STRATEGY AS THE INTENTIONAL STRUCTURATION OF PRACTICE
- THE TRANSLATION OF FORMAL STRATEGIES INTO STRATEGIES-IN-PRACTICE

by

Bjørn Haugstad

A thesis submitted in partial fulfilment of the requirements for the degree of

Doctor of Philosophy

Saïd Business School

at

University of Oxford

Abstract
University of Oxford, Wolfson College
Thesis submitted for D.Phil in Management Studies, Michaelmas Term 2011

Strategy as the intentional structuration of practice
The translation of formal strategies into strategies-in-practice

by Bjørn Haugstad

Acknowledging the difficulties of achieving effective strategic management in practice, this thesis investigates how formal strategies quite often *succeed* in conditioning organisational actions even in firms such as professional service firms, which may lack effective measures for coercing action and which often depend on distributed decision-making. The fundamental question posed in this investigation is: what are the social processes that make strategies work?

This thesis addresses that question by contributing to our understanding of strategy realisation as a continuing process of translating formal strategies into 'strategies-in-practice', i.e. the situated performance of strategies through choices, actions, and practices pertaining to the selection and accomplishment of concrete assignments. The thesis investigates this translation process in three small professional service firms, in which the responsibility for enacting the strategies lies with autonomous practitioners, making centralised strategy realisation difficult.

Searching for integration rather than further fragmentation of different strands of strategy research, the thesis make use of Porterian activity systems theory, Giddens' structuration theory, Wittgensteinian theory of rule-following, Searlean theory of intentionality, and the strategy-as-practice approach, in order to understand the translation process as the intentional structuration of practice.

The thesis reports two main contributions, the first addressing a gap in strategy research, the second contradicting prevailing theories. The first contribution is an outline of a theory of strategy translation: how formal strategies are translated into strategies-in-

practice, coping with insoluble strategic dilemmas, and achieving maintenance of strategic position and strategies-in-practice under pressure for unwanted change. Good strategies-in-practice are as much about managing dilemmas as about eliminating them.

Second, in contrast to prevailing strategic positioning theory and generic strategies, this study documents the potential benefits of straddling strategically distinct services within a single activity system, in terms of: learning opportunities; work variation; better opportunities for attracting, developing, and retaining talented people; the possibilities of capitalising on client relationships; and the dynamics of routinisation of once-novel services.

Acknowledgements

This thesis the result of an exceedingly long journey and the intellectual debts incurred accord with the length of the journey. First of all, Professor Richard Whittington has encouraged me, guided me, challenged me, and worried about this project for many years. His ability to balance gentle guidance with freedom to pursue *my* project, is among the things I appreciate and admire. The same goes for the balance between intellectual curiosity and a sense for practical issues. Richard has also, unwittingly perhaps, taught me a lot about English culture and language, in particular the art of understatement. For instance I now know that "I think there is some room for improvement here" basically equals "bin it and try again". I have also learned that "intriguing" is a word with many meanings. For all of the above; thank you Richard!

My research on this project was interrupted for a period of several years, for reasons the Research Committee at Saïd Business School on several occasions generously chose to interpret as 'exceptional'. For that I am grateful. The Business School also provided a vibrant atmosphere and dedicated support staff. Four generations of doctoral programme coordinators have helped me out on several occasions. Thank you to Audrey Leishman, Debbie Blunden, Lizzy Deacon, and Kate Goodman.

Wolfson College turned out to be an oasis for so-called mature students with families. Combining research and family life is not easy, but thanks to the support of the College in things practical and social our stays in Oxford have shown us that it is indeed possible and highly rewarding.   Open and international, the intellectual atmosphere of Wolfson allowed me to feel included and settled after only a short time. Lunch and dinner discussions with new friends from all over the world and a the whole variety of disciplines, getting a taste of the rowing club tradition, all made a deep impression and were deeply appreciated. Thank you College staff – Wolfson Nursery in particular, rowing mates, and lunch companions.

Parts of this thesis have been presented at various conferences where I have received important and encouraging feedback. I would in particular like to mention the strategy-as-practice track at EGOS (2001), the PSF-track at EGOS (2009), the annual PSF-conference arranged by the Centre for Professional Service Firms at Oxford (2001, 2008), the SAP symposium in Lancaster (2008), and the AIM Capacity-building workshop at Aston Business School in 2007.

Dr Chris McKenna, Professor Steve Woolgar, Professor Laura Empson, and Professor Ray Loveridge provided important opportunities for reflection and valuable advice in the examinations for Transfer of Status and Confirmation of Status.

In one sense the interruption which extended this project for so long was a case of serendipity, as it made the study more longitudinal. I believe that has strengthened the study, but it also made my debt to the three case organisations deeper. In businesses where time is literally money, several of my interlocutors have spent hours upon hours being interviewed, discussing preliminary findings, assisting me in navigating in their archives, and so on. Without their willingness and ability to act as true reflective practitioners this study would have been much poorer. As I have chosen to use pseudonyms for the case organisations, a collective and deeply felt 'thank you' is all that I can offer here.

I am also grateful for this opportunity to acknowledge the vital support from former colleagues at SINTEF Technology and Society. Egil Wulff and Mona Skaret co-researched Engineering with me in 2000. Dr. Arne Carlsen and Dr. Kjersti Bjørkeng did the same with StratCom. Arne has also been an incessant source of encouragement and support in the later phases of the work with this thesis. His ability to find intellectual gold nuggets in what sometimes appeared to me as a pile of stones, makes him something of an intellectual alchemist.

The Department for Industrial Economics and Technology Management at the Norwegian University of Science and Technology provided a position and shelter on generous terms when I resumed my doctoral study. Without the department's benign intervention I would not have been able to see the thesis through. The Department not only provided the means for subsistence, it also provided good colleagues. Thank you Ingunn, Morten, Ola Edvin, Monica, Roger, and Toril. A special thanks to Professor Morten Levin for having encouraged me to embark on this long journey in the first place.

In the very latest stage Anna Merton Kan has been tremendously helpful in getting the style and grammar into shape. I guess the readers should be as grateful for her contributions as I am.

I have also been undeservedly fortunate with my family. My children Marius and Marianne Louise have lived with the thesis work for most of their lives, and have looked forward to submission day with increasing eagerness. As for my wife Aleksandra, well, she is worth a Song of Solomon all of her own, both for her emotional support and her intellectually inquisitive and curious mind.

Contents

Detailed table of contents

List of figures

List of Tables

List of Vignettes

List of Semiotic Squares

1 STRATEGY AS THE INTENTIONAL STRUCTURATION OF PRACTICE - INTRODUCTION

Strategic management literature has long reflected the view that the relation between strategies and what organisations actually do is at best a precarious one (Mintzberg, 1973; Mintzberg and Waters, 1985; Pascale, 1984; Quinn, 1978). While accepting how difficult it often is to achieve effective strategic management, this thesis approaches the issue by asking how formal strategies frequently *succeed* in conditioning organisational actions, even in firms such as professional service firms, which may lack effective measures for coercing action and which also depend on distributed decision-making. What are the social processes that make strategies work?

This thesis fully acknowledges a two-way causal relationship between organisational actions and strategies, yet the main purpose of this thesis is to advance our understanding of how strategies, as formulated in formal documents and decisions, condition organisational practices. The thesis investigates how practitioners in professional service firms (PSFs) translate strategy statements into everyday practice, thus contributing to the research agenda of the strategy-as-practice approach (Golsorkhi *et al.*, 2010; Jarzabkowski *et al.*, 2007; Johnson *et al.*, 2007). PSFs provide an apposite research setting because they are likely to "manifest the phenomenon intensely" (Miles and Huberman, 1994:28). A second purpose is to contribute to a theory of professional service firms (Greenwood *et al.*, 2005; Malhotra and Morris, 2009; von Nordenflycht, 2010) with the emphasis being on the governance of professionals and PSFs through strategies.

Professionals have a reputation for being as amenable to being managed as cats are to being herded (Empson, 2007a; Lorsch and Tierney, 2002; Løwendahl, 2005; Maister, 2008;

McKenna and Maister, 2005; von Nordenflycht, 2010). Much of the literature on professional service firms is based on published academic research, with some being distilled from hard-won consulting experience in PSFs. Either way, the contention that professionals are resistant to being managed is widespread throughout the literature and appears to have solid empirical basis. The nature of the services PSFs provide, and of the associated work practices, requires that professionals enjoy considerable autonomy (Hall, 1968; Miles, 2004), even in decision-making that is usually considered strategic (Greenwood *et al.*, 1990; Løwendahl, 2005; Skjolsvik *et al.*, 2007). Hence, decision-making rights on, for instance, strategic domain issues (Levine and White, 1961; Thompson, 1967) appear to be distributed among individuals with considerable autonomy, making centrally-governed implementation difficult (Løwendahl, 2005).

Work on this thesis was spurred on by two sets of puzzling observations I made during action research with Norwegian professional service firms operating with high performance levels in competitive markets. The first of set observations was that, as much as it concerns making and implementing Big Decisions, strategy involves an on-going quest for realisation through everyday choices, decisions and practices. Moreover, contrary to traditional strategy theory's emphasis on the dominant role of strategic choice (Child, 1972; Porter, 1996) and the importance of avoiding internal inconsistencies between strategies (Rumelt, 1980), it appears that practitioners struggle with dilemmas they believe are insoluble and unavoidable.

The research question that evolved from this observation is: *How are organisational strategies, as manifested in formal documents and decisions, put into practice in organisations that depend on distributed everyday strategic decision-making?* Strategy implementation is well-known to be difficult, but it is clear that the proposed research topic is still an under-researched and not well understood area. Much could be gained by investigating this on-going quest primarily as social practice (Ortner, 1984; Rasche and Chia, 2009; Reckwitz, 2002; Rouse, 2007; Schatzki *et* *al.*, 2001; Whittington, 2006). A fundamental question posed by the strategy-as-practice approach is: how do people's activities underpin organizational strategies (Johnson *et al.*, 2007:20)? I am asking the reverse: how do organisational strategies underpin, or condition, people's activities?

The second set of observations was that two of the firms I encountered in my research, Engineering and StratCom (pseudonyms), seem to disregard elementary advice from the strategy positioning literature; that organisations should avoid "getting stuck in the middle" between the generic strategies of cost leadership and differentiation (Løwendahl, 2005; Maister, 2003, 2008; Porter, 1985). On the contrary, the firms apparently straddle generic strategies through being engaged in price-based competition on routine matters, as well as high-end competition on unique problem-solving[1]. Given that both firms enjoy a reputation for market leadership, I found their practices to be an intriguing breach with the orthodoxy and a mystery worth investigating (Alvesson and Kärreman, 2007).

After some preliminary research I decided to put this second observation aside, as it seemed to be related primarily to strategy formulation and content, not to strategy realisation. This was premature, as I came to see this straddling as being inextricably entangled with my research topic. To investigate strategy realisation one has to understand why such straddling occurs. Neither firms' strategies seem to endorse straddling, but instead emphasise "high-end services". Is straddling a manifestation of professionals ignoring organisational strategies, or is there a more interesting explanation? Adding to the puzzle, senior practitioners in both firms acknowledge that straddling has its costs and is not encouraged by formal strategies. They nevertheless insist that it is a sound practice. The second research question then becomes: *What are the potential benefits to be derived from straddling apparently incompatible generic strategies in professional service firms?*

[1] The third firm, Headhunting, appears to follow a focused strategy and does not straddle generic strategies.

This research question requires that the social practice perspective is complemented by a theory that is able to integrate activities with strategy content and value creation and appropriation. Despite its clear limitations as a social theory, Porter and associates' activity systems theory (Porter, 1996; Porter and Rivkin, 1997; Porter and Siggelkow, 2008; Siggelkow, 2001, 2002a) fits that purpose. The limitations are adjusted here by combining activity systems theory with structuration theory (Giddens, 1984), thereby linking the two research questions.

The second research question thus adds scope and complexity to the thesis by requiring integration of practice theory with what is usually referred to as strategy content theory. In order to achieve such an integration, this thesis draws upon a broad range of work, including the practice theory of Anthony Giddens (Giddens, 1984; Haugstad, 2001; Sewell, 1992; Whittington, 2010), John Searle's writings on practical reasoning (Searle, 2001, 2010), the aforementioned activity systems theory of Michael Porter (2008), the strategy-as-practice literature (Golsorkhi *et al.*, 2010; Johnson *et al.*, 2007; Johnson *et al.*, 2003), the theory of ambidextrous organisations (Raisch and Birkinshaw, 2008; Tushman and O'Reilly III, 1996), and the PSF-literature (Blackler *et al.*, 1993; Empson, 2001b; Greenwood *et al.*, 2005; Greenwood and Suddaby, 2006; von Nordenflycht, 2010).

In the remainder of this introduction I first refer to the background and purpose of the thesis and then describe how the initial research design was modified in order to incorporate some early findings in the empirical research – that two of the case organisations were straddling generic strategies, apparently with some success. I then provide a summary of the contributions from the thesis before I indicate some implications for practice, and briefly outline the thesis.

1.1 Background and purpose of the thesis

Strategy, strategic management, and strategy research have in less than five decades developed into a set of social practices with wide-ranging, pervasive, and enduring consequences for individuals, businesses, industries and societies at large (Whittington *et al.*, 2003). The discipline's influence is fuelled by huge public and private investment in business schools and strategy research, and by investments made by organisations in the development and implementation of strategies. Business life is nevertheless replete with stories of carefully formulated strategies that fail to make any perceptible practical difference. The blatant gap between promise and delivery is a potential threat to the field, a contention that is easily confirmed by teaching the subject to disillusioned middle managers on executive courses. This thesis thus aims to contribute to a stream of research that will aid the education and development of practitioners with responsibility for strategic management (Johnson *et al.*, 2007).

Arguably, the prime task of a strategy is to make a practical difference that matters. This study was triggered by a fascination with the enduring problem of making strategies produce significant differences in what organisations actually do, and a belief that therein lays another clue as to why strategies may cause performance differences between firms. Usually conceived of as a problem of strategy implementation, realisation of strategies is widely recognised as difficult to accomplish in practice (see for instance Argyris, 1989; Beer and Eisenstat, 2000; Guth and Macmillan, 1986; Hickson *et al.*, 2003; Hrebiniak, 2006; Lorange, 1998; Miller, 1997; Nutt, 1998). On the other hand, strategy implementation would hardly have been a source of advantage had it been easy to achieve.

This study seeks to understand strategy formation and realisation by studying how, if at all, practice is structured by strategy. Everyday practice in business organisations is structured by a range of factors. Strategy may be – ought to be, from the perspective of the managing partner – one of the dominant factors. Yet, due to everyday practice often being conceived of as the antithesis of strategy, or just a passive outcome of strategy, strategy research may have undervalued, under-investigated and hence only scantily understood the inter-relation between strategy and everyday practice (Johnson *et al.*, 2003). While by no means arguing for conflation of the two notions, this study will make a plea for the importance of studying strategies and everyday practices – or "ordinary activities"(Salvato, 2009) – in conjunction, as it is arguably through everyday practices that most strategies are enacted; or ignored. Hence, 'putting strategy into practice' should be understood in a quite literal sense.

However, not everything organisations do is pertaining to strategy. Thus, for the purpose of this study, I am drawing upon the concept of strategic domain: " 'What' goods or services are delivered? To 'whom' is it delivered? 'Where' geographically are they delivered? And 'how' are they delivered?"(Levine and White, 1961; Løwendahl, 2005; Thompson, 1967). Strategic actions or practices are those that are essential to an organisation's current performance within its domain, that influence the organisation's future capacity to deliver within its domain, or that involve intentional changes in the organisation's domain.

The overarching purpose of the following work is therefore to further the understanding of the relations between formal strategies and strategies-in-practice. For the purpose of this thesis I define formal strategies in terms of rules and resources as they are found in formal documents, decisions, or shared understanding pertaining to the strategic domain an organisation intends to occupy: its intended strategic positioning (Porter, 2001). Strategies-in-practice are the situated performance of strategies through choices, actions, and practices pertaining to the selection and accomplishment of concrete assignments and to the protection and development of strategic resources.

1.2 Initial research design

The initial research design took its cue from Mintzberg's (1979) method of 'direct research' into strategy formation. The idea was to develop two sets of validated accounts of, first, strategies as intentions as expressed in "the documentation which is designed to direct behaviour" (Heijden and Eden, 1998:67) and, second, of strategy as manifested in "decision-making in action" (Heijden and Eden, 1998:67). The next step would be to juxtapose these two sets of accounts (formal strategies and strategies-in-practice) and use the inevitable discrepancies between them as stepping-stones to further analysis.

The accounts were strongly informed by the concept of strategic domain, and I have taken advantage of the fact that, arguably, the strategies realised in a project-based PSF are predominantly revealed through the assignments or projects it acquires, selects, and carries out (Løwendahl *et al.*, 2001:914). A first sorting of strategies-in-practice can thus be undertaken through analysis of which assignments are carried out in terms of what services (projects) are delivered to which clients, and how they are delivered, that is, are they accomplished through specific methods, through specific channels, or through other distinguishing means of delivery? Moreover, conventional wisdom suggests strong dynamic interdependency between projects and key practitioners in PSFs. Thus, realising the strategies is largely decentralised to a number of key practitioners with responsibility for the acquisition, selection, and carrying out of project-assignments.

So far, this is a near replication of Mintzberg's (1979) 'direct research' using respectively his notions of planned and realised strategies (Mintzberg and Waters, 1985). However, as will be discussed in the literature review, I take issue with Mintzberg's concept of realised strategies as "patterns in streams of actions, not decisions, since the latter represent intentions" (Mintzberg and Waters, 1985:257), on the grounds that leaving strategy void of intentionality empties the concept of meaning. A pattern in action that ignores intention is not strategy: it is simply a pattern in action. At the very least, we must be able to discern pattern*ing*, but we would still have to account for the source of the patterning in order to conclude that the pattern is the outcome of strategy.

Intenionality is crucial for the concept of the realisation of strategies as translation of formal strategies into strategies-in-practice. Strategies as such *do* nothing apart from conditioning the expectations, choices, actions, and practices of physical actors. Reproduction of formal strategies in observable outcomes is thus crucially dependent on how the actions are conditioned. The translation of formal stategies into desired outcomes is fraught with contingencies, even when a linear story is narrated. Yet, it is well established in the literature that such linearity cannot be assumed (Mintzberg, 1978; Quinn, 1978), making translation even more complex. I contend that despite the complexity and non-linearity, the fundamental question of how the strategies found in formal documentas and decisions are translated into practices with intended outcomes nevertheless remains intact.

The investigation of this translation will draw on structuration theory (Giddens, 1984) and Searle's (2001) concept of practical reason in particular. The philosopher John Searle (2001) provides a general account of how 'prior intentions' lead to outcomes through 'intention-in-action', and identifies three gaps: from deliberation to formation of prior intention; from prior intentions to intention-in-action; and from intention-in-action to actual outcome. The gaps explain why there is sometimes no intention-in-action following a prior intention. He also points out that intention-in-action does not presuppose prior intention; we often act without preceding deliberations, but we still act with an intention. The notion of 'practical reason' is pivotal to Searle's theory of rationality in action. Practical reason is the process through which actors form their intentions on what to do, taking their desires, beliefs, needs, obligations, and promises into consideration, including possible conflicts between these intentional states.

However, Searle's theory of practical reason implies a distinct first-person perspective: a mechanism for mediating between social structures and actors' conduct is provided by Archer's (2003) theory of internal conversation. Structuration theory complements Searle's theory of rationality in action and Archer's concept of internal conversation by providing useful accounts of the interplay between individual actors and social structures, and of the form and content of social structures. In this account social structures consist of significative and normative rules as well as allocative and authorative resources that are "recursively implicated in the reproduction of social systems" (Giddens, 1984:377). That is, social structures both condition practice and are reproduced through social practices. In this study, organisational strategies will be operationalised as rules and resources conditioning practices performed individually and collectively by the organisation's members.

1.3 Early findings related to activity systems and fit – consequences for the research focus

The accounts of strategies-in-practice in the two larger of the three case organisations (Engineering and StratCom) appeared to confirm a long-held suspicion that was based on observations I had made while undertaking action research in a number of successful Norwegian professional service firms. The case organisations seemed to disregard strong and consensual advice from strategic positioning theory: to develop a clear strategic position (Porter, 1996), to avoid "getting stuck in the middle" (Porter, 1985), and to ensure that "all the elements of what a company does fit together" (Porter, 2001) and are internally consistent (Rumelt, 1980). This advice is perhaps most strongly associated with Michael Porter, but consonant advice is advocated by for instance Levine and White (1961) and Markides (1999). Significantly, the advice is mirrored in the standard literature on strategic management in professional service firms (e.g. Løwendahl, 2005; Maister, 2003).

The observations indicated that some firms deliberately disregard the conventional wisdom of maintaining fit. For example, the firms pursue strategies for delivering standard services through price-based competition as well as delivering highly specialised services where price is merely a secondary factor, or even serves as a signal of quality so that price and demand are positively correlated (Kirmani and Rao, 2000; Leibenstein, 1950; Rao and Monroe, 1996; Wolinsky, 1983). This disregard for conventional theories of strategic management is apparently no hindrance for these organisations in earning good money in competitive markets.

Furthermore, in contradistinction to Porter's (1985, 2001) argument, mirrored by Maister (2008), that being stuck in the middle is a result of *not* making choices, senior practitioners in the case organisations claim that they have deliberately chosen their position. Certainly, my research confirms that the firms pursuing incompatible strategies do so at considerable cost. Yet, their senior personnel insist that the benefits more than outweigh the costs. In fact, they effectively assert that their firms depend upon the simultaneous pursuit of inconsistent strategies in terms of strategic domains (Levine and White, 1961; Løwendahl, 2005; Thompson, 2004).

This led me to consider Porterian (1996; 2008) activity systems theory as providing a bridge between generic strategies and strategy as activities. There are three reasons for that choice. First, it is a theory that explicitly addresses what organisations are *doing* from a strategy point of view. Secondly, activity systems-theory is an established approach, and there are published empirical studies using and elaborating on the theory, notably from Porter himself, Rivkin, and Siggelkow (Porter and Rivkin, 1997; Porter and Siggelkow, 2001; Porter and Siggelkow, 2008; Rivkin and Siggelkow, 2003; Siggelkow, 2001, 2002a). Thirdly, although not uncontroversial, the theory and related literature have enjoyed substantial influence in academic research, as well as in practice.

From an activity systems' perspective, the case organisations seemed to maintain incompatible activity systems side by side; they were "stuck in the middle" and even appeared to thrive on being there. Note that I am not using the notion of incompatibility in the stronger sense, where incompatibility precludes co-existence. Rather, I am using it as an antonym of complementarity, as defined by Milgrom and Roberts (1990, 1995), where two activities are said to complement one another, and thus to enhance fit, if they mutually reinforce each other. Two (sets of) activities are then incompatible if their interaction negatively affects the effectiveness of either of them. This notion of incompatibility is consistent with Porter's arguments, and underpins his warning against getting stuck in the middle.

Furthermore, the findings did not lend themselves to satisfactory explanations by the burgeoning literature on ambidextrous organisations (e.g. Birkinshaw and Gibson, 2004; Gibson and Birkinshaw, 2004; Lubatkin *et al.*, 2006; Raisch and Birkinshaw, 2008; Tushman and O'Reilly III, 1996). Two forms of organisational ambidexterity are identified in the literature (Gibson and Birkinshaw, 2004): structural ambidexterity, achieved through "dual structures" that allow different units to develop either alignment or adaptation (Duncan, 1976; Gibson and Birkinshaw, 2004:209); and contextual ambidexterity, defined as "the behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit"(Gibson and Birkinshaw, 2004:209). At face value this definition appears to fit well to the findings in the two case organisations, but Gibson and Birkinshaw emphasise that 'alignment' is alignment to a changing environment. The two case organisations' need for ambidexterity arises however from their straddling of generic strategies, not from simultaneous alignment with the existing environment while adapting to changes in that environment. They have to arrange for efficiency and effectiveness in the same stable environment.

By contrast, in the third and smaller case organisation, Headhunting, another successful professional service firm, the fit seems unquestionable, but the organisation nevertheless finds that its set of seemingly consistent strategies continuously leads it into dilemmas and internal struggles. The translation from formal strategies into strategies-in-practice seems to be fraught with predicaments that defy clear solutions. "Damned if you do, and damned if you don't," as one practitioner blurted out in an interview. Many situations simply do not allow for simultaneous compliance with all the relevant formal strategies. Yet, none of the formal strategies that prove inconsistent when confronted with real situations seem dispensable. For instance, when strategies for 'professionalism' and 'positioning in the strategic domain' are in conflict, neither of them can be altered or safely ignored. This finding led me to acknowledge strategic dilemmas as being crucial to understanding the translation of formal strategies into strategies-in-practice. Probing into the translation processes in the two other organisations confirmed that they too struggle with such dilemmas, most of which cannot be traced back to their straddling of generic strategies.

Furthermore, based upon experience with a large and diverse portfolio of Norwegian knowledge-based organisations participating in action research projects (Bjørkeng, 2010; Carlsen, 2005; Carlsen, 2006; Carlsen *et al.*, 2004; Håkonsen, 2007), I had good reason to believe that this initial finding was not peculiar to the three case organisations, and that it might be of more general significance.

1.4 Revised design – steps in empirical research and analysis

The revised design sought to accommodate these findings: straddling of generic strategies and coping with strategic dilemmas as a major issue in the translation of formal strategies into strategies-in-practice. The empirical part of this thesis consists of three interrelated elements:

1. *Tasks and task environment:* For each organisation I investigated the main tasks and technologies with respect to task uncertainty and interdependencies between activities (Scott, 2003; Thompson, 1967; Whitley, 2000). Interviews with key personnel and customers are used in combination with analysis of archival records in order to develop the analytic descriptions of the strategically distinct services in Engineering and StratCom, with emphasis on variation in task uncertainty. The framework allows for analysis of how the types of services that are identified based on systematic variation in task uncertainty relate to the environment in terms of value drivers, cost drivers, trust issues, and critical competences.
2. *Activity systems:* The next step was to analyse and describe the activity system in each case organisation. For each organisation I have identified formal strategies as 'strategic rules'; that is, significative and normative rules that are meant to guide practice. Some of these

rules are expressions of intent with respect to strategic domain, whereas others are aimed at protecting and developing strategic resources, such as reputation and relations.

3. *Translation of formal strategies into strategies-in-practice.* I then identified and analysed the costs and benefits of straddling more than one generic strategy with one activity system. I have further analysed and discussed why perfectly sensible strategic rules create insoluble dilemmas, when those emanating from straddling more than one activity system are no more severe than other problems. The activity systems theory of Porter and Siggelkow can only partially explain these dilemmas, whereas semiotic analysis (Berger, 2005; Feldman, 1995) proved useful for analysing the effect of coping with such dilemmas has on the strategic positioning of the firms. Finally, I have identified and analysed practices used by the organisations to cope with these dilemmas.

Taken together, these three elements provide a good understanding of the translation of formal strategies into strategies-in-practice in PSFs; of how value creation and appropriation is gained through socially embedded firm-specific practices; and of how activity systems with apparent misfit can actually produce advantages, provided that the organisation is capable of coping effectively with a number of insoluble dilemmas. In consequence, this thesis also contributes toward the integration of strategy content and process research. It also contributes to the strategy-as-practice approach by integrating strategy content and strategising practices.

1.5 Summary of contributions to theory

The purpose of the thesis, in short, is to advance our understanding of how strategies, as formulated in formal documents and decisions, condition organisational practices in knowledge-based organisations that depend on distributed strategic decision-making. The primary research question guiding my research has been: *How are organisational strategies, as manifested in formal documents and decisions, put into practice in organisations that depend on distributed* *everyday strategic decision-making?* A secondary research question emerged from early empirical findings: *What are the potential benefits to be derived from straddling apparently incompatible generic strategies in professional service firms?*

To these ends I shall develop a framework based on a definition of strategy in three parts which puts intention at the centre of strategy: 1. strategy as intentions with regard to how the organisation will create and capture value, 2. strategy as a means for achieving stability and fit with the task environment, and 3. strategy as provider of guidance on actions, choices, and practices that affect the positioning of the organisation in its domain. This framework will enable me to outline a theory of strategy translation.

The framework is an elaboration of Porterian activity systems theory (Porter, 1996; Porter and Siggelkow, 2008) in two steps, in order to develop a social theory of value creation and appropriation that integrates strategy content with practice. Practice can be loosely defined as socially embedded and intentional activities which are the outcome of continuous interplay between social actors and social structures. In the context of this study there is a distinction between "work practices" and "strategic practices": work practices refers to the performance of activities that are directly involved in the production of the goods or services an organisation provides, whereas strategic practices condition the work practices.

The first step of the development of the framework relates activity systems, i.e. the configuration of an organisation's core activities, to four dimensions of the task environment: value drivers, trust issues, critical competences, and cost drivers. This elaboration allows for analysis of fit between the activity system and the four dimensions of the task environment. The second step incorporates major elements of Giddens' (1979, 1984) structuration theory, so that the content of formal strategies is expressed as strategic rules and resources, and strategic practices. This is achieved by perceiving formal strategies as a type of social structure, defined as "rules and resources, or sets of transformation relations, organized as properties of social systems" (Giddens, 1984:25).

In this definition, the activity system corresponds to the social system, while the formal strategies are the elements of the system. The formal strategies will be analysed as strategic rules, resources, and strategic practices that enable and constrain practitioners' conduct. An essential purpose of the strategic rules, resources, and practices is thus to condition the work practices and practitioner's conduct. This is what is meant by strategy as the intentional structuration of practice. These rules, resources, and practices come into existence partly by design, partly through emergence, and partly through "designed emergence" (Epstein *et al.*, 2010). The latter occurs because some resources (reputations and relations) must be developed over time and are only partially under the control of the organisation.

The activity system of each organisation will be mapped by first identifying each of the strategic rules, resources, and practices, and then position the elements according to the four dimensions of the task environment, and finally establish the linkages between the elements (see Figure 1, p. 69). This institutional analysis (Giddens, 1984) forms the basis for investigating how the strategic rules, resources, and practices condition practitioners strategic conduct, i.e. the actual translation of strategy into practice.

An organisation may have more than one activity system, perhaps creating structural ambidexterity by isolating them in different units (Gibson and Birkinshaw, 2004), but this is not the case for any of the organisations in this study. Hence, the two case organisations that provide strategically distinct services, Engineering and StratCom, both straddle different generic strategies with one activity system. Identification and analysis of strategically distinct services in PSFs will be performed by adapting Whitley's (2000) framework of technical and strategic task uncertainty.

The main findings and contributions from the thesis can be summarised in three categories roughly corresponding to the main purpose and research questions. The first and main contribution is an outline of a theory of strategy translation: how practitioners translate formal strategies into strategies-in-practice, how they cope with strategic dilemmas, and how they achieve maintenance of strategic position and strategies-in-practice under pressure for change. The second contribution is an analysis of the strategic repercussions of the practice of straddling apparently incompatible services with one activity system, and of how such straddling may be achieved through reconfigurational ambidexterity. The third contribution is to theory on professional service firms: a taxonomy of professional services according to technical and strategic task uncertainty, and identification of generic strategic dilemmas of particular importance to PSFs. A summary of the main findings and contributions follows.

The first and main contribution of this thesis is an outline of a theory of strategy realisation, with emphasis on the mediation between formal strategies and everyday practice. According to Archer (2003), the mediation between structures and action occurs through practitioners' reflexive interior dialogue, an ongoing process that closely complements Searle's (2001, 2010) practical reasoning. The thesis then traces how the interior dialogue and practical reasoning are facilitated by practitioners' competence and commitment, acknowledgement of need for compliance, and capacity to mobilise necessary resources. This is the translation of strategy into practice: practitioners bringing strategies with them into the field, making situated choices and performing practices according to their own competence and commitment to those strategies. The duality of structure is also constantly at play here: rules and resources are reproduced through practice. A strategic rule that is being ignored loses its status as structural; a strategic rule that is either obeyed or enforced in cases of disobedience is consolidated into a local institutional fact (Searle, 2001). Several examples are documented in the empirical research on how formal strategies provide structuration of practice, and also on how structures are amenable to change by practitioners' slightly-divergent reinterpretation of a rule in practice.

The study shows that for those senior practitioners responsible for formulating and realising formal strategies, coping with apparently insoluble strategic dilemmas during everyday practice appears to be at least as important as the making and implementation of big strategic decisions. These dilemmas involve issues like maintaining strategic positioning, maintaining a reputation for integrity when the client's interest may be served by relaxing integrity a little, and the prioritisation of scarce resources. All three case organisations experience such dilemmas regularly, not in a form where clearly formulated policies and strategic choices provide clear answers, but as problematic situations where legitimate concerns are in conflict.

The strategic dilemmas are analysed by using semiotic squares, in order to show how everyday coping with strategic dilemmas may lead either to maintenance of strategies, or to strategy drift, in situations where no strategic change is intended. Strategy maintenance is shown to be a major issue when firms find themselves in a task environment that exposes the activity system to compound pressure from several legitimate and important, yet contradictory, concerns. Practitioners use a number of coping practices for handling these situations, including continuous open dialogue, skilful ignorance and balancing pressure and protection, and all-out efforts. Their commitment, situated choices, and proficiency in these practices determine whether strategies are maintained or drifting.

The second contribution is to enquire into the costs and benefits of providing strategically incompatible services within *one* activity system. Engineering and StratCom both engage in efficiency-based as well as effectiveness-based competition, with the same activity system. The respective services relate differently to the four dimensions of the environment, value drivers, trust issues, critical competences, and cost drivers. The thesis confirms that there are indeed significant costs associated with this straddling, such as possible internal and external confusion about 'real' strategic positioning, internal changeover costs between strategically different services, and strains on the composition of a firm's resource-base. Yet, the thesis also documents potential benefits from straddling, such as increased learning opportunities; attraction, development, and retention of talent; possibilities for capitalising on the routinisation of problem-solving; a transaction-cost case for straddling; and easier balancing of capacity utilisation.

The thesis argues that straddling requires a form of organisational ambidexterity (Gibson and Birkinshaw, 2004; Raisch and Birkinshaw, 2008) that I label reconfigurational ambidexterity: reconfiguration (Teece, 2007) of the activity system to handle the different types of services on an assignment-by-assignment basis. Contrary to strategic positioning theorists' universal warning against getting stuck in the middle of generic strategies (Løwendahl, 2005; Maister, 2003, 2008; Porter, 1985), the thesis concludes that whether straddling adds or destroys capacity for value generation and appropriation depends on the organisation's capacity for reconfigurational ambidexterity. This finding suggests that being "stuck in the middle" is only contingently negative.

The third contribution of this thesis is to theory on professional service firms (see chapter 7 in particular). The task uncertainty framework is used to map the services the case organisations provide, and to show how the services vary in technical and strategic task uncertainty, suggesting four generic types of professional problem-solving services: routine problem-solving (low technical and strategic task uncertainty); expert problem-solving (high technical and low strategic task uncertainty); integrated problem-solving (low technical and high strategic task uncertainty), and integrated, expert problem-solving (high technical and high strategic task uncertainty).

The empirical investigation identifies seven distinct types of services in the three case organisations, corresponding to three of the proposed generic types of professional problem-solving services: routine problem-solving, expert problem-solving, and integrated problem-solving. Further analysis confirms that this variation affects the strategic fit between the activity system and the task environment, for instance, whether competition is likely to be based on efficiency (routine problem solving) or different kinds of effectiveness (expert problem-solving, associated with high technical task uncertainty, and integrated problem-solving, associated with high strategic task uncertainty). Value drivers, cost drivers, critical competence, and trust issues are shown to vary significantly between the different types of generic services, affecting the fit between the activity system and its task environment.

Furthermore, all three case organisations face a number of strategic dilemmas that must be coped with as part of translating formal strategies into practice. The concrete dilemmas that are identified and investigated in the research are likely to be instances of generic dilemmas, such as: short-term-earning versus long-term value, accentuated by PSFs' inability to produce for stock; efficiency and effectiveness, prevalent when firms straddle generic strategies that focus on efficiency and effectiveness; individuality versus collectivity, reflecting PSFs' dependence on autonomous and mobile individuals while simultaneously developing organisational strategic resources; and the continuous battle over scarce resources. With the exception of the dilemma between efficiency and effectiveness, these dilemmas appear to be independent of the straddling of generic services. Based on the empirical findings, I also propose that practices, including practices for coping with strategic dilemmas, are the key integrative *explanans* of PSFs' capacity for value generation and value appropriation.

What is drawing these findings together is the pivotal role of practices. Practices integrate practitioners, projects and strategic resources, and make formal strategies work. First, there are the work practices for carrying out assignments with intended performance that maintain strategic positioning. Second, there are the strategic practices practitioners use in their making of situated choices and for coping with strategic dilemmas that affect the strategic positioning of the firm. Third, there is the continuous interplay between practices and strategic resources like reputations, relations, and competence. Successful practice depends on these resources but also affects them – thus testifying to the inherent duality of structure.

1.6 Implications for practice

The first implication for practitioners from this thesis is that under some circumstances it may be sound practice to straddle strategically distinct services with one activity system. In addition, two sets of implications for practice can be derived from this study. The first set concerns the design of formal strategies that can actually provide structuration of practices, and how use of the elaborated activity systems framework can create more effective formal strategies. The second set concerns how practitioners can cope effectively with problems and dilemmas that arise in the ongoing translation of formal strategies into strategies-in-practice.Using the activity systems framework for making effective formal strategies

The activity systems framework that is elaborated in this thesis is well fitted for use by practitioners, both for setting an agenda on strategic issues and for analysing those issues, including the interdependencies between them.

Few organisations formulate their strategies as rules, but I contend that the identification of rules implied in a strategy is usually not too difficult, and can be revealed by asking the simple question, "What implications does this strategy have for practice?" The answer will usually lend itself to formulation as a rule, or set of rules. A follow-up question may be, "Which actions or practices does it preclude, and what does it enable?"

If answering the question is difficult, or the answer is ambiguous, then it may be because the strategy is indistinct, its implications are unclear, or those being asked the question lack sufficient insight to provide an adequate answer. If the best answer is, "There are no significant implications for practice," then my contention is that we are probably not dealing with a strategy.

Following rules is not like executing an algorithm. Often, a range of interpretations is possible, and these interpretations may or may not be distorted by differences in interest. In organisations where the enactment of strategies is distributed, then each instance of rule-application must be performed with considerable discretion and leeway, for a number of reasons. It is difficult and time-consuming to review the choices made by a competent and responsible practitioner "in the field"; and it is equally impracticable to make rules that anticipate possible contingencies and render interpretation unnecessary. Acknowledging this fact leads us to the requirements of following a rule: competence, commitment, compliance, and capacity.

These four requirements lend themselves to four simple but non-trivial control questions: "Do we have the necessary competence to enact these strategies?" "Are we committed to them even when compliance is costly?" "Do we have the means necessary to enforce compliance?" and "Do we have capacity; that is, are we able to mobilise the resources necessary for the enactment of these strategies?" These are not particularly original questions, but used together with the activity systems framework they are likely to give practitioners new insight. I have had occasion to observe discussions in the case organisations where these simple questions led the participants to undertake realistic scrutiny of the organisation's capacity to enact its strategies.

1.6.1 Coping with enduring problems and insoluble dilemmas

The concrete problems and dilemmas identified and analysed in this thesis are specific to the case organisations and their activity systems. However, there is little reason to believe that the existence of such problems and dilemmas is particular to these organisations. Indeed, it is safe to assume that most organisations face dilemmas pertaining to short-term earnings versus long-term value, individuality versus collectivity, and efficiency versus effectiveness. The development and preservation of vulnerable collective goods and difficult prioritisation of scarce resources also seem inherent in most organisations operating in a competitive environment. This contention is of course in line with Porter's insistence that strategy is about making difficult trade-offs (1996, 2001).

If this is the case, then the ability to analyse and cope effectively with inescapable dilemmas is a source of superior performance. Practitioners can use semiotic squares to analyse the likely long-term consequences for accentuation of the legitimate concerns constituting a strategic dilemma, and to clarify the need to achieve balance in response to those dilemmas. Such ability critically depends upon understanding the organisation as a social system (Giddens, 1979) where decision-making not only concerns finding the 'rational' and 'technically optimal' solution, but also affects the interests of actors with different capacities to mobilise resources for their own ends. Credible commitments internally as well as externally are necessary to overcome the dilemmas and conflicts of legitimate interests.

The first task of effective coping is thus to recognise the existence of a problem or dilemma, and the second is to analyse the likely outcomes of different coping practices. This analysis must take into account the likely effect on the strategic positioning and strategic resources (reputations and relations), and the effect on internal actors. The five distinct coping practices described in this thesis can then be put to use. A pattern over time can move an organisation in one direction or another, and, as with compound interest, it is the cumulative effect that counts. Yet, sometimes a single interpretation may be fateful, as when rules concerning legitimacy and reputation are in question.

The pattern that forms over time reveals the true nature of the strategies-in-practice. For some rules, every single instance of application is potentially critical. This is often the case for normative rules that can be expressed as "we never do X", and to a lesser degree, "we always do Y". This is typical for rules concerning ethical conduct, and where consistent compliance is regarded as essential. However, these are still strategic rules because competitors have some discretion over where they position themselves along an ethical dimension. Once a position is taken, then compliance is crucial, since one single instance of non-compliance may threaten the entire investment made in taking that position. Two important features of such a position are that it requires some investment to make it valuable, and that it is vulnerable to non-compliance to make it credible.

One of the main findings of this study is that an apparent lack of strategy implementation is not only due to weakness of will or lack of commitment, but often reflects insoluble strategic dilemmas. Hence, attempts to resolve these dilemmas through enforced choice are doomed to fail. Telling such practitioners that their frustrations are only due to their own lack of choice is not only unhelpful but potentially harmful: 'resolving' an insoluble dilemma through forced choice will bring knock-on problems.

Literature and education should therefore train practitioners to identify dilemmas and sort false from real, while acknowledging that real dilemmas can only be coped with, and finding relief in the acknowledgement that coping better with such dilemmas than competitors is a potential source of advantage.

1.7 Outline of the thesis

In chapter two I review relevant literature, and develop a definition of strategy in three parts that also acknowledges intentionality as a defining characteristic of strategy. These are: strategy as propositions for creation and appropriation of value; strategy as activity systems providing fit with the environment; and strategy as intentional structuration of practice. Chapter three describes the research design chosen for the research questions. The research questions are pursued through a comparative case study of three small and medium-sized professional Norwegian service firms, each widely considered to be a market leader in its strategic domain. In addition to the data collection methods usually employed in qualitative studies, I put great emphasis on getting involved in the case organisations through action research (Greenwood and Levin, 1998; Van de Ven, 2007) in order to gain access to relevant organisational deliberations and decision-making first hand.

Chapters four, five and six provide case studies of the three participating organisations, Headhunting, Engineering, and StratCom. The findings from these case studies are analysed and synthesised in chapter seven, whereas chapter eight provides conclusions from the thesis.

2 LITERATURE REVIEW

Under the heading of strategy-as-practice (Golsorkhi *et al.*, 2010; Johnson *et al.*, 2007; Johnson *et al.*, 2003; Whittington, 2006), recent years have brought calls for research that focuses on strategising as a type of activity, as opposed to strategy as an entity. This thesis aims to contribute to this stream of research through an investigation of how strategies as formulated in formal documents and decisions condition choices, actions, and organisational practices in professional service firms.

It is well established that the relationships between strategies, actions, and outcomes are complex and precarious (Balogun and Johnson, 2005; Mintzberg, 2007; Quinn, 1978) and that strategies are devised through a number of processes other than the traditional linear and deliberate textbook approach methods (Chia and Holt, 2006; Lovas and Ghoshal, 2000; Mintzberg, 1987; Mintzberg and McHugh, 1985; Mintzberg and Waters, 1985; Pascale, 1984).

This thesis acknowledges these findings, but nevertheless takes the stance that one essential element of strategy is to condition choices, actions, and practices, i.e. to make a practical difference. This further implies that intention is a defining characteristic of strategy. I will argue that this stance is consistent with the gist of the strategy-as-practice approach, but at odds with research that sees strategy and intentions as unconnected (Mintzberg and McHugh, 1985; Mintzberg and Waters, 1985). This is a conceptual rather than empirical point, and I will argue the case for intentions as inherent to strategy in the following subsection.

Two research questions are guiding this study: the first question is *how are organisational strategies, as manifested in formal documents and decisions, put into practice in organisations that depend* *on distributed everyday strategic decision-making?* In order to advance empirical research and theory development from this question, I will review the literature on professional service firms (Greenwood and Suddaby, 2006; Løwendahl, 2005; Maister, 2003; von Nordenflycht, 2010) and practice theories (Giddens, 1984; Ortner, 1984; Reckwitz, 2002; Schatzki *et al.*, 2001).

Practice theory is not one uniform theory, and internal variations are numerous among its leading scholars, who include Anthony Giddens (1979, 1984, 1993), Pierre Bourdieu (1977, 1990), Margaret Archer (1982; 1988, 1995, 2000, 2003, 2007), Piotr Sztompka (1991, 1993), Theodore Schatzki (1996, 2001), Jean Lave and Etienne Wenger (Lave, 1988, 1993; Lave and Wenger, 1991; Wenger, 1998), and Chris Argyris and Donald Schön (Argyris, 1993; Argyris and Schön, 1974, 1996; Schön, 1983, 1987). Yet what they all agree upon is that understanding practice is a primary aim of social theory, and that practice is the outcome of continuous interplay between social actors and social structures. Some of these scholars argue that social structures merely have a virtual existence, and some believe they are real. However, they all agree that once social structures come into existence (be they virtual or real) they exert influence over actors' ongoing conduct; that is, practice. They also agree that structures can change and be changed by actors, but that such attempts are ridden with uncertainty, and prone to producing unintended and unanticipated consequences, as is all action and practice. To deliberately design social structures in order to produce desired outcomes is thus no trivial matter, partly because individual social actors respond differently to a given social structure. The implications for strategic management are profound and will be investigated throughout this study.

The second question was formulated as a response to early findings in the empirical research suggesting that two of the three case organisations are straddling generic strategies (Løwendahl, 2005; Maister, 2003; Porter, 1985) by providing strategically distinct services: *What are the potential benefits to be derived from straddling apparently incompatible generic strategies in professional service firms?* This question requires that the literature on practice theory and PSFs is supplemented with literature on strategy content and competitive advantage (Barney and Clark, 2007; Helfat *et al.*, 2007; Porter, 1996, 2001; Teece, 2009; Williamson, 1999). Furthermore, I found the activity system theory of Porter and associates (Porter, 1996; Porter and Rivkin, 1997; Porter and Siggelkow, 2008; Siggelkow, 2001) and the theory of ambidextrous organisations (Gibson and Birkinshaw, 2004; Raisch and Birkinshaw, 2008; Tushman and O'Reilly III, 1996) to be of great value in pursuing this question.

This literature review follows the convention of commencing with theory development as if the author knew before doing the empirical research what literature would become useful. The convention assists understanding of the thesis by preparing the reader for what is to come in the empirical chapters, but conceals the ongoing dialogue between literature search and empirical research (Ragin, 1994:57). Essential parts of the literature used in this thesis were found in response to empirical findings and emerging theory development. For instance, Porter's (2008) activity systems theory and the literature on ambidextrous organisations (Birkinshaw and Gibson, 2004) became essential for understanding the straddling of generic strategies, whereas Giddens' (1984) structuration theory was identified in an extensive search for practice theories which could assist an emerging understanding of strategies as social structures intentionally developed for conditioning everyday choices and practices.

The literature review has five parts. First, a study of formal strategies must be firmly rooted in an adequate concept of strategy (Porter, 1996; Whittington, 1993). In section 2.1 I first argue the case for intentionality as a defining characteristic of strategy, and introduce the distinction between formal strategies and strategies-in-practice. I then go on to propose a concept of strategy in three parts: as providing intentions for value creation and value capture; as providing stability and fit with the environment; and as providing guidance for choices, actions, and practice. This concept will be elaborated in the remainder of the literature review.

Second, in section 2.2 I survey the literature on professional service firms (PSFs). The emphasis is upon the characteristics of the goods provided, technologies and resources employed, and on the work practices of professional service firms. I introduce technical and strategic task uncertainty, and argue that variation along these dimensions affects both competition and the effectiveness of different strategies.

Third, taking strategy as providing intentions for value creation and value capture as a point of departure, section 2.3 discusses how research on strategy content can be collected under three broad perspectives: 1. industrial organisation-based theories; 2. competence perspectives; and 3. governance perspectives. Although complementary and essential for understanding strategies of value addition and value appropriation, these do not pay adequate attention to the social aspects of strategy. I identify four dimensions of the task environment that strategies must respond to: value drivers, trust issues, cost drivers, and critical competences.

Fourthly, section 2.4 elaborates on strategy as providing stability and fit with the environment, and provides a review of strategy as activity systems that fit. The emphasis is on activity systems' theory (Porter and Siggelkow, 2008) and on theory concerning ambidextrous organisations (Raisch and Birkinshaw, 2008).

Fifthly, section 2.5 introduces the idea of strategy as intentional structuration of practice, with special emphasis on structuration theory (Giddens, 1984). This section identifies the three types of elements in an activity system: practices, strategic resources (reputations and relations), and strategic rules (formal and informal). The concept of activity systems developed in sections 2.4 and 2.5 connects these elements with the four dimensions of the task environment (section 2.3). (See Figure 1 on page 69 for a preview.)

2.1 What is strategy?

Strategic management research is a conceptually rich and pluralistic discipline that continues to put fundamental issues on the agenda, providing different theories of strategy, such as: a dynamic theory (Porter, 1991), a competence-based theory (Foss and Knudsen, 1996), a knowledge-based theory (Grant, 1996), an attention-based theory (Ocasio, 1997), an organic theory (Farjoun, 2002), or a governance-based theory (Williamson, 1999); and strategy as guided evolution (Lovas and Ghoshal, 2000), as simple rules (Eisenhardt and Sull, 2001), as vector (Burgelman, 2002), as practical coping (Chia and Holt, 2006), as moral philosophy (Singer, 1994), or as practice (Johnson *et al.*, 2007).

In parallel with the lack of agreement on the nature of strategy, there have been numerous discussions on the ontology of strategy, on appropriate epistemological foundations, and on proper methodologies for investigating strategy (Balogun *et al.*, 2003; Bowen and Wiersema, 1999; Calori, 1998; Kwan and Tsang, 2001; Mir and Watson, 2000; Powell, 2003). For instance, the guest editors of a recent special topic forum on value creation and value capture in the Academy of Management Review note that not much agreement can be found as to what value creation is, which processes are involved in value creation, and by which mechanisms value can be captured (Lepak *et al.*, 2007).

It is a basic tenet of contemporary non-positivist philosophy of science that concepts and empirical observations are theory-laden. Definitions and assumptions are therefore never inconsequential. Heeding Child's (1997) advice to make use of several perspectives in order to advance the theory of strategic management and increase its relevance for practice, this study will seek to integrate and provide synthesis rather than advocate isolationism or the superiority of one theory. Yet, in the following subsection I will argue that intentionality is essential to any servicable theory of strategy. In subsection 2.1.2 I propose a three-pronged concept of strategy, and then discuss a distinction between formal strategies and strategies-in-practice.

2.1.1 Intentionality and choice in strategy

The purpose of the following discussion is to argue that intentionality and choice under constraints and uncertainty are intrinsic to strategy. Intentionality and choice could be seen as two separate features, but I believe them to be inseparable. Intentionality is instantiated through the choices we make, and to make a choice without the guidance of intentions seems impossible.

A range of authors have discussed the important role of choice in strategy, such as Porter (1991; 1996), Child (1972; 1997), and Whittington (1988). For instance, Porter (1991) declares that the "essence of strategy is choice" (p. 101). He actually takes the point of managerial choices so far as almost to suggest that managerial choices, through 'the chain of causality' (Porter, 1991), are the ultimate cause of firm performance. However, Porter stops short of alluding to how these choices are made; he ignores their social embeddedness (Baum and Dutton, 1996).

In order to order to understand strategy we must be as concerned with what organisations actually do as we are with what they plan to do. There is a gap between intentions, as instantiated in plans, and what is being done in practice. This insight from Mintzberg's (1978, 1979; Mintzberg and McHugh, 1985; Mintzberg and Waters, 1982; Mintzberg and Waters, 1985) seminal studies of strategy formation has inspired both the choice of topic and the research design of this study. However, whereas Mintzberg (1985) explicitly argues that intentions are inessential to strategy, this thesis takes the opposite view: intention is a defining characteristic of strategy and any investigation hoping to understand strategy must look at intentions.

Mintzberg is not alone in regarding intentionality as irrelevant to strategy: organisational ecologists (Freeman and Hannan, 1989; Hannan and Freeman, 1977), and, to a lesser extent, institutional theorists (DiMaggio and Powell, 1983, 1991; Meyer and Rowan, 1977) doubt that intentions can make a significant difference, either due to organisational inertia and a ruthlessly selective environment, or to "coercive, normative or mimetic isomorphism" (Lewin and Volberda, 1999:521). A less pessimistic view, but one which nevertheless stresses the constraints of managerial agency, is presented by Pettigrew and Whipp (1991): "In our view it is the limits to managerial action which are as telling in understanding the outcome of strategic changes rather than the assumed width of their discretion" (p. 30). While acknowledging the relevance of the question of whether intentionality matters (Lewin and Volberda, 1999) and acknowledging that intentionality is constrained by the factors mentioned, I maintain that the question entails the question of whether strategy as such matters (Whittington, 1993).

I will substantiate the centrality of intention to strategy through a discussion of two definitions of strategy that explicitly leave intention out of the equation, namely Mintzberg's celebrated concepts of realised strategy (Mintzberg, 1978) and emergent strategy (Mintzberg and Waters, 1985). Mintzberg's(1978) definition of realised strategy as "a pattern in a stream of decisions" is pivotal to his work, and is taken as a point of departure in many of his papers (e.g. Mintzberg, 1979; Mintzberg and McHugh, 1985; Mintzberg and Waters, 1982). The definition is elaborated thus: "when a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered to have formed" (Mintzberg, 1978:935) and subsequently operationalised as "studying strategies as patterns in streams of actions, not decisions, since the latter represent intentions too" (Mintzberg and Waters, 1985:257). Similarly, emergent strategy is defined as "patterns realised despite or in the absence of intentions" (Mintzberg and McHugh, 1985:161). Hence, intention is explicitly regarded as non-essential to strategy. There are two fallacies in these formulations. The first is that they separate intention from action; the other that all patterns of actions are seen as strategy. I will commence with the latter.

Mintzberg's definitions of realised or emergent strategy imply that *any* consistent pattern of action is seen as a strategy. However, it is well-documented that patterns of action may occur which are not only unrelated but also in conflict with what any one of the involved actors may have aimed at (Elster, 1989b; Hollis, 1987). A persistent and consistent pattern of action may thus arise as the unintended effect of the sum of actions intended to produce quite different consequences. This unintended pattern may be benign, may make everybody worse off, or may simply go unacknowledged. Consistency in actions may also arise from tradition, or *habitus* (Bourdieu, 1990). In social theory, these are often seen as instances of unwanted lock-in situations, and thus quite the opposite of strategy. The result is that one may observe strategies – patterns in actions – which have no connection with any human actor's intentions or aims, meaning that strategies effectively come into being at random. We are then excluded from asking the question of *whose* strategy it is that one observes. We are even excluded from asking, 'What is the purpose of this strategy?'

