR function precisely in reference to the new strategy that required the function to play an increasingly important role for the entire Circuit organization. Thus the balance of interests among the HR executives and managers shifted to include an extra-personal interest in the firm as a whole. As the HR moved beyond its traditional focus on 'support' and toward a new focus on 'driving change', the executives had to consider Circuit's overall 'value chain', not just its stock price. This shift continued in the following years, as exemplified by the more important role in the top management team played by the HR director playing, and by the great pains taken by the international HR manager responsible for the change process in 2004 to fully understand and respect the various interests of the people involved with, and impacted by the new strategy.

The balance of responses to the environment also shifted in the second period of time (2001-2004). The HR executives continued to adapt, but to fluctuating market conditions rather than to an environment of steady growth. Most importantly, they had to adapt to the new set of expectations from top management that went along with the new strategy – rather than good soldiers capable of following orders, they had to be 'change agents'. This new role involved increased emphasis on shaping and selection in addition to adaptation.

For example, the fact that the HR director included his executive team in a conversation about the new strategy involved a primary shaping of his own environment. As those individuals gained new understanding of their collective position as a function in the firm, they identified a number of actions that involved additional shaping of their environments. Their agreement to "fix it now" provides evidence of an increased emphasis on shaping their own operations, including for example their IT

infrastructure. At another level of scale, by 2004, the change initiative itself had been shaped by the HR executives to become more sensitive to local conditions, and more oriented to organizational development than to the execution of orders issued from the top.

Along with this increased emphasis on shaping came an increased emphasis on selecting new environments. Acknowledging that HR remained a support function for Circuit, the firm's most important selection practices (e.g., acquisitions, expansions into new markets, new product offerings, etc.) were still taken by the sales and manufacturing functions. But where previously selection within the HR function had been tightly constrained by the business needs, over time they began to pursue different possibilities for action. Even following the failures of the previous two champions of the change initiative, in 2004 the person responsible was able to select with greater freedom how the initiative would be accomplished, including the involvement of OD consultants, open conversations with peers in other companies, and experimentation with new techniques.

### *Summary*

What was considered practically wise among Circuit's HR executives shifted considerably over the time period of 1997-2004. Specifically, the balance of interests shifted from an extreme focus on intra-personal interest to include more inter-personal and extra-personal interests, and the balance of responses shifted from a primary focus on adaptation to also include shaping and selection. In other words, they became less selfish and more mindful of their HR colleagues as well as the Circuit organization as a whole. And while they continued to play a supporting role in the organization, they also started to take more initiatives and contribute more proactively to the firm's overall strategy.

We can therefore see the normativity of practice more clearly because of the extent to which it shifted over time in the case illustration. 'Good' HR practice as it was performatively enacted during the first time period included leading by giving orders, following those orders quickly and efficiently, and replicating those practices approved by headquarters throughout the firm. By contrast, 'good' HR practice as it was performatively enacted during the second time period included leading by setting examples, reflecting and making judgments collectively, and innovating new practices in local contexts.

Traditional, positivist strategy research would seek to explain this shift causally. For instance, because the technology market shifted, the CEO needed a new strategy; and because of the conflicts

between the upstream and downstream divisions within Circuit, the CEO chose the HR group to lead the implementation; and because the HR director was open to experimentation he used an alternative retreat process; and because of the three-dimensional imagery used to describe the organization, the HR group could see themselves and the problems and opportunities confronting them; and because of that recognition, there was a second retreat, and so on. According to this logic, changes in the market and/or decisions made at the top of the organization led to the creation of new norms for what was considered 'good', and in turn, to a change of strategy practices among the HR group.

By contrast, the practice perspective on this same sequence of events allows us to see how the normativity is an emergent, enacted property of practice itself. And because practice by definition involves both environmental conditions as well as subjective dispositions, although the sense of obligation that Circuit HR executives felt to perform certain actions is contingent on all the various factors relevant to the positivist explanation outlined above, it cannot be causally traced to any single one of them, nor to any particular combination of them at any particular level of scale. Instead, following Aristotle's notion of the good, the normativity of practice emerges on an ongoing basis within the community of people for whom it has meaning. Thus the question about *why* the Circuit HR group's strategy practices shifted over time cannot be answered with a predictive hypothesis – instead, the question calls for a description of how certain practices became 'good', and deliberation about whether those practices are practically wise or not under the circumstances. Our discussion of this case illustrates the potential for such deliberation in future strategy-as-practice research.