The question then becomes whether it is meaningful to label such occurrences of pattern in actions as strategy. To do so would indeed go against any ordinary understanding of the term. Intuitively, strategy is *inter alia* an attempt 'to make a difference', and thus presumes agency and intentionality. That said, the relationship between intentions and the outcome in form of a pattern in action is anything but straightforward, and one of the main topics of this study. The important thing to remember, I think, is that a 'strategy' is not a strategy unless it is somebody's strategy to achieve something. I thus conclude that there must be some relation between intentions and a pattern in action for us to recognise that pattern as strategy, even if the outcome may differ from what is intended (Balogun and Johnson, 2005).

What then of Mintzberg's explicit separation of intention from action? It is difficult to find support for this in contemporary theories of action. For instance, the record on action theory in *The Cambridge Dictionary of Philosophy* states that "voluntary actions typically arise out of states of intending on the part of the agent" and "actions are explained by invoking the agent's reasons for performing them" (Audi, 1999:7). Likewise, Elster (1983) notes that "intentional explanation essentially involves *a triadic relation between, action, desire and be-*

lief' (p. 70). Distinguishing between intentions-in-action and prior intentions, Searle (2010) makes it clear that "all actions require intentions-in-action, but not all actions require prior intentions, because sometimes one may do something intentionally, but spontaneously without making any prior decision to do it." (p. 33) This is a helpful distinction, and I will make use of it to distinguish formal strategies (prior intentions) from strategies-in-practice (intentions-in-action).

After extensive search I consider Searle's *Rationality in action* (2001) to provide a theory of intentionality and intentional actions which fits the purpose of this thesis, and after careful reading I believe the relevant parts to be wholly consistent with structuration theory (Giddens, 1984), an analytical backbone of this study. Searle's ambition with *Rationality in action* is to offer a theory of practical reason, which is defined by *Enclyclopedia Britannica* (2010) as "rational capacity by which (rational) agents guide their conduct.", and by the *Stanford Encyclopedia of Philosophy* as "the general human capacity for resolving, through reflection, the question of what one is to do" (Wallace, 2009). Searle wants to take 'practical' seriously, urging "that in the investigation of rationality we should concentrate our attention on reasoning as an activity that actual selves engage in rather than focusing on rationality as an abstract set of logical properties" (Searle, 2001:135).

Searle explains the distinction between prior intentions and intentions-in-action thus: "I have a set of beliefs and desires, and by engaging in reasoning on these beliefs and desires, I arrive at an intention. Such intentions that are formed prior to an action I call prior intention." (Searle, 2001:44) Formal strategies, as they are found in relevant documents and decisions, are sets of such prior intentions. They describe the intended states of affairs in the relations between an organisation and its environment, including important stakeholders such as clients and competitors. In strategy theory, states of affairs are often referred to as a strategic position (Porter, 2001; Rumelt, 1998) in a domain (Levine and White, 1961;

Thompson, 1967). Intended states of affairs usually imply changes from current states of affairs, yet strategies may also be about preserving a favourable strategic position.

Strategy realisation means bringing about the necessary changes in states of affairs, and preserving those parts of states of affairs that are satisfactorily close to intended states of affairs. In the strategic management literature, this bringing-about of changes is often referred to as strategy implementation (Beer and Eisenstat, 2000; Miller, 1997; Nutt, 1989). I propose that strategy implementation is only one mode of strategy realisation; another mode more relevant for the everyday actions and practices of an organisation is translation of formal strategies into strategies-in-practice. Translation occurs in everyday decision-making where the accumulated effect and pattern of decisions are important for the strategic positioning of the firm. At face value this may resemble Mintzberg's (1985) "pattern in action", but contrary to Mintzberg's (1985)"realised strategies" or "emergent strategies", translation explicitly presupposes prior intention.

A prior intention still has to be acted on: "The intention-in-action is the intention I have while I am actually performing an action." (Searle, 2001:44) He explains further that: "In ordinary English the closest word for intention-in-action is "trying". If you had an intention-in-action but failed to achieve its conditions of satisfaction, you did at least try." (Searle, 2001:45) Strategies-in-practice are intentions-in-action based on formal strategies. The following paragraphs outline the relationship between prior intentions and intentions-in-action, and thus between formal strategies and strategies-in-practice.

Neither prior intention nor intention-in-action are sufficient for a decision (the forming of a prior intention) to be executed to completion (accomplishment of an extended action). The explanation Searle provides for this is what he calls The Gap, which plays a pivotal role in his theory. Actually, there are three important gaps involved; first between deliberating on the basis of beliefs and desires to make a decision on prior intention[2]; then from prior

---

[2] It appears that much Strategy-as-Practice literature is concerned with this gap.

intention to intention-in-action (having formed a prior intention is not in itself sufficient to ensure that one actually acts upon that intention); and finally from intention-in-action to accomplishing the action. This may occur in neat linearity, but Searle's account allows for complex interactions between the stages.

What causes the gap? One factor is the competition of varying reasons and free will: “I believe the most dramatic manifestation of the gap in real life comes out in the fact that when one has several reasons for performing an action, or for choosing an action, one may act on only one of them; one may select which reason one acts on.”(Searle, 2001:65)

The second obstacle is weakness of will: “It does not matter how you structure the causes of action in the form of antecedent intentional states – beliefs, desires, choices, decisions, intentions – in the case of voluntary actions, the causes still do not set sufficient conditions, and this opens the way for weakness of will” (Searle, 2001:25). I can choose to act for a reason, but I can also have a very firm intention of doing something, for instance exercising after dinner, and then simply not do it when the time comes. Nothing may have changed, but when the prior intention is to be translated into intention-in-action I remain seated in front of the TV.

An important question is therefore how weakness of will may be counteracted. Searle provides no direct answer, but in *Ulysses unbound,* Elster (2000) provides a discussion on when self-imposed constraints (‘self-binding’) facilitate goal-achievement, since self-binding protects against passion, change of preferences, and time-inconsistencies. Searle discuss similar reasons as desire-independent-reasons for action such as commitments, obligations, and promises. These reasons for action are important for understanding why people do something beyond their immediate self-interest. Searle (2001) argues that “the creation of such reasons is always a matter of an agent *committing* himself in various ways.” (p. 167).

Obligations cannot be understood primarily from a first-person perspective; few societies leave obligations entirely to individuals’ free will. Obligations are imposed as much as they are voluntarily accepted. Obligations imposed by society as part of the role an actor occupies are examples of social structures. Social structures condition actors' conduct and may constrain as well as enable actions (Archer, 2003; Giddens, 1984). I will discuss this at length Strategy as intentional structuration of practice in section 2.5. For now I will only mention that according to Archer (2003) this conditioning occurs within an internal conversation:

> ...our personal powers are exercised through reflexive interior dialogue and are causally accountable for the delineation of our concerns, the definition of our projects, the diagnosis of our circumstances, and ultimately, the determination of our practices in society. Reflexive deliberations constitute the mediating process between 'structure and agency', they represent the subjective element which is always in interplay with the causal powers of objective social forms. (p. 130)

Notice how Archer's 'interior dialogue' and Searle's 'practical reason' closely complement each other. I have quoted this at length because the sentences bridge Searle's first person theory of practical reason with practice theories that involve social structures.

A third cause of the gap, particularly the gap between intention-in-action and accomplishment of an extended action, is that sometimes a sincere attempt nevertheless fails. The actor tries but lacks the necessary competence, resources, or luck to succeed, or the attempt is thwarted by an external factor. Possibly because the issue is beyond its scope, Searle's theory does not provide an explanation of how success or failure brings about the conditions of satisfaction for an intention-in-action. However, in subsection 2.5.2 below, structuration theory permits a discussion of what is required for intentions-in-action to reach intended outcomes.

To summarise the preceding discussion: actions are intentional, but intentions are not necessarily premeditated, and not all intentions are acted upon. Free will, time-inconsistent desires, weakness of will, and failed attempts are reasons why prior intentions do not always result in accomplished actions. In the forming of intentions through practical reasoning, beliefs and desires play an important role, but so do desire-independent reasons for action like promises, obligations, and commitments. In real situations the outcome is influenced by a number of competing and conflicting factors.

The implications of the preceding discussion for intentionality in strategy can be summarised thus: formal strategies are sets of prior intentions (the content of those intentions is discussed in the following subsection). Strategies-in-practice are related to formal strategies just as intentions-in-action are related to prior intentions. Two gaps must be overcome for prior intentions to be accomplished: the formal strategies must be acted upon in strategies-in-practice, and the outcome of strategies-in-practice must be consistent with the formal strategies. This translation from formal strategies to strategies-in-practice and intended outcome may or may not occur in a linear way. Furthermore, as intentions-in-action sometimes occur without any prior intentions, strategies-in-practice may occur without any formal strategy, for instance in novel situations that are not covered by formal strategies.

2.1.2 A definition of strategy in three parts

The many controversies over the nature of strategy in strategic management research make it necessary to discuss and clarify the definition used in this thesis. Based on a comprehensive review of available literature, I propose a definition in three parts. Each part will be discussed in some detail in later sections of this review.

The first part of the definition is that a strategy must propose how the organisation will create and appropriate value. The basic economic challenge for any commercial business organisation is to deliver goods with a perceived value that exceeds the economic costs incurred in delivering the goods, as manifested by demand and willingness to pay, and to appropriate a share of the value added. I will discuss this criterion further in section 2.3 Strategy as creation and appropriation of value.

The second part of the definition is concerned with the need for organisations to achieve stability and fit with the environment. As I have chosen activity systems theory as a framework for relating an organisation and its formal strategies to the environment, I will discuss this criterion in section 2.4 Strategy as activity systems that provide fit.

The third criterion is related to the focus in this thesis on strategies-in-practice. If strategies are to make a practical difference, they must provide guidance on choices, actions, and practice. The discussion of practical reasons in subsection 2.1.1 indicates that commitment, obligations, and promises provide such guidance. This criterion will thus be further discussed and developed in section 2.5 Strategy as intentional structuration of practice.

2.1.3 Conclusions and implications for empirical research

What are the implications of the concept of strategy, as derived in this section, for empirical research into the relationship between strategy and practice?

Firstly, one must look for intentions, as no strategy exists in the absence of intentions. Intentions can be found in various forms of statements and documents as formal strategies, or they can be instantiated through actions as strategies-in-practice. However, intentions expressed in statements may be wishful thinking or rhetorical, whereas we cannot infer strategy from observations of actions alone.

Thus, secondly, we must look for situations or episodes where strategy is likely to be evoked. One such type of episode is instances where choice must be made under constraints and uncertainty. Sometimes formal strategies will then pull in one direction while other legitimate concerns will may in another. Alternatively, two parts of a strategy may turn out to contradict each other in a concrete situation, providing excellent occasions for probing practitioners about the influence strategy exerts upon real-life choice situations.

Thirdly, we can look for consistency in action over time, and juxtapose that consistency with the intentions expressed in statements as formal strategies. However, one ought to be careful not to mistake instances of inertia or lock-in for the stability provided by conscious adherence to a strategy. I will discuss these implications further in chapter 3.

What is still lacking though, even after this discussion, is a theory that can help to reveal the nature of the social constraints on choice, and how strategies actually enable and constrain practice. That will be discussed in section 2.5. in which practice theory will be introduced. The following section will review the literature on professional service firms, which provides the research setting of this study.

2.2 The fertile empirical ground of professional service firms

There is a burgeoning body of literature on organisations in which knowledge in some form is supposed to be of particular importance as input, output, and in the internal work processes – what Alvesson (2001) describes as "firms where most work is said to be of an intellectual nature and where well-educated, qualified employees form the major part of the work force" (p. 863) (p. 863) (p. 863) (p. 863) (p. 863) (p. 863) (p. 863) (p. 863). There has also been a proliferation in terminology, including 'knowledge-intensive firms' (Alvesson, 1995, 2004; Blackler *et al.*, 1993); 'knowledge-based organisations' (Winch and Schneider, 1993; Zack, 2003); knowledge-intensive business services (Bilderbeek *et al.*, 1998); and professional service firms (Brock *et al.*, 1999; Carlsen *et al.*, 2004; Empson, 2001a; Greenwood and Suddaby, 2006; Løwendahl, 1997; Maister, 1993; von Nordenflycht, 2010). I will generally adhere to the term professional service firms (PSFs).

Much of the emphasis has been on establishing whether PSFs really form a distinct category (Skaggs and Youndt, 2004; Suddaby *et al.*, 2008), emphasising uncertainty and ambiguity as endemic to knowledge-based organisations, together with socially accepted expertise (Alvesson, 1993, 2011; Bowen and Jones, 1986; Malhotra and Morris, 2009; Teece, 2003). Without such acknowledged uncertainty, "the space necessary for the devolvement of socially recognised expertise" (Alvesson, 1993:1006) would have been absent.

Typologies that accentuate differences among PSFs have also been proposed (e.g. Blackler, 1995; Løwendahl, 1997; Malhotra and Morris, 2009; von Nordenflycht, 2010; Winch and Schneider, 1993). After all, PSFs are not alone in being dependent on attracting and retaining talented people; services and intangible aspects are increasingly important in almost all economic transactions (Andersen *et al.*, 2000), and there is increasing focus on the so-called knowledge economy (Bathelt and Gluckler, 2011; Foss, 2005). Generally, the distinctions that have been drawn are more differences of degree than of kind, which is why a study of PSFs may have wider relevance.

This is not an exhaustive review of the literature on professional service firms; rather, as far as possible, it is limited to the features of PSFs that make them particularly well-suited to a study of strategies-in-practice. Four sets of PSF characteristics will be shown to be important: characteristics pertaining to the goods they provide in the market place; the tasks they perform and the technologies that are available; the strategic resources they make use of in addition to technology; and the work practices they engage in. When combined, these features have significant implications for a range of issues pertaining to the enactment of formal strategies. I will discuss each of the characteristics in turn.

2.2.1 Characteristics of goods provided

Typically, clients of PSFs experience complex and ill-defined 'problematic situations' which they want to have remedied. A PSF then assists its clients in solving the problem by providing advice in some form. The advice may be given in consultations, in a report, or in a set of drawings, but the content is usually a set of interlinked ideas, diagnosing a situation and proposing a course of action to remedy the situation. The assignments are often organised as projects, and in this sense, they are project-based firms (Whitley, 2006).

Services are performances rather than objects that can be touched, felt, sensed or measured; hence they are intangible. Miles (2004) provides a summary of the defining characteristics that are usually ascribed to services. Services are typically immaterial, making them difficult to store and transport; they are interactive in the sense that they require co-operation between supplier and client; and they are often simultaneously produced and consumed through this interaction. Miles cautions, though, that for most of these characteristics it is possible to find examples of services that do not fit. Many services are also information- and communication-intensive (Blackler, 1995).

Their performative character means that production and consumption are usually inseparable. Even if a great deal of work is performed in the 'back-office', the nature of the services provided often involves close interaction between the customer and the provider (Bowen and Jones, 1986; Skaggs and Youndt, 2004). In many instances this interaction is of a co-production type (Ramirez, 1999; Sharma, 1997) where input from the customer is essential (Bitner *et al.*, 1997; Skjolsvik *et al.*, 2007), making the quality of the service provided dependent upon the interaction between client and consultant (Windrum and Tomlinson, 1999:394). A consequence of the endemic uncertainty is that the quality and relevance of the work performances are intrinsically difficult to evaluate (Sharma, 1997).

To the extent that the problematic situation that triggered an assignment is indeed complex, ill-defined, and unique, and thus defies standardised solutions, it also requires time-investment from both parties in order to develop a remedy. This time-investment is usually sunk costs for both parties; if the client shifts to another PSF, the time invested in developing mutual knowledge and trust is rendered valueless (Broschak and Niehans, 2006). Mutual time-investments and the status of certified expertise (Abbott, 1988; Sharma, 1997), tend to shift the power-balance between client and PSF in favour of the PSF.

Because of this intangibility, inseparability, heterogeneity and uncertainty, most services are experience goods, or even credence goods (Brush and Artz, 1999; Dulleck and Kerschbamer, 2006; Dulleck *et al.*, 2011; Tirole, 1988; Wolinsky, 1995). The customer cannot assess the perceived quality of the service in advance of actually buying and co-producing the service (experience goods). Moreover, when the performance of a service involves areas of privileged expertise, the customer often cannot verify the quality of the service even *ex post* the production (credence goods). One consequence is that reputations and relations are particularly important, and this will be discussed in subsection 2.2.3.

2.2.2 Characteristics of tasks and technologies

Several authors offer taxonomies of professional service firms. Maister (2003) distinguishes between efficiency-based, experience-based and expertise-based practices, whereas Løwendahl (2005) distinguishes between three generic strategies: client relations, creative problem solving, and adaptation of ready solutions. Von Nordenflycht (2010) proposes a taxonomy based on characteristics such as knowledge-intensity, capital intensity and degree of professionalisation of the workforce. Malhotra and Morris (2009) focus on three dimensions: knowledge, jurisdictional control, and client relationships.

Each taxonomy provides valuable insight into the diversity of PSFs. However, none of these taxonomies pays particular attention to technologies as a source of diversity among PSFs. After all, technology has significant repercussions for strategic management: "A firm, as a collection of activities, is a collection of technologies. Technology is embodied in every value activity in a firm, and technological change can affect competition through its impact on virtually any activity" (Porter, 1985:166).

Much of the endemic uncertainty in PSFs can be ascribed to available technologies, broadly defined as "not only the hardware used in performing work but also the skills and knowledge of workers, and even the characteristics of the objects on which work is performed" (Scott, 2003:231). The characteristics of available technologies, including inherent uncertainty, are likely to have repercussions for value drivers, cost drivers, critical competences, and trust issues, which will be discussed in section 2.3. Technologies and task uncertainty can be seen as complementary to Malhotra and Morris' (2009) knowledge-dimension. Technologies and task uncertainty are intrinsically intertwined with knowledge, but the discussion of knowledge by Malhotra and Morris (2009) demonstrates that the knowledge-dimension is not determined by tasks and technology; neither are tasks and technology reducible to mere aspects of the knowledge-dimension.

For the purposes of this study I will draw upon Thompson's (1967) and Scott's (1998) discussions of technology, in combination with Whitley's (2000) concept of task uncertainty, to discuss how differences in task uncertainty and available technologies may explain diversity among PSFs. Professional service firms are so-called value shops "where value is created by mobilizing resources and activities to resolve a particular customer problem" (Stabell and Fjeldstad, 1998:414). Value shops use so-called intensive technologies, which "signif[ies] that a variety of techniques is drawn upon in order to achieve a change in some specific object; but the selection, combination, and order of application are determined by feedback from the object itself" (Thompson, 2004:17). Technologies vary along three dimensions: (1) the complexity or diversity of the technology; (2) the uncertainty or unpredictability of the outcomes of using a technology; and (3) the degree of interdependence of the "elements upon which work is performed or the work processes themselves are interrelated" (Scott, 1998:230). Thompson (2004) describes three degrees of interdependence that form a Guttmann-scale: pooled, sequential, and reciprocal interdependence, where intensive technologies in particular exhibit reciprocal interdependence between different activities or elements.

Distinguishing between technical and strategic task uncertainty, Whitley (2000) modifies a framework proposed by Perrow (1967; 1970) for the comparative analysis of "reputational work organizations" (Whitley, 2000:25) This framework can readily be modified further in order to analyse PSFs.

Whitley (2000) defines technical task uncertainty as "the extent to which work techniques are well understood and produce reliable results" (p. 121). This dimension corresponds with Scott's second dimension of technology; unpredictability. In technical task uncertainty I include the solving of novel problems, that is, problems for which there is no relevant precursor. Technical task uncertainty is also closely related to the notion of causal ambiguity: "ambiguity between actions and results" (Ambrosini, 2003:131; Lippman and

Rumelt, 1982). As such, causal ambiguity is widely recognised as being an effective isolating mechanism (Rumelt, 1987:145) that protects against imitation. Too much causal ambiguity, however, not only deters imitation by competitors but also hinders replication (Rivkin, 2001), thus limiting the possibilities of exploiting the ambiguity as an organisational advantage. This seems to be of particular significance when competitive advantage stems from individual expertise, which the experts themselves usually find difficult to explicate (Ambrosini, 2003:18-20; Anderson, 1987; Dreyfus and Dreyfus, 1986; Reber, 1989). Indeed, in Dreyfus and Dreyfus' five-stage model of competence from novice to expert, the ability to explicate one's knowledge decreases with increasing competence.

Whitley (2000) then states that strategic task uncertainty "encompasses uncertainty about intellectual priorities, the significance of research topics and preferred ways of tackling them, the likely reputational pay-off of different research strategies, and the relevance of task outcomes for collective intellectual goals" (p. 123) (p. 123) (p. 123) (p. 123) (p. 123) (p. 123) (p. 123) (p. 123). This dimension is slightly less-readily applicable. Taking my cue from Whitley's own reinterpretation of Perrow's (1967) original formulation of this dimension, I propose two forms of strategic task uncertainty. The first is associated with novel services or innovative solutions. Clients' acceptance of a new service or an innovative solution, irrespective of its technical feasibility, cf. technical task uncertainty, is thus non-trivial. The second form of strategic task uncertainty occurs when a number of complex tasks, each with significant but limited technical task-uncertainty involved, must be integrated into a compounded task due to significant reciprocal interdependence. Coordination is difficult because it involves a number of reciprocally-interdependent semi-autonomous actors with limited overall responsibility, and with different and sometimes conflicting interests (March and Simon, 1958). Coordination is further complicated by the fact that no single actor can master all the separate domains of knowledge that need to be coordinated; hence, decision-making will be an exercise performed under uncertainty. Strategic task uncertainty therefore arises from the compounded uncertainty that stems from complex interdependencies, and the need for integration of decisions and activities across organisational borders performed by semi-autonomous actors over which no single decision-maker can have full authority and complete information.

Variation along these two dimensions of task uncertainty is likely to affect the nature of the competition and thus which strategies are effective.

2.2.3 Characteristics of strategic resources

The strategic resources of PSFs must respond to the consequences of the nature of the goods provided and the inherent task uncertainty of available technologies. Four types of strategic resources are typically identified in the PSF-literature: knowledge (Alvesson, 2004; Blackler *et al.*, 1993; Starbuck, 1992); the workforce itself (Hitt *et al.*, 2001; Lorsch and Tierney, 2002; Løwendahl, 2005; Mohan, 2004); relations with clients (Maister, 2003; Skjolsvik *et al.*, 2007; Uzzi and Lancaster, 2003; Uzzi *et al.*, 2007); and reputation (Day and Barksdale, 1992; Greenwood *et al.*, 2005; Hitt *et al.*, 2006). Some knowledge-intensive organisations, such as hospitals, are capital intensive, but traditional PSFs are characterised by low capital intensity (von Nordenflycht, 2010).

Common sense and academic research agree that the fundamental strategic resource in knowledge-intensive firms is indeed knowledge. Knowledge is however a peculiar resource. Knowledge, as in knowing how to do things (Ryle, 1949), resides within individuals (Polanyi, 1962; Schön, 1983), is partly tacit (Polanyi, 1966), and partly relational (Bathelt and Gluckler, 2011; Gherardi, 2001). There have been numerous attempts to gain ownership of knowledge through codification (Hansen *et al.*, 1999; Suddaby and Greenwood, 2001) with mixed results, partly because professionals often resent such attempts (Ghoshal *et al.*, 1999), and partly because codified knowledge is more mobile (Teece, 2000) and does not capture the most valuable part of knowing (Morris, 2001) because "the process of formalizing all knowledge to the exclusion of any tacit knowing is self-defeating" (Polanyi, 1966:20).

However, even if only individuals can be knowing entities (Argyris and Schön, 1996), knowledge is inherently a social phenomenon (Gherardi, 2001; Nicolini *et al.*, 2003). Vital aspects of knowledge are relational (Bathelt and Gluckler, 2011; Gherardi, 2001); there are certain things we only know how to do along with other knowledgeable individuals. Hence, I believe that the notions of organisational routines (Feldman, 2000; Feldman and Pentland, 2003; Nelson and Winter, 1982; Pentland and Feldman, 2005), scripts (Barley and Tolbert, 1997), or indeed schemas (Sewell, 1992) and interpretive schemes of social practices (Giddens, 1984), capture the relational aspects of knowledge without falling prey to methodological collectivism[3], which reifies organisations. Two successful attempts to account for the organisational aspects of knowledge without reification of either knowledge or organisation are offered by Tsoukas (1996) and Orlikowski (2002). Orlikowski's (2002) concept of organisational *knowing* as an enacted capability "suggests that core competences or capabilities are...constituted every day in the ongoing and situated practices of the organization's members" (p. 270). Tsoukas' (1996) view of the firm as a distributed knowledge system implies that "the carriers of organizational knowledge are a firm's routines and members"(Tsoukas, 2005:110).

Knowledge is frequently hailed as a near-ideal strategic resource, because it is "often unique, difficult to imitate, difficult to substantiate and difficult to transfer" (Løwendahl *et al.*, 2001:915). Furthermore, knowing how to do things cannot be traded and is therefore well-protected against ex-post and ex-ante competition. Since knowledge is a defining characteristic of knowledge-intensive service firms, one could be tempted to conclude that a PSF is in the perfect position to obtain sustainable competitive advantage, provided that the knowledge base and the services it produces are valuable and scarce. However, in short, the acknowledged expertise that enable PSFs to claim high fees from their customers, and pro-

[3] Felin and Hesterly (2007) level a charge of methodological collectivism against most contributions to the KBV. Although agreeing that this charge can be fairly brought against several contributions, I do not subscribe to their wholesale repudiation of the field.

tect against substitution and imitation, do not assure profitability, because the main repositories of knowledge, knowledgeable people, are often highly mobile (Coff, 1997; Løwendahl, 2005).

One method for making 'knowledge assets' more organisational and less individual is to exploit the fact that knowledge is most effectively utilised within communities of practice (Brown and Duguid, 1991; Wenger, 1998) by creating lock-in effects for practitioners by emphasising and developing the relational aspects of knowledge assets. This will make the individual practitioner's knowledge more valuable when used within the relational network provided by the firm than when used outside that network (Hansen *et al.*, 1999). Groysberg and Lee (2008) and Lorsch and Tierny (2002) record that so-called star performers perform better when they are part of a community of high performers than as individual performers. Apparently, community matters for individual performance.

The dependence upon competent employees leads to the simple but not trivial fact that knowledge-intensive service firms have to succeed simultaneously in two markets in order to succeed at all; they must of course succeed in the market for the services they produce, but in order to do that they must succeed in the market for skilled labour (Maister, 1982). This interdependency is likely to produce reinforcing feedback effects. Success in one market breeds success in the other, while failure in one market may lead to failure in the other. One consequence is that, from a resource-based view, the recruiting, training, and retaining of talented people is the core strategic issue (Coff, 1997; Schneider, 1987).

The PSF-literature emphasises the importance of client relationships, pointing at positive feedback-effects between renowned clients and reputation (Løwendahl, 2005; Maister, 2003). Furthermore, client relations significantly affect prices (Uzzi and Lancaster, 2004; Uzzi *et al.*, 2007), and provide opportunities for learning and knowledge-development (Fosstenlokken *et al.*, 2003; Skjolsvik *et al.*, 2007). Acknowledgement of the importance of client relationships undoubtedly adds to the strong ethos of 'setting the client first' that is widespread among PSFs.

The fourth resource, reputation, is to a large extent a consequence of the difficulties of assessing the quality of a PSF's services before transaction. Thus, reputation, although generally important for competitive advantage (Hall, 1992; Tirole, 1996) through market actions (Basdeo *et al.*, 2006), tends to be particularly important for PSFs, as it serves as a signal of quality (Greenwood *et al.*, 2005; Suddaby *et al.*, 2008; Weigelt and Camerer, 1988).

2.2.4 Characteristics of work practices

The work practices of a PSF reflect the ambiguity, intangibility and interactivity of the services the organisation provides, and the uncertainty and complexity of the technology the practitioners apply, combined with the high competence and relative autonomy of the practitioners. PSFs tend to be characterised by "the weakness of centralized strategic planning and coordination and the relatively light financial and budgetary control."(Ferner *et al.*, 1995:345)

From a managerial point of view, managing an organisation populated by highly competent and mobile individuals may be a mixed blessing, as management in the ordinary sense is often resented (von Nordenflycht, 2010). Even if managers in PSF often command significant allocative resources, these resources may prove ineffective as sources of power, because professionals can obtain these resources from alternative sources (Broschak and Niehans, 2006). Thus, management cannot assume loyalty in a PSF; rather, it must be 'earned' (Alvesson, 2000). Another consequence is that partnerships, rather than public ownership, seem to be the norm in PSFs (Greenwood *et al.*, 1990), even if the relative performance of the two ownership structures are under debate (Empson, 2007b; Empson and Chapman, 2006; Greenwood *et al.*, 2007; Greenwood and Empson, 2003; Von Nordenflycht, 2007), and variations exist (Malhotra *et al.*, 2006).

While small and medium-sized PSFs are often loosely structured partnerships, larger and more mature PSFs have usually developed formal structures that provide indirect management, such as for instance the up-or-out system (Morris and Pinnington, 1998b) associated with law firms (Empson, 2007a; Starbuck, 1993) and management consultancies like McKinsey (McKenna, 2006). The management aspect of partnerships should not be underestimated (Pinnington and Morris, 1996), even though partnerships can be seen as a response to the purported futility of imposing more traditional governance models on professionals (Empson and Chapman, 2006; Greenwood *et al.*, 1990). Recent development towards more ordinary governance models has spurred further research into effective governance of PSFs (Brock, 2006; Greenwood *et al.*, 2007; Greenwood and Empson, 2003; Malhotra *et al.*, 2006).

Furthermore, prestige and real authority, as opposed to formal authority (Aghion and Tirole, 1997), typically flows to those recognised by peers as particularly competent and apt (Lorsch and Tierney, 2002; Teece, 2003). Control of a profitable and interesting customer portfolio often creates a real power base, especially when customer relations are *de facto* more individual than they are organisational (Broschak and Niehans, 2006). Power relations within PSFs therefore tend to be obscure (Robertson and Swan, 1998).

The last point I want to call attention to in this discussion of the management of knowledge workers is Child's (1997) observation that people in organisations belong to norm-giving and expectation-providing social groups both within and external to the organisation. This may be especially significant in professional service firms, since employees may identify with their profession just as much as they identify with their employer (Abbott, 1988; Gunz and Gunz, 2006).

2.2.5 Conclusion

The preceding discussion of professional service firms suggests that strategic management and strategy realisation must acknowledge a range of issues. PSFs lack a range of measures that could ensure strategy realisation from the centre (Pinnington and Morris, 1996). The technology is usually intangible, imprecise and encumbered with uncertainty, which means that a potentially effective means of controlling and monitoring practice is lacking.

Moreover, a traditionally strong ethos of 'setting the client's interests first' implies that decisions that ignore or even counteract a strategy can be often legitimised with reference to client preferences.. A consequence is that one can expect PSFs to feature a large degree of decentralised decision-making in issues that concern the organisation's strategic domain. Thus, enacting the strategy is in reality decentralised to a number of key practitioners that are responsible for the acquisition, selection and carrying out of project-assignments (Anand *et al.*, 2007; Morris and Pinnington, 1998a). These key practitioners must thus 'carry the strategies with them' and make decisions with strategic implications 'in the field'.

The literature review clearly points to knowledge, employees, client relations and reputation as the dominant strategic resources of a PSF. These resources can be linked to key individuals, or they can be more 'organisational'. However, I am not satisfied with available explanations for how these resources are working together to produce value for the firms and their clients. I believe this leaves a gap open for the practice approach, which in section 2.5 I will argue is uniquely suited to weaving strategies, resources, and people together.

2.3 Strategy as creation and appropriation of value

In section 2.1 I proposed a concept of strategy in three parts: propositions for value creation and appropriation; stability and fit with the environment; and guidance of actions and practices. This section will first identify four dimensions of the environment that a firm must respond to if it is to make profit in a competitive market. These are value drivers, cost drivers, trust issues, and critical competences. I will then discuss how firms create and appropriate value.

In the next section (2.4) I will develop a framework based on activity systems theory (Porter and Siggelkow, 2008) that allows for systematic mapping and analysis of fit between an organisation and its task environment. However, both the current and subsequent sections will conclude that important issues pertaining to the social aspects of strategy remain inadequately accounted for. Section 2.5 will thus discuss how strategies provide guidance for actions and practices, and link task environment, activity systems, and practices together.

2.3.1 Four dimensions of the task environment that affect creation and appropriation of value

From my reading of the literature I have identified four dimensions of the task environment of firms that crucially influence their ability to create and capture value in a competitive market: value drivers, cost drivers, critical competences, and trust issues. These are partly derived from Porter (1985; 1991; 1996, 2001), especially his contention that "drivers constitute the underlying sources of competitive advantage, and make competitive advantage operational."(Porter, 1991:104). Value drivers are naturally linked to strategy as creation of value, whereas trust issues are closely linked with the experience-goods or credence-goods nature of professional services, and thus the central role of reputation for PSFs. Trust issues are also linked to the governance-based theories of the firm, discussed in subsection 2.3.3. Value drivers and trust issues are important for making economic exchange valuable and feasible. Critical competences and cost drivers are crucial for an organisation's ability to deliver on its promises with effectiveness and efficiency, and thus for profitability. The emphasis on critical competences is derived from the competence-based theories of the firm (see 2.3.4).

Value drivers are those features of a product or service that directly influence the buyer's perception of value derived from obtaining goods. Hence, value drivers are what establish the purpose of an activity system. According to Porter (1985:141) perceived buyer value can be influenced either by lowering buyer cost or by raising buyer performance. However, perceived value is inherently subjective (Bowman and Ambrosini, 2000). It is also often difficult for a customer to make a good judgement of buyer value, especially in the case of complex goods or services. Porter (1985) thus distinguishes between use criteria and signalling criteria, where use criteria refer to "the way in which a supplier affects actual buyer value through lowering buyer cost or raising buyer performance." (p. 142). (p. 142)(p. 142)(p. 142)(p. 142)(p. 142)(p. 142)(p. 142)Signalling criteria refer to "signals of value, or means used by the buyer to infer or judge what supplier's actual value is. Signalling criteria might include factors such as advertising, the attractiveness of facilities, and reputation." (p. 142). (p. 142)(p. 142)(p. 142)(p. 142)(p. 142)(p. 142)(p. 142)Value drivers to a large extent define the market segment and strategic positioning for a product or service.

Trust issues refer to the role trust plays in facilitating exchange of a goods or service. The general problem that makes trust an important issue is bounded rationality (Simon, 1982) and opportunities for selfish opportunism (Williamson, 1993a). In the base case of an efficient commodity market described in introductory readings in microeconomics (e.g. Gravelle and Rees, 2004), trust is a non-issue because all relevant information is assumed to be reflected in the price. With more complex goods this assumption does not hold. Specifically, for many goods the quality cannot be ascertained before purchase, but is revealed through experience (experience goods), or may be impossible for the buyer to verify even after purchase, so-called credence goods (Tirole, 1988). The timeliness of a dentist's intervention in pulling a tooth is often used as an example of a credence goods (Dulleck and Kerschbamer, 2006). The services provided by PSFs are likely to be of an experience goods nature or even a credence goods nature, making effective signalling of quality and trustworthiness important. Governance-based theories of the firm are important for understanding these issues, and will be reviewed in subsection 2.3.3.

Critical competences determine the ability to perform an activity or set of activities. Critical competences are decisive for effectiveness, efficiency and quality in the performance of an activity. Critical competences and value drivers are of crucial importance to the accomplishment of an assignment to a customer's satisfaction, but once the price is fixed, they do not determine the economy of the venture. Theories that put special emphasis on firms as repositories of competences will be reviewed in subsection 2.3.4.

Cost drivers depend on, inter alia, the activities being performed and the composition of the resource base, and are an important factor in determining the profitability of a venture. According to Porter (1985), "cost drivers are the structural causes of the cost of an activity and can be more or less under a firm's control. Drivers often interact to determine the cost behaviour of a particular activity, and the relative impact of cost drivers will differ widely among value activities" (p. 70)..

Stabell and Fjeldstad (1998) argue that value drivers are more important than cost drivers in 'value shops', and hence PSFs, as "competitive advantage follows from the fact that customers are primarily looking for relatively certain solutions to their problems, and not for services that have low prices as their main attribute" (p. 426). I will not take this generalisation for granted, as both Løwendahl (2005) and Maister (2003) propose generic strategies, respectively adaption of ready solutions strategies and efficiency-based strategies, that correspond to Porter's (1985) cost leadership strategy. The logic is then to provide a standardised product and earn profits through superior efficiency, even for a PSF.

2.3.2 Value creation and appropriation in strategy theory

A basic tenet of theories of the firm is that firms in some circumstances may be better suited to add value than is possible through pure market exchange (Coase, 1937). One obvious task for business strategy is then to assist firms in identifying those circumstances, finding ways to create value and capture some of that value through market transactions.

A recent special topic forum in the Academy of Management Review was devoted to value creation and value capture (Lepak *et al.*, 2007). One conclusion the editors draw is that there is little "agreement among […] scholars regarding (1) what value creation is, (2) the process by which value is created, and (3) the mechanisms that allow the creator of value to capture the value" (Lepak *et al.*, 2007:180). They point to three challenges: first, there is a lack of agreement on for whom value is created and who are the creators of value; second, "value creation refers both to the content and process of new value creation" (p. 181); and third, value creation is often confused with value capture. The editors furthermore point to two key concepts for understanding value capture: competition and isolating mechanisms.

I will outline how ability to create and capture value operates within three broad perspectives in strategic management research. These are industrial organisation-based perspectives, governance-based perspectives, and competence-based perspectives. In their seminal paper on dynamic capabilities, Teece *et al* (1997) distinguish between models of strategy that emphasise the exploitation of market power, and models of strategy that emphasise efficiency in a broad sense. In a later paper, Williamson (1999) refers to competence-based and governance-based perspectives in strategy research. If we combine the insights of these two papers, and recognise that Williamson's competence-based perspectives overlap almost perfectly with Teece *et al*'s models of strategy that emphasise efficiency, we are left with three distinct perspectives in strategy content research: industrial organisation perspectives, governance-based perspectives, and competence-based perspectives on competitive advantage. Excellent expositions and reviews of all three perspectives can be found elsewhere (Foss, 2005; Porter, 1981; Williamson, 1985). I will therefore concentrate on just a few points of relevance.

First, industrial organisation-based theories (Porter, 1981; Porter, 1980) are almost exclusively concerned with market conditions that are conducive to value appropriation, and with practices that facilitate value appropriation (Ghoshal *et al.*, 1999; Teece *et al.*, 1997). Without disregarding the importance of the industrial organisation-based theories, I will concentrate on the competence and governance perspectives, as I consider these to be more relevant in comprehending how firms add value, and in understanding strategies that are mainly geared towards that end.

Second, I will explore governance-based theories, such as transaction cost economics (Williamson, 1985), that focus on impediments to making transactions in the market due to bounded rationality and possibilities of opportunism, and on the means to overcome these impediments through various forms of safeguards. As such, governance-based theories are less concerned with value addition and value appropriation than with the conditions pertaining to the very possibility of economic exchange. The governance perspective is crucial for understanding trust issues.

Third, I will look at competence perspectives: the resource-based view, the knowledge-based view, the dynamic capabilities approach, and Porter's activity-based theory (ABT). ABT was not included in either Teece *et al* (1997) or Williamson's (1999) reviews, but a careful reading of Porter's papers on a dynamic theory of strategy (1991) and "what is strategy" (1996) leave little doubt about the similarity between ABT and the dynamic capabilities approach in particular. They all have in common an emphasis on the ability to add value through utilisation of competences in a broad sense. In addition they discuss the conditions that make it possible for parts of the value added to be appropriated.

Although all three perspectives provide elements which are both necessary and complementary to a comprehensive understanding of how strategy contributes to value creation, none of the three perspectives adequately acknowledges the social embeddedness of economic action (Granovetter, 1985; Uzzi, 1996). Hence, all stop short of dealing adequately with the inherent embeddedness of strategic choices and strategic management (Baum and Dutton, 1996), with issues of power and domination (Knights and Morgan, 1990, 1991), with how strategic management is shaped through discourse (Knights and Morgan, 1995), or indeed, with strategic management as an inherently social practice (Hendry, 2000; Jarzabkowski, 2004; Whittington, 1996, 2006). These issues will be discussed in section 2.5.

2.3.3 Governance-based theories

Governance-based theories include the various guises of organisational economics or transaction-cost economic theories. There is a range of governance-based theories (Alchian and Demsetz, 1972; Jensen and Meckling, 1976), but for the purpose of this study I will concentrate on the transaction cost economics (TCE) of Williamson (1975, 1985, 1993b). The two crucial behavioural assumptions of TCE are bounded rationality and a tendency towards 'self-seeking with guile' – or opportunism. While assumptions of bounded rationality make complete contracting infeasible, an assumption of opportunism makes contract as promise and without proper safeguards naive. TCE emphasises transactions in the market as being more efficient due to more high-powered performance incentives, but the behavioural assumptions establish limits for market transactions.

Some goods or services are difficult to transact in the market because of what Williamson refers to as the fundamental transformation; ex-ante competition is transformed into ex-post monopoly, or monopsony, and a lock-in situation once a contract is signed, leaving the seller or buyer at the mercy of the other party. Another reason is when the quality of the good or service is hard to verify, so that it is difficult for a court to enforce a contract. This is the case when the services are experience or credence-goods rather than search-goods (Tirole, 1988:106). Trust and reputation then become important vis-à-vis customers (Brush and Artz, 1999; Dulleck *et al.*, 2011; Emons, 1997; Liu, 2011; Wolinsky, 1993, 1995, 2000). It is this latter reason that is of particular relevance to the present study.

TCE has been criticised for breeding cynicism because of its assumption of opportunism, and because the assumption works as a self-fulfilling prophesy (see in particular Ghoshal and Moran, 1996). However, it is the merely objective possibility of opportunism that creates a need for safeguards; to acknowledge an objective possibility of opportunism is not the same as ascribing the trait of opportunism to a business partner. On the contrary, one effective safeguard may be trust (Lyons and Mehta, 1997), but trust must be built and earned (Coleman, 1990; Elster, 2007; Kohn, 2008; Sztompka, 1999). Thus, even if TCE is not a stand-alone theory of value creation, the possibility of opportunism may open up for trustworthiness as a source of competitive advantage (Barney and Hansen, 1994), keeping in mind the inherently relational and subjective character of trust, as signalled in Sztompka's (1999) definition of trust as a "bet about the future contingent actions of others" (p.25.)

2.3.4 Competence-based theories

The resource-based view (RBV), the knowledge-based view (KBV) and the dynamic capabilities approach (DCA) share intellectual roots in the work of Schumpeter (1934, 1950), Penrose (1959), Richardson (1972), and Nelson and Winter (1982). Where they primarily differ is in their relative emphasis on what makes up the main source of value creation and capture.

The basic tenet of the resource-based view is that only resources which fulfil the so-called VRIN-criteria (valuable, rare, imperfectly imitable, and non-substitutable) can be a source of sustainable ability to create and capture value (Barney, 1991). Peteraf (1993) suggests another compatible set of criteria: resource heterogeneity, ex-post limits to competition, ex-ante limits to competition, and imperfect mobility of resources. Two of the great and partially unresolved puzzles of the resource-based view ask which items qualify as resources in this respect, and how these resources create value.

The importance of the latter puzzle is captured by Penrose's (1959) cherished observation that "it is never resources themselves that are 'inputs' in the production process, but only the services that the resources can render" (p. 25) (p. 25) (p. 25) (p. 25) (p. 25) (p. 25) (p. 25) (p. 25). Hence, even if one accepts resources as a fundamental source of competitive advantage, it is necessary to explain how resources are transformed into productive services. Furthermore, if resources can be heterogeneous among firms, so probably can the ability to put resources into productive use. The argument that the ability to exploit resources is itself a resource is dangerously close to being tautologous and circular, as argued by for instance Priem and Butler (2001). RBV thus tells only part of the story of value creation.

In claiming that knowledge is the supreme resource, the knowledge-based view can be seen partly as a special case of the RBV: "knowledge and the capability to create and utilize such knowledge are the most important source of a firm's sustainable competitive advantage" (Nonaka *et al.*, 2000:1). Similar attempts to advocate knowledge as the primary resource, and indeed as the primary reason for the existence of firms, are provided by Grant (1996), Spender (1996), and Winter (1988); "fundamentally, business firms are organizations that know how to do things...firms are repositories of productive knowledge" (p. 175) (p. 175) (p. 175) (p. 175) (p. 175) (p. 175) (p. 175) (p. 175). The characteristics and limitations of knowledge as a organisational resource were discussed in subsection 2.2.3.

The *dynamic capabilities approach* was introduced by Teece *et al* (1997) and defines dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments" (p. 516) (p. 516) (p. 516) (p. 516) (p. 516) (p. 516) (p. 516) (p. 516) . There is no inherent reason why such capabilities cannot be important in more stable environments as well, thus suggesting dynamic capabilities as a possible link between a valuable resource-base and superior performance. However, Eisenhardt and Martin (2000) firmly link dynamic capabilities with integration, reconfiguration, and the gain and release of a firm's resources, *not* with the utilisation of resources. Dynamic capabilities thus create value through the manipulation of the resource configuration, "not in the capabilities themselves" (Eisenhardt and Martin, 2000:1106). The co-authored book on dynamic capabilities by Helfat *et al* (2007) that provides a consolidation of the field confirms this focus on altering the resource-base: "a dynamic capability is the capacity of an organization to purposefully create, extend, or modify its resource base" (p. 121) (p.121) (p.121) (p.121) (p.121) (p.121) (p.121) (p.121). Hence, dynamic capabilities do not provide the necessary link between resources and value creation, as they are antecedent to resources.

The limitations of DCA as a stand-alone theory of value creation and capture can be further illustrated by Eisenhardt and Martin's (2000) discussion of dynamic capabilities as routines or simple rules. In moderately dynamic markets in stable industries, dynamic capabilities can "resemble the traditional conception of routines" (p. 1106) (p. 1106)(p. 1106)(p. 1106)(p. 1106)(p. 1106)(p. 1106)(p. 1106)(p. 1106) that can be quite complicated and require an existing base of partly tacit knowledge. By contrast, in high velocity markets "these routines [often] consist of a few rules that specify boundary conditions on the actions of managers or indicate priorities" (p. 1111). As an example they mention the very simple two-rule routine used in Yahoo's alliancing process that "set the boundary conditions within which Yahoo managers have wide latitude for making a variety of alliancing deals" (p. 1112). While not questioning the importance of these two rules, I find it hard to believe that they were guiding Yahoo's managers other than *in combination* with skill, knowledge, a set of norms, and an understanding of 'what Yahoo is about'.

I will review the role of rules in strategy in section 2.5 Strategy as intentional structuration of practice, where I will show how strategic rules must be understood in conjunction with, for instance, power and norms, and require commitment and competence for adequate application in concrete situations.

What then about Porter's *activity based theory*? Although developed in parallel rather than in dialogue with the other competence-based theories, the fit with the others is striking. What is particularly important for this study is Porter's (1991)insistence on the importance of "discrete but interrelated" activities as the "basic unit of competitive advantage" (p. 102). In a review of RBV, Porter (1991) observes that "resources arise either from performing activities over time, acquiring them from the outside, or some combination of the two" (p. 108). What then makes activities strategic? Porter states that operational effectiveness means better performance of similar activities, whereas strategy is performing a different set of activities or of performing similar activities differently (Porter, 1996). Strategy is thus about activities and 'differences that make a difference'. Porter (2001:71) also emphasises that the various activities must *fit* together, both in order to make the strategy difficult to imitate and to enhance competitive advantage. In particular, configurations of activities that are geared towards different positions in the same market (e.g. low cost versus high service) are usually incompatible with each other. Failure to make these choices (trade-offs) inevitably leads to the firm facing competitors with superior operational effectiveness in both positions.

What does not seem to appear on Porter's horizon is the social embeddedness of managerial choice and the social aspects of activity. However, despite its sociological shortcomings, I have found Porter's activity-based theory to be a potent analytical tool for the empirical analysis of realised strategies, and will thus provide a more thorough review of activity-based theory in the next section (2.4).

2.3.5 Attempts to conciliate competence and governance-based theories and to incorporate social aspects

Some authors have argued in favour of synthesis of competence and governance-based theories, including Mahoney (2001) and Foss (2005). Mahoney (2001) argues that RBV and TCE are complementary; as the former "is a theory of firm rents" and the latter "a theory of the existence of firms" (p. 655) (p. 655) (p. 655) (p. 655) (p. 655) (p. 655) (p. 655) (p. 655). Foss (2005) argues for integration of 'knowledge-based views' and 'organisational economics' into a 'strategic theory of the firm', the purpose being to avoid the biased understanding that may result from relying on either view in isolation.

Moreover, several attempts have been made to incorporate social aspects in theories of competitive advantage and TCE, including Roberts and Greenwood's (1997) integration of transaction cost and institutional theories, and Oliver's (1997) combination of institutional and resource-based views. Oliver points at 'cognitive sunk costs' as explaining suboptimal resource choices as being due to habits, routines and norms. Whilst introducing a most interesting term, she does not take full advantage of the analogy with tangible sunk costs; sunk costs often occur when there is a trade-off between flexibility and efficiency. Hence, cognitive sunk costs may be incurred in order to provide higher effectiveness and efficiency in providing certain activities that are essential for value creation. Furthermore, if strategies are seen as a local institution, then cognitive sunk costs may be synonymous with commitment to a strategy, and are an integral part of what actually make strategies work. Investments in traditions, norms, habits and routines that make some apparently attractive opportunities infeasible may thus be the result of a sound preceding strategic choice.

Thus, although sympathetic to Oliver's combination of institutional theory with the resource-based view, I think social norms, habits and traditions must be recognised as potential enablers, as well as as constraints. However, I would suggest practice theory to be even more appropriate than institutional theory, although both can be used very well in combination, as pointed out by Barley and Tolbert (1997).

2.3.6 Conclusion

This section has reviewed the literature relevant for strategy as creation and appropriation of value, which is the first element in the three-part concept of strategy that informs this study. Four dimensions of the task environment that greatly affect a firm's value creation and appropriation ability with profitability have been identified; value drivers, trust issues, critical competences, and cost drivers.

The theories reviewed here are incapable of providing convincing stand-alone explanations of sustainable value creation and capture, partly because of their limited scope – resources, knowledge, activities or dynamic capabilities are the key explanantia – and partly because they largely ignore social aspects, or rely on behavioural assumptions that are too crude (TCE). However, they complement each other and provide valuable insight into value creation and capture. What these theories do not provide is integration of social aspects like power, domination, norms and legitimation, and they do not fully acknowledge the social embeddedness of resources, knowledge, activities, dynamic capabilities and transaction costs.

Such integration will be provided in section 2.5 Strategy as intentional structuration of practice. The following section will discuss the second part of the strategy concept: strategy as activity systems that provide fit.

2.4 Strategy as activity systems that provide fit

Few concepts have gained a more prominent position in strategic management than the one of *fit* (Helfat *et al.*, 2007; Peteraf and Reed, 2007; Porter and Siggelkow, 2008; Tushman *et al.*, 1986; Venkatraman and Camillus, 1984). Indeed, according to early theorists, the creation of fit between an organisation and its environment is the quintessence of strategy (Chandler, 1962; Learned *et al.*, 1969) and for organisations in general (Burns and Stalker, 1961; Lawrence and Lorsch, 1967). Although compelling, the concept of fit needs a theoretical framework for practical use. After extensive search I concluded that Porter's (1996) theory of activity systems would serve my purpose, with Tushman, Birkinshaw and others (Birkinshaw and Gibson, 2004; Lubatkin *et al.*, 2006; Raisch and Birkinshaw, 2008; Tushman and O'Reilly III, 1996) on ambidextrous organisations providing an useful contrasting view. A concern for fit with the environment also implies a concern for stability and change relative to the environment.

This section will proceed in five parts. First, I discuss the role of fit in strategy theory in general, and introduce generic strategies (Porter, 1985) as an important concept derived from concern with fit. This concept has been adopted by the literature on strategic management in PSFs (Løwendahl, 2005; Maister, 2003). A discussion of Porterian activity systems theory follows, before I go on to develop the framework of activity systems that will be used in this thesis. I then introduce the literature on ambidextrous organisations. The penultimate subsection discusses stability and change in strategy, and distinguishes between intended and unintended change and stability.

2.4.1 Strategy, fit and generic strategies

Fit between an organisation and its external environment, and fit between parts and activities internal to the organisation, are particularly important in strategy theory and practice (Miller, 1992; Rumelt, 1998). If both forms of fit are achieved, an organisation is well placed to acquire and maintain what is commonly referred to as competitive advantage.

One particularly influential successor to the concept of fit is the concept of generic strategies; involving cost leadership, differentiation, and focus, each with a "a fundamentally different route to competitive advantage, combining a choice about the type of competitive advantage sought with the scope of the strategic target in which competitive advantage is to be achieved" (Porter, 1985:11). Closely-related is the famous dictum of not "getting stuck in the middle" (1985:16-17): competitive pressure will resist attempts to span more than one generic strategy.

The pursuit of different generic strategies creates an internal as well as an external misfit. One reason is that the generic strategies require different and usually mutually-incompatible configurations of strategies and structure (Miller, 1986). This is not so much of an empirical issue, as it follows clearly from the very definition of generic strategies.

A supplier that competes mainly along the cost dimension is pursuing Porter's generic strategy of cost leadership. The one dominating demand upon the activity system of such a supplier is uncompromised efficiency. For the two other generic strategies, differentiation and focus, the main challenge is to find features that diminish the price sensitivity of the potential customers and to enhance the product offer with features that increase customers' willingness to pay more than the increase in costs for the producer. Effectiveness rather than efficiency then gradually becomes the key demand upon the activity system.

For this thesis, it is important to distinguish between efficiency and effectiveness. Effectiveness is the quality of being able to produce the desired result. The effort involved in bringing about the result is not relevant. Efficiency however, is defined by the Shorter Oxford English Dictionary as "producing the desired result with the minimum wasted effort". Efficiency thus presumes effectiveness. If one can define a level of effectiveness, then it becomes meaningful to speak of efficiency at a given level of effectiveness. The relative emphasis on effectiveness versus efficiency is a defining characteristic of the competition.

The notion of generic strategies is mirrored in the literature on strategic management of professional service firms, such as in Løwendahl's (2005) distinction between strategies based upon client relationships, creative problem solving, and adaptation of ready solutions, and Maister's (2003) distinction between expertise-, experience-, and efficiency-based practices. Løwendahl (2005) and Maister (2003, 2008) provide a warning similar to Porter's against pursuing more than one generic strategy. For instance, Maister (2003) warns that "accommodating the varying needs of these different types of clients within a single practice group, is an almost impossible task" (p. 22). Likewise, Løwendahl (2005) contends that "each of the modes...are fundamentally different in terms of their underlying competitive dynamics" (p. 118). The contention is supported by a quantitative study by Skaggs and Youndt (2004) investigating the relationship between strategic positioning, human capital, and the performance of service firms. However, in a study of human resource policies and strategies in professional service firms in the legal sector, Morris and Pinnington (1998a:85) found "little evidence of internal or external fit". Yet they emphasise "the importance of taking into account organisation form and functioning" (Morris and Pinnington, 1998a:85), thus leaving open the possibility that lack of formal evaluation, which was the specific HR-policy they investigated, actually represents "higher-level" fit.

2.4.2 Porterian activity systems theory

Porter (1996, 2001) insists that competitive advantage is rooted in a valuable activity system that distinguishes the firm from its competitors, and that possesses internal relations, linkages and choices that protect it against imitation. Porter, Jan Rivkin, and Nicolaj Siggelkow have tracked systems of interrelated activities as barriers to imitation and as sources of fit in a number of publications, using both simulation and empirical research (Porter and Rivkin, 1997; Porter and Siggelkow, 2008; Rivkin, 2000, 2001; Rivkin and Siggelkow, 2003, 2007; Siggelkow, 1998, 2001, 2002a).

Milgrom and Roberts' (1990, 1995) concept of complementarity between activitites is at the heart of this theory. Two activities are said to complement one another, and thus to enhance fit, if they mutually reinforce each other. An early concept of complementarity was provided by Richardson (1972): "activities are complementary when they represent different phases of a process of production and require in some way or another to be coordinated" (p.889). In this study I will use the notion of incompatibility as an antonym of the complementarity defined by Milgrom and Roberts. Two activities are then incompatible if their coexistence within a unit makes one or both more difficult to accomplish, that is, their coexistence creates a misfit. The connection between generic strategies and activity systems is that there are "inherent contradictions [between] different strategies. Trade-offs between the activities of incompatible positions explain those contradictions."(Porter, 1996:67)

I have not found any explicit definition of activity systems in any of the publications referenced above, although Siggelkow (2002a) refer to studies where "organizational elements such as firms' activities, policies, structural elements, and resources are seen to form complex systems, or configurations." (p. 125). In his doctoral thesis he is explicit on the role of choices; "to understand the performance of a firm it must be analyzed as a *system* of interconnected choices; choices with respect to configuring activities, designing policies and organizational structures, and assembling resources."(Siggelkow, 1998:48). He also defines organisational system as a "close parallel of activity system" and as "composed of various types of elements (core elements, elaborating elements, independent elements, and inconsistent elements) and the interactions among these elements" (Siggelkow, 2002a:128). I believe the following definition of activity systems is in line with Porter, Rivkin, and Siggelkow's use of the concept: "a system of production consisting of interdependent and complementary activities, policies and resources that together produce a distinct good or set of similar goods."

In his study of the Vanguard Group Siggelkow (2002a:125) wanted to study "the nature of core elements and the developmental processes that lead to configurations". He identified three central developmental processes: patching, thickening, and coasting. Patching occurs when a new core element is developed; thickening is the process of elaborating an existing core element with further elements, whereas coasting is a non-event of no further reinforcement of a core element for a period of time. The purpose of the second empirical paper by Siggelkow (2001) that has particularly informed this study is to understand how a firm (Liz Claiborne) with a high degree of fit in its activity system may respond to environmental change. Siggelkow develops a distinction between fit-destroying change and fit-conserving change, and finds that Liz Claiborne was exposed to fit-conserving environmental change that conserved the fit among existing activities and choices, but nevertheless decreased the overall value of the activity system. "At the same time, larger systemic changes lay outside the mental maps of existing management" (Siggelkow, 2001:853).

What, then, is the purpose of developing distinct activity systems that are fitted to one of the three generic strategies? Porter is concerned with avoiding neck-and-neck competition along one dominant dimension, as it will drain profit opportunities for all competitors. A unique offer is the best guarantee against close comparability. This unique offer does not have to be "best" along any single dimension, but the combination along several dimensions must be conceived of as the best combination by some prospective customers (Porter, 1996, 2001).

According to this theory, pursuing more than one generic strategy therefore leads to misfit, either because the activity system becomes an internally misfitting hybrid, or because the activity system is geared towards one generic strategy at the expense of the other(s). Either way, such a supplier is bound to lose in competition with a supplier that chooses one generic strategy and executes that strategy competently. The quotes from Maister (2003) and Løwendahl (2005) show clearly that this line of reasoning is equally relevant for PSFs.

To sum up the discussion so far: for an activity system to create a competitive advantage it must display external as well as internal fit, and it must be distinct. Incompatibility between activities destroys fit, whereas complementarities enhance the competitive advantage by making the sum more than the parts. Different generic strategies require differently-configured activity systems, which are likely to be incompatible with each other.

2.4.3 Activity system framework

A template for mapping activity systems has not yet been developed. Siggelkow uses different templates in the two papers where he has empirically mapped the activity systems. In the Liz Claiborne case (Siggelkow, 2001) he distinguishes between product portfolio, production and distribution, marketing, design, presentation, and selling process. In the Vanguard case (Siggelkow, 2002a) he distinguishes between core elements, asset management, account management, selling & marketing, information & customer service, human resource practices, and product portfolio. In this case he also draws lines between elements distinguishing fit from misfit. In neither case is the mapping of the activity system a mapping of production processes; rather the mapping reflects choices and practices that are meant to create fit and strengthen the strategic positioning.

In developing a template for this study I am too much of a social constructivist to claim that activity systems depict a hard and firm reality external to an observer, or to the practitioners of its constituent activities. Thus, setting the boundaries of an activity system is inevitably arbitrary, as all organisations are enmeshed in cross-boundary activities that link them to other organisations, and so forth. To map an activity system is thus a question of judgement as much as of measurement.

The template for mapping activity systems presented here is developed further in order to incorporate the gist of structuration theory (see section 2.5). Hence, the main elements in the template I use are rules, resources, and practices. In line with Siggelkow, I also distinguish core elements from support elements. Rules can be formal or informal; formal rules are those found in written statements that are clearly meant to govern both organisational practices and the allocation of resources within the organisation, whereas informal rules lack formal status but nevertheless regulate practice and resource allocation on a predictable basis. As will be expanded on in section 2.5, both formal and informal rules have significative and normative content, meaning that they distinguish correctness from incorrectness as well as right from wrong. Reputation and relations to actors that participate in adding value are examples of resources. While resources were initially included in the template, reputation and relations were identified during analysis. Employees and strong client relations are examples of relational resources.

The concept of activity systems as used in this study implies that an organisation's activity system is a more or less well-fitted response to the features of the task environment and the desired strategic positioning in that environment. No assumptions are made as to how the activity system has reached its current state; it seems reasonable to assume a mix of deliberate design, ad hoc responses to events and episodes, and incidental evolution.

The maps are drawn with the four dimensions of the environment, value, trust, competence, and cost, in the corners. Rules, resources and practices are clustered according to which dimension(s) they predominantly respond to. Some elements are clustered between, for instance, value and competence, suggesting that they respond to both. However, such a map cannot be drawn to any scale, and mapping responses to four dimensions on a two-dimensional plane naturally presents some topographical difficulties.

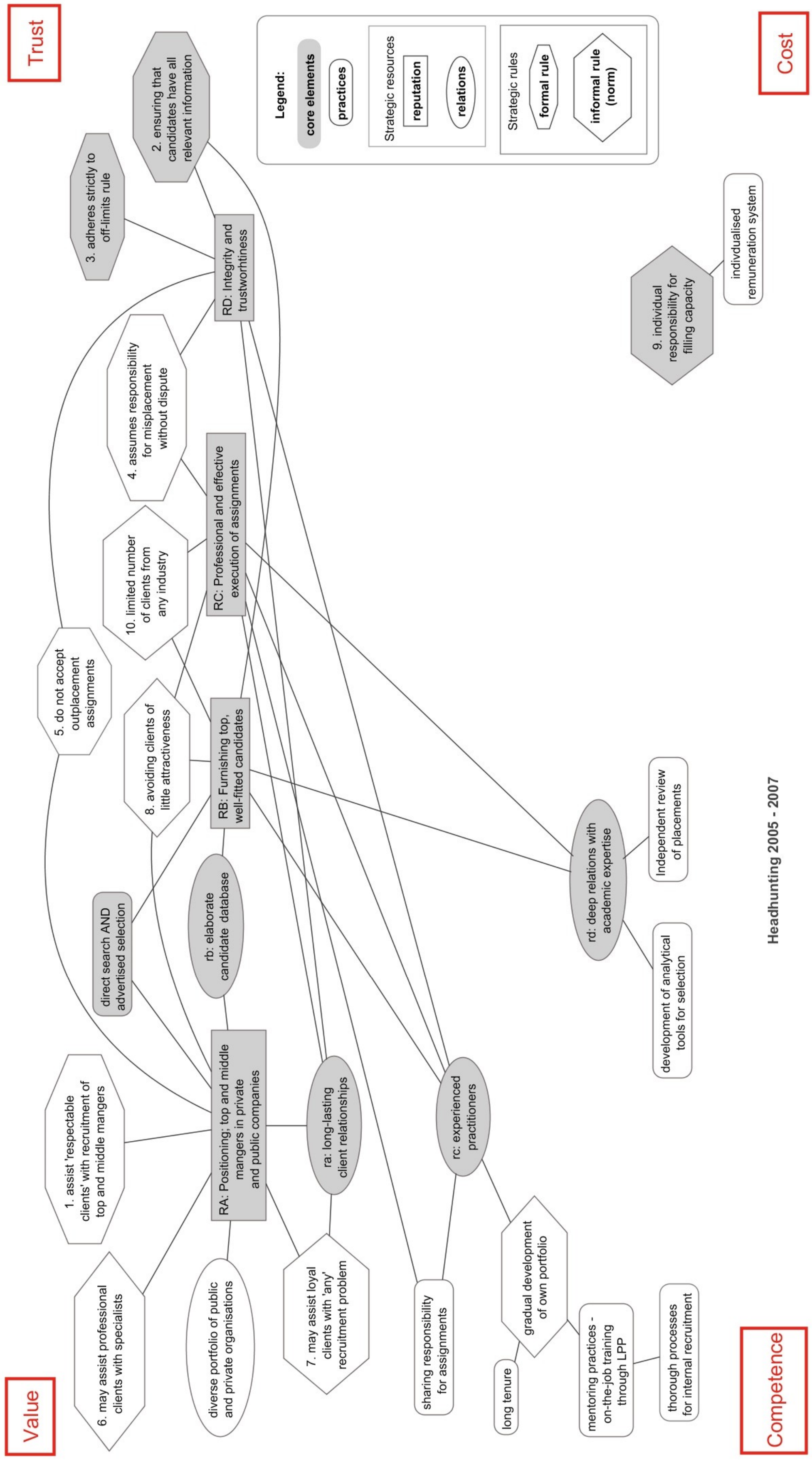


Figure 1 Activity system map of Headhunting

Yet, although somewhat crowded, the maps provide a general outline of the organisations' activity systems, and are drawn so that the strategic resources are closer to the centre, whereas the rules and practices that influence the resources are drawn in the periphery. The map I have developed for one of the case organisations, Headhunting (section 4.3.), is shown in Figure 1 above for illustration.

2.4.4 Stability and change

In subsection 2.1.1 I discussed strategy realisation as the process of bringing about the changes in states of affairs necessary to achieve the intended strategic position in an environment. I also pointed out that strategy realisation sometimes implies that the firm preserves a favourable strategic position, which may be difficult because of changes in the environment and the Red Queen Effect of competition (Derfus *et al.*, 2008): if competitors continuously improve, then a firm must continuously improve, in order to maintain the relative strategic position.

Strategic change has been a key issue in strategic management research over the years (Balogun and Johnson, 2005; Gioia and Chittipeddi, 1991; Quinn, 1978; Tushman *et al.*, 1986; Zajac *et al.*, 2000). Tushman et al (1986) distinguish between converging change and frame-breaking change. Converging change can either be 'fine-tuning' or 'incremental adjustments to environmental shifts' (p. 34.) In both instances the gist of the original strategies remains. In this study, strategic change implies intended change in practices that are essential for defining the strategic domain of the organisation, for instance new types of client, new services, or new modes of delivering the services.

Whereas strategic change implies intended change, strategy drift indicates unintended change, and weakens the fit between an organisation's strategic position and its environment. Strategy drift has received less attention in the literature than strategy change and inertia. However, Johnson (1988) presents a notion of strategy drift where an organisation fails in "keeping pace with environmental change" (p.88)(p.88)(p.88)(p.88)(p.88)(p.88)(p.88), i.e. the opposite phenomenon of Tushman et al's (1986) fine-tuning for incremental adjustments to environmental shifts. In the context of this study, strategy drift occurs when the interpretation of a strategy is gradually and unintentionally shifted in one direction. This form of strategy drift may occur in a stable environment, but is due to a gradual, unintended shift in strategies-in-practice, thereby developing a gap between formal strategies and strategies-in-practice.

Strategy inertia implies stability despite intention of change. It occurs when an organisation finds itself in a lock-in situation (Burgelman, 2002; Miller and Chen, 1994) or when intentions are too weak in practice to overcome the initial costs of change. Lock-in may be the other side of the coin of experienced success (Miller and Chen, 1994) or fit (Miller, 1992). For instance, weak intentions may be the problem when individual commitment to change is contingent on the perceived commitment of other practitioners, such as when the individual cost of change is significant, but individual gain depends on collective co-operation, a classic situation of the Tragedy of the Commons (Elster, 2007; Schelling, 2006).

The last logical combination of change/stability and intention/non-intention is intended stability, or what I choose to call strategy maintenance: the intentional maintenance of stability under pressure for change or drift. Strategy maintenance is the diametric opposite of strategy drift and may occur in situations where compliance with a strategic rule is individually or collectively costly, for instance when the short term costs are significant and tangible (forgone revenue) while the long term gain may be uncertain and intangible (enhanced or preserved value of reputation). Hence, strategy maintenance is linked with coping with situations that involve a dilemma over strategic virtues. Such a situation of course implies a breach with Rumelt's (1980) sound advice on avoiding inconsistencies, but I maintain that whether or not inconsistencies can be avoided is an empirical issue.

Change, inertia, drift, and maintenance are potentially important for any study concerned with strategy realisation. The framework that is developed from Porter's activity system theory in this study is well suited for documenting such situations, including the dilemmas that may spur drift or maintenance.

2.4.5 Ambidextrous organisations and fit

Just as activity systems theory was identified in response to the finding that two case organisations apparently pursued more than one generic strategy, the theory of ambidextrous organisations was identified in order to make sense of the finding that they appeared to cope pretty well with such straddling.

In contrast to the contention made by Porter that organisations must choose between efficiency- and effectiveness-based strategic positioning, the research on ambidextrous organisations suggests that one can have both alignment and adaptability (Gibson and Birkinshaw, 2004; Lubatkin *et al.*, 2006; Raisch and Birkinshaw, 2008; Tushman and O'Reilly III, 1996). In organisational learning terms, one can have both exploration and exploitation (He and Wong, 2004; Lavie *et al.*, 2010; March, 1991). Research on dualities in organisations (Pettigrew and Fenton, 2000; Reed, 1997; Sánchez-Runde and Pettigrew, 2003) point in the same direction.

Gibson and Birkinshaw (2004) distinguish two forms of organisational ambidexterity: structural ambidexterity and contextual ambidexterity. Structural ambidexterity is the traditional form where there is a structural division of labour between parts of an organisation, so that some parts are dedicated to alignment and others to adaptability. By contrast, "contextual ambidexterity is the behavioural capacity to simultaneously demonstrate alignment and adaptability across an entire business unit" (p. 209). They go on to specify alignment as "coherence among all the patterns of activities in the business unit; they are working together toward the same goals" (p. 209).. The similarity with Porter's argument of activity systems and fit is striking. They then define adaptability as "the capacity to reconfigure activities in the business unit quickly to meet the changing demands in the task environment" (p. 209).

The contention that adaptability and alignment can be achieved simultaneously by a business unit apparently represents a clear challenge to Porter's advocacy of avoiding conflicting positions. Hence, I see clear relevance of the theory of contextual ambidexterity to the purpose of this thesis in investigating how firms apparently can simultaneously maintain two incompatible positions.

2.4.6 Conclusion

In this section I have discussed Porterian activity systems theory as a natural amendment to the notion of fit and his concept of generic strategies, noting that the same arguments concerning fit, and the importance of avoiding 'getting stuck in the middle' of generic strategies are also emphasised in the PSF-literature. The latter assertion will be challenged by findings reported in this study. Furthermore, I have developed a framework for mapping activity systems, incorporating social context. This will be elaborated in the next section on strategy as intentional structuration of practice.

I have also discussed the relationships between intended and unintended strategic change and stability, and I have briefly discussed the concept of ambidextrous organisations that are less pessimistic about organisations' ability to handle dual pressures.

2.5 Strategy as intentional structuration of practice

The third part of the concept of strategy developed in this thesis – one which explicitly links strategies to action and thus to intention-in-action, as discussed in subsection 2.1.1 – is that strategies provide guidance for choices, actions, and practice. To explore this area, I will use structuration theory (Giddens, 1984), as it provides the elements of the activity system framework developed in the preceding section: rules, resources, and practices.

This is also an appropriate place to relate this study more explicitly to the strategy-as-practice research agenda (Golsorkhi *et al.*, 2010; Johnson *et al.*, 2007). Johnson *et al* (2007, see figure 1.1 at page 18) delineate the research agenda for strategy-as-practice by distinguishing between strategy content and process issues at three different levels(see their figure 1.1 at page 18)(see their figure 1.1 at page 18)(see their figure 1.1 at page 18)(see their figure 1.1 at page 18)(see their figure 1.1 at page 18)(see their figure 1.1 at page 18)(see their figure 1.1 at page 18): institutionalised practices; organisational actions; and actors' concrete activities, or Praxis. The research agenda is then identified as various links (V1 – V4) between the six elements. While not disregarding institutional field practices, the levels of organisational actions, and of concrete activities or Praxis, are most central to this study. Johnson *et al* (2007) highlight the two-way link between organisational process activities (such as strategic change) and concrete process activities (such as strategy debates), and call this V1. I believe the concept of strategising, "the practice of managing strategy" (p. 6) (p. 6) (p. 6) (p. 6) (p. 6) (p. 6) (p. 6) (p. 6), belongs to the concrete process activities corner. V2 is a one-way link between organisational content activities (such as diversification) and concrete content activities (such as relationship building). V2 focuses on "how do people's activities underpin organisational strategies" (p. 18). They also outline a sequence of strategy implementation, starting from organisational content towards concrete process activities, from which there are two-way links to concrete content activities and to organisational process actions (V1).

In terms of this framework this study is concerned with a two-way V2-link between organisational strategies (formal strategies) and actors' content activities (strategies-in-practice) and investigates how organisational strategies enable and constrain practice. Although not primarily concerned with strategising as "the practice of managing strategy" (p. 6), this study is open for actors' strategising – concrete process activities – as part of translating formal strategies (organisational strategies) into strategies-in-practice (actors' concrete content activities).

In this section I provide an overview of practice theory and structuration theory, and then go on to discuss rules, resources, routines, and practice in some detail, including the performance of following a rule, which is essential when practitioners translate formal strategies into strategies-in-practice. I then conclude by explicating strategy as the intentional structuration of practice.

2.5.1 The field of practice theories with emphasis on structuration theory

Practice theory seeks to explain human practices as the outcome of the continuous interplay between social actors and social structures. The acknowledgement of this interplay, and of the significance of both social actors and social structures, is a characteristic feature of the practice approach (Archer, 2003; Giddens, 1984), and sets the field apart from the age-old debate in sociology between voluntaristic and deterministic theories. Social actors are credited with intentionality and the capacity to act knowledgeably, yet they do so in observance of social structures that exist independently of individual social actors.

The 'practice field' has philosophical roots as diverse as Wittgenstein (1968) – especially on language games and rule following; Marx's notion of Praxis (Sztompka, 1991); and the pragmatism of Dewey (1986), among others. Furthermore, studies of practice have been important in ethnomethodology (Garfinkel, 1984), anthropology (Bourdieu, 1977, 1990; Ortner, 1984), the sociology of science (Pickering, 1993), and in studies of rituals (Bell, 1997). Ethnomethodology has also had considerable indirect impact through its influence on the practice theory of Giddens (1984) and in social studies of science (Lynch, 1993).

This thesis makes particular use of Giddens' structuration theory, taking into account Sewell's (1992) discussion of the practice theories of Bourdieu and Giddens, and the development of a theory of structure that "recognise[s] the agency of social actors", accommodates the possibility of change, and "overcomes the divide between semiotic and materialist visions of structure" (1992 p. 2, 3).

The advantage of using structuration theory is that it incorporates knowledge, power and legitimation into *one* framework, as shown in Figure 2 on page 78. This means that the interaction between these three important aspects of strategy can be investigated primarily by use of one theory. This seems to me a more parsimonious approach than the one that, for instance, Denis *et al* (2007) advocate in their recent paper on strategising in plural contexts, where they suggest that the three dimensions of strategising – power, knowledge and legitimation – can best be investigated through the combined use of three theoretical frames: actor-network theory (power); 'conventionalist theory' (legitimation); and social practice theory (knowledge).

While intuitively appealing, the essence of Giddens' structuration theory (ST) is not easy to pin down in a few words, or 'express in plain English', to paraphrase Sewell (1992). In the following paragraphs I will seek to clarify key concepts, such as actors, structures, duality of structure, and social systems, through selective quotations from Giddens (1979, 1984). Alternative expositions of structuration theory for use in strategy research are offered by, for instance, Jarzabkowski (2008) and Whittington (2010).

At the heart of structuration theory is the concept of duality of structure: "the structural properties of social systems are both medium and outcome of the practices they recursively organize" (Giddens, 1984:25). Thus, according to Giddens, structures are reproduced through practice but also provide structuration of practice, hence the duality of structure. It is this recursiveness that makes the concept of duality of structure so ingenious, but the structures themselves so difficult to grasp.

Actors are knowledgeable, but much of this knowledge is at the level of practical rather than discursive level of consciousness: "practical consciousness consists of all the things which actors know tacitly about how to 'go on' in the contexts of social life without being able to give them discursive expression" (Giddens, 1984:xxiii). Furthermore, "the knowledgeability of human actors is always bounded on the one hand by the unconscious and on the other hand by unacknowledged conditions/unintended consequences of action"(Giddens, 1984:282). This knowledgeability is decisive in constructing the social world: "The knowledgeability incorporated in the practical activities which make up the bulk of daily life is a constitutive feature (together with power) of the social world" (Giddens, 1984:90).

In one of his many formulations of structure, Giddens (1984) says: "Structure, as recursively organized sets of rules and resources, is out of time and space, save in its instantiations and co-ordination as memory traces, and is marked by an 'absence of the subject'." (p. 25) Structures are reproduced through the practices of knowledgeable actors: "To say that structure is a 'virtual order' of transformative relations means that social systems, as reproduced social practices, do not have "structures" but rather exhibit 'structural properties' and that structure exists, as time-space presence, only in its instantiations in such practices and as memory traces orienting the conduct of knowledgeable human agents" (p. 17) Thus, a social system is defined as "reproduced relations between actors or collectivities, organised as regular social practices" (Giddens, 1979:66).

Hence, structures and practices recursively constitute each other in a continuous interplay; knowledgeable practitioners' performance of a practice is both enabled and constrained by structures, and each performance contributes to the (unintended and imperfect) reproduction of the structures. These structures consist of rules and resources. Rules have both significative and normative aspects, whereas resources exist in two guises: allocative resources – "material resources involved in the generation of power, including the natural environment and physical artefacts…", and authoritative resources – "non-material resources involved in the generation of power, deriving from the capability of harnessing the activities of human beings…" (Giddens, 1984:373).

In his appreciative review of structuration theory, Sewell (1992) takes exception to the contention that structures are only instantiated in action, and points out that whereas this may be true for rules, resources are real. He concludes that "structure…should be defined as composed simultaneously of schemas [i.e. rules], which are virtual, and of resources, which are actual" (Sewell, 1992:13). I agree with Sewell and will class resources as real in this study.

What then are the mechanisms that make memory traces shape actions? I believe the best proposition comes from Hollis (1987, 1994), who points at the generative capacity of *expectations*: "rational expectations about the social world are generative as well as predictive" (1994:197). Elster (2007) points in the same direction: "we project our expectations on the world and then claim that the world confirms and justifies our beliefs" (2007:71), whereas Archer (2003:6) maintains that "social constraints and enablements [...] operate through anticipation." Of course expectations can be ill-founded as well as well-founded (Elster, 1983). The essential link between the normative aspects of structures and expectations is provided by Elster: "If norms can coordinate expectations, it is only because the violation of norms is known to trigger strong negative emotions, in the violator himself and in other people" (1989a:100).

Actors engage in practical reasoning (Searle, 2001) or internal dialogue (Archer, 2003), as discussed in subsection 2.1.1, in order to weigh anticipated outcomes, norms, obligations, and the like, and form an intention-in-action. This practical reasoning may occur at the level of practical consciousness.

The argument so far is summarised in the upper part of the figure below:[4]

Structure	Signification	↔	legitimation	↔	domination
	↕		↕		↕
'Modalities' of structuration	interpretative schemes		norms		facilities: authoritative and allocative resources
	↕		↕		↕
Practice	communication	↔	sanction	↔	power
Requirement for performing a practice	Competence		commitment and competence		compliance and capacity

Figure 2 Structuration of practice

[4] I have made one change from Giddens' (1979:82; 1984:29) original figure, in line with Ira Cohen's (1989) discussion of ST: in Giddens' original figure the third row is termed 'interaction' rather than 'practice'. This is not a substantive change; rather, it has been made for consistency and clarity. The added row will be explained in the following subsection.

The exact nature of the contribution of the 'modalities' over and above structure and practice is not entirely clear, but in Giddens' (1984) words they "serve to clarify the main dimensions of the duality of structure in interaction [practice], relating the knowledgeable capacities of agents to structural features. Actors draw upon the modalities of structuration in the reproduction of systems of interaction [practice], by the same token reconstituting their structural properties" (p. 28).

Before going on to discuss rules, routines, and resources in more detail I must introduce one more concept from Giddens, that of contradictions between structures: "I shall define social contradiction as an *opposition or disjunction of structural principles* of social systems, where those principles operate in *terms of each other* but at the same time *contravene one another*" (Giddens, 1979:141). Giddens uses the term predominantly in his discussions of the "intrinsic contradictions" in the "capitalist production system" (Giddens, 1979:142), but I believe the concept is equally important to "social systems" on a smaller scale as well. In this study, contradictions may occur within activity systems when different rules and policies are in conflict with each other.

2.5.2 Rules, resources, routines, and practice

Rules and resources are of particular importance to this study. In the framework I propose they are instrumental for the translation of formal strategies into strategies-in-practice, and thus for strategy as intentional structuration of practice. If formal strategies can be seen as explicit or implicit rules guiding practice, and the application of those rules through mobilisation of available resources can be seen as strategies-in-practice, then understanding rule-following is crucial to our theory.

Rules and resources co-constitute social structures (Giddens, 1979, 1984), and are recursively interrelated; rule-following may require mobilisation of resources, but as Pentland and Reuter (1994) point out, the opposite is true as well: "rules are resources for action, but they do not determine action" (p. 507). I agree, but what is left out in their discussion are the intentional and normative aspects of rules: "although we use rules to describe patterns of action, this is merely a convenient way of summarizing sequential patterns of action" (Pentland and Rueter, 1994:508). Contrary to Pentland and Rueter's view, but in accordance with Baker and Hacker (1985) I contend that rules are not just patterns in action, but are also pattern*ing* action.

I have found no better exposition of rule-following than Baker and Hacker's analytical commentary on the *Philosophical Investigations*, so I will rehearse what they conclude are the five properties of rules (Baker and Hacker, 1985):

1. Any rule can be expressed, even if "expressions of some rules may require non-verbal instruments, e.g. samples, actions, or concrete symbols; and in the case of complex social practices and institutions (e.g. legal systems) individuals following the rules may grasp only a fragment or aspects of the rules, and have recourse to experts when more is necessary" .
2. It must be possible to follow (or violate) a rule.
3. Rules are creatures of the will: "rules are human creations, made not found".
4. "Rules are standards of correctness and guides to action."
5. "Rules must be more or less transparent to participants in a rule-governed practice. One can no more follow completely opaque rules than one can see a completely invisible object." (p. 62-63.)

Resources are defined by Sewell (1992) as "anything that can serve as a source of power in social interactions" (1992p. 9)(1992p. 9)(1992p. 9)(1992p. 9)(1992p. 9)(1992p. 9)(1992p. 9)(1992p. 9)(p. 9) , whereas Feldman (2004) clarifies that:

> "Resources enable actors to enact schemas. Resourcing is the creation in practice of assets such as people, time, money, knowledge, or skill; and qualities of relationships such as trust, authority, or complementarity such that they enable actors to enact schemas" (p. 296)

I believe that "schemas" in the quotation from Feldman can safely be assumed to encompass rules and routines alike. In dynamic capabilities theory, a resource "in the broadest sense is anything upon which an organization can draw in an effort to accomplish its aims" (Helfat *et al.*, 2007:122). (See also Giddens' own definition of allocative and authoritative resources as cited earlier.)

What, then, is necessary for rule-following in practice? I suggest four requirements: competence, commitment, compliance, and capacity, each closely linked to the modalities, cf. the lower part of Figure 2 p. 78 where I have added a row with requirements for performing a practice. Performing a practice requires that the actor is knowledgeable of how to follow the rules and routines implied in the practice, in fact that he possesses the necessary competence, or skill, without necessarily being able to explicate the rules (Hayek, 1964). As previously mentioned, these rules are of both significative and normative character, and "can generally be treated in the manner of Wittgenstein's analysis of rule-following. That is to say, to know a rule is not to be able to provide an abstract formulation of it, but to know how to apply it to novel circumstances, which includes knowing about the contexts of its application" (Giddens, 1993:130). The second requirement, commitment, relates to the normative aspect of rule-following, while the third, compliance, pertains to authoritative resources. To some extent, these are mutually substitutable; commitment to a norm may provide compliance by volition, whereas use of authoritative resources or expectations of severe reaction to non-compliance may secure compliance even in the absence of commitment. The fourth requirement, capacity, refers to resources; even the most competent and committed actors may fail to follow a rule if they lack command over the resources needed to do so. In dynamic capabilities theory, capacity "refers to the ability to perform a task, function, or activity in at least a minimally acceptable manner" (Helfat *et al.*, 2007:121), which is a definition that resonates well with the gist of this discussion.

I will illustrate with a stylised example. Consider a rule R: 'in situation S, do A'. What are the necessary conditions for a practitioner P to follow R? First, P must recognise S. That is, he or she must have the necessary competence to recognise that situation S has occurred. Second, P must be committed or compelled to follow R. Commitment and compulsion are (partly) mutually substitutable. If P is committed to following R – for whatever reason – then P will make an attempt to do so, of P's own volition. If P is not committed to R but feels compelled - for whatever reason - to follow R, then P will make an attempt to do so, although not of P's own volition. Thirdly, P must have the capacity to do A. That is, P must have the necessary competence and be able to mobilise the necessary resources. Now, competence is itself a resource, as is the ability to mobilise resources. I will not dig down for a comprehensive, rock-bottom explanation of the ability to mobilise resources, as that task is beyond the scope of this study. Yet, even a puppy is able to mobilise considerable resources, though probably without being aware that this is what is happening. To distinguish human actors from puppies I will define power as the ability intentionally to mobilise authoritative and allocative resources in order to achieve a desired outcome. Different resources may be mutually substitutable. For instance, if P is resourceful in terms of competence, he or she may be able to cope with less material resources in order to do A.

The preceding paragraphs may have understated the fact that rule-following is a skilful performance which at some point involves tacit knowing, for as Polanyi (1975) states: "Any rules we have must be applied, of course; and, to do this, we may have additional rules for their application. But we cannot go on having specific rules for the application of specific rules ad infinitum" (p. 61). Polanyi (1962) also insists that "the aim of a skilful performance is achieved by the observance of a set of rules which are not known as such to the person following them" (p. 49) (p. 49) (p. 49) (p. 49) (p. 49) (p. 49) (p. 49). Pentland and Rueter's (1994) study of organisational routines in a setting characterised by high number of exceptions, low task analysability, and extensive search and deliberation, clearly demonstrates that enacting routines may require effortful attempts.

For their part, Dreyfus and Dreyfus (1986) contend that (ostensible) rule-based behaviour is the sign of a novice, whereas experts have problems articulating their knowing. (See also Ambrosini and Bowman (2001:815-816), Anderson (1987), and Reber (1993:16) for discussions- of rule-based behaviour and tacitness.) These contentions may seem to be at odds with Baker and Hacker's (1985) first property of a rule; that it can be expressed. I believe the opposite is the case. Baker and Hacker make it clear that expression is not necessarily explication. Skilful application of a rule or a set of rules may thus occur at the level of practical rather than discursive consciousness (Giddens, 1984), which makes imitation but also replication difficult (Rivkin, 2001). A formulation by Gilbert Ryle (1984) nicely summarises the significance for strategic management: “A soldier does not become a shrewd general merely by endorsing the strategic principles of Clausewitz; he must also be competent to apply them” (p. 31) (p. 31) (p. 31) (p. 31) (p. 31) (p. 31) (p. 31) (p. 31). Thus, translation of formal strategies into strategies-in-practice involves tacit knowing, and occurs partly at the level of practical consciousness.

What is the relationship between action, activities, and practice? Indeed, what is the difference between the three? I suggest that action, activities, and practice differ along two dimensions: social embeddedness and relation to concrete actors. I will argue that whereas actions and practices are socially embedded, activities, as exposed by Porter (1991; 1996) and Siggelkow (2001; 2002b), are probably best seen as the technical aspects of practice. If one could take a practice and clean it of its social aspects, then activity is what would be left on the plate. On the other hand, what activities and practices have in common is that they are semi-independent of individual actors, whereas no action is possible without an acting subject.

From a structuration theory point of view, actions and practices are both enabled and constrained by social structures, by what is technically possible, by the particular circumstances of the situation in which the action is taken, and so on. Interaction (Giddens, 1984), intentions-in-action (Searle, 2001, 2010), practice (Cohen, 1989), Praxis (Sztompka, 1991; Whittington, 2006), and strategies-in-practice, are all notions of actual conduct by practitioners, whereas structure (Cohen, 1989; Giddens, 1984; Sztompka, 1991), practices (Whittington, 2006), prior intentions (Searle, 2001, 2010), and formal strategies in some sense condition or constrain and enable the actual conduct of the practitioners.

However, an action is a one-off event, located in time and space and undertaken by a given actor or group of actors, whereas an activity or a practice is something that an actor engages in which is not wholly reducible to the actor's doing (Whittington, 2006). A trivial example is riding a bicycle. While every single instance of bicycle-riding is performed by a given actor, each actor doing so engages in a practice that is prior to the individual performance. The practice must be learnt (Lave and Wenger, 1991), and it can be transferred across time and space in a way that an action never can (DiMaggio and Powell, 1991; Fligstein, 1990; Scott, 1995), even if performing the practice in a new setting may require considerable skill.

One could argue that practice is a mere aggregate of actions that are repeated and undertaken in different patterns, thus reducing practice to pattern in action. For instance, the practice of cycling could be divided into the action of stepping onto the bike, pedalling, steering, and applying the brakes. What is then lost in that practice is pattern*ed* actions, as opposed to mere pattern in actions. All these actions are related together in a stream. A cycling performance requires that pedalling and steering are fluently coordinated in a way that is incomprehensible when viewing them as separate but linked actions.

Picking up on the difference between activities and practices, one could say that studying cycling as an activity is to study the technical aspects of the performance, whereas studying it as a practice would include the social embeddedness of bicycling, for instance, concern for other cyclists and the Highway Code.

2.5.3 Conclusion

A social theory of strategy should acknowledge that strategic intentions, choice and actions are enabled and constrained by social structures, and thus socially embedded (Baum and Dutton, 1996; Granovetter, 1985). As such, the doing of strategy is itself a social practice, as insisted upon by the strategy-as-practice approach (Golsorkhi *et al.*, 2010; Jarzabkowski, 2004, 2005; Johnson *et al.*, 2007; Whittington, 1996, 2006).

Nevertheless, I believe we can gain even more advantage from practice theory by studying strategy as intentional structuration of practice. Strategy then becomes a structure in the sense of a set of significative and normative rules that are backed up with allocation and authorisation of resources. Intentional structuration of practice is thus enabled and constrained by social structures and performed by actors that diverge in their competence and skills, in their formal and real authority and legitimacy, and in their capacity to mobilise resources purposively in order to create, maintain and transform the social structures that are to enable and constrain the practices of other social actors. For instance, the compliance of non-committed practitioners to a given strategy is likely to depend upon the means of sanctioning backing up the strategy. The social structures that enable and constrain the practice of strategy are also likely to impinge upon the practices that a strategy is meant to enable and constrain.

Moreover, the theory must allow for the fact that a strategy is never without competition in its structuration of practice; other social structures, internal and external to the organisation, impinge as well. Some structures, for instance laws and public and professional regulations, may be taken as given conditions that a strategy must comply with. However, it is reasonable to assume that a strategy is implicitly aimed at maximising its structuration of practice, compared with other practice-regulating structures and events.

Drawing the threads together we can now explicate the model we have been aiming at. Strategy as the intentional structuration of practice works through instilling certain interpretative schemes and norms – formal strategies – into an organisation. Maintaining and enacting these rules requires competence and commitment from the practitioners. These rules also vary as to the degree to which they are effectively backed up and sanctioned with allocative and authoritative resources.

While there is reason to believe that strategies can come into being through all kinds of processes, it is difficult to see how an organisation, or rather its members, can *follow* a strategy without recognising that they are actually doing so. I will therefore suggest that a strategy cannot exist independently of human recognition, and that in order to *follow* a strategy, practitioners have to recognise that they are doing so. However, this recognition does not have to take place at a level of discursive consciousness, at which one is able to explicate the 'rules' one follows. Rule-following – intentions-in-action (Searle, 2001) as strategies-in-practice acting on formal strategies – can very well be performed at a level of practical consciousness. In order to be more than an empty statement, a strategy must therefore be recognised, understood, and sanctioned.

2.6 Conclusion

In this chapter I have developed a three part concept of strategy, based on intentionality as a defining characteristic of strategies: strategy as creation and appropriation of value, strategy as activity system providing fit, and strategy as intentional structuration of practice.

I will recapitulate some of the main arguments. The business strategies of a firm operating in a competitive environment must outline how the firm will create value and appropriate some of that value. There are four dimensions of the task environment that the strategies must respond to: value drivers, trust issues, critical competences, and cost drivers.

Organisations and their strategies must provide internal as well as external fit, and can profitably be analysed as activity systems, as interdependent and complementary activities, policies (rules), and resources that produce a distinct good or set of similar goods. Different generic strategies pursue different strategic positions relative to the environment, based on efficiency or effectiveness in some form, and pose different requirements on the activity system.

The formal strategies of an activity system can be expressed as sets of rules and resources. These require competence, commitment, compliance, capacity, and the exercise of practical reason for adequate translation into strategies-in-practice.

3 METHODOLOGY, RESEARCH DESIGN AND METHODS

The research design responds to the purpose of this study, which is to advance our understanding of the precarious relationship between formal strategies and practitioners' actions, and it responds to the complexity of the empirical subject matter, professional service firms.

Both problem-formulation and research-design reflect the author's conviction that management research ought to be relevant for managers, and that concern for practical relevance may produce more valid knowledge. One reason for this belief is that good qualitative research in organisations is critically dependent upon two scarce resources; access and practitioners' time. This study is therefore problem-driven (Lawrence, 1992) as much as theory-focused (Weick, 1992); it seeks to contribute to bridging the gap between academic research and practitioners' reality (Bartunek *et al.*, 2001; Van de Ven and Johnson, 2006), and it takes a collaborative approach (Adler *et al.*, 2004; Elden and Levin, 1991; Pettigrew, 2003, 2004; Van de Ven, 2007:274-278)

In this chapter I first discuss methodological issues pertaining to the study (3.1). Then I give reasons for the chosen research design (3.2), before I go on to account for data gathering (3.3) and data analysis (3.4).

3.1 Methodological issues

In this subsection I first account for the ontological and epistemological stance of the study, then provide reasons for the collaborative approach taken, and end by discussing issues relating to professional practitioners as informants, and professional service firms as research settings.

3.1.1 Ontological and epistemological stance of the study

This study is based upon a belief that social reality is socially constructed, but that much of that reality exists independently of our perception of it. My understanding of social reality has been influenced by three texts in particular, *The Social Construction of Reality* by Peter Berger and Thomas Luckmann (1967), *The Construction of Social Reality* by John R. Searle (1995), and *Nuts and Bolts for the Social Sciences* by Jon Elster (1989b). My reading of Berger and Luckmann (1967) puts more emphasis than I believe is common on their acknowledgement of the existence of a reality with an 'objective' appearance, in the form of "having a being independent of our own volition (we cannot 'wish' them away)" (p.1) (p. 1)(p. 1)(p. 1)(p. 1)(p. 1)(p. 1)(p. 1).

While ontological realism is warranted in relation to many social phenomena, other phenomena cannot simply be seen as being independent of human conception. The 'truth criterion' then becomes inter-subjectivity (Schütz, 1967) rather than objectivity, so that a certain proposition is true not because it objectively corresponds to an independent external reality, but because relevant actors intersubjectively agree upon the truth of it, and act accordingly. Or, as Searle (1995) expresses it: "there are portions of the real world, objective facts in the world that are only facts by human agreement. In a sense, there are things that exist only because we believe them to exist" (p. 1) (p. 1)(p. 1)(p. 1)(p. 1)(p. 1)(p. 1)(p. 1).

Searle mentions the existence of money as an example of an institutional fact. A £20 note is real, but what makes it a £20 note is not its physical appearance but what we decide the physical appearance means; the note is what it is because of social convention. This is what Searle refers to as epistemic objectivity. In another example Searle (1995:12-13) distinguishes between intrinsic facts about an object ("That object is a stone") and observer-relative facts ("That object is a paperweight.") That the object is a stone is an ontologically objective fact, if the notion of stone is to have any meaning. That the object is a paperweight is an objective epistemic fact that is "relative to the intentionality of observers, users, etc." (Searle, 1995:9). There can be no quarrel about that fact among those who share the knowledge of what a paperweight made of stone looks like.

This distinction seems to me to accommodate the fact that while physical reality exists independently of human observation, many social relationships are unthinkable without social actors mutually constituting this reality. I believe this to be an appropriate position when dealing with phenomena like strategy and social practice, none of them intelligible as being independent of human recognition. In the case of strategy, it is clear that no organisational strategy can exist independently of social recognition; they are simply not "out there" waiting to be discovered. However, compared with coins and banknotes, a strategy is *local* to a certain community and rests upon a weaker social convention. In the absence of forgery, no competent member of a society would quarrel over the 'truth-value' of a £20 note, whereas a strategy may be subject to and contested by different interpretations.

The third source of influence I will mention is the mechanism-based approach of analytical sociology (Elster, 1989b, 2007; Hedström and Bearman, 2009; Hedström and Swedberg, 1998). Elster's (1989b) *Nuts and Bolts* provides a mechanism-based toolkit for understanding human action and interaction, including desires and opportunities, rational choice, selfishness and altruism, unintended consequences, social norms, and collective action, all of which are important in this study. The mechanism approach specifically allows for indetermination in outcomes because there are usually competing mechanisms at work. These are often captured in idioms such as "forbidden fruit tastes best", a mechanism that leads people to increase their desire for something they cannot get. The opposite mechanism is *cognitive dissonance reduction* "that makes people cease desire what they cannot get, as in the story of the fox and the sour grapes" (Elster, 1989b:4). One consequence is that good explanations may not offer predictions. This thesis will describe a number of strategic dilemmas where practitioners face conflicting demands and obligations, and even if these conflicting demands and obligations can be specified, it is difficult to predict the outcome in individual situations, even if we assume that practitioners are competent in and committed to the formal strategies in question.

As discussed in the literature review this thesis builds on Giddens (1984) structuration theory, which is consistent with the ontological and epistemological stance derived from Berger and Luckmann, and Searle. I also find that Giddens' (1984: 5) emphasis on actors' reflexive monitoring of actions, that nevertheless have unintended outcomes, fits well with Elster's mechanism-based approach. In subsection 3.2.1 I describe how the research design accommodates the dual nature of structure.

3.1.2 Co-generative learning, professionals as informants, and PSFs as research settings

This study is rooted in a conviction that engaged scholarship (Van de Ven, 2007) provides more valid and reliable data on social reality than does disinterested research. In two of the case organisations participating in this study, Engineering and StratCom, I was previously engaged in action research projects (Eden and Huxham, 1999; Greenwood and Levin, 1998). When I started my research for this thesis, that relationship was transformed into what Van de Van (2007:274-278) calls collaborative research. The research perspective remained that of intension (Van de Ven, 2007:271) and of working with insiders, but the research purpose changed from research for design to research for description and explanation.

Nevertheless, the ideal of co-generative learning (Elden and Levin, 1991) remained. Co-generative learning is an approach to generating valid and relevant knowledge undertaken particularly in action research, where researchers and practitioners work closely together with the aim not only of producing valid knowledge but also of producing desired change (Greenwood and Levin, 1998). It is an approach that exploits practitioners' ability to reflect upon their own practices (Schön, 1983).

There are a number of reasons for adopting the co-generative learning approach in this study, including the following two. First, the complexity of the subject matter requires deep involvement by the practitioners to ensure internal validity. Second, by making the study more relevant to the practitioners, the co-generative approach also helps to elicit two resources that are notoriously scarce in such research: the use of practitioners' time and access to relevant but sensitive settings. An integrated part of the research design is the use of feedback workshops (Pettigrew, 1990) to validate findings and enhance construct validity (Yin, 2003:35).

Using professionals as informants is both intellectually rewarding and intellectually challenging. On the one hand, they are fully capable of engaging in a reflective dialogue with the researcher; they can provide important clues and leads for further investigation; and they can contribute through reflections and interpretations of their own which are often the outcome of long-term attempts to create meaning out of their own situation. In short, the researcher can tap into an intellectual reservoir of highly reflective and capable informants who are more than willing to help, provided they become interested in the study.

The challenges, however, are equally important. As they are often blessed with a fair degree of self-confidence and self-esteem, trained professionals are frequently reluctant to accept the researcher's agenda. The status asymmetry in favour of the interviewer, which is so often taken for granted, simply disappears (Platt, 1981). Furthermore, as a number of professionals are masters of impression management (Goffman, 1959), the researcher has to cope with a possible added layer of interpretation. Added to this is the fact that professionals tend to be very aware of the workings of the double hermeneutic, meaning that "the 'findings' of the social sciences very often enter constitutively into the world they describe" (Liu, 2011:20). The professionals thus take considerable interest in the outcome of any research, not only intellectually, but also because it could potentially affect their own interests. Although the involvement and interest of practitioners in the present study are not without latent problems, my experience is that their involvement contributes to its relevance and validity.

3.2 Research design

This subsection accounts for the research design of the study, with regard to the use of structuration theory and professional service firms as cases. I also describe in some detail the design for advancing theory through "emphasis on the commonalities that exists across cases" (Ragin, 1994:85) and explain the selection of concrete cases.

3.2.1 Research design for structuration theory

The aim of the study, to investigate how formal strategies are put into practice in professional service firms, suggests a case study approach (Ragin and Becker, 1992; Yin, 2003). The complexity, lack of testable propositions, and importance of the design in capturing change can best be dealt with through a longitudinal case study (Eisenhardt, 1989:548; Pettigrew, 1990; van de Ven, 1992:181). Indeed, one aim was to study strategy realisation as an ongoing process of translation; in this sense strategies are never implement*ed* or realis*ed,* as in Weick's (1979:42) call to "think 'ing"' in his discussion of organisations and organising. A snapshot may reveal deviance from strategic intention, but strategy, as the concept is developed in this thesis, must be reproduced every day, just as Giddens' structures are continuously being reproduced by ongoing practice.

While Pettigrew and Van de Ven give priority to the longitudinal rather than cross-sectional comparison, concern for external validity leads me to a comparative design (Yin, 2003), even though the focus is predominantly on commonalities (Ragin, 1994) across the cases. The choice of an appropriate number of cases is clearly a choice within constraints; the possibility of in-depth research must be balanced against the external validity that could be gained from increasing the number of cases (King *et al.*, 1994; Ragin, 1994). Three cases seem to me to be the smallest number possible in a truly robust comparative design, while still allowing for in-depth research. Some diversity between the cases is important for the commonalities to be transferable to other settings (Guba and Lincoln, 1989). In order to obtain rich longitudinal data I have collected real-time data for a considerable span of time, more than six years, in all three case organisations. I account for the selection of cases in the following subsection.

The literature review developed an approach to understanding strategy as intentional structuration of practice. A number of suggestions on how to make use of structuration theory in management research have been proposed throughout the last three decades and, although not all equally enthusiastic, are found in the work of Barley and Tolbert (1997), Orlikowski (2000), Ranson *et al* (1980), and Whittington (1992; 2010). A common complaint against structuration theory is that it is not founded in original empirical research (Bourdieu and Wacquant, 1992), that it is notoriously difficult to apply in empirical research (Pozzebon and Pinsonneault, 2005), and even that such attempts are misconceived (Gregson, 1989).

Giddens (1984) provides valuable advice in that respect in the sixth chapter of *The Constitution of Society*. In order to study the interplay between social structures and actors' conduct, one must temporarily hold the one in suspense while investigating the other, in what he refers to as 'methodological bracketing". One cannot simultaneously investigate how actors are constrained by and draw upon rules and resources in their practices while also analysing how actors' conduct reproduces and changes those rules and resources.

In order to tackle this duality, Giddens distinguishes between analysis of strategic conduct and institutional analysis. Analysis of strategic conduct "places in suspension institutions as socially reproduced, concentrating upon how actors reflexively monitor what they do; how actors draw upon rules and resources in the constitution of interaction (1984:373). Institutional analysis "places in suspension the skills and awareness of actors, treating institutions as chronically reproduced rules and resources" (1984:375).

In order to investigate the interplay between formal strategies and strategies-in-practice, I have performed both an institutional analysis of formal strategies based on formal documents and decisions, and an analysis of strategic conduct in concrete situations of strategic relevance. These analyses are as independent of each other as possible, in order to maintain the methodological bracketing advised by Giddens. An important analytical tool for this study is to then juxtapose intersubjectively valid accounts of formal strategies (institutional analysis) and situations of strategies-in-practice (analysis of strategic conduct) with each other, and to use the inevitable discrepancy as a stepping stone to further analysis. In particular, I use the apparent discrepancy to invite practitioners to reflect on the translation of formal strategies into strategies-in-practice.

At first, this approach was inspired by Mintzberg's (1979) "direct method of research" on strategy realisation, which compared strategy as intentions with strategy as pattern in actions. In the literature review I have criticised Mintzberg's definition of realised strategy on the grounds that it explicitly leaves out intention as inessential to strategy. Yet, I consider his basic approach – juxtaposing two sets of accounts of strategies and using the unavoidable divergence between them as stepping stones to further analysis – to be sound and inspiring.

This line of reasoning is the main motive for the extensive use of both 'hard' and 'soft' data in conjunction in this study. Quantitative data about assignments that are carried out provide important evidence of "patterns in outcome". Yet, as argued before, although this evidence is necessary, it is also insufficient for drawing valid inferences about strategies. Likewise, other sources, like official documents on policies, procedures and strategic intentions, may give important insight into formal strategies, but can only furnish a starting point for understanding strategies-in-practice. Although formal strategies are expressions of collective intentions (Searle, 1995:56-57), Argyris and Schön's (1996) distinction between espoused theories and theories-in-use should be taken as a warning that accepting official statements on formal strategies at face value may be naive.

On the other hand, a combination of observational data and interviews is indispensable for probing practitioners' intentions and practice when translating strategies into practice. Such data are also necessary for investigating practitioners' understanding of formal strategies.

Welcome examples of empirical research using structuration theory are provided by Orlikowski and Yates (2000, 2002; 1994), Feldman (2000, 2004), and Barley and Tolbert (1997), upon all of whom I drew in the research design for this study. I will account for this below. (For reviews of structuration theory in strategic management research and IT research, see Pozzebon, 2004; and Pozzebon and Pinsonneault, 2005)

The research design and methods accounted for by Orlikowski (2002), in her study of collective capability enacted in distributed organising, underscores the need to collect rich data pertaining to practitioners, practices, and the structural elements of the research setting. My reading of her account emphasises how important it is for the researcher to develop a thorough general understanding of the ongoing activities in the research setting, to find traces of practices that are independent of the practitioners' own accounts of them, and to rely upon the practitioners as being "knowledgeable and reflexive" since they "tend to know more about (and can give a reasonable account of) what they do than researchers give them credit for"(Orlikowski, 2002:255). I take this as support for my emphasis on co-generative learning accounted for in the previous section.

In her studies of resources in emerging structures and organisational routines, Feldman (2000, 2004) provides accounts of her data-gathering and analysis in some detail, and makes it clear that the data-gathering and analysis were performed in separate, sequential stages. She collected a vast amount of data using observation, interviews, and archival material (e-mails). This data-gathering was iterative, and progressively informed by a developing understanding of the organisation. As such, analysis occurred throughout the data-gathering stage. However, she explicitly mentions that "conscious analysis of these data waited until the formal observation period ended" (Feldman, 2004:297). I will use her account of the three-step process of analysis she conducted as my point of departure in section 3.4. I will elaborate on the gathering of data in section 3.3.

3.2.2 Professional Service Firms (PSF) and the selection of cases

The three cases selected provide what Miles and Huberman refer to as "information-rich cases that manifest the phenomenon intensely" (1994:28). I assume the interactions between strategy and practice to be particularly discernible in PSF organisations. This assumption is based upon the characteristics of PSFs that are identified in the literature review: the intangibility and inseparability and co-productive nature of the outputs (services), and, especially, distributed strategic decision-making. This means that key practitioners must 'carry the strategy with them into the field' as norms, expectations and interpretive schemes. In borderline situations, that is, situations where it is unclear what course of action would actually be in line with the gist of the strategy, or when the strategy may be in conflict with other important and legitimate concerns, the key practitioners must use their practical reason to the best of their understanding and judgement.

At the same time, there is good reason for assuming that two well-known impediments to strategy implementation, alienation and communication breakdown, are insignificant in small PSFs, since the 'formulators' are also the 'implementers'. See for instance Balogun and Johnson's (2004, 2005) studies investigating the role of middle managers in implementing planned change in a utility, where middle-manager sense-making (Weick, 1995) assumed a central role. Balogun and Johnson also point to the distance between senior managers and middle managers as an issue in executing intended change. By contrast, the present study is designed to minimise such transfer problems, because the key actors here assume roles as strategy formulators as well as implementers. These features should make small and medium-sized PSFs 'intense and sharp' cases in which it is possible to investigate the relationship between formal strategy, strategies-in-practice and everyday practice, as two of the usual 'noise factors' afflicting such investigation in other organisations are limited.