## **Deliberating about Normativity in Strategy-as-Practice Research**

### *Limitations*

As we reflect on, and problematize our own role as developers of theory within the community of strategy-as-practice researchers, we recognize that the implications of this paper are limited by specific aspects of our chosen theory and method. First, although we did present textual evidence that the source theories that have inspired the strategy-as-practice literature have included normativity as an important consideration, we barely scratched the surface of the organizational research dealing with normativity and its relevance to social identity (Herriot & Scott-Jackson, 2002), market orientation (Morgan et al, 1998), strategic decision-making (Robertson & Crittenden, 2003; Iaquinto & Fredrickson, 1997), complexity reduction and adaptiveness (Boisot & Child, 1999), communication

(Yates & Orlikowski, 2002), strategic surprise (Lampel & Shapira, 2001), entrepreneurial strategy (Russell & Russell, 1992), etc. Second, by choosing to focus attention on the 'optimal' normativity associated with practical wisdom, we have avoided discussions of sub-optimal or negative normativity in the cases of deviance (cf. Warren, 2003; Kidwell & Kochanowski, 2005) and misbehavior (cf. Ackroyd & Thompson, 1999) for example. And third, by selecting Sternberg's balance theory of wisdom as the framework to describe and deliberate about strategy practices, we have bypassed a range of alternative conceptualisations of practical wisdom within the philosophical (e.g., Gadamer, 2002 [1960]; Ricoeur, 1981; 1986) and psychological (e.g., Baltes & Staudinger, 2000; Ardel, 2004) literatures that may prove useful for future research.

Furthermore with regard to method, we have presented a theoretical argument and illustrated it with empirical case data that cannot yield generalizability or validity. This illustration was drawn from only one firm; it involved only one relatively small group of the thousands of managers within the firm; that group was not always directly involved with the firm's overall strategy-making process; and although the time period of our data gathering was relatively longitudinal, our time with Circuit was limited to specific, participatory interactions rather than continuous, *in situ* observation. More problematically, although we did try to track the shift in what the Circuit HR executives considered practically wise (i.e., 'good'), we did not have sufficient data to judge whether those practices contributed, in a normatively optimal way, to the well-being of the people in the organization. Indeed, if we extend extrapersonal interest beyond the boundaries of the organization itself, all of Circuit's strategy practices *may* appear unwise (i.e., 'bad') insofar as they contributed to the boom-and-bust cycle of the late 1990's, as well as the ongoing globalization of technology production and utilization, with the overall effect of eroding investor confidence, national sovereignty, and individual quality of life. But such deliberations, however interesting or provocative they may be, extend far beyond the scope of the present work.

### *Implications*

By acknowledging these limitations however, we can more clearly see the implications for future strategy-as-practice research. The primary implication of our paper is that practice is intrinsically normative, and that this aspect of practice must be taken into consideration in order to understand 'what strategists are actually doing' (Johnson et al, 2003). As we have acknowledged, the

groundwork for such research has already been laid by scholars who have tried to understand how and why strategy practices are initiated, perpetuated and disrupted (Spender & Grinyer, 1995; Régner, 2003; Heracleous & Hendry, 2001; Knights & Morgan, 1991; Orlikowski, 2000; Hendry & Seidl, 2003; Jarzabkowski, 2004; Mantere, 2005). However, future research could build on this groundwork and extend the descriptive power of the practice view by additionally incorporating considerations of normativity. And while there are many concepts relevant to the issue of normativity as we have defined it here (e.g., power, politics, ideology, etc.), we have demonstrated that the concept of practical wisdom can provide a meaningful descriptive framework that, in turn, can give rise to new research questions. Specifically, given the tension between the performance imperatives of ethics and effectiveness (cf. Margolis & Walsh, 2001), how might strategists today strike the 'golden mean' in practice? In view of the importance traditionally placed on play and the arts for the development of practical wisdom (Statler, 2005), how might strategy researchers focus on the embodied, aesthetic dimensions of practice (esp. following Merleau-Ponty, 1965; cf. also Guillet de Monthoux, 2004; Kirkeby, 2000; Kuepers, forthcoming)? And how might future strategy research reflect on its own ideologies (Shrivastava, 1986) about the role of the researcher in the attribution of normative value to specific practices in specific organizational contexts?

These questions have significant methodological implications. By and large, we believe that the above-cited calls for longitudinal, qualitative and collaborative research methods are well-founded and worthy of respect. And yet, our theoretical reflections indicate that such methods should also incorporate deliberations about value, as well as reflexive considerations of the role played by the researcher in the determination of this value. In this light, the strategy-as-practice research agenda may be forced to overcome not only the tradition of positivism in research, but also the tradition of postmodernist interpretativism that tends agnostically to defer questions of value to the empirical context within which it is socially constructed. We suggest that it may be necessary but insufficient to gather descriptive ethological data based on observations of what strategists are doing, just as it may be necessary but insufficient to participate as action researchers alongside practitioners to achieve nominally shared agendas. Instead, researchers should additionally deliberate about their own role in the community by reflecting on the normativity of their own research practices (cf. Roos, 2005), including the ways in which (e.g., in the classroom, through the journals, via consulting engagements) those research practices impact strategy practices in organizations.

On this point, we take inspiration from Bent Flyvbjerg's attempt to develop 'phronetic social science'. In his book, *Making Social Science Matter* (2001) we find a robust conceptual framework based on the Aristotelian concept of *phronesis*; an extended series of methodological considerations relevant to phronetic research; a case study in which he describes an urban planning project in the Danish town of Aalborg; and finally, deliberations about the extent to which his own practices as a researcher appear practically wise. Because Flyvbjerg's work not only focuses on the normativity of organizational practice, but additionally attempts to enact normatively optimal organizational research, we hold it up as an example of 'good' social inquiry, thereby accepting an obligation to perform phronetic strategy-as-practice research in the future.

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