The research was carried out in three small and medium-sized Norwegian Professional Service Firms (PSFs): Headhunting, an executive search and selection agency; StratCom, a strategic communication agency; and Engineering, consultative engineers specialising in heat ventilation and air conditioning (HVAC). (All three names are pseudonyms.) The three cases were chosen in order to provide the possibility of literal and theoretical replicability (Yin, 2003:47) as well as to display diversity that would enrich and enhance the developing theory.

Two dimensions of diversity were given special emphasis, the first being the degree of external regulation of the business. The motivating assumption is that more tightly-regulated organisations will probably find less room for discretionary strategy formation than will loosely-regulated businesses[5]. The second is whether the organisation predominantly relies upon the collective endeavours or contributions of key individuals in production practices (Blackler, 1995).

One of the cases, Engineering, is a professional service firm with strong external regulation of their practices, which according to von Nordenflycht's (2010) taxonomy is a classic PSF. Engineering also clearly relies upon collective endeavour in their carrying out of project-assignments. The two others, Headhunting and StratCom, have no professional regulation of their practices, and are neo-PSFs in von Nordenflycht's (2010) taxonomy . Historically, both have relied upon contributions by key individuals. While Headhunting is likely to remain in that category, StratCom has made very deliberate attempts to move towards more collective endeavour, a strategic change that has led to much internal turmoil. Von Nordenflycht (2010:166) predicts that 'cat herding' and 'autonomy and informality' will be even

[5] This dimension turned out to be of little significance in this study, as the study assumed a more intra-organisational focus.

more prevalent in Engineering than in Headhunting and StratCom, due to Engineering being a classic PSF and the two others neo-PSFs.

In one of the cases, Headhunting, I worked as a researcher for a twelve-month period during a break in my studies (1996-97). I subsequently used Headhunting as a case in my master's dissertation (Haugstad, 1998). In the two other cases, StratCom and Engineering, I have been involved in action research projects aimed at facilitating organisational learning processes (1999-2000). I will describe data-gathering later in this chapter, but will at this stage underscore the high level of admittance I have been granted in all three organisations. I have had access to all documents I have been interested in, I have never been refused an answer to a question raised on the basis of confidentiality or internal sensitivity, and due to my previous experience with these organisations I have been able to raise sensitive issues and ask "awkward" questions. Furthermore, as the data from the earlier engagements are relevant and preserved, I have 'real-time' data spanning seven years. That data on business strategies and enactments of those strategies have been collected in 'real-time' rather than retrospectively is important for their validity and reliability (Golden, 1992).

Headhunting

Headhunting was founded in 1986 and is in the business of the executive search for and selection of middle- and top-level managers for private and public organisations. It generated revenues of 17 million NOK in 2005. (10 NOK is approximately £1.) During most of the period reported on in this study, Headhunting consisted of ten people: four consultants, two researchers and three administrative personnel. The firm has expanded its capacity quite aggressively recently, and now consists of six consultants (of whom four are partners), four researchers, and three administrative personnel. The managing partner for the firm's first two decades in operation stepped down as managing partner in 2007, but remained as a partner and member of the board. It would have been very interesting to look further at this considerable change in an organisation which has displayed remarkable stability throughout its existence, but the event occurred too late for the present study. Headhunting is organised as a private limited company, with four of the six consultants (three of the four until 2007) being partners and owners.

Engineering

Engineering is a heat ventilation and air conditioning (HVAC) engineering consultancy founded in 1925, and is organised as a private limited company. Five partners each own a fifth of the shares. Almost 70 people were on the payroll in 2005, and the total revenue in 2005 was 58 million NOK. Engineering offers HVAC-related consulting engineering services covering all the various phases of building projects: feasibility studies, planning and design, and tendering and construction supervision. It also assists with the operation and maintenance of installations. The firm has over the years extended its services to domains that adjoin those of HVAC, such as building automation and central control and monitoring systems, and efficient energy consumption in buildings.

StratCom

StratCom was founded in 1989 as a so-called strategic communications agency. The revenue of StratCom has varied over the years, but was 50 million NOK in 2005 in the Norwegian branch, the subject of this study. StratCom offers a range of services to organisations which need to manage their communication with external stakeholders and the public. The services include but are not limited to: assistance with media relations; contact with public agencies; management of investor relations; crisis communication and management; planning and execution of communication campaigns; and, added recently, management of communication on environmental issues. StratCom was initially organised as a partnership. It was the financial needs resulting from expansion, combined with a wish to bring in industrial owners, that led to the restructuring of the firm into a limited company with a majority of the shares being owned by external shareholders. However, the eleven partners undertook a buyout in late 2006 and the organisation is now once again partner-owned.

3.3 Data gathering

The field of practice I have chosen to study calls for methods suited to the recording of rich and subtle practices. In the following subsection I describe the procedures for data collection and provide an overview of the data used in this study (see Table 1), then go on to account in some detail for the use of interviews.

When the research design was altered to accommodate the early findings related to the activity systems accommodating strategically incompatible services, I also took into consideration Siggelkow's two published longitudinal single-case studies on activity systems (Siggelkow, 1998, 2001, 2002a). In these he iterated between secondary sources and archival data an in-depth interview with key practitioners. I thus found that only minor adjustments to my original design were necessary for the accommodation of Siggelkow's approach, although the adjustment required the collection of more data.

3.3.1 Procedures for collection of data

In order to collect rich and relevant data (see Table 1 Data Collection, p. 105) I have found van der Heijden and Eden's (1998) four approaches for "strategic elicitation" particularly useful. They describe "the task of strategic elicitation" as being "to get at deep knowledge and embedded wisdom – the theories in use, rather than the espoused theories or the mere rhetoric of strategy. The embedded norms and values, role definitions, and the 'organizational recipe' all need to surface" (p. 67) (p. 67) (p. 67) (p. 67) (p. 67) (p. 67) (p. 67) (p. 67). Their use of Argyris and Schön's (1974, 1996) distinction between *espoused theories* and *theories-in-use* closely resembles *formal strategies* and *strategies-in-practice*. Moreover, their approach effectively links strategy to norms and knowledge, which is central to my use of structuration theory.

I have deliberately used all the four approaches they suggest in combination, and, quoting at some length, I have tried to:

1. Look at the concrete record of strategic intentions, through, for example, a study of the documentation which is designed to direct behaviour.

2. Look at decision-making in action; get involved in the organisation (an anthropological or participant observer approach). Watch decision-making, listen to stories.

3. Work with managers on strategic breakdown-situations. Become immersed in the thinking and the social processes of 'strategic fire-fighting'.

4. Use well-designed trigger questions in interview situations to replicate immediacy and relevance so that 'theories in use' can be detected. Follow interviews with feedback to individuals and to the team (Eden and Spender, 1998:67)

The first approach was instrumental in developing accounts of the formal strategies. I had full access to internal as well as external documents outlining strategies in all three case organisations. I also carefully sifted through two years' worth of minutes from partner meetings and other meetings where formal decisions could have been taken that had strategic implications, even if the decision as such was not framed as being strategic at the time. The litmus test I applied was whether or not the decision would lastingly affect the strategic domain of the organisation or existing formal strategies.

The second approach has been accomplished through observing: partner meetings, weekly assignment reviews, resource allocation, strategy away-days, meetings with clients, and internal meetings in specific projects, and just "hanging around" and engaging in informal discussions. In the formal settings I have always taken notes, and sometimes recorded entire sessions on tape for verbatim transcription. Hence, I have observed both formal strategy "in the making", and strategies-in-practice, that is, concrete decision-making where formal strategies have been called upon in discussions.

The third piece of advice, to get involved in strategic breakdown-situations, is a good one, because these situations put strategy to the test. However, for the researcher actually to be present is somewhat coincidental, as such situations are hardly scheduled. Still, I spent so many hours with each of the three organisations that I witnessed a large number of breakdown situations, with considerable variation in severity. In one of the organisations, Engineering, I was even asked to make and present a report on a particularly challenging strategic breakdown, when due to lack of capacity the organisation seemed to be caught in an insoluble dilemma over choosing between maintaining full quality and accepting assignments from loyal long-term clients. Trying as the situation was to the organisation, it was a golden opportunity for me as a researcher, because I was able to engage in confidential conversations with all the relevant actors on a matter that was perceived as decisive.

The usual strategic breakdown situation is of course much less consequential, but in line with the emphasis in this study on strategies-in-practice as enacted in everyday decisions, such situations can contribute important data. This may, for instance, be the case when it comes to deciding whether or not to accept a marginal assignment that has no other value to the organisation than its immediate generation of revenue, but may have a small negative effect upon the reputation. These episodes, which occur every day for most of the practitioners, account for the bulk of the translation of formal strategies into practice. Few are dramatic, but most involve some strategic dilemma.

In the fourth approach, well-designed trigger questions in interviews depend upon one or more of the other three approaches. The reason for this is that a well-designed question requires a good understanding of the organisation, and the "trigger part" of the question requires a good rapport and generally good standing in the organisation. I have experienced that this is particularly true when pointing out an apparent discrepancy between formal strategies and a practitioner's enactment of strategies-in-practice, as such questions are likely to place people on the defensive. Again, referring to concrete episodes provides the most effective trigger questions.

As interviews are "subject to the common problems of bias, poor recall, and poor or inaccurate articulation" (Yin, 1994:85) I took particular care to provide a setting for the interviews in which I invited non-threatening reflection on the translation of formal strategies into strategies-in-practice. The effectiveness of my design, where formal strategies were juxtaposed with strategies-in-practice, was to a considerable degree dependent upon me being able to produce intersubjectively valid accounts for the formal strategies, and in each of the organisations member-checks (Guba and Lincoln, 1989:238-241; Lincoln and Guba, 1985:314) confirmed that to be the case.

The second crucial measure was to use the analysis of the assignment portfolios in each of the organisations as "fixed points" for discussion, in the sense that the factuality of the accounts was indisputable. Sources included a range of documents and archival data that might shed light on the relevant issues. Examples include a book in Headhunting where all assignments are neatly registered with details of: the client, the person responsible for the client, the position to be filled, expected and realised fees, and the start and completion date for the assignment. Affectionately referred to as "the blue book", it is cherished as a relic, partly because it has always been the authoritative source when profits are to be shared among the practitioners at the end of the year. An example from StratCom is a comprehensive record of media coverage over the last 20 years. The third means was to use concrete examples of decisions, assignments, and choices in the interviews, probing for how they could be accounted for as adequate applications of the formal strategies.

Used in combination, these three accounts created intersubjectively valid facts, which the story co-constructed between interviewer and interviewee had to accommodate. This tactic increased the validity of the interviews in three ways. First, the account helped establish me as someone with knowledge and good understanding of the organisation. In all three organisations the accounts were perceived by interviewees as presenting new insights, or as confirming hunches they had held. Second, by establishing a common ground of understanding between interviewer and interviewee, the accounts served as stepping stones to further reflection. Third, the accounts limited the scope for impressionistic interpretations.

I experienced many of these interviews as careful balancing acts between being too inquisitive and being too cautious; even more so as most of the interviewees genuinely liked being challenged, as long as the challenge was perceived as being informed and benign. I did not always succeed in sustaining that balance. I have taped interviews where I can pinpoint exactly when the conversation was derailed from a line of reflective and collaborative inquiry (Argyris and Schön, 1996; Schön, 1983) or conversational partnerships (Rubin and Rubin, 2005) into an embarrassing situation where the interviewee felt threatened. Invariably these situations occurred when I was insensitive to the clues provided by the interviewee that I should be careful about a contentious issue (Kvale, 1996; Rubin and Rubin, 2005). Yet, when retrospectively sifting through the interview transcripts, I find that there are a remarkable number of references to externally confidential or internally contentious issues, which strongly suggests that the overall rapport was good.

In accordance with the collaborative approach taken I have included a fifth approach, feedback workshops, much used in action research, and also advocated by for instance Pettigrew (1990:272) and Van de Ven (2007:188). The main purpose is to get an opportunity for the researcher and the key informants to reflect together. As such, a feedback workshop is a tool for data analysis as much as for data collection.

Table 1 Data Collection

	Headhunting	StratCom	Engineering
Interviews Interviews lasted 45 minutes to three hours. Some interviewees were interviewed repeatedly, up to six times in the case of the now managing partner in StratCom	6 interviews 1998-99, all taped and transcribed verbatim 5 interviews 2006, all taped and transcribed verbatim. 3 interviews in 2007, all taped and transcribed verbatim. 1 interview 2007, taped and partly transcribed verbatim. 15 interviews in all	> 15 interviews 2000, taped and partially transcribed verbatim 9 interviews with selected customers, performed via telephone 2000, semi-structured interview guide. Reports written during and after interview. 8 interviews 2001; taped and transcribed verbatim. 7 interviews 2005; taped and transcribed verbatim. 7 interviews 2007; taped and transcribed verbatim. 2 interviews 2008; taped and transcribed verbatim 49 interviews in all	9 interviews 1998, each interview summarised in a few pages immediately after the interview. 6 interviews, including one group interview with four interviewees, early 1999, summarised in memo. 5 interviews, including two group interviews with four interviewees each, late 1999, summarised in memo. 2 interviews 2006; taped and transcribed verbatim. 11 interviews 2007; taped. Some transcribed, some analysed directly from tape. 33 interviews in all.
Observation	14 months "observant participation" 1996-97 Several internal meetings observed 1997-98 and 2006-2007 (resource allocation, assignment reviews), field notes taken Full day strategy workshop March 2006, all taped ex-	2000-2001: several periods of on-site observation, including relevant internal meetings. One particular project followed closely. Extensive field notes taken. Several informal conversations 2006, notes taken and	2006-2007: several meetings in the management team observed. Notes taken.

	cept for one session from which extensive notes were taken during the session and written out within 24 hours.	written out. Participated in partner meetings and several general meetings in 2007.	
Process workshops	As Headhunting has not been part of an action research project, no ordinary process workshops were carried out. Feedback workshop with discussion of findings June 2008.	4 workshops (half- to full-day length) carried out in 2000-2001. About 10 participants from StratCom in each. All workshops duly documented. Informal work with several participants between workshops. 1 workshop March 2006, taped and transcribed.	4 process workshops (half- to full-day) carried out in 1998-2000. 15 practitioners from Engineering involved. All workshops duly documented. Informal work with several participants between workshops. Carried out a small action research project (2007) on project organisation and how to deal with workload beyond capacity.
Archival records, documents	A range of archival material pertaining to bids (won and lost) and projects collected for 2000 and 2005. "Blue book" of assignments (responsible consultant, position, client contact, fees realised, start and completion date) from 1996-2006. Headhunting has little writ-	StratCom has an extensive intranet to which the researcher had full and unmonitored access (2000 and 2006 onwards). StratCom has a range of internal documents designed to direct practice, including an extensive manual. A range of internal docu-	Engineering has an extensive intranet to which the researcher had full and unmonitored access (2006 onwards). Engineering has a range of documents designed to direct practice, including extensive manuals. Many of the manuals are prescriptions on how Engineering

	ten documentation designed to direct practice. Written statements of working methods and professional and ethical standards can be found at the web-site. No other prescriptive documents exist internally.	mentation pertaining to development of strategy has been at disposal for consultation. Records of individual practitioners invoicing and fees distributed on assignments. StratCom has formal and documented criteria for internal evaluation pertaining to promotion and wage setting. Web-based informal survey among practitioners about characteristics of different kinds of projects. 2006. Minutes from weekly partnership meetings.	aims to fulfil a range of public and professional regulations. Some are internal and attempts at documenting best practice (technical domains as well as maintenance of customer relationships). Records of assignments (client, specification of scope of work, fees etc) and internal documentation of individual assignments available for consultation. Partner and leading practitioner away-day minutes, Partner meeting minutes.

3.4 Data analysis and interpretation

I have taken Feldman's (2000, 2004) accounts of her analysis of organisational routines as a point of departure for the data analysis and interpretation in this study, see subsection 3.2.1. The main reasons for this choice are that her research faced many of the challenges that I have had to cope with in the present study, and that she made extensive use of structuration theory. Feldman (2000) provides an instructive account for a three-step process of analysis:

> The first step was to write a manuscript that pulled together the information I had gained about both the organization in general, and the specific routines. ... The second step involved using several different metatheories to think about this information. ... The third step took place once I had found some theories that helped me think about change and stability in organizational routines. ... As I read these theories, I used the concepts to organize my observations of the routines. (p. 615)(p. 615)(p. 615)(p. 615)(p. 615)(p. 615)(p. 615)

The metatheories Feldman mentions are ethnomethodology, semiotics, dramaturgy, and deconstruction, whereas the theories are structuration theory (Giddens, 1979) and the practice theories of Bourdieu (1977, 1990), Lave (1988), and Ortner (1984).

I have modified her design in three significant ways. Firstly, she separated data-gathering and analysis, in part because she only found the theories she used after she had gathered the data. I iterated between data collection and data analysis throughout the research, with gradually more emphasis on analysis. The second modification is that she performed her analysis in three steps, whereas I merged steps two and three, as my gathering of data was informed by the review of structuration theory. Her account of step two and three suggests that the separation of step two and three was as much for convenience as for design. Third, due to the finding of apparently incompatible generic strategies during the first order analysis, I redesigned the study in order to accommodate that finding, in terms of a second-order analysis (3.4.2).

In this section I will account for the analysis and interpretation of data in some detail. First, I describe the initial first order analysis that led to the redesign of the study. I then go on to give an overview of the second order analysis (3.4.2), in which I investigated the activity systems further through template analysis (3.4.3), and used semiotic analysis to understand the role of intentions and contradictions in strategies-in-practice (3.4.4).

3.4.1 Step one; first order analysis

In line with Feldman's first step, the first stage of conscious analysis aimed to provide preliminary answers to the general question: "What is going on here?"; preliminary analysis of formal strategies; and preliminary analysis of strategies-in-practice as manifested in the assignment portfolio.

This stage was greatly facilitated by my earlier involvement with the three case organisations. I wrote interim case reports (Miles and Huberman, 1994:77-81; Yin, 1994:104-106) that provided thick descriptions (Geertz, 1973) of the organisations. At this stage I attempted to perform "bottom-up" analysis inspired by grounded theory (Charmaz, 2006; Strauss and Corbin, 1990; Strauss, 1987) in order to create accounts that were as unbiased towards expected findings as possible.

I then created accounts of formal strategies pertaining to the strategic domain, and a preliminary translation into significative and normative rules (Giddens, 1984). The specifics of this analysis are accounted for in subsection 3.3.1 above. The next step was to develop a corresponding account of enacted strategies-in-practice. Archival analysis and interviews with key practitioners were the main sources of evidence for this exercise. I considered it crucial that the account of formal strategies reached high intersubjective validity, because the method of juxtaposing formal strategies and strategies-in-practice depended on practitioners accepting my account of the formal strategies as being essentially correct.

I used the case report and the two accounts actively in member check and feedback workshops (Pettigrew, 1990). I used two indicators in particular in member-checks, formulated as questions: 1) "Have I developed a well-founded understanding of this organisation?", and 2) "Do these findings seem trivial to you?" I had two reasons for this approach: to ensure validity, and to use the member-checks as a source of new leads.

The approach taken in the feedback workshops was that of joint reflection on my findings; firstly in order to establish their validity, and secondly to judge their significance and provide a first step in further analysis. In interviews, I followed the same approach, taking my cue from Kvale's (1996) description of the 'inter view': developing knowledge through the sharing of views. Hence, data collection and analysis were truly iterative in some situations.

The finding of apparently incompatible generic strategies in two of the case organisations, Engineering and StratCom, forced me to reconsider the research design. Deductive reasoning made it possible to rule out the two "trivial" explanations, that this was merely due to particularly benign market conditions, or that it was what all firms in the respective industries did. As it became clear that both industries were highly competitive, and that both firms repeatedly won assignments against focused competitors with solid reputations, I could concentrate on developing an explanation that incorporated some potentially benign effects of straddling hitherto unaccounted for in standard theory.

Several scholars have recently emphasised the indispensable role of abduction and retroduction in theory development (Lawson, 2003; Van de Ven, 2007). Although in danger of becoming fashionable, the concept is well-rooted in the writings of Charles Peirce (e.g. Peirce *et al.*, 1992). According to Peirce, "abduction is the process of forming an explanatory hypothesis" (Peirce *et al.*, 1992:216).

Closely related, and used synonymously by some (e.g. Van de Ven), is retroduction, defined by Sayer (1992) as a "mode of inference in which events are explained by postulating (and identifying) mechanisms which are capable of producing them" (p. 107) (p. 107) (p. 107) (p. 107) (p. 107) (p. 107) (p. 107) (p. 107). It is elaborated by Danermark et al (2002) as a "thought operation involving reconstruction of the basic conditions for anything to be what it is, or, to put it differently, it is by reasoning we can obtain knowledge of what properties are required for a phenomenon to exist" (p. 206) (p. 206) (p. 206) (p. 206) (p. 206) (p. 206) (p. 206) (p. 206).

Retroductive reasoning plays an important role in the analysis of the translation process, but the clearest example of abductive reasoning in this study is the search for a plausible explanation of why two of the case organisations apparently thrived when they ignored strong advice not to straddle generic strategies, as found in the strategic management literature. I developed two working hypotheses; first that the firms may experience some benign effects of straddling, and second that they may have found effective ways to cope with straddling.

3.4.2 Second-order analysis – overview

In step two, second order analysis – corresponding to Feldman's step two and three – I analysed the activity systems and translation further, and also the written material (archival data, interview transcripts) by using template analysis (Crabtree and Miller, 1999; King, 1998) with concepts derived from structuration theory. Specifically, I developed a template for analysis of activity systems based on the literature review. The initial template was then developed further through the course of analysis.

As structuration theory is extremely rich in concepts, a comprehensive review, with a corresponding template, would have been impracticable, so I started with a template based upon the preliminary review, and then expanded the review when analysis revealed phenomena of importance unaccounted for in the review. One example is the concept of *contradiction*, which was not part of the initial review, but emerged as being of importance during analysis, in the guise of strategic dilemmas. Contradiction led me to consider semiotics (Barley, 1983; Feldman, 1995; Fiol, 1989) and semiotic analysis, which will be explained in subsection 3.4.4.

Armed with preliminary findings suggesting that the activity systems of the two larger case organisations accommodated strategically incompatible services, and a hypothesis as to why this could be beneficial, I set out to investigate further. I performed a literature review of Porterian activity systems theory, and found that Nicolaj Siggelkow (2001, 2002a) had successfully extended and applied the theory in deep case studies as part of his PhD dissertation (Siggelkow, 1998). I therefore decided to use his studies as point of departure.

3.4.3 Investigating activity systems further through template analysis

Activity systems-theory, and the framework adapted from Whitley (2000) that distinguishes technical from strategic task uncertainty, were used to provide analytical descriptions and to verify the observations of inconsistency. The analytical descriptions were developed through the use of interviews with key personnel, and with customers, in combination with an analysis of archival records of executed assignments. The portfolios of assignments in all three organisations were analysed in terms of size, scope and deliverables, and recorded profitability.

For the smallest case (Headhunting) it has been possible to analyse all the assignments carried out in 2000 (N=170) and 2005 (N=127) with respect to features relevant to the domain. This analysis confirmed that the services Headhunting provides are only variations over the main service, executive search and selection, with no internal strategic inconsistencies. Yet for the sake of comparison I decided to follow the same approach when analysing the activity system in Headhunting as was used when analysing the activity systems in the two larger organisations.

In the two larger cases it was possible to perform a statistical description of all of assignments, whereas scrutiny of each individual assignment was impracticable, and probably less useful. Thus, a sample displaying variation was drawn for each case. In each one a few assignments were selected for in-depth analysis and to facilitate in-depth interviews with key practitioners.

Template analysis is the main alternative to grounded theory in using coding for the analysis of data, although often found under other names (King, 1998). Before analysis commences, a list of codes is developed, based on a review of relevant theory and literature. This is modified as analysis progresses, and is the standard form of analysis through coding, advocated by for instance by Miles and Huberman (1994:58). The strength of the approach when compared with grounded theory is that it makes more effective use of the considerable effort invested in reviewing literature, and allows for a more targeted approach for data collection and analysis. The main pitfalls compared with grounded theory are that one may "fit the data to the theory" and be less open to emergent findings. The template developed for in-depth analysis of the activity systems, including creating detailed maps of the activity systems, is described in section 4.3.

All transcribed interviews (N=71) and other relevant documents (transcriptions from strategy away days, notes taken from meetings, minutes of meetings, presentations, other formal documents) were uploaded in NVIVO 7/8 software for qualitative analysis. I used

NVIVO for topic-coding based on the developed template, exploited the software's immense possibilities for search and retrieval, and even played with Boolean searches. In particular, NVIVO made it possible to perform searches that investigated contradictions that I doubt I would have been able to do without such resources. I also found the software helpful in checking my own reliability in coding, because it facilitates both collection of all instances of the same code, and scrutiny of consistency in code use. However, my use of the software can hardly be portrayed as advanced. NVIVO was immensely helpful as a tool for organising and preparing data, but most of the "real analysis" was performed with pen and paper.

3.4.4 Semiotic analysis

The need to analyse intentions and meaning, and the identification of dilemmas or contradictions as a major issue, spurred a search for an appropriate theoretical lens. Semiotic analysis is concerned with signification and communication (Berger, 2005; Feldman, 1995) and the understanding of how "events, words, behaviors and objects carry meaning for the members of a given community and to the content they convey" (Barley, 1983:394). Semiotic analysis is particularly useful as a "theory of coding" for understanding signification as part of structure in structuration theory (see Giddens, 1979 p. 97; and Giddens, 1984 p. 31). Specifically, I have found semiotic squares (Feldman, 1995; Fiol, 1989; Greimas, 1987; Hébert, 2006) useful for the concept of oppositions, corresponding to Giddens' contradictions between structures (see the last paragraph in subsection 2.5.1). These occur in two distinct forms, contradictories and contraries:

> A *contradictory* is a true opposite. A *contrary* is an opposing relationship also referred to as a *homologous contradictory.* That which is not prescribed is the contradictory of that which is prescribed. That which is prohibited is the contrary of that which is prescribed. (Feldman, 1995 p. 41)

The crux of the matter is that semiotic squares links normativity and interpretation in rule following, i.e. the translation of formal strategies into strategies-in-practice. Some formal strategies imply rules of prohibition ("we never misuse confidential information"), and some imply prescription (“we always deliver 100% quality”). Sometimes two rules are seen to be in opposition to each other in a specific situation, or in general.

Below is an example of a semiotic square where two formal rules in Headhunting are in opposition in situations where consultants are (temporarily) unable to fill capacity with assignments that fit with Headhunting’s intended “profile”. Profile is their internal term for strategic domain: Headhunting aims to assist “serious organisations” in searching for and selecting middle- and top-managers. This is term 1 in the figure; maintaining profile. Headhunting also has strong internal norms requiring that all consultants work at near full capacity. The norm is supported by a reward system that encourages consultants to utilise their capacity, as individual remuneration is strongly correlated with individual revenue generation.

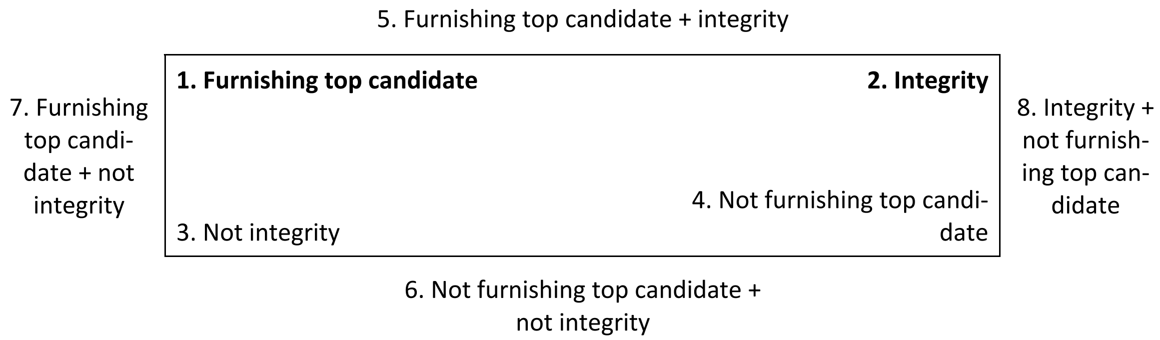


Figure 3 Semiotic square from Headhunting

Sometimes one or more consultants experience difficulties with simultaneously maintaining profile (1) and utilising capacity (2). (1) and (2) “form the basic opposition of the square, and (3) and (4) are obtained by negating each term of the opposition” (Hébert, 2006: 19).

(5), (6), (7), and (8) depict four relations between the basic oppositions (1 and 2) and their negations (3 and 4). (5) is the benign state of no opposition between the rules. (6) is the unfavourable state where underutilisation of capacity is combined with not maintaining profile. (7) is a real dilemma where priority is given to maintaining profile, whereas (8) is a real dilemma where priority is given to utilising capacity. Further analysis must wait until the analysis of Headhunting, but it is clear that (7) or (8) are different modes for coping with dilemmas that take the organisation in very different directions. Moreover, (7) and (8) exemplify one of the generic dilemmas documented in this study, that of short-term revenue generation (8) versus long-term value maximisation (7). (8) is clearly a case of strategy drift (Johnson, 1988) whereas (7) is less clearly so, as the strategic intention remains, though at a cost that may be too high in the long term.

3.5 Conclusion

This chapter accounts for central methodological issues and the overall research design of this study. As with any qualitative study that develops through iteration between data collection and data analysis, there are aspects that in retrospect could have been dealt with by alternative means. The cost incurred has little to do with the validity of the findings and much to do with the extra work arising from false starts and blind alleys.

The main challenge of the research design was to handle the duality of structure in empirical research. I responded to that challenge by first taking cue from Mintzberg's (1979) "direct research", then by taking Giddens' advice on using both institutional analysis and analysis of strategic conduct, by collecting rich qualitative and quantitative data, and by engaging practitioners in eliciting their interpretation of the findings. I also refined a template for the analysis and mapping of activity systems, and made use of semiotic squares for analysing contradictions, of strategic dilemmas.

The most important change in the research design en route was the result of finding apparently incompatible activity systems in two of the three case organisations. For a long time I was unsure whether those findings were due to serendipity or whether they would serve as stumbling blocks. In retrospect, I would have taken the same decision again and redesigned the study, even though the change was quite dramatic. One effect is that there is still more to do on the translation of formal strategies into strategies-in-practice.

The following three chapters investigate the three case studies. There is a common structure to the analysis of the three organisations. I use a short description of the relevant industry to provide the reader with a general understanding of and feel for each case organisation. In accordance with the research design I then go on to develop an analytical description of the organisation and its activity system. The activity system is summarised in a map whose format is adapted from Siggelkow (2001, 2002a) and shows relations between elements of the activity system. In two of the cases (StratCom and Engineering) I then identify strategically-distinct generic services requiring different configurations of the activity systems, and continue by identifying the incompatible requirements that stem from straddling these services.

I continue by analysing the ongoing translation of formal strategies into strategies-in-practice, and identify a number of enduring problems and insoluble dilemmas that the organisations must cope with. Some of these problems and dilemmas are related to the straddling of strategically distinct services, but most are not. Indeed, in Headhunting the problems and dilemmas are as profound as in the other cases, even if Headhunting's services are all strategically compatible with each other.

4 OBSESSED WITH MAINTAINING STRATEGIC PROFILE: HEADHUNTING

Headhunting epitomises one of the paradoxes that provoked this study: the first impression is that of a strategically simple organisation enjoying a stable and favourable position in a well-established market and benign task environment, and with a solid record of earnings. Yet, investigation reveals that the apparent stability is maintained only through continuous effort to avoid strategy drift and cope with insoluble dilemmas that strike at the heart of the firm's strategies. The adjusted impression resembles the cartoon drawing of a duck that looks very calm on the surface, while under water its feet are paddling frenziedly.

I have chosen to start with the Headhunting case precisely because of this paradox, and because it allows me to develop the activity system framework, and to put some empirical flesh on the conceptual skeleton of coping with strategic dilemmas.

Headhunting provides expertise-based services in a stable task environment, where the high technical task uncertainty of the services is acknowledged, and effectiveness is valued over efficiency, although clients' reasons for using Headhunting vary (see subsection 4.2.2.) It carries out assignments through sequential performance of four main tasks: work analysis and job description; searches for potential candidates; selection of candidates; and achieving closure (4.2.1). These tasks are common to most firms in the industry, making strategic positioning demanding (4.2.4). Yet, Headhunting holds a well-established strategic position as an esteemed provider of middle and top managers to "respectable" client firms. In Porterian (1985) terms the strategic positioning is one of focus, whereas for Maister (2003) it is a straightforward experience-based service.

Recent years have seen an influx of new entrants due to high fees, low technical entry barriers, and a generally buoyant market. The combination of low entry barriers and services based on experience and tacit expertise is due to the fact that the technologies Headhunting uses (interviews, work analysis, various tests) are readily available, but require long training for proficient use, due to their inherent high technical task uncertainty. Mimicking the use of technology is, however, easy, and it takes some experience on behalf of the client to distinguish proficient from mere adequate use. Because the service provides ample possibilities for opportunism at the clients' expense (Britton and Ball, 1999), trust is crucial (4.2.3). These features lead to reputation and relations being at the core of Headhunting's strategies (4.3.1).

Investigation into Headhunting's formal strategies reveals considerable complexity and a number of insoluble dilemmas of strategic importance, as documented by detailed mapping of the activity system and how it relates to the task environment (4.3). What may appear to be simple rules (Eisenhardt and Sull, 2001) on the activity system map in fact require considerable competence and commitment when applied in practice.

I continue by using semiotic squares (see subsection 3.4.4) as a tool for investigating how these dilemmas are being handled on an ongoing basis, and then look at the strategic repercussions (4.4). This continuous coping is an important part of Headhunting's strategy-in-practice, and demonstrates the importance of strategy maintenance, or "maintaining our profile" as the saying goes internally.

Although well-established, the strategic position needs continuous nurturing. Every assignment is an opportunity for strengthening or weakening the position, and due to the haste experienced by clients, one cannot rely on backlogs of assignments (4.4.1). There is thus an enduring threat of strategy drift. Headhunting also experiences tensions between the obligations to serve their current clients effectively on the one hand, and the obligations towards candidates and the need for conspicuously maintaining high integrity on the other (4.4.2). Yet, whereas weakening of the strategic position may occur incrementally, the perception in Headhunting is that one slip in terms of integrity may threaten the long-term investment made in their reputation for integrity and trustworthiness.

The prevailing belief in Headhunting is that the dilemmas outlined above are inescapable in practice. Thus, even though 'solving the dilemmas', in particular those concerned with strategic positioning, is a recurrent theme at strategy workshops, in practice Headhunting's practitioners have to learn to cope with them in concrete situations.

Practitioners use a number of practices for coping with these dilemmas (4.4.4.) The responsibility for coping is predominantly individual, although it is very common to consult other practitioners for advice. Recognising and coping with these dilemmas in concrete situations requires considerable competence and commitment over and beyond what is needed for just carrying out the assignments. In this respect all practitioners are involved in the ongoing translation of formal strategies into strategies-in-practice.

This everyday coping reproduces the activity systems of Headhunting reflexively but imperfectly. Unintended and unwanted changes may accrue to strategy drift, whereas sometimes unintended changes are intentionally adopted as amendments of the formal strategies. One example of the latter is Headhunting's decision to assist professional clients with specialists, a case of what has been termed 'converging change' (Tushman *et al.*, 1986).

What one observes may appear to be practitioners acting according to Chia and Holt's (2006) 'dwelling mode'. However, further probing into the 'internal conversation' (Archer, 2003) of the practitioners reveals 'practical reasoning' (Searle, 2001) that also involves how alternative courses of action correspond with and affects the formal strategies. Thus, Chia and Holt's (2006) 'building mode' of strategy is present even in everyday practice.

In this chapter I provide a short introduction to recruitment services and to the market for such services in Norway, and an analytical description of Headhunting (4.1). I then analyse the main tasks and technologies used by Headhunting, and the task environment Headhunting operates in (4.2). I continue with an institutional analysis of the organisation's activity system, placing "in suspension the skills and awareness of actors, treating institutions as chronically reproduced rules and resources" (Giddens, 1984:375). In the last sub-chapter (4.4) I identify three "structural contradictions" (Giddens, 1984:199) in the activity system that set further conditions for the actors' practical coping, and perform strategic analysis of practitioners' strategic conduct in translating strategies into practice, "concentrating upon how actors reflexively monitor what they do; how actors draw upon rules and resources in the constitution of interaction"(Giddens, 1984:373).

4.1 Introduction to the firm and the industry

4.1.1 Recruitment services

"Recruitment services" is a generic term for firms which help their customers to fill vacant positions in their organisations, and its market is highly stratified and diversified. Apart from geographical differentiation, the three most important dimensions of differentiation in the recruitment services market are the level of recruitment (from specialists and first line managers to top executives), the functional areas, and the industries covered. Some firms, like global brands Egon Zehnder and Korn/Ferry, claim to have global coverage, and typically recruit at top-management level in the largest or most renowned corporations and organisations. The term most often used to describe these firms is "executive search". At the other end of the spectrum are domestic firms with no apparent deliberate positioning, except that they usually recruit lower-level managers and specialists for lesser-known national or local companies.

In addition to the four dimensions for dividing the market mentioned, there is an important distinction between the two methods used to identify potential candidates. While the top-tier executive-search firms almost exclusively use direct search to identify candidates (so-called headhunting), advertised recruitment is the more common approach in the volume market. In direct search the responsibility for identifying and bringing a candidate into a recruitment process rests with the headhunter, who uses a range of methods to identify specific candidates. In advertised recruitment, potential candidates respond to an advertisement that calls for applications. When recruiting from the "mass market" of candidates, direct search is more expensive and advertised recruitment more efficient, meaning that there is a natural division of labour between the two methods based on the hierarchical level in the organisation. Top-level executives are seldom recruited through advertisements, and direct search is seldom efficient at finding lower-level managers.

A comparison of how executive search (and selection) firms present themselves shows a striking similarity in the services they offer and the activities they perform in executive search (and selection) assignments. This impression is confirmed in interviews with clients of Headhunting. At a general level, the executive search and selection industry seems to rely on a standard set of tasks, which at this level of description are common to executive search firms and executive search and selection firms: 1) work analysis and job description; 2) search (direct search or open advertisement, or both); 3) selection (interviews, various tests, references, final interview); and 4) achieving closure.

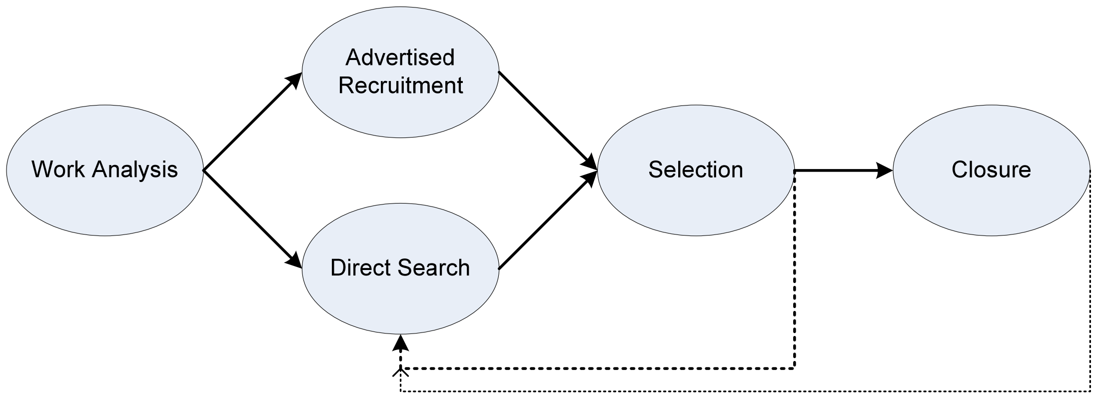


Figure 4 Flow of tasks in executive search and selection

The dotted lines indicate that assignments are sometimes solved through iterations of the main tasks.

The Norwegian market for executive recruitment services is dominated by a few international executive search firms and some established Norwegian executive search and selection firms. The size of the established executive search and selection firms in terms of number of consultants is quite small, ranging from three to fewer than ten consultants.

The established firms offer so-called retained services, meaning that they avoid contracts where the fee is contingent upon a candidate actually signing on with the customer. Typically, a third of the expected fee is invoiced when the contract is signed, a third is invoiced midway, and the rest when the chosen candidate has signed a contract with the customer.

4.1.2 Headhunting – a description

Established in 1986 by two consultants from the then largest advertised recruitment firm in Norway, Headhunting is one of the oldest independent Norwegian executive search-and-selection firms. In addition to executive search and selection, Headhunting offers management audits, board consulting and board-of-director searches, and single candidate evaluation. The range of services offered is similar to that of many of its competitors. Executive search and selection is the dominant service measured by revenue generation, although single candidate evaluation makes up a considerable share of the number of assignments.

Headhunting is widely recognised as being one of the leading firms within the Norwegian search-and-selection industry. Its portfolio of assignments spans most industries and most functional areas, with an emphasis on middle and top level management. It uses both direct search and advertised recruitment, sometimes in combination, and regularly bids for and wins the most prominent and high-profiled assignments within the public sector. In the private sector it appears as a strong second-tier firm, seldom engaged with CEO-recruitment for the largest multinationals, but still with a strong portfolio of top management assignments with well-known domestic companies. Just before the write-up of this thesis, the managing partner stepped down after twenty years in post, and a new managing partner was recruited externally. The former managing partner is still active.

In 2006 Headhunting's ten employees, including the then four consultants, realised 20 MNOK in total operating income. Figure 5 below shows histograms of fees from assignments in 2000 and 2005. As a rule of thumb, fees below 100 KNOK represent audits and advertised recruitment, with some sort of rebate negotiated, while fees below 50 KNOK would typically stem from advisory services or the evaluation of single candidates. Although the fees stemming from single candidate evaluation may seem unimpressive, these assignments can actually be quite lucrative; they involve negligible risk and liability and only a limited amount of work. If they can be fitted into an open spot in the consultant's schedule, the hourly rate of fees extracted from such assignments may be quite impressive. What they do require is an ongoing relationship with the customer, so that administration, negotiation, and paperwork are kept at a minimum on both sides.

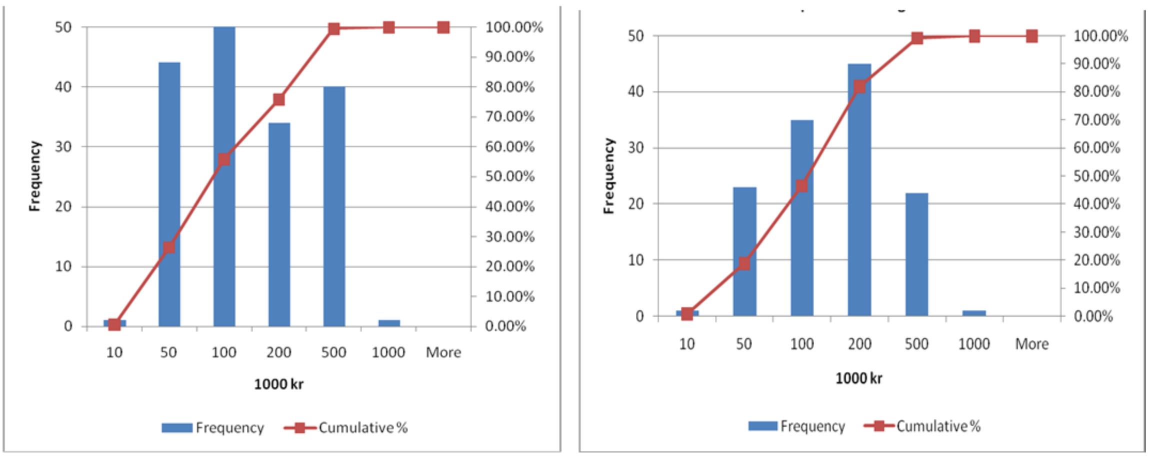


Figure 5 Histograms of assignments in Headhunting yrs 2000 and 2005. Amounts in KNOK

Headhunting had 29 assignments in 2000 and 17 assignments in 2005 with a salary of 250 KNOK or more. This does not alter the fact that Headhunting is recognised as being one of the market leaders in Norway, but it does show that the volume market is important even for Headhunting.

The strategic positioning Headhunting is aiming at is recruitment of top- and middle-managers for attractive client organisations. It seeks a reputation for professional and effective execution of assignments that provide clients with well-fitted candidates.

4.2 Tasks and task environment

This section describes Headhunting's main tasks, and the task environment in which it operates. The four subsections describe the main tasks involved in assignments, how search and selection services add value, how effective provision of services depends upon trust and reputation for non-opportunism, and the difficulties of strategic positioning when the major tasks are similar across the industry. The technical task uncertainty of the main tasks is considerable, and is to a large extent acknowledged by clients. There appear to be three reasons for the high fees earned: first, clients consider recruiting the right person to be important; second, they acknowledge the considerable experience needed for handling the task uncertainty of recruiting; third, clients' use of time has high alternative costs. The section concludes with a summary of the task environment that the activity system responds to, which is the topic for the following section..

4.2.1 Main tasks in assignments in Headhunting

The main tasks involved in assignments in Headhunting are shown in Figure 4, page 121. This subsection provides an analytical description of each of the tasks, with emphasis on competence and commitment and the role of practical reasoning (Searle, 2001). Some particular aspects will be discussed in vignettes.

Work analysis and job description. The first main activity in a recruitment process is to analyse the requirements of the job in terms of qualifications, experience, and personal traits. Consultants do this by interviewing the client representative and, if possible, other relevant people in the client organisation. The purpose is twofold; to develop a profile of the candidate one is looking for, and to be able to provide prospective candidates with a realistic description of the job.

> I have to understand the organisational culture; the kind and scope of tasks the candidate will be responsible for; the people the candidate will relate to. I have a responsibility for providing the candidate with relevant information (Former Managing Partner, 10.02.98)

These criteria will be discussed with the client, but are seldom put into writing for the client. Some firms provide the client with a written report at this stage, summarising the work analysis and the derived qualifications criteria, and often a description of the "ideal candidate". Headhunting argues, however, that putting things in writing for the client at this stage may delimit the process prematurely. This is nevertheless an ongoing discussion in Headhunting, as some consultants see it as a means of documenting the work being done for the client, and because many clients expect to receive some written text.

Sometimes the work analysis leads to an adjustment of the job description compared with what the client initially sought.

> What they want is a living cliché; almost all organisations do that – a performance-driven, people-minded, goal-oriented non-existent superhero. My job is to adjust their expectations around a human being of flesh and blood (Partner 2, 28.04.98)

Sometimes there is considerable discrepancy between the client's acknowledgement of what kind of person the organisation *needs* and what it is capable of absorbing.

> It is part of our job to make them understand that 'if you hire such a person as you are describing, then everyone will get overrun during the first month, and you are not ready for that'. But sometimes we must encourage them to think bigger as well (Partner 3, 09.02.98).

> If I am working with an all-male executive group with only lawyers and economists, then there is little point in introducing a female anthropologist as HR-director, because it will end in disaster – even if an anthropologist may be exactly what they need (Partner 2, 28.04.98).

The work analysis is also instrumental in establishing the consultant as a *strategic* advisor.

> We can pose critical questions, forcing the client to think anew, to perhaps consider different solutions. One cannot take for granted what they are saying; one must also respond with advice, both concerning functions and tasks, and type of competence or candidate profile (Senior Consultant 1, 27.04.98).

Search. In an advertised recruitment the work analysis and job description form the basis for creating an advertisement. A particular challenge is to write the advertisement in such a way that it attracts the maximum number of relevant candidates, as one has to rely on candidates self-selecting in order to submit an application. The advertisement is also a test of the work analysis.

> The quality of the work analysis is immediately revealed when I'm writing the advertisement; if I'm able to call attention to the attractive features of the position, what are the tasks and challenges; what kind of person am I looking for? (Partner 4, 10.02.98)

In assignments where direct search is used, the work analysis also forms the basis of the search criteria. In addition to choosing the criteria directly pertaining to the candidates, the consultant and researcher will also decide where to search. In a direct search assignment, the consultant typically works with a researcher who scrutinises relevant organisations for potential candidates, utilises various networks for leads, and sifts through the lists of candidates from comparable assignments. The purpose of this activity is to provide consultant and client with a bundle of prospective candidates, preferably with some variation in qualifications, experience, and personal background.

It is also used to verify that researcher, consultant, and client agree upon the job description and sought-for candidate profile.

> Thinking together with the researcher is extremely useful, because when you have to explain to another person what you are looking for, it's a kind of moment of truth (Partner 4, 10.02.98).

My own observations confirm that it is considerably easier for consultants to calibrate what qualifications are sought in a candidate when one can discuss actual persons rather than abstract descriptions. Even the descriptions used in successful advertisements tend to be too imprecise when consultants discuss these amongst themselves.

Selection. Selection is based upon the list of candidates who have either submitted an application, or been contacted through direct search, and have agreed to participate in the process. Selection consists of several activities, and Headhunting performs an initial interview of about one hour's length to filter out a large share of the potential candidates.

On the basis of this initial interview, the consultant makes a recommendation to the client about which candidates the client ought to meet. While the consultant from Headhunting joins this meeting, it is usually the client who engages in a conversation with the candidate.

> Clients differ widely, so they look for different things, but I think they are good at pinpointing what is relevant experience. ... They will often make up their mind about a person quite soon; don't trust him, finds her trustworthy, hard to communicate with, and so on. Usually I don't want to go too deep into personality at this stage, because I still lack a firm basis for valid judgement (Partner 3, 09.02.98).

These interviews also provide consultants with insight into what the client is really looking for. Those candidates who are still interested and still considered to be relevant after this session are then invited to a much more thorough interview with the consultant, which is preceded by a test of mental abilities and a personality test. Together with the impressions from the initial interview, these tests form the basis for an in-depth interview lasting about 90 minutes.

> When you are digging deep into their experience and become very structured in conversation about their personal values and traits, then one can really get behind appearances (Senior Consultant 1, 27.04.98).

The outcome of these interviews is ideally a shortlist of three to five candidates whom the consultant finds recommendable, after checking references for each.

Meanwhile, the candidates must be taken care of. Direct search is much more intrusive to the potential candidates than advertised recruitment, as the initiative comes from the researcher or consultant, not the prospective candidate.

> It is quite exhausting for a candidate to move from one meeting to another; there are first five other candidates, then three, then two, then the candidate becomes enervated. Besides, the candidate sat in a good job without thinking of leaving, and then he has to cope with two religions; the present job and the potential future job. And then you are to take the phone and tell him; 'I'm sorry, another candidate has got the offer' (Partner 4, 28.04.98).

The search process must thus often accommodate the candidate's concerns to a larger degree. I would like to quote at some length a reflection made by the then managing partner of Headhunting on his responsibility towards candidates as compared with clients:

> I believe my candidates are more important than my client. If I see to it that this person ends up in a job where he thrives, in which he succeeds, then I have two clients. If I recommend someone under-qualified, I lose two clients, because then the candidate quits. If he is overqualified he becomes sour and quits, and then I've also failed. So being solely concerned with my client's interests is dangerous. The worst thing is to only focus on solving the assignment. I'm safest when my main concern is with the client; if I develop careers, then I've done a favour to the candidate and I've also made the client happy. But this is not merely to ensure the long-term interests of the client; this is ethics. We are responsible for developing or destroying careers (Former Managing Partner, 10.02.98).

The final stage in the selection process is then a second meeting between the two or three most relevant candidates and the client.

Vignette 1 Tacit knowing and learning through apprenticeship

The research in Headhunting confirms that tacit knowing is predominant in Headhunting's practices. Both work analysis and selection, as described in the main text, are practices performed as much at the level of practical as of discursive consciousness (Giddens, 1984). The practice of combining insights from these two practices becomes even more tacit as a result.

Expertise in Headhunting thus seems to follow Dreyfus and Dreyfus' (1986) competence hierarchy quite closely; expert judgement, or practical reasoning, may be difficult to explicate, something I have experienced over and again in interviews when probing the judgements made by experienced practitioners. Less-seasoned practitioners often find it easier to explicate the reasoning behind their judgements, but they insist that they trust the judgement of their more experienced, but less-articulate colleagues over their own. Again, this is as proposed by Dreyfus and Dreyfus.

The prevalence of tacit knowing and the considerable task uncertainty involved in the activities of a search and selection assignment, makes Headhunting emphasising the nurturing of consultants as gradually more proficient practitioners through on-the-job training, closely resembling the Legitimate Peripheral Participation model (Brown and Duguid, 1991; Lave and Wenger, 1991). The former managing partner of Headhunting expressed the belief in this way:

> On the job training; we have never engaged any consultant here who is not supposed to – I usually say: "You are not supposed to produce anything the first year. You are only expected to watch and learn, until your impatience becomes unbearable. Then you are expected to work together with experienced consultants as long as possible" (Former Managing Partner, 03.11.98).

The statement was corroborated by a newly recruited consultant:

> I received a very clear message: "the first year you will have no budget quota to fill, you are only supposed to learn" (Senior Consultant 1, 27.04.98).

A central aim is that the apprentice acquires Headhunting's distinct practices and approaches, yet develops his or her personal style. This apprenticeship model reflects not only the prevalence of tacit knowing, but also the fact that consultants work very independently. There is thus an important element of socialisation and indoctrination in this prolonged learning period, providing common reference for practical reasoning.

Achieving closure. When the selection is made it is time to achieve closure, which means getting the candidate and the client to agree on terms of employment and the signing of a contract. This is a risky phase in the process. For the candidate it is often at this point, when they are told that they are the preferred candidate and receive an offer, that the seriousness of the choice they are being asked to make really sinks in. This is particularly the case in search processes where the candidates themselves have not taken the initiative. In some cases the candidate may pursue more than one process in parallel. Thus, a great deal can go wrong in this phase, and if it does so, the solution is often not as easy as simply letting the offer pass on to the next candidate on the list. Sometimes the process has to start all over again with extra work and a disgruntled client as a possible outcome.

These four main activities are quite obviously complementary (Milgrom and Roberts, 1995; Richardson, 1972), and sequentially interdependent (Thompson, 1967). The quality of the work analysis and job description affects the rest of the assignment, and selection of candidates can only be made among those who are successfully searched for. The likelihood of achieving closure with the preferred candidate is dependent on the candidate's and client's perceptions of the quality of preceding activities.

Each of the main activities is also encumbered with considerable technical task uncertainty. Moreover, the outcome of an assignment is strongly influenced by the client's conduct, both during the process and after the candidate is hired. Headhunting's own evaluations confirm the importance of a mechanism of self-fulfilling prophesy (Elster, 2007); if the client expects the new candidate to be a success, the hiring is much more likely actually to become a success than if the client is sceptical. The client is thus effectively a co-producer (Ramirez, 1999), making one significant difference between novice and seasoned practitioners their ability to interact with the client so as to improve the client's performance.

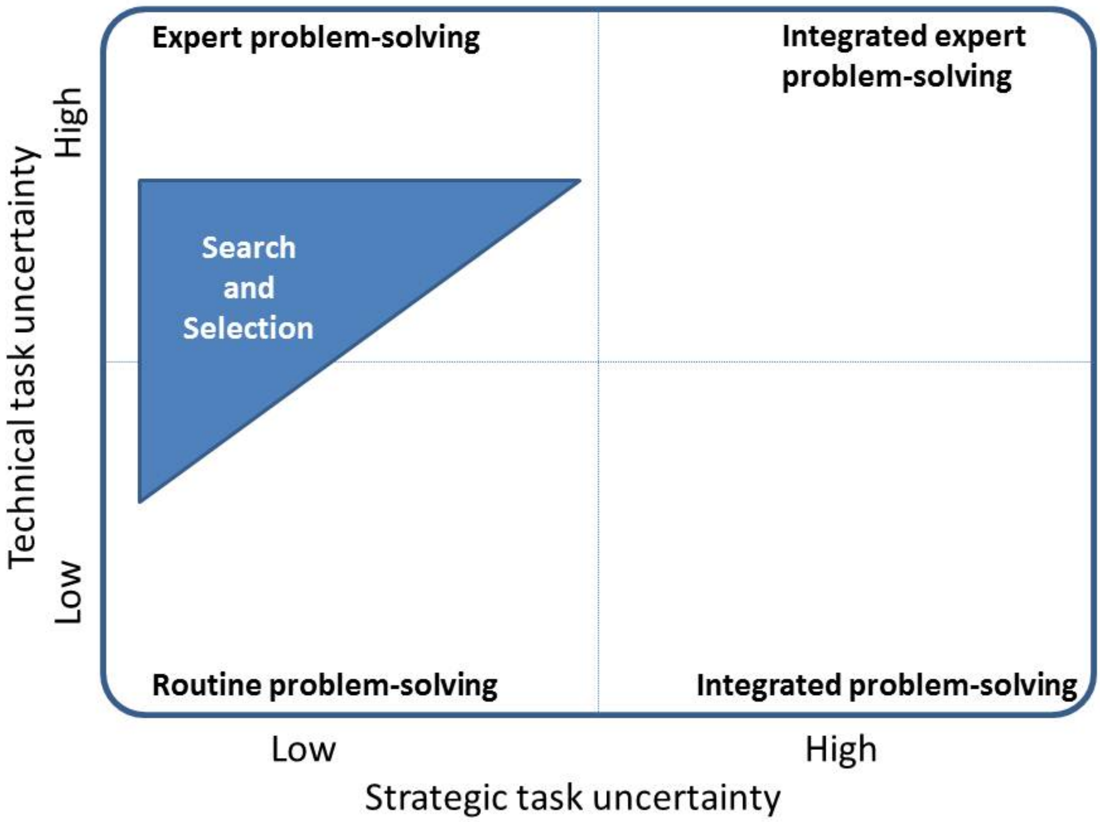


Figure 6 Task uncertainty in Headhunting's assignments

The triangle in Figure 6 illustrates the variation in task uncertainty in search and assignment assignments. Most selection assignments are routine for an experienced consultant. Sometimes finding the right person based on the work analysis and diagnosis is difficult, but acceptance is less of an issue once a candidate is found and recommended. In these assignments the technical task uncertainty may be high, but the strategic task uncertainty remains limited. However, in some assignments it is difficult even to define the characteristics of the right candidate, let alone find such a person. The strategic task uncertainty then becomes substantial. In such cases it is likely that acceptance of a recommended candidate by the client organisation becomes an issue. Or, the assignment is redefined en route as a result of findings in the work analysis. The triangle illustrates that such strategic task uncertainty will boost technical task uncertainty too. Such situations appear in assignments near the top of the client's organisational hierarchy, where individual recruitment is of strategic significance.

The considerable uncertainty involved is underlined by the fact that consultants find it hard to delegate activities to others. The exception is the search activity, which is performed by dedicated researchers. Even this delegation requires intensive coordination between consultant and researcher in every assignment.

> …law firms can use juniors to do a lot of tasks, there are routinised activities in abundance, and then you can assign more and more responsibility for parts of an assignment. We have *one* process. We even shy away from concluding that we recruit a junior consultant to deal with sales managers (Former Managing Partner, 05.05.06).

The most likely explanation for this lack of division of labour appears to be a strong dependence upon tacit knowing (see Vignette 1). The scope for increased profit through *leverage* is thus much lower than, for instance, in juridical services or management consulting in general. This lack of division of labour also explains why parts of Headhunting's business model rely on individual performances 'front stage', facilitated by collective resources and collaboration 'backstage'.

When a management audit or a single candidate evaluation is sold, it is simply that one of the main tasks is being singled out as a separate service. The competence that is required in the selection phase of a full recruitment process is required in a single candidate evaluation, and the value drivers are also the same. What is different is that much of the uncertainty involved in the selection phase in a full assignment is absent. If a single candidate evaluation can be fitted into the consultant's schedule, the profitability can be quite handsome, even if the fee is not impressive. What cannot be safely done, however, is to reduce the cost by delegating the evaluation to junior personnel, as that will directly affect the client's trust in the evaluation provided, and their willingness to pay.

To summarise, the bulk of Headhunting's assignments have limited strategic task uncertainty but significant technical task uncertainty, see Figure 6 above. The technology available for personnel search and selection is permeated by low reliability and a dependence on experience and tacit knowing. Some assignments are of a routine character because the specifications of the required candidate are broad and clear. This is the case for assignments in the lower parts of the client's hierarchy, where formal competence and experience is emphasised over 'softer' features like, for instance, the candidate's personal traits or leadership style, which are difficult to measure. Some assignments have significant strategic uncertainty in addition to technical task uncertainty, as there is real uncertainty about what kind of candidate the client really needs. As a rule of thumb, technical and strategic uncertainty increases the higher in the client's hierarchy an assignment is located. The scope for delegation, and thus for *leverage*, is limited due to the high inherent technical task uncertainty (Whitley, 2000) and dependence upon tacit knowing for coping with that task uncertainty.

4.2.2 Adding value from recruitment services

The preceding subsection described a typical experience-based practice (Maister, 2003) dependent on individual tacit knowing (Polanyi, 1966) that takes time to develop and is hard to transfer other than by apprenticeship (Lave and Wenger, 1991). However, the reasons for using Headhunting vary. Through interviews with consultants and clients I have identified five distinct reasons for using recruitment services, as follows.

Outsourcing for efficiency. For most clients, recruitment is neither an extraordinary activity, nor a part of daily practice. A recruitment firm has established routines that make the recruitment process more efficient than that of their clients. Hence, many companies do not find it practical to maintain this capacity in-house.

Prestige-seeking. For less renowned clients, the use of a reputable recruitment firm may help attract candidates who would not normally consider responding to an advertisement by the client. As I will discuss later in the thesis, the strength of the brand of a recruitment firm is to a large degree a function of the strength of the brands of its known clients, and reputation is acknowledged as one of the most important strategic assets of a recruitment firm. Deciding which prestige-seeking clients to accept is thus no trivial matter.

Access to exclusive networks of potential candidates. Direct search firms tend to have extensive databases of potential candidates. This may be candidates who have submitted their CVs on a general basis, or candidates who have been involved in an earlier process which for some reason was concluded without the candidate being offered and accepting the job. Consultants (headhunters) also have their own informal network that can provide leads on potential candidates, and they can use the networks of their colleagues in the firm.

Discretion. Sometimes a client uses a direct search firm out of a need for discretion. It may be that someone important is about to leave the company and the company does not want it publicly known before a replacement is available, or it may be that the person holding a position is about to be replaced but does not yet know about it. As person-related issues are often highly sensitive, executive search firms generally put heavy emphasis on their discreetness.

Expert advice, legitimation, and second opinion. The fifth reason for using a recruitment firm is its assumed expertise in analysing job requirements and identifying and selecting the best candidate for the job. Recruitment of managerial personnel is generally a process permeated by uncertainty (Terpstra and Rozell, 1993), yet the cost of recruitment of a person who turns out to be unsuitable is considerable (Cook, 2004). Sometimes, especially at higher level recruitment, the client does not know exactly what to look for and thus seeks outside advice.

While this list of reasons is firmly grounded in the data, it was received somewhat reluctantly by the consultants when presented in a feedback session.

> Interesting, and probably true, but with limited practical relevance, as most customers have not really thought through their enquiry to Headhunting beyond the fact that they have recognised a need for assistance in filling a vacant position (Field Notes, May 2006).

The reaction suggests that most clients approach recruitment processes with some uncertainty, with the process itself being used to reduce that uncertainty. The response also alludes to dynamics in consultant-client relationships where the consultant must earn the client's trust. Furthermore, the reaction suggests that not all of these five reasons are ones which consultants like to recognise as being significant, as they do not sit well with their self-perception of being masters of discreet expertise.

What seems clear is that a competent executive search and selection firm can offer significant uncertainty reduction in a process that may be of critical importance to the client. Moreover, quality assurance of the process and choice made through the use of a reputable executive search and selection firm provides legitimisation and shared responsibility for the client. The substantial fees involved in the industry reflect the recognised expertise and task uncertainty involved, and that Headhunting and its competitors act as gatekeepers to considerable networks of potential candidates.

4.2.3 A service that is vulnerable to opportunism

The credence good features (Dulleck and Kerschbamer, 2006) of the services Headhunting provides, combined with high technical task uncertainty and ample opportunities for opportunism, create a number of challenges that the strategies must respond to. Indeed, the service Headhunting and its competitors offer has a number of features which according to transaction-cost economics (Williamson, 1993b) would make it difficult to trade in the market. I have identified five such features that make a reputation for trustworthiness (Tirole, 1996) a focal point of Headhunting's strategies:

1. It is impractical to measure and objectively verify the quality of the services provided. Quality becomes a subjective feature; hence the client's subjective perception is what

counts. That is, good or bad quality may frequently be recognised, especially among peers, but it cannot be verified.

2. Due to dependence upon co-production with the client (Skjolsvik *et al.*, 2007), the quality of the problem-solving depends on input, on access to the client's organisation for information, and on the client's own competence and attitudes. The success or failure of the new candidate is liable to be affected by self-fulfilling prophecies. If the client believes the candidate will succeed, the likelihood that the candidate will indeed do so is significantly increased, compared with a situation where the client is not convinced of the candidate's suitability.
3. Many prospective clients are suspicious of headhunters because they have access to information they may misuse in other assignments. The prime example is potential candidates discovered through work analysis in the client organisation. What were common client and consultant interests during the assignment may come into conflict once the assignment is completed.
4. The industry prefers to use value-based pricing, but the true added-value is often unrelated to the price clients pay, or to the hours consultants spend on completing an assignment. Some assignments are very difficult to finish, and the added value for the client is then equally large. However, for the consultant, such assignments may turn into economic nightmares. One consultant estimated that her hourly rate in assignments varied between GBP 35 ("an assignment that turned sour") and GBP 3500 ("300 000 NOK for less than a day's work; I had a perfect candidate right at hand – the client was ecstatic.")
5. Context-dependent tacit knowing is important, and many of the experts' judgements are realised at the level of practical consciousness rather than through discursive consciousness (Giddens, 1984). Consequently, it becomes difficult to make the added value visible to the client. This is particularly important when it proves difficult to de-

liver a candidate as initially specified, since the client may doubt whether the difficulties are due to lack of ability or effort, or caused by conditions in the labour market.

Taken together, these five points strongly suggest that business strategies in Headhunting are aimed at overcoming these problems through various means of reassuring clients, so trust and reputation become essential. In short, clients must be convinced that Headhunting's consultants are conscientious rather than selfish experts (Liu, 2011). Another remedy is various forms of guarantees, such as receiving a new process gratis if the recommended candidate fails. A number of elements in Headhunting's activity system are aimed at overcoming these features (4.3).

4.2.4 Positioning when services and main tasks among competitors are similar

In some important senses, the services provided by the search and selection industry are fairly standardised, as the main tasks are common to all major actors in the industry. According to Porter (2001) then, competitive advantage must stem from doing the same activities differently or simply better. Of course, the perceived positioning of a firm is not entirely determined by how it performs its operational activities; there are important support activities as well. One example from Headhunting is its internally developed assessment tools for use in the selection process, rendered possible through its long-term relationship with academic psychometrics experts at the University of Oslo.

The new managing partner that took office in 2007 is in fact clear that he does not look for uniqueness, but rather for Headhunting to be recognised as part of the "right strategic cluster".

> I hope…when a client asks, 'who would you recommend, apart from yourself?' that we would mention three or four other high-end firms, and they would do the same for us. … I think that cluster will distinguish itself through thoroughness and trustworthiness (New Managing Partner, 17.09.07).

An important question though, is whether direct search and published advertisements are complementary or incompatible with respect to positioning as part of the aimed-for cluster (Milgrom and Roberts, 1995). I think there can be no real discussion of whether the two are technically complementary; they clearly are. Having both methods in the repertoire can only make the consultancy more effective at finding promising candidates. When used in combination they will generate more potential candidates than if used singly.

However, it has become the convention for top-tier executive search firms to use only direct search. When asked, they will provide reasons such as: "candidates at the level we are searching for would not respond to an advertisement", "our clients do not like publicity about being in a recruitment process", or perhaps "our assignments are often stock-price sensitive." Each of these explanations is perfectly sensible, but none is technically at odds with offering advertised recruitment as a supplement to direct search. Rather, the exclusive use of direct search to reach candidates has somehow become an effective signal that a recruitment firm only aspires to top positions. When this signal is established and recognised, it also induces a strong self-fulfilling prophecy (Elster, 2007); when everybody expects that a top-notch recruitment firm only uses direct search, top notch recruitment firms will only use direct search.

Headhunting's current position in the market is as a leader on assignments in the public sector and for middle and top management in all organisations but the largest multinationals. There is therefore little evidence that the two methods are not complementary. However, market perception also creates a certain lock-in situation for Headhunting. It would be difficult for Headhunting to reposition itself at a "higher level" without discarding advertised recruitment and the related assignments. Such repositioning would require significant internal changes in Headhunting's activity system. In its current positioning, Headhunting experiences a large degree of fit: Through its deliberate choice of both methods, Headhunting is also protected against imitation from "above" and "below". From above, because search only firms like Egon Zehnder or Amrop cannot use advertised recruitment without compromising their positioning, and from below because it is a costly investment for an advertised recruitment firm to compete credibly on search assignments against incumbent search firms.

This finding relates directly to Porter and Siggelkow's (2008) discussion of interaction effects among activities that may vary according to the level of activities: "Two activities might be complementary over a range of their values, but not complementary outside the range" (p. 45) (p.45) (p.45) (p.45) (p.45) (p.45) (p.45) (p.45). Direct search and advertised recruitment are complementary for Headhunting's strategic positioning, but incompatible "above" or "below"; above for the reasons explained, and below because direct search is too expensive for the volume market. What is novel, compared with Porter and Siggelkow's discussion, is that the incompatibility of direct search and advertised recruitment is clearly socially constructed and technically "irrational", but nevertheless provides effective signalling.

4.2.5 Summary – tasks and task environment

The conditions of the task environment that Headhunting's strategies of have to respond to can be summarised as follows.

Tasks

Headhunting provides a truly expertise-based service: the technical task uncertainty is high, whereas the strategic task uncertainty is comparably low, as there is little demand or scope for radical innovation, and limited coordination issues (Whitley, 2000). The services are also well established in the market. Yet, in a few assignments, the strategic task uncertainty becomes high because the recruitment enters the strategic agenda of the client organisation. Because it is very difficult to provide objective and verifiable criteria for the quality of service delivered, the service qualifies as a credence good (Dulleck and Kerschbamer, 2006; Tirole, 1988) and is co-produced (Ramirez, 1999; Skjolsvik *et al.*, 2007) by consultant, candidate and client.

Value drivers

The predominant value driver is the perceived effectiveness of consultants' solving of assignments. Clients acknowledge that the cost of a failed recruitment is much higher than the expenses incurred by using professional assistance. They also acknowledge much of the technical task uncertainty involved, and hence the value of reducing the risk. Competition is thus predominantly based on effectiveness, rather than efficiency.

However, while the potential added value for the client is high, technical entry barriers are low, and superficial mimicking is easy. The value of a reputation for effectiveness is thus high, as it helps prospective clients distinguish between firms with different track records.

Trust

Clients recognise that the information asymmetry between consultant and client is considerable, and that there are ample possibilities for opportunism which could be exploited for profit by consultants at the client's expense. Thus, a reputation for non-opportunism may be essential for maintaining position at the higher end of the market (Tirole, 1996).

Critical competences

Two sets of critical competences are identified, the first being those related to carrying out assignments through expertise in the four main tasks. The fact that perceived quality depends upon the interaction between consultant and candidate, and consultant and client, makes relational competences particularly important. Second, those competences involved in identifying and coping with strategic dilemmas are critical to maintaining strategic position and a reputation for integrity and trustworthiness. The prevailing belief in Headhunting is that it takes five to ten years of apprenticeship (Lave and Wenger, 1991) fully to acquire the proficiency clients expect.

Cost drivers

The dominant cost driver is capacity utilisation; no other resources can rival spare capacity when it comes to threats to profits. A related situation is when capacity is bound to assignments that have "turned sour", for instance when the preferred candidates have withdrawn.

4.3 The activity system in Headhunting

In this section I describe the activity system in Headhunting, and say how it governs task performance and responds to the task environment described in the preceding section. As the concept is developed in this thesis, an activity system responds to the task environment, and consists of the following elements and the relations between these elements: strategic resources, including reputation and relations; strategic rules structuring practices; and strategic practices that play a direct role in maintaining the activity system. I thus identify the major strategic resources – reputations and relations – and the formal strategies and practices that nurture and protect reputation in particular.

In the map of the activity system (Figure 7), each corner refers to a dimension of the task environment. The elements of the map are the identified strategic resources (reputation [RA-RD] and relations [ra-rd]), the strategic rules governing practices [1-10], and practices that are aimed at developing or protecting strategic resources or supporting strategic rules. Some elements are shaded as being of particular importance or 'coreness'. However, whereas Siggelkow (2001, 2002a) measured 'coreness' by the number of relations an element was involved in, I have based my judgement on the analysis of formal documents and interviews. The main interactions are drawn as links between elements.

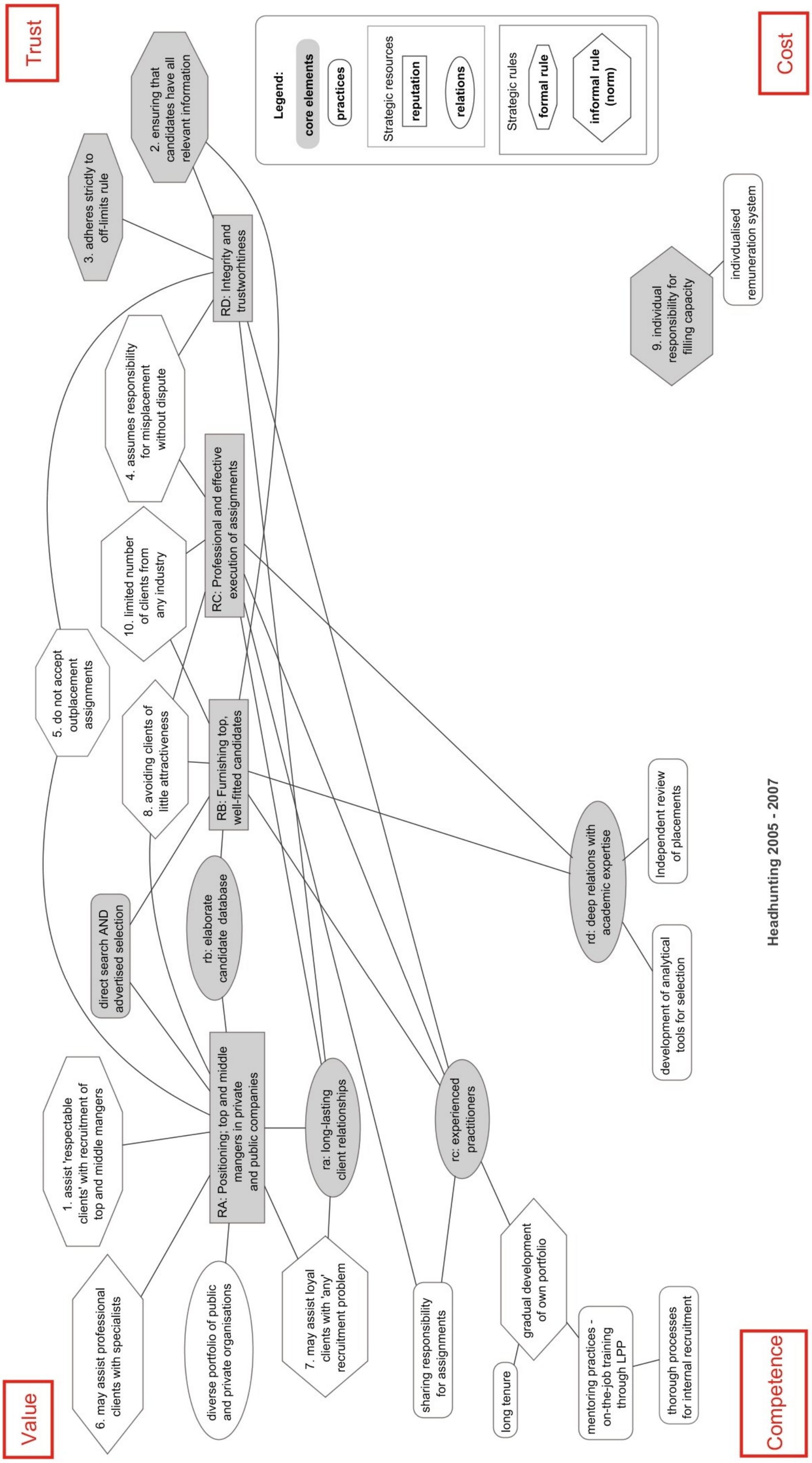


Figure 7 The elements of Headhunting's activity system

The investigation of formal strategies in Headhunting has established that the aim is to develop and maintain a set of reputations and relations as Headhunting's main strategic resources, and to structure practices that influences these resources. Interviews confirm considerable apprehension regarding the fact that (prospective) clients may nurture some doubts about the value added from using a search and selection agency over and above the considerable direct and indirect costs incurred by the client. Likewise, clients as well as candidates tend to be aware of the ample opportunities for self-serving opportunism that a search and selection firm might exploit.

The purpose of reputation-building is to provide credible signals of effectiveness, integrity and trustworthiness. Also, as the entry barriers for the search and selection industry are low, reputation and relations are seen as instrumental in distinguishing "serious" Headhunting from fly-by-night competitors.

4.3.1 Reputation and relations as strategic resources

This investigation documents four reputations and four sets of relations that are seen as strategically important for Headhunting and indeed as its operationalised strategic goals. The four reputations refer to Headhunting's clients, the quality of the candidates they provide, the execution of assignments, and the integrity of the firm.

RA: An acknowledged strategic position for top and middle managers in 'respectable' public and private organisations, its strategic domain. In Headhunting this is referred to as their profile.

RB: A reputation for furnishing top-rank, well-fitted candidates.

RC: A reputation for professional and effective execution of assignments.

RD: A reputation for integrity and trustworthiness.

It is a clear perception in Headhunting that the assignments for which they are considered to be a relevant bidder for are strongly dependent upon their 'profile' in the market, that is, the assignments it is known within the market that they have carried out. This is clear in the case of advertised recruitments, as a high-profiled advertisement strengthens the profile, whereas an advertisement for a "sub-standard" position undermines the profile:

> We spend nothing on marketing; that occurs through our clients. So, the more we advertise attractive positions, the stronger the marketing and reinforcement of our profile (Former Managing Partner, 03.11.98).

The same is held to be true for search assignments:

> All calls to potential candidates equal marketing of Headhunting. Talking about a client equals how attractive we are as suppliers in a market. To phone round about an unattractive client would give many potential candidates the impression that we work with second-rate clients (Junior Consultant 1, 01.06.06).

Reputations RA, RB, and RC are all parts of the strategic positioning of Headhunting and are closely linked to the value drivers identified earlier. RD plays another role: it does not drive value, but enables the trust that is necessary for clients and candidates to engage with Headhunting at all.

Headhunting consultants perceive the reputations as being vulnerable collective resources that need continuous nurturing and protection. It is emphasised internally that the reputations are predominantly linked to the firm rather than to individual consultants, implying that one consultant's non-compliance with rules protecting reputations may make everyone suffer. Of course, some consultants enjoy a personal reputation as well, but no partner in Headhunting appears to believe that a strong personal reputation can overcome a weak organisational reputation.

At the same time, "following the rules" is often individually costly, as will be discussed further in subsections 4.4.1 and 4.4.2. The wider incentives (including esteem and personal pride) for individual consultants to honour the standards of conduct that the reputation is built upon must thus be stronger than the personal benefit from defecting. This is particularly the case when compliance with the standard is a question of choice and commitment, as for RD. For RA-RC, both commitment and capacity are necessary.

Thus, reputation is recognised by Headhunting consultants as perhaps the most important strategic asset of the firm, partly because of the intangibility and experience-good characteristic of their outputs. One 'purpose' of strategy then becomes development, maintenance and protection of a robust reputation – both for competence and quality and for integrity and trustworthiness.

The four sets of strategic relations are ra: long-lasting robust client relationships; rb: relations with prospective candidates; rc: experienced practitioners with long tenure; and rd: relations with relevant academic expertise that provide advice, development of analytical tools, updating with the latest fashions in academia, and of course prestige and legitimacy.

Headhunting follows the convention among PSFs in emphasising lengthy and strong client relationships. According to the managing partner, they reduce uncertainty, increase efficiency and effectiveness, and provide good arguments for prospective clients.

In accordance with the emphasis in the literature review on the high mobility of practitioners in PSFs (Løwendahl, 2005), the consultants in Headhunting are included as relational resources. I have found few explicit policies concerning practitioners in the formal documents of Headhunting, but it is clear from the interviews that the organisations put strong emphasis on recruiting, developing, and retaining the "right" people. A newly recruited consultant recollected:

> I had clear expectations that the process would be thorough...I realised after some time that everyone had to concur with a kind of declaration, "Yes, he is the chosen one, he we can accept" (Senior Consultant 1, 27.04.98).

Given Headhunting's line of business and its reliance on individual performances, any other finding would indeed have been surprising.

The quote from the managing partner in the preceding section demonstrates Headhunting's emphasis on maintaining good relations with prospective and former candidates. Headhunting's ability to solve assignments to the satisfaction of its clients and with reasonable effort is critically dependent on a network of promising candidates.

Headhunting's strong connections to academic experts at the University of Oslo is perhaps the one truly distinguishing relational resource compared with other executive search firms. Almost all search and selection firms use a personality test purchased from an external supplier in their selection of candidates. Headhunting has chosen to develop their own test, in close collaboration with one of the foremost psychometricians at the University of Oslo. This relationship also provides Headhunting with independent reviews of their assignments or placements through Masters dissertations, reviews which provide learning possibilities as well as good selling points.

4.3.2 Strategic rules structuring practice

Drawing on structuration theory (Giddens, 1984), one premise of this thesis is that strategies can be expressed as significative and normative rules aimed at structuring practices. The preceding subsection identified the reputations and relations that are of particular strategic importance. The strategic rules are aimed at structuring the practices affecting those reputations and relations, and they reflect beliefs held on how those resources are developed and maintained. The main rules identified in Headhunting are[6]:

1. Headhunting assists 'respectable' organisations with the recruitment at middle- and top-management level of highly qualified and experienced personnel with personal qualities conducive to the achievement of organisational goals and strategies.
2. Headhunting takes great care to ensure that candidates have all the relevant information needed to make a qualified choice on whether or not to accept a position in the client's organisation. The firm does not accept assignments from organisations it cannot sincerely recommend to potential candidates.
3. Headhunting adheres strictly to the off-limits rule, which states that for a period of two years after the completion of the latest assignment in a client organisation, no member of Headhunting may approach a potential candidate in that organisation for a position outside that organisation.

[6] Some of these rules are explicitly stated in the profiling material and even in client contracts. Others (notably 5 and 6) are not explicitly put in writing, but are nevertheless seen as givens in the organisation.

4. If, despite the thorough selection process, it is found necessary within the probation period to release a recommended candidate from a position in the client organisation, then Headhunting is obliged to provide the client with a new process without further charge other than direct costs.
5. In order to avoid conflicts of interest, Headhunting does not accept assignments for outplacement, i.e. assignments aimed at finding a candidate a job rather than fitting a candidate to a job.

There are also three softer rules that modify rule 1 and 2.

6. For organisations seeking highly-qualified professional personnel, Headhunting may assist with the recruitment of specialists.
7. For loyal clients, Headhunting may assist with 'any' recruitment problem, provided that it is a problem that concerns top management of the firm (for instance, Headhunting would not normally assist with an assistant to a top manager, but if the top manager of a loyal client approaches Headhunting for help, then help is provided.)
8. Headhunting avoids clients who are clearly less attractive than the majority of organisations in the client portfolio.

These softer rules are examples of strategies-in-practice that have gradually emerged as norms in Headhunting. Rule 6 emerged as a response to market opportunities that arose when leading management consulting firms approached Headhunting for the recruitment of senior personnel, searching for candidates that would otherwise be appropriate for middle- or top-manager positions. Rule 7 was 'enforced' by clients' expectations that Headhunting would help them sort out any recruitment problem that was of severe concern to top management.

I have also identified a ninth rule, which is seldom articulated in meetings but is nevertheless noticed in interviews:

9. Consultants are expected to take near-full responsibility for filling their own capacity.

Partners have the same, comparatively low, fixed wages and bonuses according to revenue generation on their client accounts. Two partners working together on an assignment will typically be accredited half the revenue each, whereas if one partner lets another take over an assignment on a client account, the partner responsible for the client will still have a cut of the fee from that assignment. This can be seen as an incentive to share assignments, or as a symptom of individualised ownership of client accounts, or both.

When probed in interviews about the possible negative effects of this norm and remuneration system, the consultants are quite adamant that it provides the right incentives and is the only 'fair' system.

> I'm working hard, earn quite good money, and that's my choice. Someone else may prioritise differently but I see no reason for me to bear the costs of other people's choices. I respect their choice, but there are consequences to that choice. Besides, consultants in Headhunting are well-fitted for accepting individual responsibility and we are very upfront with this policy. (Partner 3, 04.05.06)

There is a culture of mutual support, but the responsibility remains firmly with individual consultants.

A tenth rule ensures that Headhunting does not establish too many client relationships in a given industry, which would be an impediment to accomplishing assignments due to the off-limits rule:

10. Headhunting only accepts a limited number of clients in any single industry.

Each of the ten rules identified is both significative and normative in character; they define the identity of Headhunting and its strategic positioning and domain. The rules also convey a clear normative stance, externally as well as internally. Through their structuration of practices the rules aims at developing and maintaining strategic positioning through the sets of reputations and relations identified. Strategy in Headhunting can then be seen as structuration of practice by way of significative and normative rules that *inter alia* aim to achieve the following:

- Balancing the firm's short-term need to create revenue with the long-term development of valuable strategic resources.
- Regulating possible conflicts of interest between individual practitioners and the collectivity through solving the *Prisoner's dilemma* (Elster, 1978) and the *Tragedy of the Commons* (Elster, 2007; Hardin, 1968) by aligning individual interests to that of the collectivity, and policing against defection. This concerns both concrete client relationships and general reputation.
- Aligning the long-term interests of the firm with the clients' interests by creating a credible commitment (Elster, 2007; Schelling, 2006; Williamson, 1983) to norms that secure the interests of the clients. This pertains to concrete client relationships as well as to the general reputation.

4.3.3 Summary – formal strategies in Headhunting

Headhunting operates in a stable task environment, and the services provided are consistent with each other, as they make use of all (search and selection) or some (single candidate evaluation, management audit) of the main tasks, which are complementary. The activity system has reflected this stability, remaining basically unaltered throughout the years of data collection for this study.

The formal strategies of Headhunting are those strategic rules that aim to govern the activity system by clearly reflecting the pivotal role of projects for Headhunting. The formal strategies can be sorted into three groups. The first group (rule 1, 5, 6, 7, 8) delineates the strategic domain of Headhunting, that is, which clients and assignments the firm should pursue or reject. The second group of rules (2, 3, 4, 5) is aimed at developing trustworthiness and a reputation for integrity. The third group, rules 8, 9, and 10, is primarily directed at making the business model of Headhunting work through high-powered incentives for individual consultants, and by avoiding practices that make assignments difficult to conclude.

However, despite this apparent stability, the research shows that competent and committed enactment of strategies is a situated practice that depends on sophisticated practical reasoning, as is an issue for the next section. It is an everyday matter for consultants to deal with conflicting legitimate concerns that put the strategies to test. In the following section I will investigate three such conflicts that appear to be insoluble strategic dilemmas, that is, they cannot be reduced to making strategic choices. These three dilemmas are related to maintaining the strategic profile, preserving the reputation for integrity and trustworthiness, and the prioritisation of scarce resources.

4.4 The translation of formal strategies into strategies-in-practice

The preceding section accounted for the activity system identified in Headhunting, including the ten rules (formal strategies) that are intended to provide structuration of the practices. Despite the apparent clarity of the rules, following them in practice is tricky, as the formal and generalised strategic rules must be translated into situated practice. Three conditions make this translation particularly demanding. The first condition is that even if each of the elements of the activity system appears straightforward, they add up to a complex system. The second is that even if each of the rules is well-founded and some of them appear indispensable, they nevertheless result in a number of strategic dilemmas. These dilemmas are insoluble in the sense that they cannot be solved through strategic choice, nor is it seen as an option to abandon one or more of the rules, since they respond to important features of the task environment. The third condition is that due to the nature of the task environment and the high task uncertainty, the consultants are provided with significant autonomy, and corresponding responsibility, to make decisions they deem to fit the requirements of concrete situations They must thus "bring the strategies with them into the field" and enact them in situations that may be both complex and ambiguous. Practical application of a clearly-formulated and well-understood rule may require significant competence in a given situation, even when practitioners are firmly committed to the relevant formal strategies.

Taken together, these three conditions make situated interpretation and application of the rules a practice that requires considerable competence and commitment. Thus, examination of the activity system, and allowance for technical task uncertainty, leads to the conclusion that the apparently simple strategic rules (Eisenhardt and Sull, 2001) make for sophisticated practical reasoning (Searle, 2001).

In the following subsections I will delve deeper into the practice of translation, by concentrating on a number of insoluble strategic dilemmas that are identified during analysis, and then investigate how these dilemmas are coped with in practice. I believe this approach to be the most effective in studying translation, as coping with dilemmas accentuates the role of practitioners' competence and commitment in practice.

4.4.1 Dilemmas related to maintaining strategic profile

As documented above, maintenance of the profile (RA) is a recurring theme in Headhunting, at formal meetings, in the hallway, and around the lunch table. Together with integrity, profile is at the heart of the organisational identity. One reason for this near-obsession is the imputed importance of the profile; another its perceived vulnerability. The first and second dilemmas both relate to the need to maintain strategy in the face of pressure to give priority to the legitimate concerns of creating revenue and of concluding difficult assignments to the client's satisfaction.

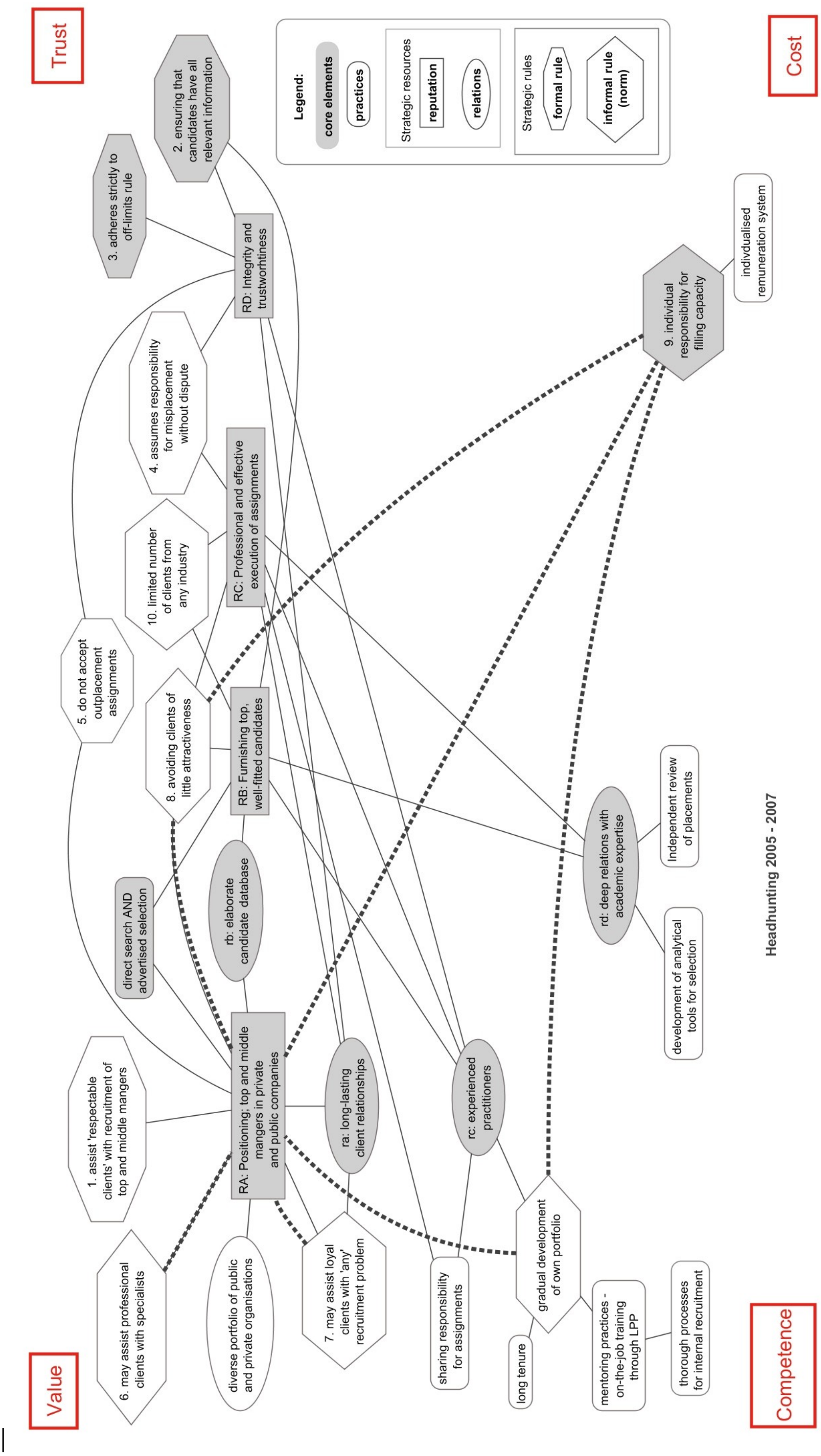


Figure 8 The elements involved in dilemmas concerning strategic positioning

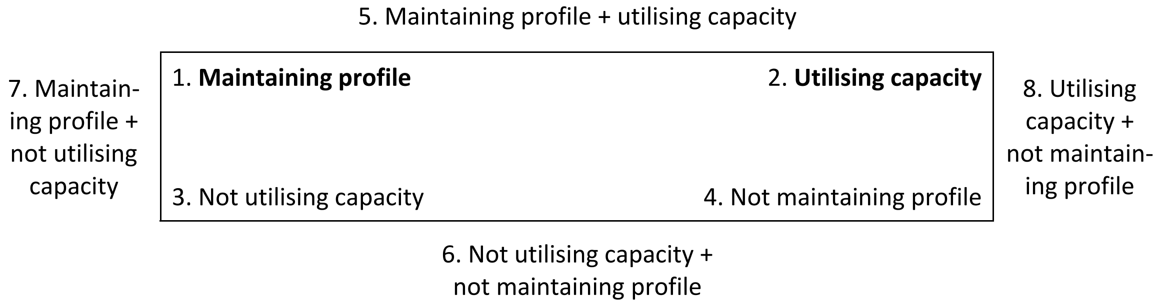
This vulnerability is driven by two concerns that compete with the strategic profile for attention; utilisation of capacity, and loyalty to clients' expressed needs. That is, it concerns reputation RA, and rules 1, 7, 8, and 9; individual responsibility for filling capacity. The main relations in dilemmas concerning strategic positioning are drawn with thick dotted lines in the figure above.

The research points to many episodes where these dilemmas present themselves acutely. For all consultants, irrespective of seniority, I found a number of assignments which at face value correspond poorly with the positioning of the formal strategy. A senior partner reflects:

> Yet, I have A [a public utility] as a client and in need of recent Masters in engineering and risk analysis. Positions we should have eschewed, but I'm still there because I recruited their CEO. And it's a steady trickle of assignments – safety, a couple of hundred thousand annually, and then there's loyalty (Partner 5, 05.05.06).

I will first discuss dilemmas involving capacity utilisation and then go on to discuss how loyalty to clients can pose a dilemma for a firm that has strong client relations at the heart of its strategies.

For individual consultants in Headhunting, the first dilemma is experienced as one between losing short-term revenue or suffering long-term deterioration of their profile. For an individual consultant with underutilised capacity, the economic incentives to fill that capacity are strong, due to rule 9, even if this means accepting assignments that detract from Headhunting's profile. For Headhunting as a whole the picture is mixed; on the one hand a negative drift in Headhunting's profile makes everybody's work a bit harder, and it becomes more difficult to get the most lucrative assignments. On the other hand, short-term loss of revenue affects the whole organisation, even if the loss is much more severe for the individual consultant. Besides, all consultants may at some time find themselves in a situation where it makes individual sense to pursue an assignment that detracts from their collective profile. The situated contradiction between RA and rule 1 one the one side and rule 9 and the need for generating revenue on the other is shown in the semiotic square below.



Semiotic Square 1 Maintaining profile versus utilising capacity

Relation 5, 'Maintaining profile and utilising capacity' is the sought-for situation, whereas relation 6, 'not utilising capacity and not maintaining profile' is an unsustainable situation. A consultant in this situation must improve, or will be induced to leave the organisation (there are examples). The two interesting contradictions are 7 and 8.

Relation 7 means that one would rather forego revenues from substandard assignments than undermine the profile. With an individualised remuneration system the cost is borne by the individual consultant, whereas the benefit accrues to the whole organisation. In the long run, even this relation is unsustainable, because the situation for one consultant will affect the whole organisation.

Relation 8 is the opposite of relation 7. Rather than foregoing revenues, the individual consultant chooses to utilise idle capacity through accepting substandard assignments. The cost is borne by the collectivity through weakening the profile. Even so, with individual autonomy and responsibility for which assignments to accept, and individual responsibility for filling capacity, in each instance the decision is for the individual consultant to make. That decision requires often fine-grained and well-situated judgements, even from seasoned consultants:

> Take for instance this call I'm answering today; XXX is a renowned real estate firm. They are now establishing a corporate finance subsidiary, so far consisting of a couple of people, to be extended to five to ten. It will be a finance organisation, syndicating larger real estate development projects, so they are looking for someone highly-qualified with a solid track record. However, it is certainly not a managerial position and the organisation is small and unknown. So, should we work with them? It's not according to our strategy, is it? On the other hand, I will be searching for people who could be finance director today, which is certainly within our target group for candidates. Besides, it will be a fine learning opportunity (Partner 5, 05.05.06).

Even if the individual consultant chooses between relation 7 and 8, that decision is socially embedded, and it is recognised that such decisions may create precedents and add up to a pattern that makes the profile drift. One of the senior partners makes it clear that the choice between 7 and 8 is not easy:

> We have internalised norms on which assignments to accept or reject. Yet, in practice it is also a question of filling capacity. The norms are inconsistent, in particular towards a junior consultant's need to develop a client portfolio. On the one hand we are clear that one should reject assignments at the wrong level; on the other hand we are equally clear that consultants with spare capacity shouldn't be too fussy. (Partner 3, 04.05.06)

Relation 7 and 8 are two modes for coping with dilemmas that take the organisation in very different directions. Moreover, they exemplify one of the generic dilemmas documented in this study, that of short-term revenue generation (8) versus long-term value maximisation (7). (8) is clearly a case of strategy drift (Johnson, 1988) whereas (7) is less clearly so, as the strategic intention remains, though at a cost that may be too high in the long term.

The dilemma between strategic profile and loyalty to a client's need to fill a position below Headhunting's 'profile' is more of a paradox for an organisation that celebrates its long and strong relations with clients. In a semiotic square the dilemma looks like this:

	5. Maintaining profile + loyalty to client needs		
7. Maintaining profile + not loyalty to client needs	1. **Maintaining profile**	2. Loyalty to client needs	8. Loyalty to client needs + not maintaining profile
	3. Not loyalty to client needs	4. Not maintaining profile	
	6. Not loyalty to client needs + not maintaining profile		

Semiotic Square 2 Maintaining profile versus loyalty to client needs

As before, relation 5 is the sought-for situation and relation 6 is unsustainable, and in this case nonsensical.

In a strategy workshop the managing partner reflected:

> Part of our strength is that we have client relations that span decades, and this is because we have helped the client at several levels. If a long-lasting client asks for assistance, then I have to solve the problem, that's my attitude, either by enabling his own people to do it, or I take it upon myself (Former Managing Partner in strategy workshop, March 2006).

Yet, the quote also shows that strong relations with clients work both ways; they reduce uncertainty about future revenue, but they also create obligations to serve the client even when the opportunity cost is high. In Headhunting this is a dilemma concerning profile maintenance, while in the Engineering case we will see that the obligations became a severe problem due to serious capacity problems.

In the same strategy workshop one of the junior consultants posed the question:

> Would old clients understand "Sorry, we don't work at that level"? Would that block us from further assignments higher in the hierarchy, or would it actually make our positioning clearer (Junior Consultant 1, March 2006)?

The question spurred a prolonged discussion. The prevailing point of view was that if the client asks, then it is usually too late to decline if one cannot come up with a better excuse than "profile". Clients' inquiries reflect the impression they have of Headhunting, or they reflect the importance of the assignment to the clients' peace of mind, or both.

4.4.2 Dilemma related to concluding assignments versus maintaining spotless integrity

Consultants in Headhunting willingly admit that they sometimes compromise on the strategic profile of the firm. Not so with integrity and ethics. They are adamant that they practice what they preach.

Integrity and a strong position on ethical issues appear to be part of the firm's organisational self-identity. In addition, certain beliefs that bolster the consultants against temptation are nurtured. The first is a belief in long-term convergence between the interests of consultants, clients, and candidates, as illustrated by the quote from the former MP on page 127. The second is a belief in a worst case scenario; 'breach of integrity will be discovered and will bring about the downfall of our reputation as trustworthy and of integrity'. In the research I experienced these as articles of faith, and that challenging the empirical basis for these beliefs was unwelcome.

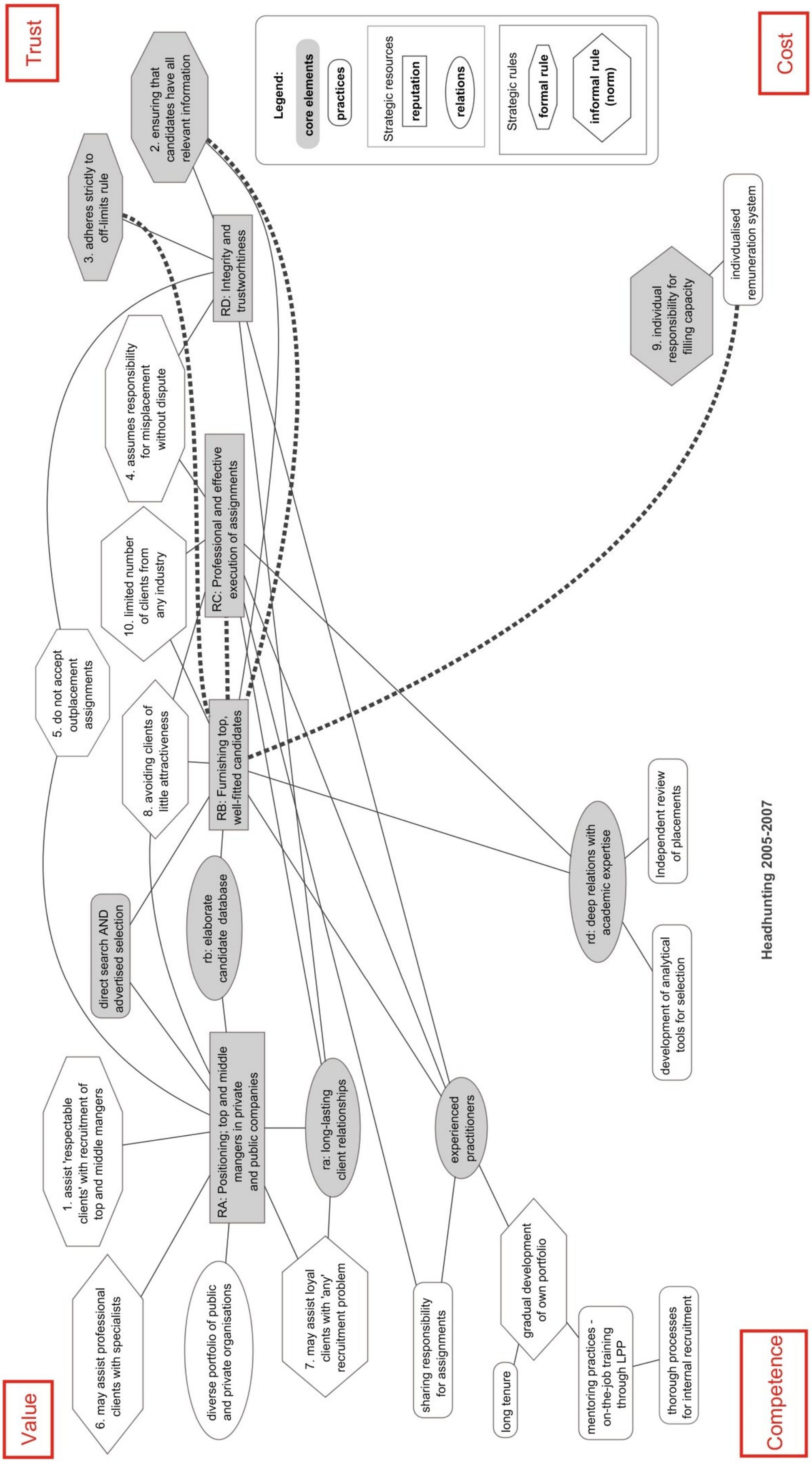
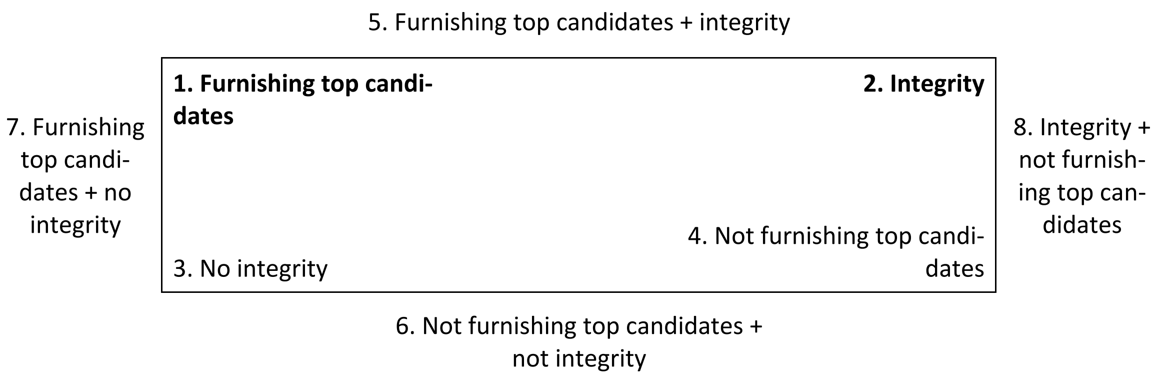


Figure 9 Elements involved in dilemmas concerning integrity

Yet, consultants are under considerable pressure to conclude assignments, economically, and in order to meet clients' expectations and to preserve the reputation for furnishing top candidates (RB) and for effective execution of assignments (RC). Actually, professional and effective execution of assignments may in some cases be in conflict, as professional executing may prolong the process. The two most important rules in this respect are 2 and 3. I will in the following discussion concentrate on the dilemma between concluding assignments and adherence to the off-limits rule (3).

In order to carry out their assignments, Headhunting must have "deep and unlimited access to the client organisation" (see earlier description of the work analysis). A side-effect of the work analysis is that Headhunting becomes acquainted with people who would be highly attractive candidates in assignments for other clients. From the client's point of view this would clearly be misuse of information. Thus Headhunting issues a guarantee that they will not search for candidates within a client organisation for a period of two years after the last assignment was completed, rule 3. This is known in the industry as the off-limits rule (Faulconbridge *et al.*, 2008).

The semiotic square shows the situated opposition between furnishing top candidates and integrity as mediated through rule 3.



Semiotic Square 3 Furnishing top candidate versus integrity

As before, relations 5 and 6 are not very interesting, 5 because no dilemma occurs, and 6 because it is clearly untenable. Both 7 and 8 are, however, comprehensible positions in the market, because clients differ in their preferences. Of course, given the choice, all clients prefer relation 5, but some may prefer the aggressiveness of relation 7 rather than the integrity of relation 8. Moreover, the pressure for aggressiveness is demonstrated by the fact that the standard off-limits rule used to be three years, and now it is two years. In Headhunting there was a prolonged discussion as to whether or not to stay with the three-year off-limits period, even when the "industry standard" moved from three to two years. The conclusion was that it would be too costly. Thus, the formal strategy was incrementally adjusted to fit a small change in the environment (Tushman *et al.*, 1986).

Although clearly formulated, research shows that correct application of the rule is not straightforward. How 'broadly and far' does the guarantee extend? Does one single assignment in a subsidiary immunise the whole concern? The answer to that question is a clear 'no', but there are plenty of borderline cases. How far does the guarantee extend towards, or against, individual candidates from a client organisation who take the initiative themselves? The guarantee is clearly not meant to create an impossible obstacle against members of a client organisation being considered for assignments Headhunting has set up for other clients; what if an individual clearly signals to a consultant during a work analysis that he or she would like to be considered as candidate in assignments for other organisations? What if the individual sends a written application? The first example is at least discussable as a borderline case, whereas the second is clearly unproblematic. However, knowing this, it is easy for an astute consultant to turn the former, problematic case into the latter, unproblematic simply by asking for a pro-forma written application. This possible work-around is of course recognised by the client organisation as well. A telling episode is analysed in Vignette 2.

In principle, it is easy for consultants to maintain that they are always restrictive in such cases; in practice they cannot escape borderline situations and dilemmas. Sometimes a consultant is struggling to accomplish an assignment, has spotted a possible candidate in another client organisation, and has good reason to believe that this person is looking for alternative employment. The consultant is then in a situation where the reputation for furnishing top-notch, well-fitted candidates may be at stake with one client, while on the other hand may be quite confident that dropping a hint to the potential candidate in the other client organisation will not do any real damage to the other client. At face value this is a situation where short-term interest in completing a certain assignment (rule 9) is in conflict with the long-term collective interest of maintaining a reputation for integrity (RD).

4.4.3 Dilemmas related to prioritisation of scarce resources

Two of the strategic resources identified in Headhunting stand out as being particularly scarce among the consultants. The first is client relations, the other is research capacity. Client relations are scarce, partly due to rule 10 (a limited number of clients from the same industry), and also because they are internally regarded as semi-private property.

I will concentrate on the dilemma that is more resistant to being solved by choice, which is prioritisation of research capacity. The main elements from the activity system involved in the dilemma are RA, reputation for positioning, and the rule that consultants should develop their own portfolio. Research capacity is scarce so long as the stream of search assignments is larger than the capacity of the researchers, which it usually is. Headhunting is careful to keep fixed costs at a low level, an attitude advocated primarily by the former managing partner, who regularly reminds the other consultants that demand for Headhunting's services is closely linked to business cycles.

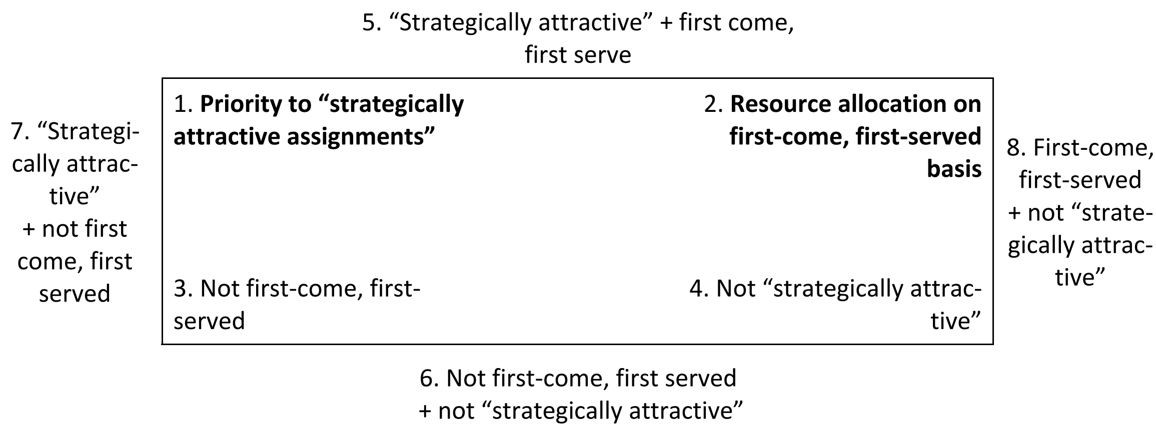
Consultants agree that the weekly allocation of research capacity is the one issue that provokes the toughest discussions in the organisation. They are acutely aware that to grant research capacity to an assignment means that less capacity is available for their own assignments. This issue is aggravated but not caused by the individualised remuneration system.

Two different principles that could guide allocation of research capacity are depicted in Semiotic Square 4 Prioritisation of research capacity. The first principle is to give priority to the most prestigious or profitable assignments (1 in the semiotic square). This rule would clearly be more effective in bolstering the profile of Headhunting (RA). In addition to ensuring priority for the most high-profile assignments, it would also provide consultants with incentives to go that extra mile to acquire such assignments. However, such a principle could also cause resentment:

> What is sometimes a problem, which we discuss and have not yet reached a robust consensus on, is criteria for allocation of search capacity. The position, title, and salary ought to be attractive; then searching is straightforward. But then you have a junior consultant with a sales manager position in an unexciting firm, should we tell the consultant who has brought in the client, 'Sorry, you will not be allocated search capacity'?" We don't do that, because it is demotivating (Former MP, 05.05.06).

An important cause for such resentment is the Matthew effect (Merton, 1968); there is a positive feedback mechanism involved in carrying out high-profile assignments. High-profile assignments are helpful in developing a network and are good references for future bidding for a similar assignment. The mechanism would then make it increasingly difficult for junior consultants to compete successfully with their senior peers for research capacity.

The second principle is allocation among consultants on a first-come, first-served basis (2 in the semiotic square). This is arguably the more democratic rule, as it ensures equal access to research capacity. It is also an efficient allocation rule as it is does not necessitate any ranking of the strategic attractiveness of the assignments.



Semiotic Square 4 Prioritisation of research capacity

The two principles are not contradictory in nature; they become contradictory because of limited research capacity. Relation 5 represents the situation where research capacity is not scarce. The overt reason for this is the conservatism of the firm, reluctant to increase the level of fixed costs. The underlying and less-acknowledged condition is the individualistic business model of Headhunting, as manifested in the remuneration system. To loosen this constraint is a strategic choice that has to do with risk, drive for growth, and the business model's degree of individualism.

A third principle could be allocation due to seniority, but this idea has little legitimacy in the organisation. Besides, due to the Matthew effect, the outcome of this principle would probably resemble that of the first principle, but without the appeal to 'strategy'. In the semiotic square this alternative is relation 6.

Within the constraints of limited research capacity, Headhunting attempts to find middle ground between the first and the second principle through use of threshold criteria for allocation of research capacity. Above that threshold, resources are to be allocated on a first-come, first-served basis. Unsurprisingly, this middle ground sometimes resembles a battle ground:

> There are often discussions whether an assignment should be allocated search capacity. Clearly, consultants with less attractive assignments that are tougher to solve, but who need search capacity to develop their own portfolio must endure an everlasting struggle for priority (Junior Consultant 1, 01.06.06).

Thus, in practice Headhunting is oscillating between relation seven and eight; sometimes the plea for prioritising the most lucrative assignments wins, and sometimes the argument that all consultants must have access to search capacity prevails. However, what is at issue is not only a battle for scarce resources, but two long-term value maximisation maxims pitted against each other. Prioritisation on the basis of assignments' attractiveness would develop Headhunting's profile more effectively. The second rule provides better opportunities for junior consultants to develop their own assignment portfolio.

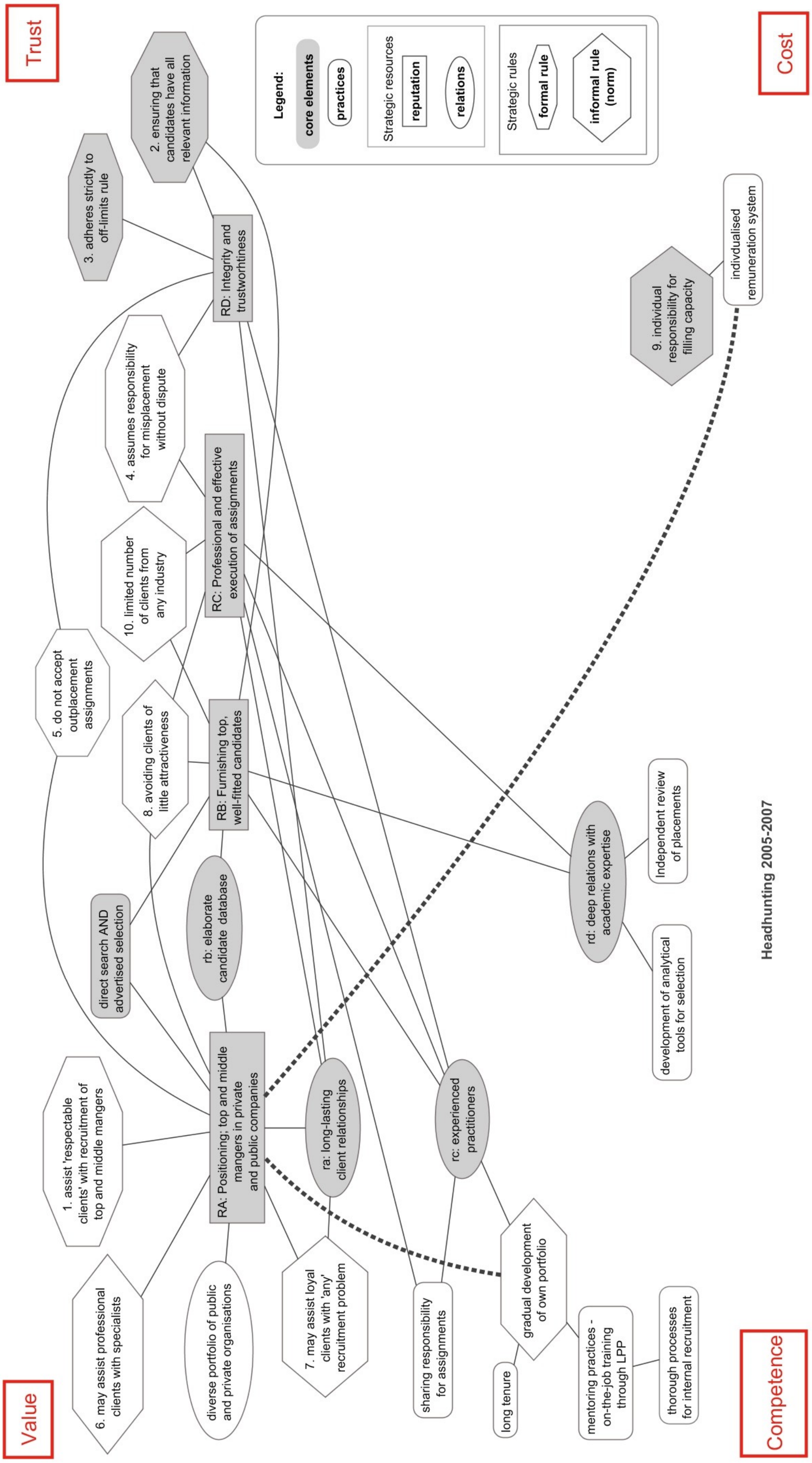


Figure 10 Elements involved in dilemmas concerning scare resources

As long as consultants in Headhunting agree on the need to maintain a balance between the two rules through the use of threshold criteria, there is no escaping the continuous battle. Although these discussions are exhausting and sometimes create tensions, my observations point to an unintended beneficial consequence: the intended strategic positioning of Headhunting, their 'profile', is kept alive through fierce discussions every week.

What these fierce discussions also demonstrate is that practitioners' capacity to translate formal strategies into practice not only depends on their competence and commitment, but also on their ability to mobilise scarce resources.

4.4.4 Coping with dilemmas

Unless they are successfully coped with, the dilemmas discussed in the three preceding subsections will be a constant threat to Headhunting's strategic positioning and reputation for integrity. This subsection will delve further into coping practices for maintaining a strategic profile in situations with spare capacity and coping practices for maintaining integrity under pressure. Three such coping practices are identified: continuous open dialogue; skilful ignorance and balancing pressure and protection; and accommodating deviations. All three are observed in use for maintaining strategic position; only continuous open dialogue and accommodating deviation are relevant for maintaining integrity.

Continuous open dialogue

Individual responsibility is held high in Headhunting, but at the same time one is encouraged and expected to seek advice and help. This is evident both in terms of interpreting a difficult situation and when someone needs advice on an assignment that has gone sour, for instance for lack of appropriate candidates.

There is a lot of talk about the profile, and the vulnerability of the reputation for trustworthiness and integrity. This has two benign effects in addition to solving a concrete situation: collective interpretation of the gist of the rules and what constitutes reasonable application in concrete situations; and second, maintenance of the mutual commitment to the standards set by those rules. I deliberately use 'benign effects' rather than 'functions' because I did not find evidence that the effects are intended. Yet, the practitioners are so aware of the need for collective interpretation and maintenance of commitment that I find it likely that they would seek some remedy to rectify a situation where mutual understanding and commitment were in decline.

When practitioners are coping with the three recurring dilemmas investigated in this sub-chapter, available evidence points clearly towards internal dialogues, or open dialogue with other practitioners. The second finding is thus that much of the coping in Headhunting is about strategy maintenance through what we can term coping through continuous open dialogue. This mode is important both for maintaining profile and integrity.

In a few episodes I observed that the question guiding a practitioner in coping with a dilemma appeared to be, "What can I get the others to accept" when individual interests seemed to conflict with collective interest represented by a formal rule. Involving peers in a dialogue then shifts some of the responsibility from the individual consultant to the group, with compliance being substituted for commitment. In a 'Thursday meeting' I happened to observe an illustrative episode of a borderline case concerning the off-limits rule, see Vignette 2.

Vignette 2 Coping through open dialogue: interpretation of the off-limits rule in practice

A telling episode of coping with peers through open dialogue occurred in a 'Thursday meeting'. A senior partner reported that after a direct request from client A he had made contact with a potential candidate at client B. The candidate had some time previously been in a process with client A, turned down an offer and then moved on to client B. The senior partner responsible for client B took this as a breach of the off-limits rule, saying, 'I can no longer reassure client B in good faith that we have never made contact with anyone within his organisation. In such cases one has to tell the client that they must make that contact themselves.' Another partner pointed out that for all practical purposes this would be equal to the consultant making the contact.

The first senior partner summarised the core of the matter: 'The client has put the name forward, asking me to make contact. The candidate has been in a process with the client before, and who actually makes the contact is merely a matter of form'. The conclusion reached was that the senior partner had inadvertently breached policy.

The episode illustrates three effects of open dialogue: first, bringing the issue forward for discussion led to a thorough collective analysis and consideration of a difficult borderline situation, which also promoted individual competences in coping with similar episodes. Second, the consultants took shared responsibility for accentuating the emphasis on maintaining spotless integrity at the possible expense of furnishing the top candidate, see Semiotic Square 3. Third, it was evident that the collective commitment to the norms involved in the discussion was reinforced.

(Field notes April 2006)

Based on these observations, as illustrated by the episode reported in Vignette 2, coping through open dialogue appears to serve at least three purposes: first, dialogue with peers helps consultants reach a conclusion; second, dialogue with others implies that the responsibility for the decision is shared; third, dialogue helps to maintain the collective commitment to the norm while searching for a practicable solution.

The next coping practice I will discuss appears to be the polar opposite of coping through open dialogue and that is coping through (collective) skilful ignorance. Skilful ignorance occurs when a strategic rule is breached, but practitioners choose to ignore the breach, something that I observed required some skill.

Skilful ignorance

The research design was deliberately crafted to reveal discrepancies between formal strategies and strategies-in-practice, and to use that discrepancy as the point of departure for further analysis. With the benefit of hindsight I now see that this design was a bit naive for use in high-performance organisations where the enactments of strategies were the responsibility of easily-identifiable individual partners. The design worked well in the sense that it documented interesting patterns of deviation. However, what is 'interesting' for a curious researcher may be contentious for practitioners, and this led me to the second coping strategy I will report on; skilful ignorance.

Even in elite organisations there may be considerable differences in the performance level among partners. Some partners display a performance level that consistently adds to the firm's strategic resources reputation and relations, whereas others struggle to achieve a performance level that does not too conspicuously detract from the resources (see for instance 7.5.1, Reputation as a fragile collective good.) As long as this 'underachievement' is conceived of as being for acceptable reasons (a junior partner still in the development phase; a temporary slip in performance due to some external reason; a lapse by someone who 'used to be one of the top performers and deserves some leniency'), then skilful ignorance may set in. Many may know about the 'real' situation, but they think it is in their interests, either as individuals or as part of a collectivity, to ignore the situation. This view is often spurred on by a firm belief that the individuals are acutely aware of the situation, are attempting to remedy the situation, and are likely to succeed.

I have not encountered skilful ignorance in situations where organisational integrity is at stake. The most likely explanation I have found for this distinction is that peers may believe that slipping in performance level is not due to lack of commitment, whereas slipping in issues of integrity displays a lack of compliance as well as a lack of commitment. In cases where the behaviour is open to interpretation as being acceptable or unacceptable, skilful ignorance is quite obviously dysfunctional, as it provides no remedy.

Skilful ignorance is a form of collective face-saving practice (Goffman, 1967) that provides the practitioner with some space for improvement, while acknowledging their often considerable anxiety about their own performances (Argyris, 1991). Others would also lend a helping hand by sharing assignments or providing promising leads. However, there are limitations to this willingness to help. Skilful ignorance may develop into cynicism and undermine commitment to formal strategies, in particular if the ignorance is somehow perceived to be illegitimate. Skilful ignorance must therefore be complemented by a commitment and capacity to balance pressure and protection: protection of individual practitioners as discussed above, but also protection of the firm's formal strategies.

In more than one interview I have been told in so many words that the legitimacy of skilful ignorance depends upon the belief that 'someone', usually the managing partner, is silently exercising a certain pressure on the underachieving practitioner. In some instances the acceptance deteriorates, or the performance level is otherwise perceived as untenable. In such instances decisive action is seen as important, both to preserve the collective interests of the firm and to maintain internal standards of performance.

Accommodating deviations

A third coping practice is to accommodate deviations within the formal strategies. Illustrative cases are the changes of rule in Headhunting that allowed for the accepting of quite low-level assignments for loyal clients and assignments for professionals (see rule 6 and 7 in 4.3.2.). These assignments were clearly outside Headhunting's domain as outlined by the formal strategies. However, practitioners experienced certain pressures from clients to assist with such positions.

Though never strongly controversial, the practices related to rule 6 and 7 have primarily been discussed as 'excusable deviations' from strategy until they gradually become acknowledged as part of Headhunting's strategies. Rule 7 emerged over a period of time, and although I have not found it written down anywhere it can be accurately cited by the practitioners in Headhunting: one is 'allowed' to accept such assignments, provided that a) it is considered to be important for the maintenance of a good relationship with the client, b) the assignment does not consume more than the absolute minimum of the firm's resources (no direct search, for instance), and c) the assignment is solved without any more reference to Headhunting than is absolutely necessary. In practice this means for instance that an advertisement appears without the Headhunting company logo. Furthermore, care is taken to avoid unintended precedence, that is, in internal discussions it appeared that it was important to amend the formal strategy in such a way that the strategic positioning of Headhunting remained. For instance, it was in part made legitimate by referring to the clients' requests rather than to the consultants' need to fill capacity.

This process is in line with Tushman *et al's* (1986) converging change and Chia and Holt's (2006) proposition that strategies emanate from practical coping. In the parlance of this thesis, strategy drift became strategic change when the practitioners in Headhunting acknowledged and legitimised the change, which happened gradually. However, coping by accommodating clearly has its limitations; it makes little sense to speak of the conditioning power of formal strategies if every major challenge to it is simply co-opted.

4.5 Conclusion

This chapter has documented the fact that Headhunting operates in a stable and reasonably benign, if competitive, task environment which values effectiveness over efficiency. The firm enjoys a favourable strategic position in that environment. Viewed through the lenses of generic strategies, Headhunting is straightforward: its strategic positioning is focused (Porter, 1985) and experience-based (Maister, 2003). However, the investigation shows that this apparently straightforward positioning is only maintained through continuous balancing of several legitimate concerns.

The two main strategic resources of the firm are its sets of reputations and relations, which practitioners regard as valuable and vulnerable. A considerable number of Headhunting's formal strategies are aimed at protecting and developing those resources. They thus appear to be normative and significative rules aimed at governing the practices affecting Headhunting's strategic resources. This finding is consistent with the proposition that strategies can be seen as a particular kind of social structure – rules and resources – that provides "structuring of social relations across time and space" (Giddens, 1984:376).

These formal strategies are identified as ten strategic rules, each appearing as 'simple' (Eisenhardt and Sull, 2001) but which in practice add up to a system where the apparent strategic stability is only maintained through continuous effort by the practitioners. Strategic rules that appear perfectly sensible and necessary as generic principles may be contradictory in concrete situations. Practitioners must cope with such conflicts in everyday practice, and do so through practical reasoning that requires considerable competence and commitment.

Practitioners must cope with strategic dilemmas pertaining to positioning, integrity and prioritisation of scarce resources on an everyday basis. This coping may accumulate to form "patterns in streams of actions" (Mintzberg and Waters, 1985:257) that have less to do with emergent strategies than with strategy drift (Johnson, 1988).

Effective coping is dependent upon committed and competent practical reasoning (Searle, 2001) by practitioners who have considerable autonomy and often must make strategic decisions 'in the field'. The formal strategies are pivotal in this reasoning, in line with Archer's (2003) "internal conversation", as mediating between structure and agency, but in contrast to Chia and Holt's (2006) disparaging of the 'building mode' of strategy. However, this finding does not question the importance of Chia and Holt's 'dwelling mode' of strategy.

Successful translation requires practical reasoning that is consistent across individual practitioners and grounded in a collective understanding and commitment. The main mode of nurturing this practical reasoning is continuous open dialogue on concrete dilemmas, incidents, or problematic situations. This dialogue may be anything but harmonious, but is nevertheless instrumental in the translation of formal strategies into strategies-in-practice.

In conclusion, the strategic resources and rules of Headhunting mainly concern practice and practitioners. The connection between strategic rules and practice are direct, as the rules are aimed at structuring practice and conduct. The relation between the strategic resources and practice is more indirect, as both reputations and relations can be seen as sedimented by practice, and also as enabling practice, thus testifying to the duality of structure.

The next two chapters will elaborate on these findings through examination of cases that brings doubt upon the conventional wisdom that firms should avoid "getting stuck in the middle" of inconsistent positioning strategies. The next case, Engineering, displays much of the same strategic stability as Headhunting, whereas StratCom, the last case, is a story of turbulent strategic change, both intended and unintended.

5 JUST DOING THEIR JOB: ENGINEERING

Engineering is a medium-sized traditional engineering consultancy, specialising in HVAC (heat, ventilation, and air-conditioning), energy and environment solutions in buildings of all sorts. Its staff of 70 generated a total operating income of 68 MNOK in 2006. The main puzzle Engineering brings to this study is that without any significant investments in formal strategies it is widely recognised as a market leader in a demanding task environment, and appears to be thriving solidly as a "stuck in the middle" enterprise (Maister, 2008; Porter, 1985).

As part of a 'true profession' (von Nordenflycht, 2010), Engineering operates in a task environment that, although demanding, is also thoroughly regulated. The space for independent strategic choices is thus limited compared to Headhunting and StratCom (to be presented in the next chapter). In the parlance of Chia and Holt (2006), Engineering operates more in the 'dwelling mode' than in the 'building mode'. The Engineering case thus provides a fine contrast to the strategy-minded cases of Headhunting and StratCom.

Despite the relative sparseness of formal strategies, partner-owners in Engineering are not confused about the strategic direction of the firm. On the contrary, they are quite clear about the qualities that make the firm a market leader: a zeal for quality; long-term client relationships based on mutual loyalty; and being renowned as a key firm in the industry, one where people develop most effectively from graduates into true consulting engineers (5.3.1). The investigation shows that these three beliefs have real impact on everyday practices and choices in Engineering.

In addition to the standard stock of relevant engineering knowledge, Engineering is particularly dependent on two other technologies: project management and computer-assisted design (CAD). Though indispensable for Engineering's performance, these two technologies also bring tensions and externally-imposed change to the organisation. There is a difficult organisational tension between experienced-based and formal project management (5.2.1), and change in the CAD-technology has imposed an unforeseen increase in the strategic task uncertainty of assignments (5.2.2).

Engineering introduces straddling to this study: the firm provides three strategically distinct types of service that naturally lend themselves to different generic strategies, yet are being delivered with the same activity system: relational projects, expert advisory assignments, and large, integrated projects (5.2.3). These three types of project differ significantly in task uncertainty, and call for the activity system to be reconfigured to fit each of the distinct types of services. This brings in ambidexterity (Gibson and Birkinshaw, 2004) as an issue, and also the question of the costs and benefits of not heeding advice against getting stuck in the middle of generic strategies (Løwendahl, 2005; Maister, 2008; Porter, 1985).

We will see that straddling brings significant benefits, even though the available evidence does not on balance allow for any firm conclusions on the costs and benefits of straddling (5.4.2). Indeed, if anything, available evidence suggests that there is no general answer to the question of whether straddling pays off or not. It depends on the value-added extracted from straddling, and the organisation's capacity for reconfiguration of the activity system, and for coping with the inevitable extra burdens of straddling.

In addition to straddling, the case presents two interesting dilemmas emanating from Engineering's formal strategies and strategic practices. One dilemma is due to the firm's enthusiasm for participation in demanding and prestigious 'signature' projects, and its practice of using so-called golden teams to acquire and accomplish those projects (5.4.3). These assignments boost Engineering's reputation for being a leading engineering consultancy within its strategic domain. However, the practice also drains resources from other assignments, sometimes at the expense of performance in those projects. It also affects general competence development, as unusual learning possibilities are concentrated on those teams.

The second dilemma surfaced in an incident caused by severe capacity problems that occurred while I was doing fieldwork. The capacity problems were driven by a coincidence of exceptionally high demand for Engineering's services, combined with few opportunities for increasing capacity. Together with the two strong strategic rules of always providing 100% quality and serving loyal clients in times of need, the scene was set for overstretching capacity with potential severe consequences for quality and performance, and indeed for the human resources of the firm (5.4.4). The incident provided for an opportunity to observe how this strategically easy-going organisation coped with a situation that in order to curb the capacity problem called for top-down implementation of a strategic decision to put a temporary moratorium on new assignments. The incident provides a clear example of strategic inertia, which was eventually overcome through reinforced collective commitment and effort.

There are two sets of tensions that appear as recurrent themes in the case study of Engineering. The first is the tensions brought by straddling, and the second is the firm's tradition of informality, including its reliance on tacit, experience-based project management in a context where the task environment increasingly calls for more formal project management. The two themes are interrelated, since informal project management has proved to be highly effective and efficient for the majority of Engineering's assignments, whether they are relation-based or expertise-based, but ineffective in large, integrated projects. The practice of straddling, and the two dilemmas introduced above, challenge Engineering's partners' ability to cope. The chapter concludes with descriptions and analyses of two of the coping practices I have observed in use: coping through reconfigurational ambidexterity and coping by all-out effort (5.4.5).

5.1 Introduction to the firm and the industry

5.1.1 Engineering consultancy services

'Engineering consultancy services' is a common term for services pertaining to design, procurement, project and construction management, feasibility studies, and other kinds of building projects. Building projects in this sense include, but are not limited to, buildings, infrastructure, public utilities, industrial plants, and infrastructure for the exploitation and development of natural resources. Consulting engineers assume the roles of advisors or managers, and are usually mediators between building employers and contracting companies.

Compared with the markets for recruiting services and communications consultancy, the market for consulting engineering services is mature and thoroughly-regulated, as befits a 'true' profession. Through the Norway Association of Consulting Engineers (RIF), established in 1919, the profession is in regular contact with higher education institutions providing relevant fields of study. RIF also seeks to control access to the market, and attempts to regulate what it considers to be sound practices concerning contracts, bidding processes, selection of firms for a contract and so on. Firms are certified on the basis of the certification of their individual consultants.

As in most other countries, the Norwegian market for consulting engineering services ranges from small single-disciplinary regional firms to large multidisciplinary multinationals with more than a thousand employed engineers. As membership of a professional association is considered crucial for consulting engineers, I will use the statistics from RIF. As of May 2008, RIF has 280 member firms, employing around 7,000 personnel, including 1218 certified consulting engineers. Several thousand employees of these companies have a higher degree in engineering science.

Assignments range from just a few hours of consulting to huge projects spanning several thousand man-years. As a minimum, an ordinary building project will involve an architect, an HVAC (Heat Ventilation and Air Conditioning) consultant, a civil-engineering/structural consultant, and an electrical consultant, each with responsibility for their part of the project. The division of labour between these consultants is of course a reflection of their respective competences, but is also regulated by the professional association of consulting engineers. Formal and informal norms 'protect' against 'trespassing'. Participating in a building project is only one of the services an engineering consultancy may engage in. The maintenance, reconditioning and upgrading of existing installations is another important area, as are advisory services of various sorts. In energy management, for instance, this might mean choosing different models of climate control.

5.1.2 Engineering – a description

Founded in 1925, Engineering is one of the oldest engineering consultancies in Norway, and the largest independent engineering consultancy specialising in HVAC. It employs about 70 people (2006), including 55 with higher engineering degrees, of whom ten are certified consulting engineers. The firm's total operating income in 2006 was 68 MNOK. Engineering has experienced steady growth during the last decade, with the exception of the recession in 2002. Table 2 shows the revenue and number of assignments in 2001 and 2005.

Year	2001	2005
Total revenue	56 695	59 014
Number of assignments	247	237
Mean revenue per assignment	230	249
Median revenue per assignment	61	65
Range of revenue	3 258	6 213
Standard deviation	465	586

Table 2 Revenue and assignments for Engineering yrs. 2001 and 2005 (all amounts in 1000 NOK)

Engineering participated in 370 projects in 2007, ranging in generated revenue from less than 2000 NOK up to 9.4 million NOK; that is, from just a few hours' work to using a team of several people over several years. The largest single contract ever was the new Opera House in Oslo, at more than 50 million NOK. 67 per cent of total revenue stems from the 10 per cent of largest assignments, whereas the 67 per cent of smallest assignments only make up 10 per cent of total revenues. According to the records, there is no correlation between the size of projects and the profit margin they generate.

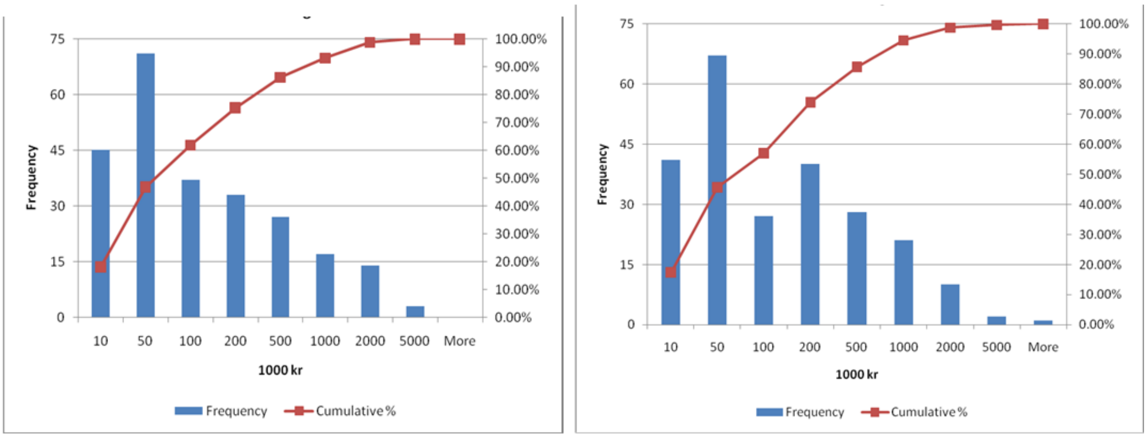


Figure 11 Histograms of client portfolios in Engineering 2001 and 2005

The histograms show a remarkable spread in project size and are a clear indicator that Engineering provides strategically-distinct services. In 2005, 135 assignments generated less than 100,000 NOK, totalling 3.8 million NOK, which is less than seven per cent of the total revenue generated that year. The twelve projects that generated more than one million NOK in revenue totalled 27 million NOK, or almost half of the total revenues generated that year. Given the apparent economic insignificance, one could be tempted to conclude that the smaller assignments should be rejected, but the interviews establish that this is not seen as an option by the partners.

5.2 Tasks and task environment

The tasks and task environment of Engineering are regulated by professional standards that even influence the boundaries of Engineering's strategic domain. Engineering utilises the relevant body of engineering knowledge, including project management. It is a heavy user of technology, particularly computer-aided design. We will see that this dependence on a particular technology also constrains Engineering in unforeseen ways. The most important finding in this section is that Engineering offers three strategically-distinct sets of services and that these services relate differently to the task environment.

Despite the fact that Engineering is part of a regulated profession and there is a general shortage of engineers in Norway, the fees Engineering is able to charge are significantly lower than in the two other case organisations, reflecting systematic differences in profitability between the respective industries. It is beyond the scope of this study to explain this phenomenon, but it appears plausible that lack of acknowledgement of the considerable task uncertainty involved in engineering assignments is one explanation.

5.2.1 Technology and main activities in assignments in Engineering

The two primary activities of an engineering consultancy when carrying out a building project are design conception and design execution, with project management as a crucial support activity. Design conception is the recommendation and choice of solutions, and the coordinating of recommendations with the architect and the other consultants. For instance, in the design conception-phase, the choice is made between different solutions for heating and ventilation: electricity, heat pumps, or fossil fuel for energy input, and radiators and airborne or waterborne systems for heat distribution. The HVAC engineer would also advise on the consequences for heat and air conditioning needs of building facade choice. The design conception phase specifies the tasks to be performed in design execution: what drawings are to be made and which calculations are to be carried out in order to detail the dimensions and other specifications of pipes, for instance; and the general detailing of solutions chosen in the design conception phase.

The technologies used in design and design execution are: standard HVAC engineering knowledge; relevant specialists' competences (for instance, advanced thermal conductance calculations); and tools such as computer-aided design in two or three dimensions (2D or 3D CAD).

Engineering's internal quality systems handbook describes three main roles in a project. Every project has a responsible partner, who:

> ...is top executive for a project, with responsibility for managing work activities so that they fulfil the client's demands and needs as much as possible, and optimally utilise the firm's competence and capacity.[7]

Large projects are assigned a project manager to whom the responsible partner delegates day-to-day administration of the project. Actual delegation of tasks and authority varies from case to case and depends on the complexity of the project, the experience of the assigned project manager, and not least the preferences of the responsible partner.

Executive engineers perform the actual design activities, under supervision from the project manager or the responsible partner. Some projects may also require technical personnel to provide drawings. The handbook also describes the roles of quality assurance and the evaluation of projects.

The internal division of labour in building projects large enough to employ several engineers is usually that the responsible partner interacts with the client and representatives from other consultancies, and with the contractor, particularly during the design conception phase. The partner is also often deeply involved in the design conception phase when choice between major solutions is needed. An experienced engineer (non-partner) will however do most of the work in the design conception phase, in continuous communication with the responsible partner or project manager, and with assistance from one or more junior engineers. The bulk of the work in the design execution phase is carried out by junior engineers under the supervision of a more senior engineer or a partner. Some of the tasks in this phase may require specialist competence, in which a relevant expert is contacted, but not necessarily assigned to the project.

The most important support activities are those which make up project management, for example planning, organising, and controlling (costs and progress) the project in order to meet the agreed performance level within the scheduled time and cost (Kerzner, 2006). Staffing the project is essential, and is undertaken by the partners as a group, since available hu-

[7] Quality system Handbook, document 2.1.0.0, paragraph 1.2.4.1 (my translation)

man resources must be prioritised across the whole portfolio of ongoing projects. Staffing projects are also important for competence development in a firm that relies on mentoring and on-the-job learning in projects.

Whereas design conception and design execution activities are instrumental in achieving specified technical performance levels, project management is decisive when it comes to doing so within time and cost, and hence for the economic performance of the project. However, due to crowded curricula, even students graduating with a master's degree in HVAC engineering may have very limited formal competence in project management. Thus, many engineering consultancies, including Engineering, traditionally rely on experience-based project management rather than on utilising the various tools and techniques available in the project management body of knowledge.

> If we have used half of the agreed-on fee, that does not mean that we have performed half of the job. We don't have any tools for that; it's just in the responsible partner's head (Partner 1 30.08.07).

This is actually both effective and efficient so long as the experienced partners can provide close supervision of the teams on the projects they are responsible for, and so long as the projects are not too large. The partners are able to 'feel' the progress and general state of the project without many resources being used for formal planning and project control. However, this practice makes the projects vulnerable, because so much crucial information is exclusively held by one person. The projects also become dependent on the responsible partner's decision-making for progress.

> They [the partners] should be more available for support when it is needed. It's difficult to wait several days for clarification of an issue (Junior Engineer 1, 2000).

The two quotations above also testify to limitations in the model of competence development through mentoring via assignments when it comes to project management. Mentoring requires personal interaction and that important information is not just held by the responsible partner, but is shared.

Engineering's clear prioritisation of HVAC-engineering competence over project management competence thus make the technical quality of its services impeccable, whereas the economic performance of larger projects is rather haphazard, in particular in times of high-capacity utilisation. The project management literature (e.g. Kerzner, 2006) operates with a time-cost-performance triangle of successful project management. One maxim of the literature is that these three dimensions are mutually binding; as a rule it is only possible to prioritise one or two of the dimensions if the third condition can be relaxed. Engineering is clearly engineered to prioritise the performance dimension. Because of interdependencies between the tasks of Engineering and the tasks of other vendors, time constraints are usually binding. The halting of a large construction project due to lack of progress by one of the vendors may be very expensive for the builder. Accordingly, most contracts specify a progress plan, and severe sanctions for delays within the control of a vendor.

Engineering's strong emphasis on technical quality (performance) combined with fixed-price contracts, and harsh sanctions for progress delays, sets the scene for anxiety about the profitability of projects when the responsible partner's capacity is fully utilised. While efficient in projects with little complexity, this informal project management is clearly vulnerable to complexity and larger-scale projects with higher strategic task uncertainty (Kerzner, 2006).

The limitations of informal project management are acknowledged within the firm, and there is an ongoing discussion on how Engineering should develop its project management practices. We will see more on this issue throughout the case study, including the discussion of dilemmas in subsections 5.4.3 and 5.4.4.

The tasks and technologies in Engineering are quite similar to those of other engineering consultancies. The scope for strategic differentiation based on activities carried out is thus limited; it is *how* those activities are carried out that makes the difference (Porter, 1996), both in efficiency-based and effectiveness-based competition. This is a pattern we recognise from the Headhunting case.

5.2.2 Unintended increase in strategic task uncertainty through new technology

The strategic importance of technology in Engineering can be illustrated by the repercussions of an apparently straightforward upgrade of software which inadvertently induced changes with strategic implications. The change in technology changed actors' conditions of action (Giddens, 1984:5). Yet it took some time and a few unwelcome experiences before they acknowledged the scope and consequences of that change.

Like most other engineering consultancies, Engineering has for many years used two-dimensional computer-assisted design software (2D CAD) for drawings. Informed by its software supplier that 3D CAD was now a mature technology, Engineering decided to transfer to 3D CAD, which was anyway already making inroads into larger building projects. The new functionality of 3D CAD made the transfer tempting, as 3D CAD is much more powerful than 2D CAD; one can easily make 3D visualisations and create cross-section images. Perhaps even more importantly, 3D CAD allows automatic collision detection, as all installations are drawn spatially according to their xyz-coordinates. One can thus more efficiently detect and avoid collisions of installations and equipment before they appear on site. Another important feature is that 3D CAD allows for the adding or subtracting of solid volumes to and from geometric forms, and easy reading of mass properties. Tender documents for sub-vendors can thus be made much more efficiently and accurately, provided that the input in the program is correct. However, the knock-on effects of the new software were much more profound than expected:

> I don't think we have realised the extent of these changes before now. One reason is that we as leaders haven't used the tool ourselves. ... This is not just a tool; it affects our whole production process, the training of people, the interaction between the tool you use and the practices you engage in as engineers, the interaction between us and the client and the other consultants (Partner 3 24.08.07).

The unforeseen consequence was a significant increase in strategic task uncertainty by in effect changing sequential interdependencies into reciprocal interdependencies (Thompson, 1967) across organisational boundaries. Thus, Engineering became more vulnerable to other suppliers' and the building employer's performance in building projects.

I have identified four strategically-significant consequences of this technology change, all of them unforeseen at the time of upgrading the software: First, drawing in 3D CAD is significantly more difficult and requires higher levels of precision as compared with 2D.

> We got the new production tool, 3D CAD, a couple of years ago, with all sorts of new functionality. That's a couple of years ago, and we still have to develop so much to be able to use it properly. According to the software supplier we're among the leading users, but... (Partner 3 24.08.07).

This means that much of the work that could previously be delegated to technical illustrators now had to be performed by engineers. The division of labour within Engineering changed, and so did the optimal composition of human resources in the firm.

Second, the increased functionality of 3D CAD requires that one trusts the data to have been correctly and accurately entered by all involved parties: there is little use in running a collision test for piping if one cannot be sure that the electrical installation has been correctly entered. In this way, many interdependencies between different actors (HVAC, electrical, architect, civil engineer) that were sequential when 2D CAD was used become reciprocal when 3D CAD is used.

> It demands that we draw much more exactly than we used to do in order to exploit the new functionality. You really have to draw three-dimensionally and state the exact part or pipe to be used, and simply be very precise. When you draw a pipe with this tool you have to draw the correct pipe with the correct characteristics. With 2D CAD you only had to draw a line and write the type of pipe (Partner 4, 03.04.06).

Furthermore, as a number of clients request the use of 3D CAD without really having adequate competence, it is difficult and time-consuming to document the extra costs that are incurred through another actor's improper use of 3D CAD.

The third consequence is that the internal power-relationships in Engineering have been disturbed. Competence is a key source of esteem and influence in Engineering. The traditional pattern is that experienced senior engineers (partners or not) enjoy considerable influence due to their uncontested competence as engineers. With the advent of 3D CAD, which is a very powerful but also highly demanding technology, competence in the use of 3D CAD software has become a source of esteem internally, and senior engineers are generally not leading the way.

> I think that competence with the major tool of production, the 3D CAD system, is necessary in relation to actually knowing what the real situation in a project is. To be able to judge how much we have produced so far, and with which quality…without knowing the tool, well, that's a challenge (Partner 2, 23.08.07).

The senior engineers' lack of competence in 3D CAD has thus eroded their traditional power-base: their superior and uncontested competence.

The fourth change is that through its scale economics 3D CAD favours larger projects and larger firms, the latter being a potential threat to Engineering's competitive advantage as an independent consultancy. Furthermore, as 3D CAD is more costly in use than 2D CAD but also renders higher value, given competent use by all involved parties, the stakes are raised in all projects of any significance.

To sum up: the upgrade from 2D to 3D CAD was initially considered to be straightforward, but gave rise to significant changes in tasks and the task environment. Engineering almost stumbled into profound strategic changes in terms of work practices, increased interdependencies internally as well as with external partners, and disturbed distribution of internal power due to underestimation of the technology change from 2D to 3D CAD. Because of increased demand for precise coordination, 3D CAD further accentuates the need for formal project management.

5.2.3 Three strategically distinct types of services

An analysis of Engineering's assignment portfolio identified three strategically-distinct types of services: 'relational projects', 'large, integrated projects', and 'expert assignments'. The analysis used interviews and a series of three workshops with wide participation from the organisation. The identification proceeded in five steps.

At the first workshop a preliminary list of strengths and weaknesses in the organisation was identified through brainstorming exercises, group discussions with homogeneous as well as heterogeneous groups, and plenary discussions. The strengths and weaknesses were formulated as propositions that participants then could choose to agree or disagree with. Many propositions turned out to be of little significance, as they received low scores during a scoring exercise where participants were told to distribute three "agrees" and three "disagrees" among two to six of the propositions. The results were then discussed in plenary session. The results from the workshop formed the basis for further interviews and observation within the organisation, in preparation for the next workshop. The propositions that had gained support in the workshop, and the data gathered in the subsequent fieldwork, were analysed along three dimensions: critical competences, value drivers, and cost drivers. The empirical analysis also suggested that three distinct activity systems could be identified (it was initially thought of as three different activity systems, not as different configurations of the same activity system).

At the second workshop, where these preliminary findings were presented, participants were asked to challenge the findings. A brainstorming exercise was conducted with all the workshop participants, in order to supplement the initial list of factors pertaining to each of the activity systems along the three dimensions. The list was tidied up a bit to avoid too much overlap, but participants had the right to veto the exclusion of any factor from the list. The participants then proceeded to give scores for each of the three suggested activity systems to each of the factors on the list. This was followed by an on-the-spot qualitative cluster analysis aimed at discovering systematic differences between the proposed activity systems. The scoring exercise confirmed that the three proposed activity systems differed significantly along the three dimensions.

The participants then discussed whether or not the three activity systems made sense, and which, if any, strategic repercussions this new picture could have for the organisation. The third workshop was devoted to exploring these repercussions in more detail. The activity systems were subsequently validated through a systematic search for confirmation or disconfirmation in subsequent interviews. As trust issues proved important in the two other cases in this study, a separate analysis of these was added later. Figure 12 illustrates the variation of task uncertainty between the three types of assignment.

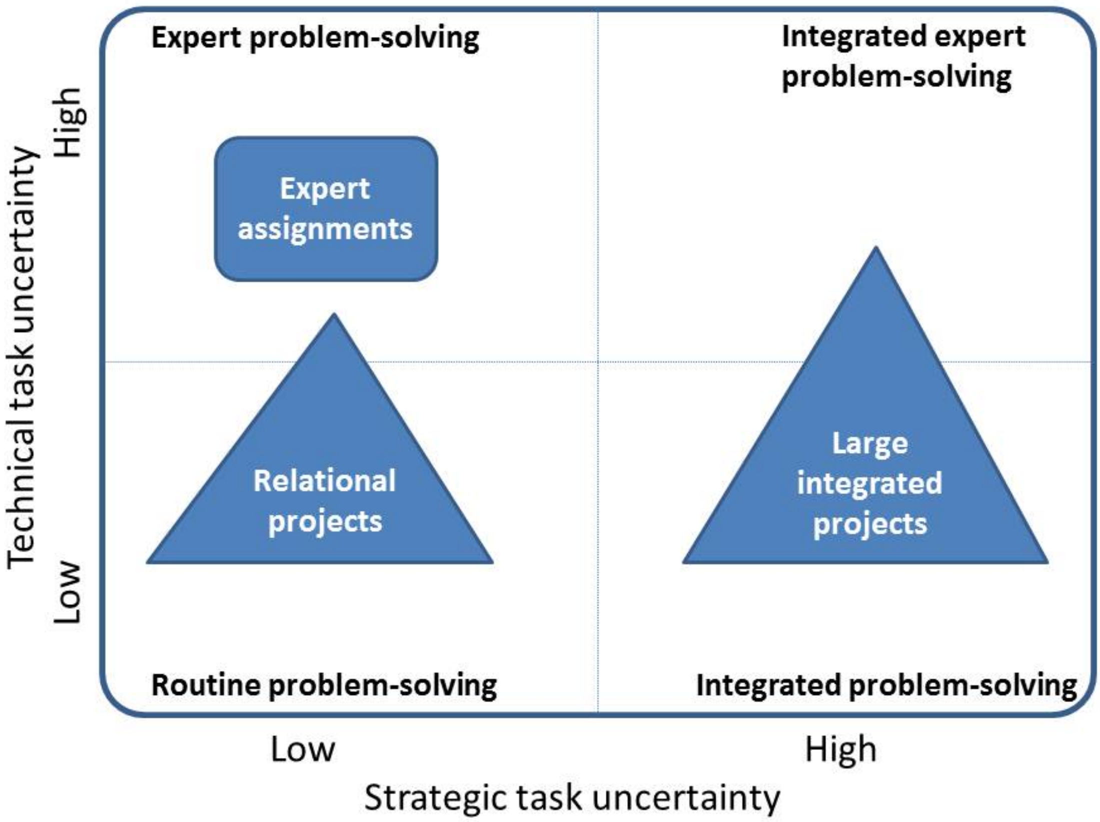


Figure 12 Task uncertainty of Engineering's strategically distinct services

The 'relational projects system' took its name from the emphasis that participants in the workshops put on the importance of an ongoing relationship with the client, both in order to be given the assignment and to generate profit. The projects are often quite small and technically not very complex, and can for instance involve the maintenance and modification of existing installations with straightforward applications of standard textbook HVAC-engineering knowledge. Execution is largely delegated to junior engineers who are provided with specifications of what should be delivered. Relational projects also consist of small jobs where senior engineers or the account manager provide advice on issues that require considerable experience.

> The projects in that category, the relational projects, they could be 20-30 hours' worth. An old client just calls and asks you to do a small review or come to an inspection or something. Or you are in a meeting with a client and he asks you there and then to have a look at another project they are working with (Partner 5, 06.03.08).

The analysis established that effectiveness is more or less taken for granted in these projects; hence efficiency appears to be the important competitive factor. There are two sources of efficiency that mean that Engineering is favoured over its competitors in the performance of these assignments in ongoing client relationships. The first is that due to former engagement with the client and the client's installations, Engineering is in a position to diagnose the problem faster. If the problem turns out to be more complicated than anticipated, then Engineering's historical insight into the client's installation becomes even more important.

The second source of efficiency is that of the mutual trust between the client and the responsible partner in Engineering which makes formalities like negotiating a contract unnecessary. The mutual trust eliminates the need for formal safeguards, as both parties trust each other enough to value the continued relationship far beyond the particular assignment (Coleman, 1990). The client is spared the search costs, which may be high relative to the marginal value from obtaining the best offer. Furthermore, the client trusts the consultant to make a fair judgement of what needs to be done to solve the problem efficiently. The consultant trusts the client not to quarrel over the invoice and not to demand documentation of the work performed beyond what is needed for technical reasons.

Expert advisory assignments typically involve recognised expertise in a particular knowledge domain, finding a novel solution to a knotty problem, or putting newly-developed academic knowledge to practical use. For instance, Engineering regularly participates in R&D projects with particular emphasis on the interface between indoor climate and energy-efficient technologies. Engineering then exploits this knowledge in advising on energy management in buildings with extensive use of glass fronts. Being recognised as the frontier firm in energy management and automation allows Engineering to draw premium rates in such assignments. Another example of such expertise is the restoration of heritage buildings.

Such assignments are won through word-of-mouth, or they can be suggested and sold to an existing client or as an added service in an ongoing large project, provided one is in a position to persuade the client to try out new solutions. Sometimes they are won through formal tenders where documented expertise is decisive in being granted the assignment.

Expert assignments can thus be both demand-driven and supplier-initiated. The price sensitivity is often much less than in ordinary relational assignments or large projects; in these situations clients more often agree to higher hourly rates and are less inclined to discuss the number of invoiced hours.

> The advisory assignments are easier to get paid for, we usually charge for accrued time and the rates are higher. 'Wow, he's a real expert and of course the rate is 1000 NOK an hour.' We never get that from clients on building projects….easy to get paid and little [economic] risk involved (Partner 2, 23.08.07).

The two important strategic differences from the relational projects (which may be of the same size) are that an expert assignment is won on the expected effectiveness of Engineering, and that reputation rather than relation is the key competitive factor. The resources used to solve the assignments also differ, as an expert assignment naturally depends upon expertise, whereas relational projects make good use of junior engineers.

Large, integrated projects are building projects of considerable size. The variation in size, complexity and novelty (and thus inherent task uncertainty) is considerable; from standardised office buildings to large and unique 'signature architect' buildings or constructions.

Large, integrated projects are characterised by the need for timed co-ordination among several semi-independent actors with different perspectives and sometimes conflicting interests. Each actor is thus dependent on the other actors.

The assignments are usually allocated through formal tenders. Quite often the tenders are evaluated and the contract awarded and negotiated by a different department in the employer than the one responsible for carrying out the project. The formal tender, rather than any pre-existing relationship, is then decisive in winning the contract. In fact, one of the explicit purposes of this procedure is to curb the influence of personal relationships, in order to increase competition.

In a formal tender, two factors are particularly important; documented relevant competence, and price quotation or estimate. Usually, a large part of the contract is in fixed price terms. In reality, the quoted estimated price estimate is perceived as being considerably more important than documented competence in winning a contract. Engineering has on several occasions had experience of their documented competence being evaluated as being equal to that of competitors who are in fact rated as being clearly weaker than Engineering by 'everyone' in the industry.

As large projects are allocated through competitive bidding, and competition is often fierce, Engineering's experience is that a 'reasonable' profit margin is difficult to achieve in normal circumstances. They are generally seen as demanding:

> The large building projects are the most demanding. Detailed design execution is strenuous because you are serving the building site directly. You have to provide drawings and specifications at the right time, in the smallest detail. 'Should that valve be placed *there* or there or how do we solve this in the smallest detail' (Partner 2, 23.08.07).

On the other hand, there are plenty of possibilities for losing money in large assignments. The sources of economic loss in large projects include: scope-creep due to an inadequately specified contract or to insufficient documentation of extra work carried out; under-estimation of the complexity and amount of work to be performed, leading to under-budgeting or assigning an under-qualified project manager; interdependence with other suppliers which results in Engineering being made vulnerable to the other party's performance, without adequate possibilities for claiming reimbursement for extra work caused by other suppliers' deviations from specifications and time-schedules; and finally overall work pressure leading to slipshod errors.

Somewhat paradoxically, it is not necessarily easier to realise high profits in periods of boom in the building industry, as relevant competence is scarce. This situation results in higher pressure on project managers and their teams, and thus greater likelihood of error. Furthermore, younger, less experienced engineers could be forced to assume responsibility that they are not yet qualified to take, thus increasing the probability of errors even further – errors that are likely to be discovered only at a later point in time, when corrective action is expensive.

> Even if the hourly rates are better than some years ago, it is still difficult to earn profit in the large projects, because our project management is ineffective, because of lack of control, or because those who should or could have performed it are too busy (Partner 2, 23.08.07).

Hence, the higher fees earned in a boom do not fully compensate for the greater risk of errors due to high pressure.

The table below summarises the key differences between the three types of services along the four dimensions of the activity system: value drivers, cost drivers, trust issues, and critical competences. I have also added a row on how profit is generated.

Engineering	***Relational projects***	***Expert advisory assignments***	***Large, integrated projects***
Value drivers (buying criteria and client satisfaction drivers)	Personal relations Physical proximity Reliability in problem solving Project execution without unnecessary involvement	Recognised technical expertise Professional integrity Creative problem solving 'Appropriate' stubbornness when advocating	Price estimate or quotation Documented competence and capacity Clear and well documented project proposal Ability to deliver according to specifi-

	of the client Demonstrated willingness to consider long-term interests of the client	technical solutions	cations, on schedule, within cost Ability to identify and gain acceptance for best long-term solutions
Cost drivers	'Gold plating'; performance beyond specifications Project meetings with hecklers Misuse of senior competence for tasks where junior engineers would suffice Unnecessary planning activities	Lack of clarification of the problem Lack of specification of work that has been performed	Poor project management Communication breakdown between employer and engineering consultants, or between engineering consultants Internal communication breakdown Inadequate work in early conceptual phase leading to inconsistencies in specifications 'Scope-creep'; work being added without more resources Lack of re-use of proven solutions Hold-up due to lack of decisions
Trust issues	Personal long term relationships; valuing continued relations over profit in single assignments	Public reputation for expertise	Trust issues less prominent in project initiation due to formal contracting, yet important in project execution
Critical competences	Overall HVAC-knowledge Historical insight into client's installations Client relationship maintenance	Expertise within specific knowledge domains Systemic knowledge of technical solutions	Overall HVAC-knowledge Project management in its wide sense; management of scope, time, cost, quality, risk, human resources, and communication Stakeholder management, including that of other engineering consultants

			Contract administration
Profit generated through	Avoidance of superfluous administration Re-use of proven solutions Effective employment of junior engineers; optimal leverage	High hourly rates or generous fixed fees	Effective project management Avoiding scope-creep; getting paid for extra work and project changes Properly balanced project team

Table 3 Factors identified in analysis of activity systems in Engineering

Value drivers

The buying criteria and client satisfaction drivers differ clearly between the three types of service. For relational projects they can be summarised as 'good enough quality at minimum cost', where cost is the sum of price and perceived inconvenience. The ongoing relationship blurs the formal boundaries between client and consultant, spurring the client to feel confident that his or her interests will be taken care of by the consultant.

The main value driver in expert assignments is, naturally, confidence that the expertise of the consulting engineer will allow for solution of a problem where feasible. The classic account of the archetypical expert advisory strategic positioning is Starbuck's (1993) portrait of New York Law firm Wachtell Lipton, Rosen & Katz, repeatedly at the top of various rankings of prestige or profitability[8]. Less spectacular than Wachtell, Engineering still testifies that reputation for unrivalled expertise is in itself a driver of perceived value and client's willingness to pay premium fees.

For large, integrated projects won through formal tender, buying criteria may differ from client satisfaction drivers once an assignment is granted. According to partners in Engineering, documented competence is merely a hygiene factor in the bidding process, where-

[8] See for instance Vault's law firm ranking 2011 at http://www.vault.com/wps/portal/usa/rankings/individual?rankingId1=2&rankingId2=-1&rankings=1&regionId=0 (retrieved 5.12.10)

as the price quotation is often decisive. An exception to this rule is high-profile signature projects where the task uncertainty is acknowledged. Once the contract is signed, focus turns to the capacity to deliver as promised. With fixed-price contracts that means performance according to technical specifications and scheduled progress. In demanding projects with advanced clients a keen eye for the best long-term solutions is important.

Cost drivers

In relational projects, overuse of partner and senior personnel time for tasks that junior engineers could have performed with quality is the key cost driver. The problem is a classic in PSFs, described by Maister (2003) as the 'systemic under-delegation problem'. Other cost drivers are excessive planning activities (as opposed to solving problems), and performance beyond what is needed, so-called 'gold-plating'. (Kerzner, 2006)

In expert projects, getting paid for problem-formulation as well as problem-solving is important. Sometimes the search for a solution is broader and deeper than necessary. Apart from that, cost is less of an issue than actually solving the client's problem effectively and thus adding to the consultant's reputation for expertise.

In large integrated projects nothing beats ineffective project management as a driver of risks and cost. Included in ineffective project management are: inadequate planning, progress control, communication breakdowns, and hold-up due to lack of decisions. Some of these are accentuated by a reciprocal interdependence between the partners in a project. Other cost drivers are inadequate work in early conceptual phases, lack of re-use of proven solutions, and scope-creep, that is work being added without more resources.

In times of high capacity utilisation, Engineering has experienced the opposite of Maister's underdelegation problem in large projects, namely that promising engineers are given too much responsibility. Detecting that something is amiss in a large project requires experience, and even more so when project management is tacit and experience-based rather than formalised.

Trust issues

Issues of trust are generally influenced by Engineering being part of a regulated profession, and the possibility of severe sanctions in case of malpractice. However, trust is important beyond questions of malpractice, and the role of trust is conspicuously different between the three types of services. For relational projects, ongoing relations play the role traditionally touted in the PSF-literature (Lorsch and Tierney, 2002; Maister, 2003). The mutual trust between client and partner protects against opportunism and dispenses with the need for formalities beyond those forced by laws and regulations.

In the market for expert advisory assignments, personal relations are trumped by public reputation for expertise in the relevant area. That is, a personal relationship is likely to provide an advantage, given relevant expertise, but using a relationship to oversell inadequate in-house expertise risks severing the relationship. For instance, in an assignment to solve a technical problem that has no known solution, the role of trust is faith in a firm's ability to come up with a feasible solution.

Large, integrated projects are usually granted by a formal public tender and then negotiated through formal contract. One function of formal tenders and contracts is to transform issues of trust into legally-binding obligations (Williamson, 1975, 1985). Of course, legal contracts do not eliminate the need for trust, and trust and contracts may be complements as well as substitutes (Woolthuis *et al.*, 2005), but the balance is tilted towards the use of legal instruments to regulate the relationship between client and firm when comprehensive contracting is used. Still, mutual trust between involved parties is important in the execution of a project, and also to avoid resorting to the formal mechanisms of the contract for solving problems, which are usually costly.

Critical competences

Apart from the standard body of HVAC engineering knowledge, critical competences differ greatly among the three types of service. People skills, while always important, are decisive in relational projects. Accrued historical insight into a client's installation is also important for efficiency in such projects. In expert assignments, expertise within specific knowledge domains is obviously crucial, whereas project management and contract administration is crucially important in large, integrated projects. Contract administration comprises not only negotiating contracts but also incorporating contract management into project management, since being adequately paid depends on documentation. Thus, the informality that is efficient in relational projects and most expert assignments is potentially a threat to profitability in large, integrated projects.

5.2.4 Summary – tasks and task environment

The task environment of Engineering is regulated, and therefore stable and foreseeable. Yet, if one takes the ability to draw handsome fees as an indicator, the task environment is less benign than that of Headhunting. In particular, the task uncertainty in large projects is not well-acknowledged. Large projects are awarded through tenders leading to a considerable element of price-based competition and fixed prices, even if overall task uncertainty is considerable.

The crucial finding is that Engineering offers three strategically-distinct services with one activity system, and that this activity system must be reconfigured towards each of these services. The three types of services are distinctly different in terms of technical and strategic task uncertainty. Any sound analysis of each in isolation would result in incompatible recommendations for optimisation.

Yet, at the heart of this activity system is the partners' conviction that there are three defining characteristics of the firm; its zeal for quality, its emphasis on competence development, and its loyalty to its clients. These are the pivotal elements of Engineering's activity system, which we now turn to.

5.3 The activity system in Engineering

In this section I account for Engineering's activity system, which is common for all three strategically-distinct sets of services. The description of the formal strategies shows that the firm relies upon a limited number of core elements in its activity system. These elements are mutually-reinforcing in most situations, but also display latent and inherent tensions, which will be followed up in the next section.

5.3.1 Formal strategies in Engineering

The formal strategies in Engineering aim to develop and maintain three core reputations: to be renowned for being the leading engineering consultancy within HVAC, energy, and environments solutions (RA); to be renowned for being the 'Engineering college' (RB); and to be renowned for honouring obligations towards clients (RC). The activity system map (Figure 13) shows a number of rules and practices aimed at supporting the three core reputations.

Two formal rules in particular support the reputation (RA) for being a leading HVAC-consultancy; "always providing 100% quality" (rule 1), and "participation in high-profiled prestige projects" (rule 3). The latter is of course only partly at the discretion of Engineering, but it is a matter of choice to give high priority to such projects in the bidding process. Priority may be manifested through accepting lower profits, investing significant resources in the bidding process, teaming up with other leading consultancies in a consortium, and by Engineering's practice of allocating so-called golden teams to such projects.

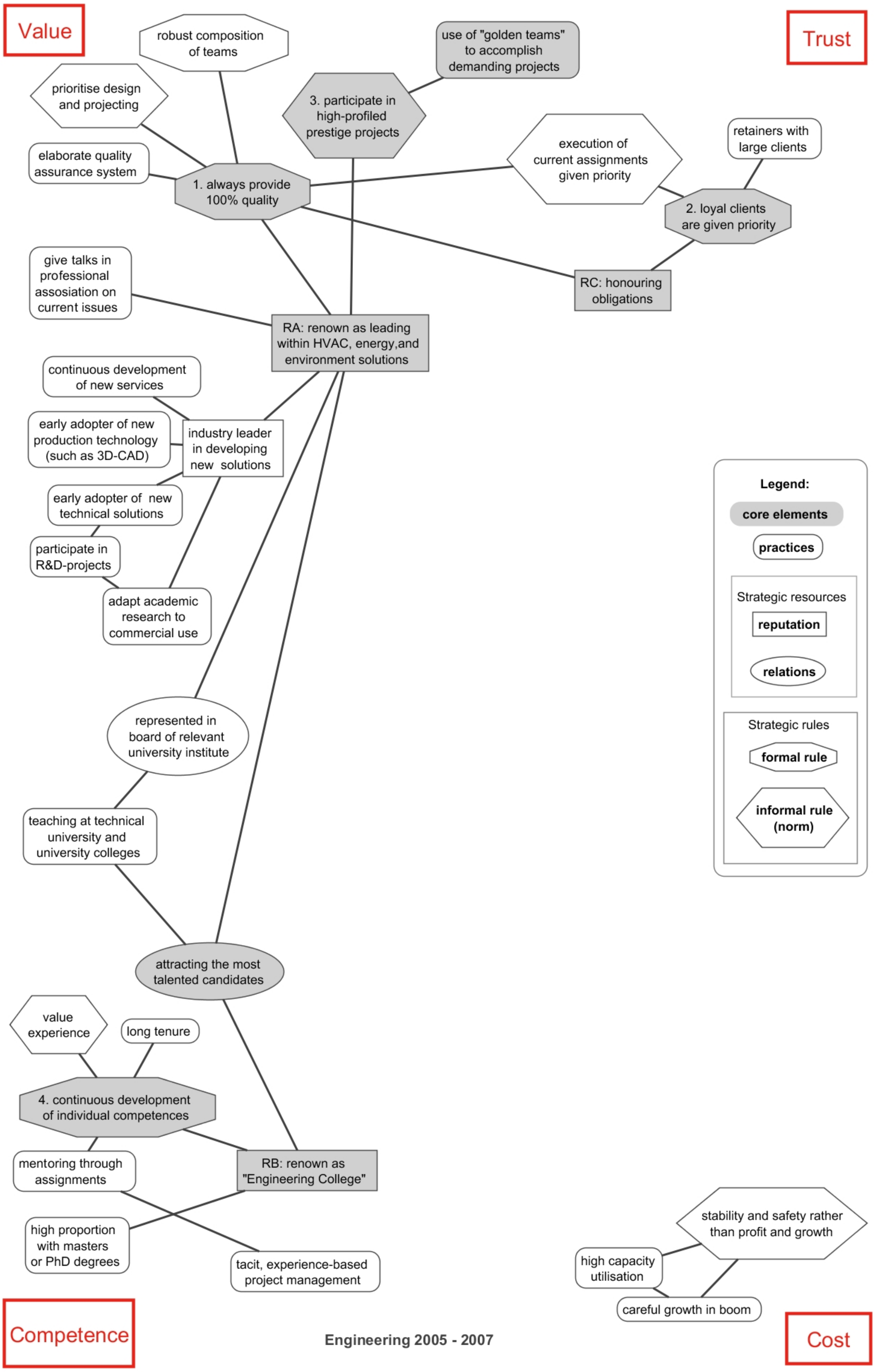


Figure 13 Map of the activity system of Engineering

Prestige projects also help in attracting and keeping talent. Together with reputation RA, Engineering considers the reputation for emphasis on competence development key for attracting the most talented candidates.

> We shall be recognised as the leading consulting engineering firm within HVAC, energy, and indoor climate in Norway. In order to be the leading firm we have to perform R&D, advice on the future education of HVAC-engineers, convey our knowledge through participating in education, and give lectures within the engineering community. You have to distribute your knowledge to others, not keep it as a firm secret, that's just nonsense. We think it is good marketing to spread our knowledge to others; then somebody will realise that this is a good place to be (Managing Partner, 03.04.06).

Also, the firm considers continuous development of new services and solutions to be instrumental in maintaining its reputation for being the 'leading HVAC consultancy', hence also the emphasis on elaborate cooperation with academic institutions.

The nick-name "Engineering College" (RB) reflects what Engineering considers to be a long and proud tradition of developing its human resources. To this end, Engineering supports rule 4 "continuous development of individual competences" with such practices as mentoring through assignments. Although informal and much akin to the traditional apprenticeship-model, this practice has served Engineering well and provides what Lave and Wenger (1991) in their seminal work named 'legitimate peripheral participation'. Yet, the model is now seen by some as reaching its limits within the general trend towards formal project management and expectations of a transparent and systematic plan for individual competence development. A fast-rising engineer in the action research project said:

> I would say that in general there is too little systematic long-term development of people here. Partner 2 fixes courses and stuff, but I don't see that we are systematically allocated to different projects in order to learn. For my own part, I am more content. Partner 4 is good. I am confident that he has some plan for us, even if I do not know what it looks like. I think I am being challenged, that is fun (Junior Engineer 1, 2000).

This says as much about expectations as about the real state of affairs, and that competence development through an apprenticeship model may be invisible to junior engineers. The impression from interviews in 2006-07 is that the situation has improved, but that systematisation is still called for by junior engineers, and that the very high utilisation of capacity subordinates all other concerns to accomplishing projects.

The third core reputation I have been able to confirm is a strong commitment to giving priority to loyal and long-lasting clients (RC).

> Engineering has traditionally relied on serving a number of established clients: large, established client relationships with the university, the Norwegian Broadcasting Corporation, a few hospitals, and so on. And, we have traditionally given priority to existing clients (Junior Partner 1, 23.08.07).

In interviews, particularly with partner-owners, I have discerned that long client relationships are sources of considerable pride, and part of the firm's self-identity, along with its zeal for quality and for turning graduates into 'real' engineers.

The map of the activity system in Engineering is less complicated than those of Headhunting and StratCom. One likely explanation, a conjecture that influenced the selection of cases for this study, is that Engineering operates in a much more regulated industry, and that many strategic choices have been made for Engineering by the professional association and the regulations of the industry. Another likely explanation is that Headhunting and StratCom put much more emphasis on deliberate strategising, whereas Engineering 'follows the crowd'. The latter is a complementary rather than alternative explanation, and both are corroborated by interviews within Engineering.

Furthermore, the fact that Engineering is part of an established profession means that the need for particular safeguards for transactions and assignments is limited because the practice is regulated, as discussed earlier. Moreover, the services Engineering provides are much less susceptible to opportunistic behaviour than those of Headhunting and StratCom. On the basis of the interviews conducted, that seems to me to be the main reason why 'integrity' is not an issue in its formal strategies; 'following the code of practice of the profession' is simply taken for granted.

Two elements are decoupled from the rest of the activity system: the practice of tacit, experience-based project management, and its emphasis on stability and safety rather than profit and growth. Experience-based project management is shown to be both efficient and effective provided that the projects are not too large and that responsible partners have the capacity to supervise the projects closely, as is usually the case with relational projects and expert assignments. When one of these two conditions is broken, the scene is set for problems to arise. This is regularly the case with large, integrated projects as discussed above.

The partners in Engineering value stability and safety over growth and profits. Thus, it recruits carefully in buoyant times in order to avoid having to lay people off in times of recession. One consequence of this carefulness is a general reluctance to recruit 'too many' new people even when the market is buoyant. The conservatism is manifested in the firm's general unwillingness to 'buy' capacity through engaging in the so-called lateral hiring of experienced engineers by offering high salaries. In subsection 5.4.4 we will investigate an incident where this caution contributed to severe problems, because of lack of capacity relative to accumulated obligations towards clients (RC), even though the caution was considerably relaxed during the reported episode.

Vignette 3 Formal or informal management of the firm in general and projects in particular

Throughout this case study I repeatedly refer to Engineering's informal, experience-based project management and its more casual practices for competence development through mentoring and on-the-job in assignments. In this respect, Engineering fits well with von Nordenflycht's (2010) proposition that classic PSFs are characterised by informality. Indeed, the atmosphere in the firm oozes informality, from dress code, via common luncheon tables, to personal interaction. However, informality is not to be confused with sloppiness. The firm is definitely capable of documenting its practices, if need be.

The installations Engineering designs are thoroughly documented, and the formal quality system of the firm is impressive. The system is internally developed and comprises descriptions of good practice and tailored checklists for almost all types of assignments accomplished. It has been developed with considerable time-investment by several of the most experienced engineers in the firm and describes true canonical practices (Brown and Duguid, 1991).

However, even if there is some pride in the existence of such a system, that pride is less pronounced when it comes to practical uses. Senior engineers in particular appear to feel that they should be able to perform their work in compliance with the gist and requirements of the system without actually consulting it in practice. Moreover, the very elaborateness of the system has also proved to be an impediment to its practical usefulness, as consultants find it impracticable for everyday use. Realising that the perfect can be the enemy of the good, Engineering decided to simplify the system considerably and to make its use mandatory.

> I emphasise 'reasonable', because we've had volumes of QA-documents in the bookshelves, but nobody has actually used them. The mere sight of them is scary. But now we have used a working group to trim the system down – 'this is what you will use' ... and we will have internal audits. This will also reduce our vulnerability, and our dependence on the individual responsible partners (Managing Partner, 03.04.06).

The research for this thesis ended before the use of the simplified version was evaluated, but first impressions were that the combined strategy of simplification and prescription seemed to work.

The discussions of project management and formal versus informal management in Vignette 3 testify to tensions brought by gradual transition from a craft-based modus operandi of a traditional professional service firm to more industrialised practices. To some extent this is also about generational change in the firm, which will undoubtedly facilitate renewal. However, although in some respects an opportunity, there is much anxiety in the firm about "old hands" retiring. One of the younger partners said:

> We are struggling with that too; that we are being thinned out at the top, and then we recruit new capacity at the bottom. Experience is withering away. And that is one of the things that makes me anxious; that our competence is disappearing. It actually retires on a pension (Junior Partner 1, 23.08.07).

This transition increases the tensions between the three types of service, as the efficiency of informality in relational and expertise-based projects is challenged by increasingly formal practices.

5.3.2 Summary

The activity system of Engineering is in some respects less intricate than that of Headhunting. There are fewer explicitly formal rules and policies than in Headhunting, and their interrelations appear more straightforward, and are aimed at supporting three reputations. However, this simpler activity system serves three distinct sets of service that relates differently to the task environment. In the next section I will investigate some dilemmas encountered in the translation of formal strategies into strategies-in-practice.

5.4 The translation of formal strategies into strategies-in-practice

In this section I pick up a thread from a former section by analysing the costs and benefits of straddling distinct services, and then go on to investigate two dilemmas that are inherent to the activity system: prioritisation of scarce resources, and balancing strategic virtues that in some situations are contradictory.

There are two sets of tensions that appear as underlying themes in the investigation of Engineering. The first is the tensions that arise from straddling strategically distinct and incompatible services with one common activity system. These tension reflects the general tension between static and dynamic efficiency (Ghemawat and Costa, 1993) and can only be effectively coped with through some form of organisational ambidexterity (Raisch *et al.*, 2009).

The second is the firm's tradition of informality, including its reliance on tacit, experience-based project management, in a context where the task environment increasingly calls for more formal management in general and formal project management in particular. The two themes are interrelated, since informal project management is effective and efficient for the majority of Engineering's assignments, which are quite small, but considerably less effective in large, integrated projects.

5.4.1 Incompatible requirements from straddling

The preceding analysis of the three different types of services that Engineering offers clearly documents that they are strategically distinct and incompatible along a number of dimensions: the mechanisms through which assignments are won differ between relations (relational projects), reputation (expert advisory assignments), and formal tenders (large, integrated projects). Relational projects usually involve little task uncertainty, as they can be solved with the standard HVAC-engineering body of knowledge. By definition, the expert assignments involve high technical task uncertainty, whereas the large integrated projects are encumbered with considerable strategic task uncertainty (Figure 12, page 185).

I have no evidence to suggest that engagement in these strategically-distinct services impinges negatively on the strategic positioning of Engineering in the market. However, partners report in interviews that it is sometimes difficult to change the mode of interaction with clients between different types of projects. In particular the formalised interaction in large integrated projects is perceived as being markedly different from the trust-based informal interaction in relational and expert assignments. Contract management is a case in point. Engineering attempts to transfer some of the informality into larger projects, but has more than once experienced the fact that getting paid for extra work in such projects may require so much documentation that it almost offsets the gain. The same amount of work in a relational assignment could have been invoiced without further ado.

Even more fundamental is that the informal project management that works well for relational projects and expert assignments is often inadequate when handling larger projects (Vignette 3 page 200). Hence the informality and flexibility that serves the firm so well in relational projects and expert assignments turns out to be a liability in larger projects where coordination of tasks with complex interdependencies is essential, and where the client is likely to insist on fixed price and formal negotiations based on meticulous documentation for payment of extra work. Agility in one context is apparently fragility in another. The optimal composition of the workforce differs between the different types of services. In addition, what has become clear from the analysis of Engineering is that even if expert assignments and particularly demanding relational assignments generate handsome fees and thus show substantial profits in the records, they also make heavy use of leadership capacity.

> Expert advisory assignments occupy people who are already scarce. So even if these jobs are attractive both in terms of rates and in other respects, perhaps we should say no – rather than turning down clients on building projects (Partner 2, 23.08.07).

A partner engaged in an expert assignment may bring along one or two junior engineers as apprentices, though this partner could have been overseeing a number of relational projects or a large project with the same use of time.

On the basis of these strategically-important differences I think there can be little doubt that these three types of services are incompatible when analysed through a static framework of competitive advantage; they pull the firm in different strategic directions. This finding is well in line with conventional wisdom on the issue (Løwendahl, 2005; Maister, 2003, 2008).

5.4.2 Benefits from straddling

All three types of service offered by Engineering are embraced by the formal strategies of the firm as they are within the firm's strategic domain. Engineering has clear strategies for participating in prestige projects and for developing competences that form the basis of expert assignments, and the company explicitly cultivates its client relationships through relational projects.

Because the three types of assignment differ in their task uncertainty and critical competences, they also provide increased variation in work and *wider opportunities for individual competence development* within the firm. In particular, the expert assignments and large integrated assignments make it possible to choose between a career in technical expertise or in project management. Relational projects provide more junior consultants the possibility of assuming responsibility for assignments earlier than if assignments demanded expertise or were larger. Variations in work allow for competence development (Schilling *et al.*, 2003), increased flexibility in the workforce (Gibson and Birkinshaw, 2004), more fun, and elements of mindlessness (Elsbach and Hargadon, 2006) which help to prevent exhaustion.

An analysis of the project portfolio also reveals benign interaction effects between relational projects and large integrated projects, and between expertise assignments and large integrated assignments. When a large building project is completed there will be a stream of assignments for the maintenance and upgrading of the installation. Sometimes this stream is more of a trickle, and sometimes quite substantial. With established client relationships the interaction may also work the other way round, as when a small preparatory study grows gradually and turns into a larger project.

> Some relational projects develop into large projects. Sometimes an established large real estate client starts with a small study that subsequently develops into something much larger (Partner 3, 24.08.08).

If the client is a public organisation then this larger project must be allocated through formal tender, but even in these cases Engineering has an advantage through its participation in the preparatory study.

The interaction between expert assignments and larger integrated projects is first and foremost that large building projects with ambitious clients are important users of expert solutions. These projects also contribute to the gradual routinisation of expert solutions into standard solutions that can be recycled in other projects at lower cost. Technical task uncertainty is gradually reduced with experience, in a process akin to the learning curve phenomenon (Yelle, 1979).

On the other hand, documented and reputed expertise may sometimes be the decisive factor in formal tenders that shift the decision to Engineering, even if the price estimate is not the lowest. This is particularly the case with prestige projects. The following quotation testifies to an important interaction effect in terms of competence development:

> Then why aren't we a few experienced advisory consultants earning lots of money with little risk? Some do specialise in advisory services. Well, in order to be a good adviser you need the larger building projects as well because that's where you develop the real competence (Partner 4, 03.04.06).

The interaction effect between relational assignments and expert assignments is first that a client in need of an expert would usually ask the responsible partner in Engineering for advice. If Engineering does indeed have the relevant expertise, then the natural conclusion is that it gets the assignment. Moreover, as the routinisation of expert solutions makes progress, there is a gradual transition from expert solutions to standard solutions that are being used in regular relational projects. For Engineering this transition is smoothed by internal competence development and sharing. It also strengthens Engineering's reputation for furnishing its clients with the most up-to-date technical solutions.

Less prominent in the data but still significant are the better opportunities for balancing capacity offered by the three types of service. The relational projects are particularly useful for filling spare capacity between the larger projects, which is important for a firm anxious to keep its staff. Without relational projects, Engineering might be forced to let engineers go when the building industry experiences a trough; capacity that could be costly to rebuild when demand recovers.

5.4.3 Dilemma on prioritisation of scarce resources – the use of 'golden' teams

High-profiled prestige projects are considered to be important in maintaining Engineering's reputation for excellence, and are used actively in the firm's CV. Such assignments are often won through hard competition, and the conditions in the contract are thus usually quite tough. In order to accomplish such projects successfully, Engineering often assigns 'golden teams', consisting of extraordinarily competent engineers who work very effectively together.

> Sometimes we top the team in order to win particularly important projects that carry lot of prestige. They provide good profiling for the firm and they provide good learning opportunities. However, they are demanding both to acquire and to accomplish and we often cut the margins, just in order to win the tender. (Managing Partner, field notes 24.01.07)

These teams may have developed particularly good practices for team interaction, finding creative solutions, or other practices that make the team capable of accomplishing projects with high efficiency and effectiveness. The use of golden teams seems fairly obvious when realising a demanding project in such a manner that it can actually be used as a reference project. However, there are costs to this practice: extraordinarily competent engineers are by definition a scarce resource, and grouping the top-tier engineers together on one team makes them unavailable to other concurrent assignments.

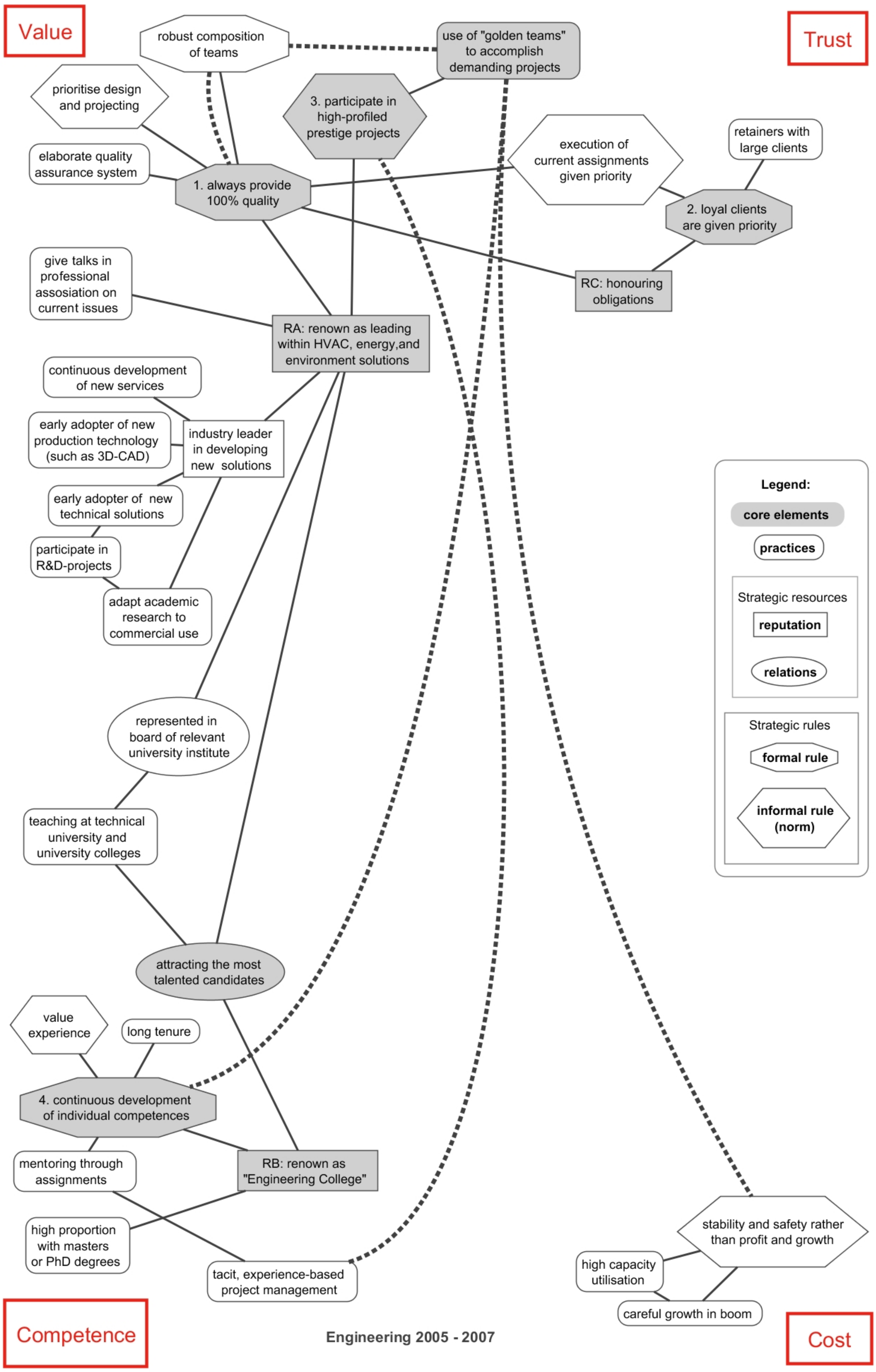


Figure 14 Engineering dilemma on prioritisation of scarce resources

Moreover, there is a more general point in this; insofar as the extraordinariness of the team stems more from its collective practices than from its exceptional individual members, the question becomes one of whether to keep the team together for its effectiveness, or to distribute its members in order to share its good practices with the rest of the organisation (Grabher, 2004).

In Figure 14, page 207, the dilemma inflicted by the practice of using golden teams is drawn with thick dotted lines. In order to accept this as a true dilemma one must accept that participation in high-profiled prestige projects is essential to Engineering's strategic positioning, and that the use of golden teams is necessary in order to acquire and accomplish such projects successfully. I find the partner-owners' strong belief in this causal connection to be very reasonable.

In the figure four dotted lines are drawn. The first shows that the use of golden teams strains the rule that all projects should be assigned robust teams. When the best performers are grouped together, the robustness of other teams declines. The knock-on effect is that rule 1, "always provide 100% quality" is sometimes jeopardised. This is a project-by-project problem, but could also hamper the general reputation for quality. I will investigate this further in the next subsection.

The second dotted line is drawn to rule 4, "continuous development of individual competences". Prestige projects are usually intense learning opportunities, and reserving those opportunities for just a few select people implies that others are excluded. Furthermore, there is a risk of a long-term Matthew-effect, which makes some more likely to be chosen again because they have been chosen before, while others are "left behind" through lack of learning opportunities. What were once small differences and partly mere coincidence may thus grow into significant differences in competence.

The third dotted line is drawn to the informal rule of maintaining stability and safety rather than stability and growth. This norm is not part of the formal strategies of the firm, but is a fairly obvious trait among the partner-owners. Although they seem to love the thrill of a high-profile prestige project, they also value stability. In interviews they express clear risk-averse attitudes in general, while accepting that certain risk is an unavoidable consequence of participating in prestige projects.

The fourth line links the practice of using golden teams to tacit, experience-based project management. The high-profiled prestige projects are without exception large, integrated projects. Hence, in these projects the limitations of tacit, experience-based project management come to the fore. The need for the use of golden teams is thus partly driven by ineffective project management that fails to control risks and provide necessary coordination on behalf of the team; each team member must either wait for direct instruction or have the capacity to self-coordinate. Direct instruction drains capacity from senior engineers, whereas self-coordination in a large project demands considerable experience. For this reason the use of golden teams is actually in itself a strategy for coping with projects that would be demanding for a firm of Engineering's size at any rate, but which are particularly difficult to handle without adequate project management.

Two related strategies were being discussed in the management group while I was doing fieldwork: first, more formalised practices for allocating people to projects, and second, more formalised career and competence development. Oddly enough, whereas Engineering enjoys a reputation for being 'Engineering College', many there lament competence development's chance rather than planned nature, as discussed in 5.3.1. These two measures imply more formalised project portfolio management, which is unfamiliar in a firm that has managed its portfolio through a few simple rules, like "loyal clients are given priority".

5.4.4 Dilemma on choosing between strategic virtues – quality or loyalty?

As shown in the activity system map, Engineering is conscious of its reputation for always delivering 100% quality. The firm is also quite adamant that it should give priority to loyal clients. Ordinarily, there is no conflict between these strategic rules, but with a boom throughout the entire construction industry, and real shortages in engineering competence, a contradiction between the two arose.

> At the moment new building projects just overwhelm us, but we need a support system that works. We're never satisfied with that and we're never going to get good enough because we have so much to do. The client yells, and when the client asks us to jump, we jump. Then we have to postpone the development of calculation tools or other things we have decided to do, because we have so much to do for our clients. We cannot lose a client. It turns out that we always give the client first priority, right or wrong... (Managing Partner, 03.04.06).

Moreover, close relations with a number of large loyal clients, ordinarily perceived as a great asset, temporarily turned into a liability because of the contradiction, as the loyal clients had a claim to Engineering's capacity which the partners felt obliged to honour. In some instances this claim was even a contractual one, through retainers. The situation is outlined in Figure 15. The situated contradiction between the '100% quality rule' and the rule of always giving priority to loyal clients is displayed in Semiotic Square 5 below.

5. 100 % quality + priority to loyal clients

7. 100 % quality + not priority to loyal clients	**1. 100 % quality**	**2. Priority to loyal clients**	8. Priority to loyal clients + not 100 % quality
	3. Not priority to loyal clients	4. Not 100 % quality	

6. Not 100 % quality + not priority to loyal clients

Semiotic Square 5 Priority of quality versus serving loyal clients

Relation 5 is the usual situation of reasonable balance between capacity and demand. Relation 6 is a worst case scenario that Engineering struggled to avoid. Relation 7 implies prioritisation of the reputation for quality at the expense of client needs. Relation 8 means that clients' immediate needs for capacity are given priority, to the potential detriment of quality and thus of the reputation for quality. One could reject this apparent dilemma as a false one, arguing that clients would understand that capacity was fully utilised.

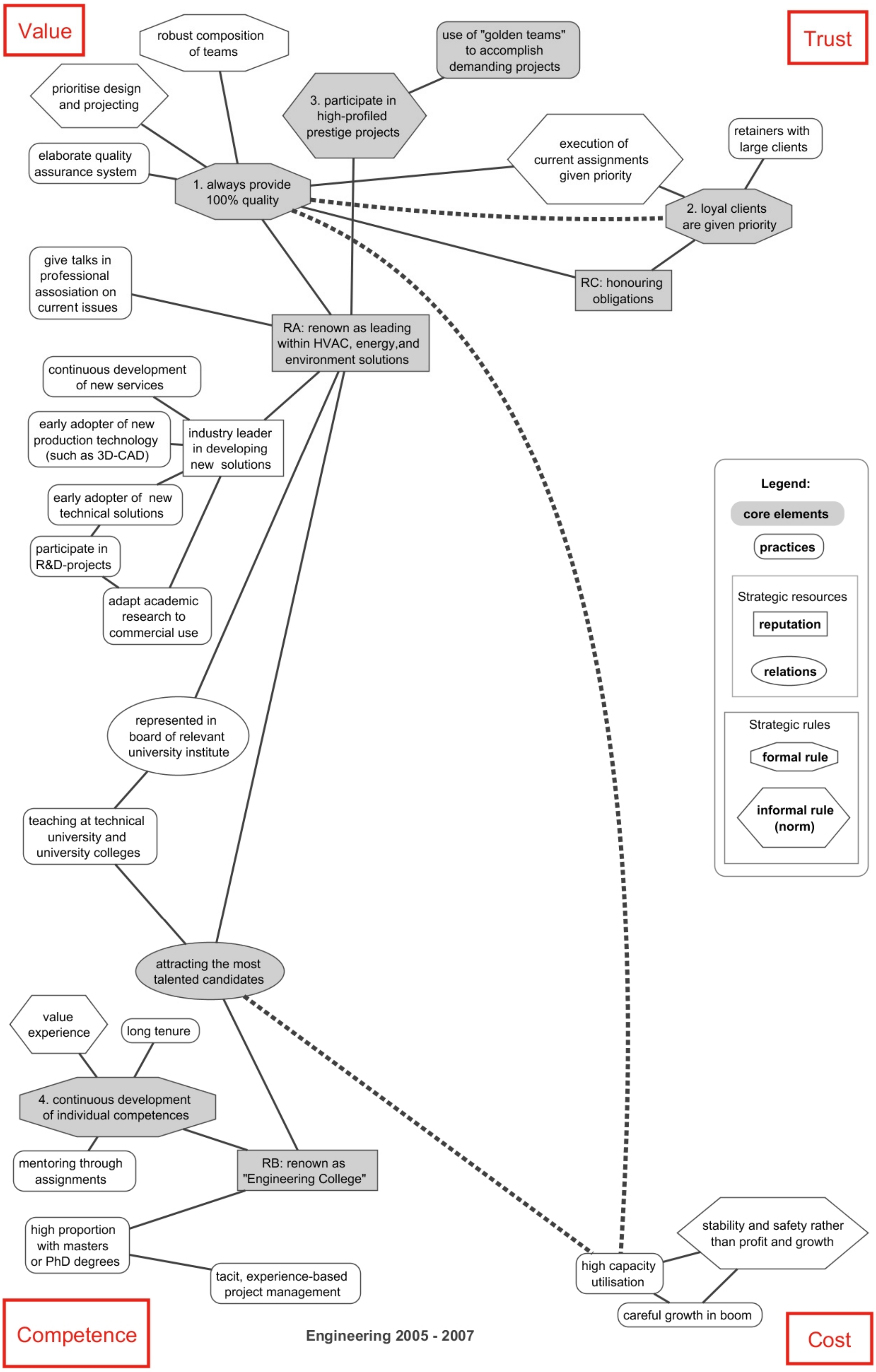


Figure 15 Engineering dilemma inertia

This is not however what I observed: partners found it very difficult to explain to clients that they could not accept an assignment without inflicting considerable damage on important client relations.

> You have a number of loyal clients, and you cannot just say no time after time, otherwise that client is lost (Partner 2, 23.08.07)

The short-term response was to squeeze out even more capacity through use of overtime (relation 5), but this practice reached its limits when people started to report in sick. The vulnerability towards reliance on experience-based project management was then pushed to the extreme, as senior-partner capacity was spread thinner and thinner, and more junior engineers were given responsibility that they were unprepared for. The result was further taxing of human resources, and assignments slipping into trouble, i.e. relation 6.

The partners then agreed on a temporarily policy of not accepting any new assignments except for those that for some reason *had* to be accepted. In practice, for a long period this policy only served to limit the pace at which the capacity situation was worsening, because the pressure to accept new assignments was perceived as overwhelming. Each partner truly believed that putting 'their' client relationships in jeopardy imposed a risk on the whole firm.

> This is a good example, a large project now well under way. It started two years ago with 'can't you please help us with looking at the costs of some changes we're considering at the request of a prospective new tenant?' Now it has turned into a project of about seven million NOK, which is rather big for us. It will be an enormous strain, and we have in a way stumbled into it, but we cannot withdraw now (Partner 2, 23.08.07).

As a result, the individual partners' commitment was initially not strong enough to stem the tide of new assignments effectively. In the next subsection I will describe how the partners eventually succeeded in coping with the situation through an "all-out effort" to mobilise all available resources for making the policy work in a way that relieved the pressure on the organisation, as well as making the clients understand the necessity of the policy.

5.4.5 Coping practices

Engineering uses a number of practices for coping with the strategic dilemmas they encounter. Reconfigurational ambidexterity is particularly important for coping with straddling. The situation where excessive demand threatened Engineering's rule of always providing top quality was eventually defused by what, for lack of a better name, I call 'coping through all-out effort'. In addition, Engineering's use of 'golden teams' is a coping practice; yet, as it also figures as a strategic rule, I discussed it as a strategic dilemma in subsection 5.4.3.

Two of the practices identified in Headhunting for coping with issues related to maintaining strategic position and preserving integrity (skilful ignorance and accommodating deviations) are little-pronounced in Engineering. There are two apparent reasons for this: first, although Engineering clearly prioritises prestige assignments, it has no strategy aimed at avoiding assignments that may undermine their strategic position, because this is not seen as an issue. There may be discussions related to prioritisation of scarce resources, but that is another matter. The same reason applies to preserving integrity: Engineering is not involved in ethically-contentious assignments. The dilemma Engineering faced between quality and loyalty, reported in subsection 5.4.4, does involve a concern for integrity, but was coped with through the *all-out effort* reported later in this subsection. Engineering does rely on coping through open dialogue when handling difficult issues, but the culture for discussion seems less pronounced than in the more rhetorically-minded organisations Headhunting and StratCom.

Coping through reconfigurational ambidexterity

Insofar as Engineering successfully handles three strategically distinct services with one activity system, the organisation displays some form of ambidexterity. Yet there are differences with the two forms of organisational ambidexterity hitherto described in the literature – structural and contextual (Gibson and Birkinshaw, 2004) – that cannot be ignored.

Structural ambidexterity would imply more than one activity system working in parallel, so as to provide organisational insulation between the strategically different services. Contextual ambidexterity, "defined as the capacity to simultaneously achieve alignment and adaptability at a business-unit level" (Gibson and Birkinshaw, 2004:209) does not fit the bill either. The reason is that contextual ambidexterity refers to adaptability in meeting "changing demands in the task environment" (Gibson and Birkinshaw, 2004:209), and it is clear from their discussion that the change is semi-permanent from one state to another.

What Engineering faces with its straddling is permanently conflicting demands from the task environment in a steady state. A contextually ambidextrous firm handles effectively the basic "unfreeze – transition – freeze" process described by Lewin (1951), where "freeze" refers to a new semi-permanent state. By contrast, Engineering must be able to handle different configurations of the activity system simultaneously on an everyday basis. I will thus propose 'reconfigurational ambidexterity' as a third form of organisational ambidexterity, defined as "the ability to reconfigure the activity system continuously in order to provide goods or services that relate strategically differently towards the task environment." This reconfiguration involves changing the *modus operandi* and accentuating some parts of the activity system while downplaying others.

Identifying the type of project, and staffing accordingly, is the first step in this coping strategy. It is more challenging to adjust to the different value and cost drivers. In particular it is important to avoid excessive formalism in relational and expertise-based assignments, and to step up formal project management when a larger project emanates from a relational assignment. Partners in Engineering willingly admit that this practice is difficult and that they too often handle each assignment in isolation, rather than as part of a larger portfolio.

Reconfigurational ambidexterity is facilitated by a heterogeneous distribution of contributions and responsibilities among the partners, in terms of both composition of individual project portfolios and responsibilities other than managing clients and projects. Analysis of the project portfolio of each of the partner-owners shows that they differ widely in the balance between the three types of services. This diversity allows partner-owners to utilise their individual differences in competence profiles, personal dispositions, and experience.

Moreover, their contributions to the firm beyond being responsible partners for projects also differ notably. One has particular responsibility for attending to the overall economy of the firm, another is responsible for competence development, and a third has particular strengths in R&D-projects, and so on. Some are more adapted to formal project management and the use of 3D CAD, whereas others are held in deep respect for their handling of clients or sheer experience in HVAC-engineering.

What the partner-owners have in common is that they are highly respected as "true and proper consulting engineers" with an apparent zeal for the welfare of Engineering, including commitment to the basic strategies of the firm. Beyond that it is as easy to spot the differences as the commonalities, and I observed discussions in the management group characterised by disagreement as much as by common perspectives. The benefits are clear, because the firm is coping better with diversity in the task environment than would be conceivable with more homogeneous contributions.

A potential problem is that this heterogeneity makes it impossible reliably to measure and compare the value of each partner-owner's contribution, which could have been a problem with respect to individual remuneration. However, all partner-owners receive exactly the same remuneration, based on a normative assumption of equal value of contributions. I was not encouraged to question this assumption.

I have observed two costs of this heterogeneity. In management group meetings the perspectives are sometimes very different, reflecting the diversity among the partner-owners. Whereas some variation in perspectives is valuable, too much difference hampers dialogue (Linell and Luckmann, 1991). The second cost is that junior engineers find the situation somewhat confusing because the personal preferences of the partner-owners differ widely.

"Engineering practice" is thus to some extent the sum of partner-owners' individual practices as much as it is a consistent signature practice. I have observed the same confusion among researchers in Headhunting and junior consultants in StratCom, an observation that suggests that this is a common trait in firms relying on strong partners for providing leadership.

Coping through all-out effort

The main coping practice for handling demanding projects is to utilise the most competent human resources as much as possible. Except for the largest projects, engineers are usually allocated to more than one project simultaneously, and this is particularly the case for senior engineers and of course responsible partners. The rationale for this practice is straightforward; one has to make the most of the best available resources when projects are in need, and there are considerable costs involved in allocating more people to a running project in times of stress. The managing partner remarked:

> If a project turns out to be pressed for time, then it is often useless to just throw more people at it. We are not digging ditches; we cannot just allocate more people who don't know the project. That only makes it tougher for the poor fellow trying to manage the thing. No, it is better to let those already allocated work a bit harder for a few weeks to get it done. But we still receive some chiding internally for this. It also has to do with economy; we need to make money in the projects, and allocating more people does not necessarily help in that respect (Managing Partner 03.04.06).

However, this coping practice has obvious limits, which the firm experienced at considerable cost in the episode analysed in subsection 5.4.4. Paradoxically, one practice for coping with excessive demand on human resources may be to increase efforts temporarily in an all-out effort.

All-out effort occurs when available resources are mobilised to solve a particularly difficult situation. The most telling illustration is the episode in Engineering where the organisation had to cope with excessive demand, but I have also observed softer versions in Headhunting when practitioners helped each other out with an assignment that had turned sour, using considerable resources for generating leads to potential candidates. StratCom also uses a soft version when pitching for especially attractive clients or assignments.

The episode where Engineering had to cope with excessive demand was at some point heading for a really difficult situation where quality would slip, jeopardising relations with current clients and perhaps staining Engineering's reputation for quality, as well as exhausting the organisation.

The implementation of the ad hoc rule, not accepting new assignments, provides an uncommonly clear illustration of how rule-following is dependent upon competence, commitment, and compliance. To follow the rule as such is of course a matter of saying 'no', and thus hardly demanding. The crux however was to say no in such a way that the client did not feel they had been given less priority. This required considerably skill, which the partners had to develop *en route*.

The partners' initial commitment to the rule was contingent; the cost of following the rule was individually high for them (for instance in terms of a very unpleasant conversation with a client), whereas the benefit was contingent upon collective compliance. Thus, each partner's commitment to the rule was contingent on the commitment displayed by the other partners. As the rule was to be applied in individual client relationships where the responsible partner's judgement was difficult to verify by the other partners, observing 'real commitment' in other partners was not easily done.

> We have promised each other not to take on new assignments, and then those here over the summer while we others are on vacation – they should not accept a new assignment of more than three million NOK. Where will we find the capacity (Partner 2, 23.08.07)?

As the situation gradually declined, a growing disenchantment with the lack of results spread among the employees of Engineering. A creeping sense of collective failure among the partners renewed the pronounced commitment to the ad hoc rule of not taking on further assignments. As all new assignments now had to be accepted by the partners, the individual partners experienced opposing pressure from their clients and their peers. This increased pressure for compliance from the organisation apparently also increased the individual commitment among partners, because the contingency – collective commitment to the rule – seemed eventually to have been fulfilled.

The turning point thus came when partners combined mutual peer pressure with increased confidence that they were able to convey the real situation of the firm to their clients, in such a way that the clients were left in no doubt about their status as privileged clients, and that the situation was truly exceptional. This was assisted by the prior investment in trust, and by being perceived as open and honest in a situation where the whole truth could not be revealed. Visible improvements in the order book also released new energy into the organisation.

I followed this process closely with full access to the partners individually, and as a group, but with the luxury of not having to bear the consequences. I cannot think of a situation better-suited to following van der Heijden and Eden's advice to "work with managers on strategic breakdown situations" (1998:67). The point I want to make, however, is that following this process closely made me appreciate how difficult this situation and the rule were for the partners. These were people who had nights without sleep in situations where they were scrambling to find enough work to avoid lay-offs. They cultivated the art of selling to reluctant clients, not through hard-selling but with the careful selling that becomes professionals. Now they had to do the opposite, having invested so much in making their clients trust that Engineering was not only the most competent advisor, but that the client would always be given their attention and a sense of priority. It was acting against their nature.

This episode illustrates how a new rule is translated into practice, and translation may be demanding, involving fallible practical reasoning on the part of responsible partners struggling to cope with conflicting obligations. The reason for calling this coping practice an all-out effort is that it was only by extraordinary mobilisation of resources that the partners eventually got the situation under control.

5.5 Conclusion

The main finding in this chapter is that Engineering straddles three strategically distinct services which in important aspects are clearly incompatible. They relate differently to the four dimensions of the task environment and they create severe internal tensions. Yet the investigation has shown positive dynamic interaction effects between the services, including long-term development of strategic resources like competences, relations, and reputations.

On balance, the available evidence does not allow for a firm conclusion on the costs and benefits of straddling, but it seems clear that the case presents a challenge to the advice against "getting stuck in the middle" from conventional theories (Løwendahl, 2005; Maister, 2003; Porter, 1985). Hence, the investigation adds to the understanding of tensions between static and dynamic efficiency (Ghemawat and Costa, 1993). Furthermore, it seems highly likely that whether or not straddling adds net value to Engineering depends primarily upon how well the practitioners handle the tensions which straddling inevitably brings – their proficiency at reconfigurational ambidexterity – as this is the essential practice for coping with straddling.

This chapter has also documented the fact that the firm has a limited number of formal strategies that appear to be mutually reinforcing, but that nevertheless lead to a number of difficult dilemmas. Some of these problems and dilemmas arise as a result of seemingly sensible and efficient practices, such as the use of golden teams to accomplish demanding prestige assignments, and the reliance upon experience-based informal project management, which has proved effective and efficient throughout the firm's history in most situations. A temporary environmental change in the form of increased demand for its services then turned these well-proven practices into liabilities for the firm. This situation of excessive demand also turned a highly valued resource, long-lasting client relationships, into a liability.

A particular dilemma for Engineering is the choice between investing in more formal project management, risking some of its agility and efficiency in smaller projects, or learning to cope with informal project management in larger projects. The latter appears increasingly impracticable for two reasons. First, employers in large projects demand formal project management. Second, the use of 3D CAD demands more precise and timely coordination because tasks that once were sequentially-interdependent have become reciprocally-dependent, as discussed in 5.2.2. Furthermore, as formal project management is spreading in the industry, maintaining reputation as "Engineering College" may require more emphasis on formal project management, simply because expectations change with regard to what one must learn in order to develop from candidate to "true consulting engineers". Moreover, as more and more installations have been designed with 3D CAD, maintenance and adaptions will also require competence in 3D CAD.

It appears that the case study serendipitously caught Engineering in a state of transition to more formal management of projects, the project portfolio, and competence and career development. This state of transition is so far only gradually and unevenly acknowledged by the partner-owners, even if the direction of change is clearly towards more formal project management and formalised competence development.

This chapter has documented a firm that straddles strategically incompatible services according to strategic positioning theory (Løwendahl, 2005; Maister, 2003, 2008; Porter, 1985), but that nevertheless appears to be thriving as a market leader. Chia and Holt's (2006) 'dwelling mode' and 'stability verging on inertia' are important characteristics of Engineering. The next chapter will investigate another firm which thrives as a market leader while straddling strategically distinct services, but with a much more tumultuous history and with a passion for strategising.

6 Passionate about strategising: StratCom

According to StratCom's self-presentation, the firm "moves power and influence in favour of its clients through communication" and "helps its clients by telling the outside world who they are and what they stand for." Thus, the strategic domain can be loosely defined as strategic communications consulting.

Whereas Headhunting and Engineering have taken their task environment as given, StratCom has from its inception undertaken to influence its task environment as much as possible. With a strong sense of being a pioneer, the firm and its high-profiled founder have always attempted to shape the domestic market for professional communications services according to their own ideas about strategic communication.

In contrast to Headhunting and Engineering, which display remarkable organisational and strategic stability, StratCom has experienced much change throughout its twenty-odd years' history. It has oscillated between near-bankruptcy and remarkable profitability. While Headhunting cultivates discretion and Engineering thrives on relative anonymity, StratCom has craved public attention, and succeeded. If success and importance are measured by attention from the media and politicians in public debates, then medium-sized StratCom is one of Norway's most successful and important firms. Admired, feared, despised, StratCom has lived through a number of intended strategy changes, much unintended internal turmoil, and sometimes spectacular clashes with powerful external stakeholders.

What StratCom has in common with Headhunting is significant investments in deliberate strategies that are taken seriously in everyday practices and called upon in situations where choice must be made. Although there may be disagreement about what precise guidance can be derived from these formal strategies in concrete situations, the authority of the strategies to provide such guidance is generally not contested.

Similarly to Engineering, StratCom provides three strategically distinct sets of services with one activity system. The services are: isolated special services, ongoing advisory services, and integrated communication services. How these services relate to the task environment will be investigated in subsection 6.2.2. The investigation shows that even in the case of StratCom, straddling both provides balance and development and causes the firm to be "stuck in the middle".

StratCom has also involuntarily explored the limitations of ambidexterity through diversification into services that are clearly complementary from clients' perspectives: in 1993 advertising was added to the strategic domain, a move consistent with StratCom's view on advertising as one tool among others for strategic communication. However, although clearly complementary in the market, advertising turned out to be incompatible with the activity system StratCom had developed for strategic communications consulting. This unsuccessful integration is explored in Vignette 4 Complementary misfit in StratCom.

Because of its tumultuous history, the recurrent theme in this chapter is strategic change. The chapter is thus longitudinal. I provide three maps of the activity system as it develops throughout StratCom's history (6.3). Some core elements of StratCom's strategies have survived these vicissitudes, whereas other elements have been profoundly changed. The balance in this chapter is thus tilted towards tracking changes in the activity system rather than translation of formal strategies into strategies-in-practice, the reason being that to study translation requires relative stability of the formal strategies. When strategies change it is difficult to distinguish strategic change and implementation from practices of translation, yet there are two strategic dilemmas that appear inescapable throughout StratCom's history and which affect translation.

The first dilemma is the tension between cultivating individual practitioners on the one hand, and developing competitive advantage through collective practices rather than individual performances on the other. The adage that management of professionals is like herding cats (Løwendahl, 2005) shows that this tension is by no means unknown in the PSF-literature. Yet StratCom takes the tension to the extreme, for reasons that will be discussed in subsection 6.4.3. The second dilemma is the need to maintain a reputation for integrity while serving the client's best interests, even when the client experiences a self-inflicted crisis that threatens its reputation. This dilemma is discussed in subsection 6.4.4. The chapter concludes by discussing practices for coping with the identified dilemmas.

6.1 Introduction to the firm and industry

6.1.1 Strategic communication services

Strategic communication services are an extension of what have traditionally been known as Public Relations (PR) services. The strategic communications industry is eager to reposition itself as one containing 'communications professionals' and insists upon PR being only one of several communications-related services for providing 'organisational perception management' (Elsbach, 2003). It is not easy to define exactly what strategic communications consultants do, except by providing examples. Typically, clients approach a communications consultancy when they have a problem where the solution depends critically on effective external or internal communication.

From the media we are familiar with the perception of PR consultants busily helping their clients through the kind of crisis that threatens the client's reputation. Crisis management depends, often urgently, on communicating so convincingly that the problem can be resolved without too much damage to public reputation. The crisis can either be self-inflicted, as with company fraud or health and safety negligence, or caused by an act of nature. In every case, the client must not only do what it takes to handle the crisis as such, but must also be seen to be acting appropriately, whether this means showing the appropriate level of remorse or sympathy, or handling a difficult situation competently. Indeed, one of the oldest truisms of the industry is that it is less often the crisis as such that brings the eventual downfall of a top politician or manager, but rather the handling of it: that is, how the handling is perceived by the public and stakeholders through media coverage. Crisis communication management is thus part of most communication consultancies' repertoires.

The protection and maintenance of public reputation is important for organisations and high-profile individuals even in normal circumstances. A crisis is acute, but many organisations and high-profile individuals recognise the need to improve their long-term reputation. For instance, in recent years there has been a growing awareness of environmental issues, and an increasing number of calls for greater corporate social responsibility (Porter and Kramer, 2006; Whittington *et al.*, 2003). In turn, these have required many corporations not only to be seen to be providing their clients with goods of high quality and relevance at a reasonable price, but also as engaging in production practices that are neither environmentally unsustainable nor exploitive of the work force.

Another example of a service offered is facilitating contact with public agencies, officials, and government representatives. Along with assistance in hushing up scandals, lobbying is often mentioned as the most dubious of the services that the PR industry offers, in that it appears to help clients cling to old privileges and gain new ones. The industry does not deny that such services exist, but draws attention to the fact that public agencies often baffle industry with their complexity, unfamiliar operating logic, and concerns that are of a political rather than industrial nature. Furthermore, just as public agencies baffle industry, public agencies and governments too often demonstrate that their knowledge of industry is wanting. Hence, policies and decisions are often made with little regard for the actual consequences for industry. Some even argue that professional lobbyists may actually provide democratisation of access to public authorities and politicians simply because such access can now be bought with money, and no longer depends solely upon being well-connected.

Other examples of services regularly offered by communication consultancies are: investor relations management; media relations management, including media training for key individuals in the client's organisation; and tailored communication campaigns in relation to, for instance, a major product release.

The preceding paragraphs give examples of external communication services, but organisations also experience challenges with their internal communication, and communication consultancies are happy to assist with these. The problem could for example be one of major organisational change which needs to be communicated effectively and persuasively throughout the organisation if it is to be implemented successfully.

The deliverables in this variety of services are numerous. Communication plans, media training, lobbying courses, PR campaigns, research and analysis, the production of annual reports and company magazines, and product PR, are all examples of deliverables that might be used in an assignment. The variation in scope is large, from single press releases to integrative communication plans for the internal release of a major strategic change, or strategic repositioning in the market. As the data from StratCom show, the scope of assignments may vary considerably, from just a few hours' advice, to large projects spanning several months, with a sizeable team involved.

The Norwegian market for strategic communication services has been in constant development over the last few decades. Twenty-five years ago, the PR industry in Norway consisted almost solely of domestic players; usually small, loosely-structured firms staffed by people who had gained experience of effective communication management in previous jobs, experience which they then discovered could be sold in the market place. At that time the stereotypical PR-consultant had two guises: the erstwhile politician who facilitated contact with public agencies, parliamentarians, or governmental representatives; and the former journalist who helped with contacts with his or her former colleagues.

From the mid-eighties onward the market gradually matured and came to be dominated by domestic actors who wanted to professionalise the industry through more methodical approaches and through the development and importance of a professional body of knowledge. Furthermore, internationally-established actors set up Norwegian subsidiaries, usually by buying promising domestic players, thus contributing further to professionalisation. The Norwegian market now consists of a small number of medium-sized actors, most of them either owned by or affiliated to an international firm, and a plethora of small consultancies of the 'old' sort – some of them presenting the larger ones with real competition.

The industry is effectively without regulation, beyond that of general laws and business rules. There is no binding common code of conduct, although some standards of conduct seem to be widespread; for instance, participation in smear campaigns against a client's opponent is publicly scorned by most PR consultants.

6.1.2 StratCom – a description

Founded by two Norwegians in 1989, StratCom is a Scandinavian consultancy company providing "strategic communications consulting", and is affiliated with one of the largest international strategic communications consultancies. According to StratCom's presentation material the firm nurtures two core competences: first, knowledge of decision-making processes and how they are structured; and second, knowledge of how communication moves power in decision-making processes.

Their client base spans a set of industries ranging from banking and finance, via oil and energy, health and pharmaceuticals, transport and travel, and fast-moving consumer goods, to the public sector and NGOs. StratCom provides the full range of communication services: facilitation of public agency contacts; public relations and media communication; PR campaigns and communication plans; financial communication; and improvement of investor relations. They also offer specialised services in, for instance, media training, crisis communication, and environment communication.

StratCom has lived through both growth and downsizing, and in 2008 employed 70 in Scandinavia, generating 70 MNOK in operating income. In 2005 the 30 consultants in the Norwegian section generated a turnover of 59 million NOK, and a profit before tax and bonuses of 14 million NOK. In 2007, 206 client accounts were active, bringing in from 2,500 NOK to 3 million NOK in revenue. The median account was 88,000 NOK, and the mean size of accounts 240,000 NOK. 55 per cent of total revenue stemmed from the 10 per cent largest assignments, whereas the 55 per cent smallest assignments only made up 10 per cent of the total revenues. There is no correlation between client account size and the profit margin recorded.

Since its founding, StratCom has been an almost mythical firm in Norway, celebrated, feared, and despised, with extensive rumours of the influence it has through the orchestration of a huge variety of operations on behalf of its clients.

> Much of what you read in the business sections in newspapers is generated here. This week for instance, we orchestrated the articles on [mentions three first-page stories in the leading business newspaper] (Partner 1, 03.06.01).

Undoubtedly, this impression is carefully nurtured by the firm, but I have had ample opportunity to observe through their assignments that the impression is well-substantiated. Legislation was even proposed in parliament to handle "the democratic problems that arise when attempts at gaining influence through the use of paid information consultants are made in secrecy" with specific reference being made to StratCom in the parliamentary debate.[9]

> It's unbelievable; we are a small firm of fewer than 100 people and we have more press coverage than Norsk Hydro; that's cool. At times the largest business paper has actually campaigned against us; that makes us proud (Partner 2, 27.09.00)

Much of the media attention has been brought about by the founder, who has actively sought the limelight with provocative interviews and feature articles. He claims that the

[9] Dok.nr.8:113 (1995-1996) (www.stortinget.no/dok8/1995/dok8-199596-113.html retrieved 050408, my translation).

motivation for establishing StratCom was to provide a clear contrast to the "shabby amateurism" that characterised the PR industry in Norway in the late eighties, while also developing a workplace where "fun" would be the central adjective describing people's duties.

> My point of view is that the best among us become artists, and the second best are to be pitied because we have to work. We have to make do as best as we can and create as pleasant an "artists' colony" as possible out of the second best. That has been the prevailing attitude here (Founder, 14.09.00).

At this point a note about the role of the founder is appropriate. His ideas, creativity, energy, and strong personality have on many occasions been decisive for StratCom's development, for good and for bad. Yet, as this case study is concerned with StratCom as an exemplar of a type of PSF, rather than tracking the history of StratCom as such, I have chosen to distinguish between the structural role of a founder of a PSF like StratCom, and the significance of his personality and preferences in concrete choices being made. For instance, I observe that a strategic change towards aggressive growth was initiated in the early 1990s, without trying to explain his personal role in this shift.

Over these twenty years StratCom has been noted for an unusually large share of public relations industry glamour and crises, having moved from five employees to 180 and back to 40, (it is now relatively stable at 70). Likewise, the firm has moved through different organisational structures: established as a partnership of relatively independent consultants, it then became a private limited company with external financial owners, and is today again organised as a partnership, but with much more emphasis on developing a cohesive company.

Acutely aware that they operate in a contentious industry, StratCom has an extensive set of guidelines for professional conduct. These guidelines regulate the relationship with clients, what kind of assignments they take part in, how to cope with conflicts of interest, and the individual consultants' own activities.

StratCom's total revenue, number of assignments, and mean and median revenue per assignment, are listed in Table 4 .

Year	2001	2005
Total revenue	63 165	48 794
Number of clients	305	186
Mean revenue per client	207	262
Median revenue per client	52	61
Range of revenue	6 364	4 471
Standard deviation	509	562

Table 4 Revenue and assignments for StratCom yrs. 2001 and 2005 (all amounts in thousand NOK)

Apart from the decline in total revenue from 2001 to 2005 (partly due to downsizing), the most striking changes are that the number of clients fell by 40% while the mean and median revenue per client rose by 27% and 17% respectively. The latter reflects an emphasis on developing existing client relationships rather than chasing new ones. This change is clearly visible in Figure 16 below.

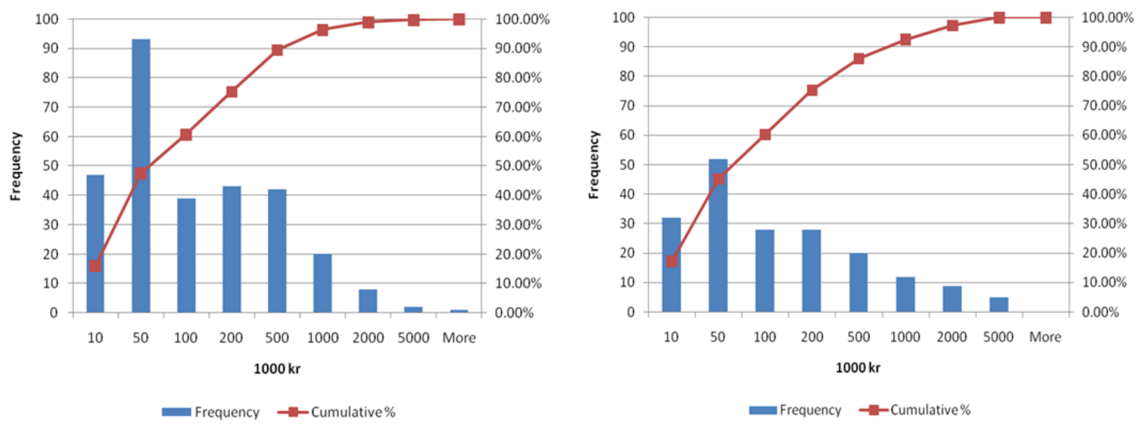


Figure 16 Histograms of client portfolios in StratCom 2001 and 2005

The large variance in the size of individual assignments shown by Figure 16 and Table 4 suggests that StratCom provides strategically distinct services. There is no correlation between recorded marginal contributions from client portfolios and the size of the client portfolios. This lack of correlation holds not only for profit margins but also for absolute profits from individual client portfolios. An inspection of a scatter plot between the size of client portfolios and recorded profit from the portfolios clearly shows that the variance of recorded profit is correlated with the size of the client portfolio; client portfolios that are remarkably successful financially are accompanied by equally remarkable financial failures. In addition, sales pitches for large assignments that StratCom would eventually lose could easily reach a size that ranked among the top 20 per cent in terms of magnitude, but then appear as pure losses – thus contributing greatly to the variance in recorded profit. This also shows that significant work is often performed as part of the sales pitch, leading to a race to recoup these costs if the assignment is won.

StratCom	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total operating income	129 831	103 619	102 556	88 034	53 587	42 857	52 387	58 746	49 832
Ordinary result before taxes	298	- 1 601	4 723	- 8 739	730	1 135	9 604	13 709	5 176
Employees	86	75	64	56	35	24	27	30	26
Operating income per employee	1 510	1 382	1 602	1 572	1 531	1 786	1 940	1 958	1 917

Table 5 Revenue, result, number of employees, and revenue per employee 1998-2006 (amounts in 1000 NOK)

This table clearly shows that the Norwegian branch of StratCom has been through some quite dramatic years. The years 1998-2000 were considered difficult for reasons that will be elaborated on below. The surplus generated in 2000 was thus taken as an indication that StratCom could finally be reported fit again. What was overlooked was the fact that, for a firm like StratCom, generating an operating margin of less than 5% in the buoyant year of 2000, with the dot.com bubble at its height, was reason for concern rather than celebration.

6.2 Tasks and task environment

In this section I first describe the internally developed i3-method, which is the main technology used by StratCom in solving assignments. Then I outline the three strategically distinct types of communication services provided by StratCom, and how they are related to the task environment. The three sets of services are "isolated special services", "ongoing advisory services", and "integrated communication projects". Similarly to Engineering, these services are strategically incompatible from the viewpoint of traditional theories of strategic management in PSFs (Løwendahl, 2005; Maister, 2003, 2008), whereas deeper investigation challenges that conclusion (this will be further elaborated in section 6.4.)

6.2.1 Technology and main activities in assignments in StratCom

Developed from 1999 onwards, the "i3-method" is the natural point of departure for an analysis of the current technology and key activities in terms of solving assignments and of professionalising and 'collectivising' the firm of StratCom (see Figure 17).

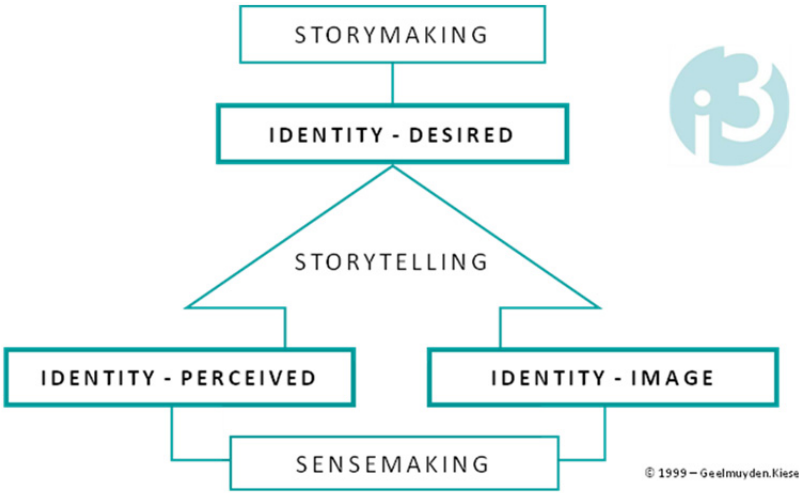


Figure 17 StratCom's i3-method

The method is built around a theory of three identities: the identity an actor perceives itself to have; the identity the actor has according to its stakeholders (the image); and the identity the actor desires to have. The overarching goal of an assignment is then to make the perceived identity and the identity-as-image converge towards the desired identity. StratCom emphasises this approach even when the problem at hand is much more concrete than that of changing identity, in large part because they believe in this approach as a source of uniqueness. It also works as a device for clarifying what kind of assignments they would like to take on. If they believe the i3-method will be effective then the assignment is relevant for StratCom, otherwise it is not. A third reason for always using this method is that the framework can only be further developed and mastered by practitioners through repeated use.

Three generic activities are involved in the i3-method: sensemaking,[10] storymaking, and storytelling.

The aim of the sensemaking activities is to identify problems and develop a small number of propositions for the main challenges that the assignment must solve. Largely as a diagnostic exercise, five main questions are raised: what vision and values are central to the client; which purposes should the communication support; what change is desired; which power moved; and what the time horizon may be. A range of methods is used to gather and analyse relevant information, including but not limited to the client's own plans and relevant documentation, analysis of media coverage, focus groups, public opinion polls, analysis of particular stakeholders, and in-depth interviews. A number of analytical tools are then available for further analysis of the collected information.

According to StratCom's internal presentation material, a well-formulated main challenge is concrete and accurate, and addresses the core of the larger problem to be solved. Sense-making identifies the gap between identity-as-perceived and identity-as-image. As there is no *one* identity-as-image but several images, an important part of sense-making is identifying the relevant stakeholders and identifying their image of the client and the client's problem. Another important area is identifying the sources of power that might work against the desired outcome. Depending on the concrete problem, those sources could be competitors, labour unions, a public agency, political parties or grass-roots movements, or simply people's habits and resistance toward change, to name a few examples.

Storymaking takes on the main challenges that are formulated as the point of departure for developing a story that supports change towards the desired identity. A good story must engage and be perceived as relevant for the recipient, and it must be credible; it enters the recipient's own agenda. As with business strategy, more of everything good and less of every-

[10] Sensemaking is here used without any reference to Weick (1995).

thing bad is seldom possible. An important part of storymaking is thus one of identifying and making choices.

> We are concerned with grounding the positioning in real choices with real consequences. If we don't succeed in that, then the values we are identifying just become flowery rhetoric (Partner 2, June 2001).

Again, a range of analytical tools is available for identifying the choices and trade-offs that must be made. StratCom emphasises not only strategic choices in this phase, but also emotional aspects. Borrowing vocabulary from classical rhetoric, they stress that a good story uses ethos and pathos as well as logos to convince. In order to support the desired identity as a basis for solving the client's problem, the story must also engage and overcome counter-forces. Storymaking involves analysis, but is even more dependent on synthesis and creativity.

> Storymaking is where analysis and creativity clash. We believe good storymaking occurs in the interface between people of different backgrounds, competences, attitudes...(Partner 2, 27.09.00).

The final phase is storytelling, when the perceived identity and the image converge towards the desired identity. Again a range of measures is available. In the previous storymaking phase a number of choices are made about arenas, roles, approach, staging, and dramaturgy. Storytelling puts these choices into action. Lobbying, PR-campaigns, advertising, planting stories in the media, and staged events, are examples of measures that may or may not effectively contribute to telling the story. They are accordingly used differently depending on the concrete problem that is to be solved. The measures taken in the storytelling phase are the most concrete deliverables in an assignment.

The i3-method is also used for positioning StratCom apart from advertising agencies and for conveying methodical professionalism.

> We are happy to let clients use the i3-method slides themselves, as long as we are credited. If a competitor pinched it; well everybody would know who invented it and really knows how to use it (Current Managing Partner, 04.03.08).

In StratCom's parlance, the advertising industry is solely concerned with storytelling. According to StratCom, by not being concerned with sensemaking, advertising agencies are unable to carry out storymaking that is grounded in any real understanding of the client's strategic challenges. In presentation material StratCom thus consciously positions itself in opposition to both strategic management consultancy (only sensemaking) and advertising (only storytelling.)

6.2.2 Three strategically distinct types of services

Despite the strong emphasis on the i3-method as being *the* approach to problem solving, three distinct types of services requiring three different configurations of the activity system were identified: "isolated special services", "ongoing advisory services", and "integrated communication projects". These were identified through nine in-depth interviews with clients carefully selected to display a diversity of relations with the firm. StratCom gave advice on which clients to interview, but did not take part in the actual selection. The interviews represented a wide range of assignments, in terms both of service delivered and of size. The interviews lasted for about an hour and the interviewees were guaranteed full confidentiality.

The interviewees were asked to describe the services they had commissioned, the buying criteria, the customer satisfaction drivers, and the interaction with StratCom before and during the assignment and to report their general impressions of StratCom. The findings from these interviews were then juxtaposed with the preliminary findings from the empirical research in StratCom. These results were subsequently validated through active member-check in interviews and at feedback workshops. For instance, I had two long meetings (1.5 – 2 hours) with the managing partner, during which the categorisation of StratCom's assignment portfolio was discussed and analysed.

The three types of services all rely on the same resource base in terms of people, and they are delivered with the use of the same i3-method. Yet there are marked differences in terms of value drivers and cost drivers, and to some extent critical competences and trust issues. Figure 18 illustrates the variation of task uncertainty between the three types of assignments.

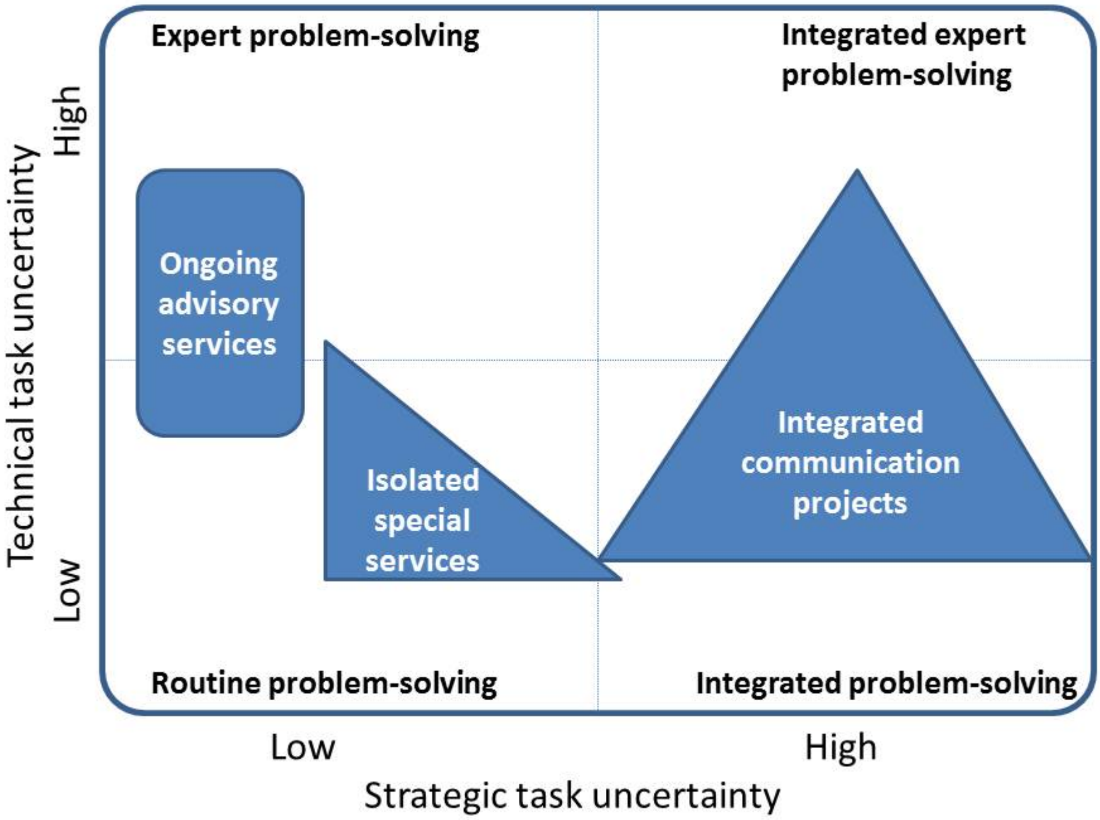


Figure 18 Task uncertainty of StratCom's strategically distinct services

Isolated special services are the building blocks of the communication services offered by StratCom. Sold as separate services, they are well-defined deliverables, and only limited communication between the client and StratCom is necessary to determine what is to be delivered. The execution is standardised, and the task uncertainty is generally limited. However, clear definition and standardisation do not make these services trivial; there is ample space for specialisation, both in terms of the business sectors served and the specific services offered. Facilitating contact with parliamentarians for a pharmaceutical company wishing to influence a legislative proposal, and preparing an annual report for a travel agency, are both examples of special services, yet they require quite different specialised competences. Standardised and clearly defined, isolated special services are susceptible to price-based competition when sold alone, despite the need for specialisation and expertise. Of the three i3-model perspectives, storytelling is the most important in isolated specialist services, partly because the assignments are usually too small to allow for a full i3-process.

Profit depends on efficiency and the ability to employ a large number of juniors relative to seniors through what is commonly known as 'leverage' (Maister, 2003). Senior consultants provide quality assurance and maintain contact with the client at critical points in time during the assignment, but the bulk of the work is performed by junior consultants. Profit generation also depends on the capacity-utilisation of juniors in terms of billable hours. Profit accrues to partners through leverage.

Ongoing advisory services are in some sense quite the opposite of isolated special services. While isolated special services are clearly predefined, ongoing advisory services often involve helping the client to make sense of a complex and ambiguous situation. They are usually delivered through a more or less continuous dialogue between consultant and client, rather than through specific assignments. "What is my problem?" epitomises many clients' approach to these services, implying that sensemaking is the predominant perspective. Standardisation is difficult because problem definition tends to be idiosyncratic for each individual client organisation. Thus, the technical task uncertainty is often considerable.

A good consultant for ongoing advisory services must be something of a generalist. He or she must have insight into the client's organisation and business model, and be able to combine that insight with communication expertise. Because there is little room for leverage in these assignments, their economic attractiveness depends on the client's willingness to pay high hourly fees or a handsome lump-sum for 'provided services'. I have come across instances where a senior consultant successfully delegates specific issues to a junior, but such delegation requires close supervision from the senior consultant. The development of a junior consultant into an independent adviser would occur via an apprenticeship with a senior consultant.

Integrated communication projects are delivered through larger assignments, where the client seeks two types of integration from StratCom: integration of business and communication strategy, and integration of a range of measures for developing and executing a communications strategy in order to solve a complex problem. Integrated communication services are the only one of the three types that makes full utilisation of the i3-method, accentuating storymaking as the feature setting StratCom apart. Integrated communication projects may have elements from both isolated special services and advisory services.

The uncertainties involved, and thus the competences required, are of a different order of magnitude than with isolated special services. First, there are the uncertainties involved in integrating sensemaking, storymaking, and storytelling in order to decide on an effective communication strategy and the proper mix of measures to be taken. Second, a significant share of the assignments StratCom takes on requires development work that qualifies as R&D according to the Frascati Manual (OECD, 2002). As with all development work, the uncertainty involved in such assignments is considerable.

Furthermore, in integrated communication projects, project management is a significant issue. Internal co-ordination and co-ordination with sub-suppliers are always necessary, but in quite a few assignments success depends on the enrolment and co-ordination of external actors that may have no interest in being co-ordinated, as is the case with the media, politicians and governmental agencies. As a result of all this the strategic task uncertainty in integrated communication projects is generally high.

The shapes in Figure 18, page 235 illustrate the variation in task uncertainty among the three types of services. The bulk of isolated special services are of routine nature. Yet, such services are sometimes used for difficult problems which require significant experience. A few assignments for international clients, for instance international product releases, require coordination across borders, prompting strategic task uncertainty without making the technical task uncertainty higher. Ongoing advisory services rely upon experience and understanding of the client's strategic situation. Thus, these assignments are frequently of strategic importance for the client, yet the strategic task uncertainty of the assignment itself remains limited.

The integrated communication projects have high strategic task uncertainty for two main reasons. First, they are of great complexity and require considerable coordination in their own right. Second, in order to succeed they must be coordinated with other ongoing activities in the client organisation. StratCom insists on the need for clients to "walk the talk"; changing the walk in order to keep up with the talk frequently affects the core of the client's organisation. Table 6, page 239 summarises how the three types of services relate to the task environment.

StratCom	*Isolated special services*	*Ongoing advisory services*	*Integrated communication projects*
Value drivers (buying criteria and client satisfaction drivers)	Addressing the client's problem efficiently Relieving the client of time-consuming tasks and decisions Avoiding pushing for a larger scope than the client is prepared to pay for Efficiency-based competition	Availability when the client is in need Trusting personal relationship Insight into client's organisation and circumstances Bringing new perspectives to the client's understanding Competition based on trust and relations, and experience and expertise	Public reputation for effective problem-solving Making the client recognise inherent trade-offs and making necessary choices Effectively identifying/framing and solving the client's problem or making the client able to solve the problem For advanced clients competition is based upon expected effectiveness. Less advanced clients favour efficiency
Cost drivers	Oversized sales pitches	Using time the client is not prepared to pay for; being	Uncritical time consumption during sense-making and story-

	Gold plating Overuse of senior competence	unclear about when the meter starts running	making phases Delayed decision-making keeping team members "on hold" Top-heavy project team Inadequate integration of project team Poor project management
Trust issues	Limited Trust in no misuse of confidential information (all three)	Personal trust	Reputation for professionalism
Critical competences	Knowledge of client's industry Knowledge of specific services provided	Integration of business strategy and communication strategy People skills	Integration of business strategy and communication strategy Mastering the whole i3-method Project management
Profit generated through	Leverage and efficient re-use of semi-finished solutions	Recognised value of advises that result in premium fees Sale of larger integrated assignments	Sales pitches that illustrate the value added from "method" approach vs "high-profiled individuals" and thus the scope for a higher fee

Table 6 Factors identified in analysis of activity systems in StratCom

Value drivers

Isolated special services fits with Løwendahl's (2005) generic strategy "adaptation of ready solutions" and Maister's (2003) efficiency-based practice. Problems are relatively well-defined and have a well-known solution, and value is also added through relieving clients' use of own capacity.

Ongoing advisory services rely on personal relationships and insight into the client's strategic challenges, and add value through assisting the client in making sense of complex situations and providing fresh perspectives. Maister's (2003) experience-based practice is the closest generic strategy. None of Løwendahl's generic strategies fit very well, as her client relationship strategies "are likely to be highly focused in terms of target client groups and less focused in terms of professional competences and the scope of services offered." (Løwendahl, 2005: 136). This is the opposite focus of StratCom's advisory services, as StratCom has clients from a wide variety of industries, but is focused on strategic communication.

Integrated communication projects rely on effectively diagnosing the client's problem and proposing and implementing an effective solution, always recognising that the problem is likely to be "wicked" (Rittel and Webber, 1973). Løwendahl's (2005) "creative problem solving" fits the bill reasonably well. Thus, adding value in integrated communication projects has much more to do with effectiveness in diagnosing and coping with a complex problem, than with perceived efficiency in executing standardised measures.

Cost drivers

The cost drivers in all three types of assignment are variations over misuse of time, assuming that time always has valuable alternative uses in other assignments, in sales pitches, in development of competence and services, or in sheer leadership capacity for senior practitioners. Oversized sales pitches and "gold plating" (adding extra value that the client is not prepared to pay for) are important for isolated special services, owing to the limited size of assignments. Gold plating not only destroys profitability in individual projects, but also frustrates future profitability, due to distorted expectations from the client in later projects. In advisory services "chatting away" without really providing the client with added value that manifests in a handsome fee is an issue. Also, the alternative cost of using top competence in one-on-one advising is high, because leadership capacity is over-used. For integrated projects, inadequate project management is an important cost driver, as expected. In particular, hours spent on excessive sensemaking and storymaking has been mentioned in interviews, probably caused by the combination of wicked problems and team members being encouraged to cultivate a multitude of perspectives on any problem.

Trust issues

For all three types of services, competence and commitment to handling confidential information are fundamental. Beyond that there are limited trust issues in isolated special services. Advisory services are based on personal trust and rapport, whereas integrated projects rely on the firm's reputation for professionalism and creativity in problem-solving.

Critical competences

Two critical competences are common to all three types of services: mastering the elements of the i3-metod, and the general craft of communication consultancy. Advisory projects are naturally dependent upon the traditional people-skills emphasised in the PSF-literature, and an ability to integrate a thorough understanding of business strategy with communication strategy. These are the typical skills necessary for Maister'(2003) experience-based practice. Successful accomplishment of an integrated assignment also depends upon effective project management and on mastering the whole i3-method; that is, being able to integrate sensemaking, storymaking, and storytelling. One recognises both Maister's (2003) expertise-based practice and Løwendahl's (2005) creative problem solving in this portrait of integrated communication projects.

6.2.3 Summary – tasks and task environment

StratCom delivers three strategically-distinct types of services, as measured by how these services relate to the task environment. There is little evidence suggesting that these services are fundamentally incompatible in the market, although isolated special services are clearly subject to efficiency-based competition, whereas advisory services and integrated communication projects are predominantly won on expected effectiveness. The non-complementarity between the services is, however, much clearer when it comes to the internal organisation and composition of the staff, as discussed both by Løwendahl (2005: 127-144) and Maister (2003, 2008).

The main technology used by StratCom is the home-grown i3-method, which is also used to demarcate the strategic domain and to provide a distinct StratCom signature for its services.

6.3 The activity system in StratCom

The turbulent history of StratCom makes a longitudinal approach essential in understanding the organisation. This section is therefore organised into different periods, with three different maps which delineate the development of its activity system. The formal strategies in StratCom are outlined in the activity system maps that follow (Figure 19, Figure 20, and Figure 21), which show both stability and change. Some elements of the activity system are there because of deliberation and design; others have emerged as a result of having to cope with difficult episodes. This case study presents strong evidence for the assumption that an actual activity system is developed through on-going interplay between the 'building mode' and 'dwelling mode' of Chia and Holt (2006).

The maps also demonstrate that 'coreness' cannot be measured solely by the counting relations in which an element is involved. For instance, "always advise openness rather than suppression" does not appear on the maps as particularly central as measured by its relations. However, the emphasis put on this element in StratCom strongly suggests that this is a 'signature move'; it is something StratCom uses consciously to distinguish itself from its competitors.

6.3.1 The early years, 1989 to 1993

StratCom was founded in 1989 by two entrepreneurs with considerable media knowledge and some experience in industry. They deemed the PR industry in Norway to be unprofessional, and aimed to dominate it by introducing professional attitudes and practices and highly selective recruitment of partners and employees. They had also had experiences with previous employers that made them very conscious of what kind of organisation they wanted to create. This was to be a professional partnership with minimal administration, where the glue was a common set of values: openness, integrity, aggressiveness, and a sense of humour. The expression "self-moving artillery" is still used to describe the type of personality StratCom welcomes. Subscription to these values and a capacity to generate business were crucial criteria for selection in recruitment. During these years StratCom emphasised selective recruitment rather than growth. Each recruit, at junior or senior level, had to be accepted as being somewhat out of the ordinary.

Some very clear operationalisations of the values were made, with the remuneration system being possibly the most telling. Everybody in the organisation had the same fixed wage, which was at a comparatively low level.

> The values of the firm were reflected in the remuneration system; very low fixed wages and bonus-systems that were equal for everyone. There were no individual negotiations (Former Managing Partner, 01.09.00).

The bulk of individual remuneration would come through a bonus that was a fixed proportion of the individual consultants' own invoicing, based on the previous year's profit. The system was the same for partners and employees alike, and individual earnings contributions were measured as the number of invoiced hours multiplied by an individually-set hourly rate. From one perspective this is eminently egalitarian, from another it is elevation of 'survival of the fittest' into policy.

The emphasis on 'freedom with responsibility' meant that all partners enjoyed great autonomy in developing their own client portfolio, as long as they did not act in ways that damaged the reputation of StratCom, and did not bring about excessive liabilities for the organisation, much in line with Løwendahl's (2005) client-relations-based generic strategy. The combination of freedom with responsibility, emphasis on integrity, strong individualism, and cultivation of internal diversity, led to a policy which gives individual consultants the right to refuse to work with certain clients and assignments.

StratCom had elaborate formal strategy processes in which literally everybody was involved. These aimed to create a common understanding of the direction and scope of each strategy.

> Until autumn 1996, when we became more than 50-60 people, we had a strong tradition of discussing issues very openly in a partnership. We had very elaborate strategy processes, in fact, the Norwegian Labour Inspection Authority, which was a client of ours, actually used us as an illustration on exemplary industrial democracy (Founder, 14.09.00).

According to the then managing partner (2000), this was a virtue of necessity, due to the values of and types of employees in the organisation, and was important because the management *qua* management had few means at its disposal to force anyone to follow the strategy, as long as the person in question maintained a 'healthy portfolio' and conformed to the organisation's values, which could always be open to interpretation and argument. Agreement on direction was important if the company was to build a reputation through recognisable services. The reputation remains chief among collective resources in this partnership. It is tempting to interpret the near-obsession with reputation in StratCom as an occupational hazard of the services the firm provides. The senior partners naturally insist that their concern for the firm's reputation only reflects their practical insight as to its importance. The two reputations StratCom has nurtured from the very beginning are to be recognised as the leading strategic communications agency in Norway (later Scandinavia), and to take a clear stance on integrity. StratCom has also always emphasised that it always has a client focus, and that it aims to work at a strategic level for its clients. This quotation from the current managing partner, with a long history in the firm, sums up what has been StratCom's aspiration from its inception:

> We take pride in understanding what makes our clients tick. This does not necessarily mean that we aim to change their business strategies, but we have to understand them. We need to know what their goals are beyond publicity. The consequence of this attitude is that some prospective clients choose not to work with us. They don't want to pay someone to understand their business strategies; they just want publicity for an event or something similar. They are unwilling to pay the 200 thousand NOK extra for someone to really hit the bull's eye with the advices (Current Managing Partner, 14.03.07).

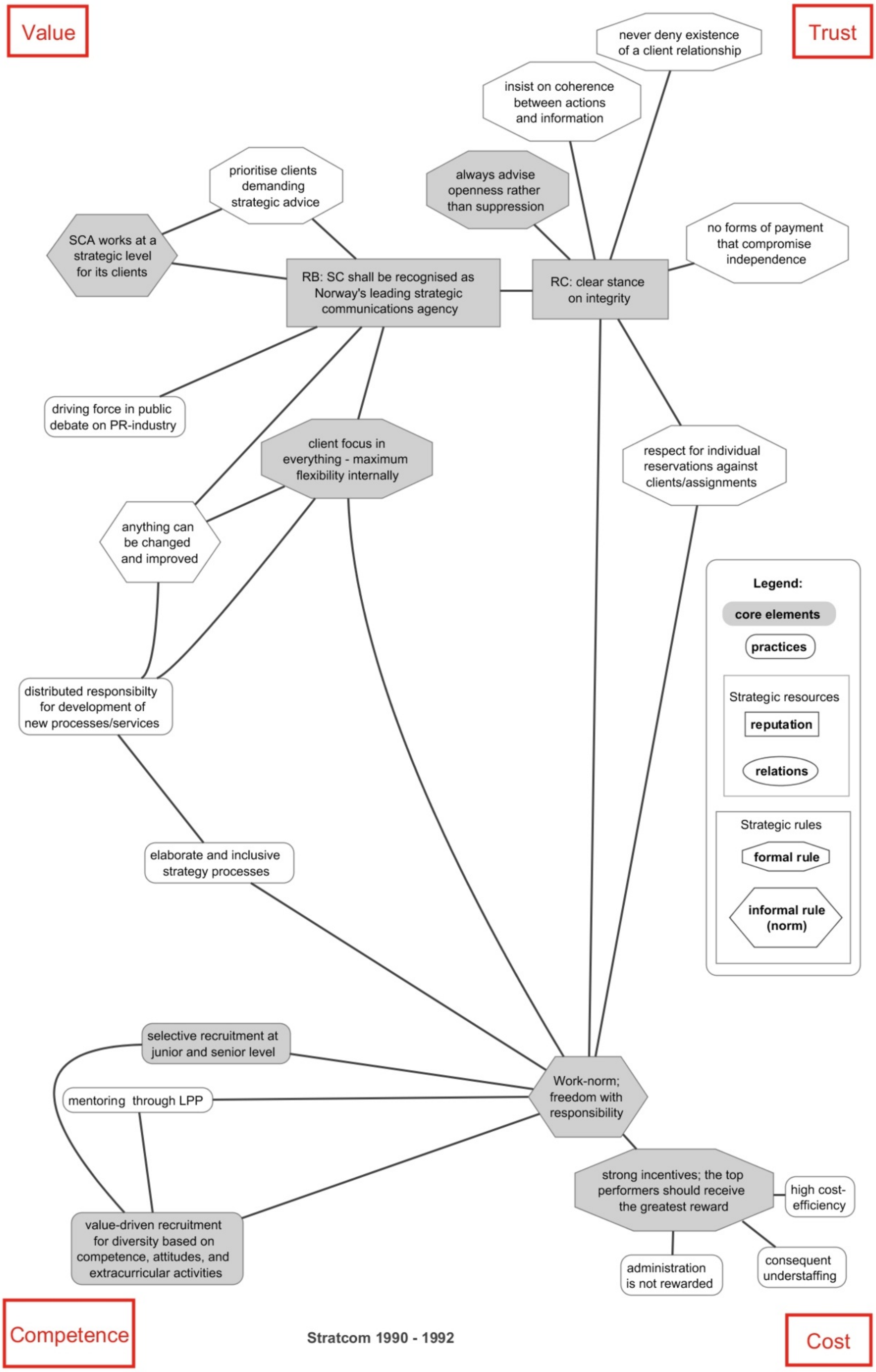


Figure 19 StratCom's activity system 1990-92

The early years are commonly recognised, a little mythically, as something of a golden age. StratCom enjoyed high profits and steady growth, based more on refining the client portfolio and obtaining better-paid projects than on growth in the number of employees. The firm received massive media attention, most of it positive. Figure 19 on page 245 depicts the activity system of StratCom for these early years[11].

6.3.2 Rapid growth and crisis 1994 to 1998

These successful first years were followed by a period of extensive change in strategy, and ended with severe crisis. A comparison of StratCom's activity system in 1999-2000 (Figure 20 p. 248) with that of 1990-92 (Figure 19 p. 245) shows considerable differences in strategy, motivated by a persistent drive for further professionalisation of the firm, combined with a huge appetite for growth.

Hubris and a sense of invincibility tend to slide in alongside massive success. Though not without disagreement among the partners, a new strategy was formed, where organic demand-driven growth was replaced by rapid and aggressive growth through geographical expansion into Sweden and Denmark (1997) and through diversification into advertising (1993), publishing services, and Internet consulting (1997). In Figure 20 StratCom's Activity system 1999-2000, on page 248, this change is seen as "all relevant services provided in-house". Such growth could not be financed internally, so a stock emission towards external owners changed StratCom from a partnership into a limited company (1996). Perhaps the most risky change was to replace a practice of very selective recruitment with aggressive growth through massive recruitment in the Norwegian core business, see Figure 20. The bold dotted lines in the map emphasise the fact that the inherent contradictions brought by ag-

[11] A note on methodology; in contrast with the other maps of activity systems in this study, this is based on retrospective data. Golden (1992) warns that "retrospective errors appear to occur systematically and may be attributable to faulty memory or to attempts to cast past behaviours in positive light." (p. 848). I have taken care to cross-check my findings, even with people who have left the organisation unhappily, and I have also used a collection of media entries to ground interviews in independently-collected data.

gressive growth (diversification and recruitment) were untenable in an activity system designed to fit a small consultancy boutique.

The founder who had been managing partner became CEO of the whole group, and a new management team was recruited to run the core operations in Norway (1996). Strategy development remained with the founder and his closest associates. The activity system was much developed in this period, although the change into aggressive growth in the short run overshadowed the changes towards further professionalisation.

Many of the new elements remain central to StratCom's strategies, including the idea that StratCom moves power and influence in favour of its clients through communication, and the promise to its employees that StratCom will be the place in Scandinavia where they can learn the most about communication and communication consulting. The explication of value contribution to clients through communication that moves power also provides a firmer basis for the rule of always advising openness.

I will elaborate neither on the expansion into Sweden and Denmark, nor on the establishment of the publishing house and the Internet consultancy, other than noting that these projects made the organisation more vulnerable to loss of revenue and profit in the core business, due to high start-up costs. Instead, the focus will be on how a concurrence of unfortunate events, goaded by massive recruitment, eventually threatened the organisation with bankruptcy, due to losses in the core business in Norway.

Four problems seem to have been significant. First, the new management team for the Norwegian core business had PR industry experience and had been recruited for their professional credentials. However, they were not acquainted with the culture and values of StratCom, and had no experience of managing an organisation of StratCom's size during a period of rapid growth.

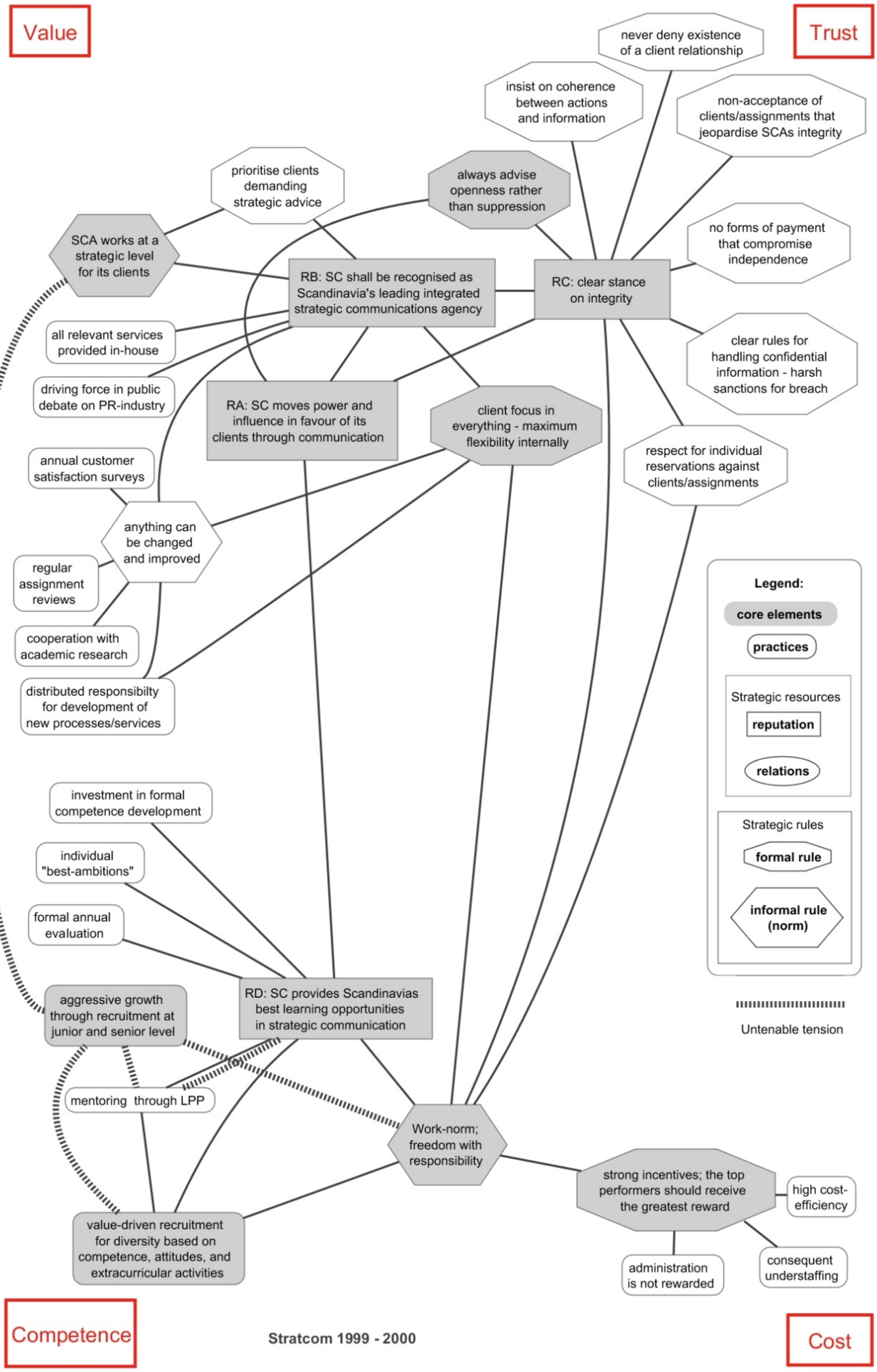


Figure 20 StratCom's Activity system 1999-2000 (with untenable tensions drawn)

Second, former success led to a gross overestimation of the market potential of the core services: since StratCom had always experienced larger demand for their services than they could or cared to meet, extrapolation showed nearly unlimited demand.

> When I started, the whole organisation suffered from the Icarus-syndrome; they had had such success and become so arrogant that they started believe in their own PR and had no sense of vulnerability at all. When on a steady course towards trouble, that was obvious; they just wouldn't realise it. All criticism was either ignored or ridiculed (Partner 1, 12.09.00).

Third, rapid recruitment strained the internal capability of socialising new employees into StratCom practices, and teaching junior personnel to become marketable consultants. One consequence was that clients experienced a declining quality in the services they received. In addition, by admitting juniors who were not prepared for StratCom's requirements, the quality of the recruitment process was compromised.

> They hired 50-60 people; internally they are referred to as 'the class of 97'. There are about two left (Founder, 14.09.00).

A fourth problem was growth into new areas (e.g. advertising) where StratCom's values and practices were unknown and regarded as unsuitable. Chief among these clashes was the remuneration system, which was considered outrageous by employees coming from advertising, where remuneration was based on higher, fixed wages and lower bonuses. While publishing and Internet consulting were organised in subsidiaries, advertising services were incorporated in the core organisation because of its strong complementarity to existing services (see Vignette 4, page 253 for further discussion.)

> We wanted to expand into new areas and recruit people with other backgrounds. These people did not accept the prevailing remuneration system, and thus negotiated higher fixed salaries. And when they received high fixed salaries, then everybody else wanted that as well – a remuneration system like we had must be universal; otherwise there's no point in it because all risk is shifted to those on bonus-systems (Former Managing Partner, 01.09.00).

The newly-recruited senior advertising personnel negotiated remuneration contracts with high fixed salaries. This led to a sharp increase in risk for those who still came under the old remuneration system, because the fixed costs of the organisation rose sharply, and their bonuses relied on the net profit. The whole system eventually collapsed, as the 'incumbents' refused to accept this higher risk. In addition, the organisation, which had been virtually 'loss-proof' due to low fixed costs, became much more vulnerable to decreased revenues.

> It was a shock for me to return to a company that had a deficit. We had created profit every year from 1989 to 1996, when I left (Former Managing Partner, 01.09.00).

Some of the high-profiled seniors had been consistently sceptical about the new growth strategy, and had no ambition for the organisation to grow, either in scope or geographically. These people were also some of the strongest carriers of the 'old culture' and they felt increasingly alienated. When the development they had warned against turned into a visible crisis, some of them left the organisation and started up competing firms. Along with the exiting seniors went some of the second-tier employees and a considerable number of 'their' clients. When many of the 'rainmakers' disappeared, the organisation was left with a disproportionate number of juniors, who were not able to acquire an adequate mass of assignments. The organisation also experienced the unpleasant fact that visibility in the media, which had been an important asset in the 'golden days', suddenly became a liability.

6.3.3 Recovery and new crisis 1998 to 2002

The founders and external owners eventually decided that enough was enough, and set out to turn the organisation around. The managers of the business in Norway, who had been recruited in 1996, were induced to leave. The former managing partner and founder again took his position as CEO of the business in Norway, as well as that of chair of the whole group. The challenges were formidable: a huge imbalance between costs and earnings; many redundancies among employees; internal discontent and demoralisation; massive negative publicity and a damaged reputation; and a pool of increasingly dissatisfied clients.

> There had been... too much of a home-alone party and too little structure (Partner 1, 03.06.01).

The first task was to turn the organisation around before bankruptcy became a real threat. Since it seemed that it would be impossible to increase earnings substantially in the short run, costs had to be cut. As the main fixed cost in a service firm is wages, wages had to be reduced, either by adjusting them downwards, or by dismissals.

The second task was to increase revenues and regain a favourable reputation. With a team of researchers, I was involved in this task through an action research project that commenced in year 2000. The founder and some of the partners had for some time made considerable efforts to develop a distinct method for use in assignments; the so-called i3-method, which would create a collective practice in StratCom and provide a distinct 'signature' for StratCom's assignments.

> That has been a problem, that everyone performs the tasks differently. The methods for accomplishing tasks haven't been distributed throughout the system. Many of the partners have written communication strategies in totally different ways. When you work with two different partners and they want very different things, then you use up a lot of energy trying to read the partner's mind (Junior Consultant 1, 22.09.00).

Such methods would also make the firm less dependent on individual partners.

> There was only one name in this business, and there are reasons for that. Other people are less structured and need support systems; he (the founder) doesn't need that because he simply *is* structured. He makes his own little systems that work...you have to cope on your own. When there are 100 of us, then we need structures and support systems (Partner 2, 27.09.00).

The action research project, entitled 'In search of uniqueness', complemented these efforts by seeking to explain what consultants and clients thought made StratCom unique, and by exploring how any uniqueness could be developed further. One of the main findings in the project was that any credible claim to uniqueness had to build on a successful combination of the then fledgling i3-method and the internal diversity of staff in StratCom. The i3-method would provide systematisation and reduction of task uncertainty so that clients could be confident in the outcomes of projects. The considerable cultural, educational, social, and political diversity of staff in StratCom would on the other hand ensure that problems would be analysed from every relevant angle, which is crucial for effective communication with a critical audience.

However, the project concluded that to make this combination work in practice would be very demanding, particularly in situations where the assignment was subject to financial restrictions, which they usually are. The underlying tension is between individualism and diversity on the one hand and collective practice and systematisation on the other, and of course that between efficiency and effectiveness. Moreover, the conclusion reflects the fact that many clients desire a combination of real surprise and utter predictability.

When the action research project started in early 2000, the worst upheavals in the organisation were over, and the co-founder had once again left his position as managing partner, to concentrate on rebuilding the client portfolio[12]. StratCom ended the year 2000 with a profit, for the first time since 1997. However, what the management team failed to realise was that making a small profit in the buoyant market conditions of 2000 was hardly a reason to declare the organisation fit. During the spring of 2001 the management team "felt that something was amiss in the market" and 9/11 only strengthened an already negative trend. For StratCom this meant new rounds of downsizing in an organisation where morale was already shaky.

> It was a buoyant market (in 2000) and to deliver just a small profit in such a market…..a tiny setback and we're back in the red. We were too happy with the profit to realise the risk ahead. We sensed that something was amiss during spring 2001, even if first quarter profits were handsome, and started preparing cost-cutting. It proved to be not nearly enough. 2001 was awful (Current Managing partner, 16.02.06).

A thorough clean-up process ensured survival, with all business that was not defined as core communication services being sold off or disbanded outright. The publishing services and Internet consulting subsidiaries were sold off (2001). The advertising department was abolished (2001), as the management team realised that StratCom could not compete with the incumbents in the advertising market. Furthermore, while the services are clearly complementary, StratCom never succeeded in providing strategic communications services and advertising services with the same activity system. The reasons for this failure are investigated in Vignette 4 Complementary misfit in StratCom below.

[1212] The founder was managing partner until 1996. Then a MP was brought in from outside StratCom; he was induced to leave in 1999. A former partner, who had left StratCom in 1997, was brought in as new MP ("Former Managing Partner" in quotes.). He left StratCom again in the autumn 2001due to being appointed to political office, and the "Current Managing Partner" took office. He has been with StratCom almost from the early 90ties.

Vignette 4 Complementary misfit in StratCom

StratCom established in-house advertisement services in 1993. Although obviously complementary to their communications services, advertisement services were terminated in the shake-up of 2001. Several factors contributed towards this situation.

The first reason is related to the fact that although advertisement activities are clearly complementary to general communications activities, they are not obviously similar (Richardson, 1972). Thus, there was a clash of standard practices, most clearly demonstrated in the different attitudes towards reward systems. For the incumbents in StratCom, a performance-based reward system with low fixed salaries was part of the natural order of things. However, for the advertisement personnel who were recruited, such a reward system was unheard of, and was regarded as being simply unacceptable. According to a former managing partner in StratCom, the different attitudes towards the remuneration system is only a symptom of the deep-rooted cultural differences between advertising and communications consultancy:

> Those working in advertising have very different identities, and conceptions of their own culture, than what you find among communications advisers (Former Managing Partner, 01.09.00).

The second reason was that StratCom had consciously positioned itself as being different from advertising, frequently criticising the advertising industry publicly for lack of strategically-rooted advice to their clients. Within StratCom, this dissociation inevitably led to real or imagined disdain for advertising, as being secondary to communication services.

Thirdly, while StratCom was clearly a top-tier communications agency, it never succeeded in establishing itself as anywhere near a top-tier advertising agency. Project managers from communications thus hesitated to recommend StratCom's advertising services to their clients.

The paradox is that related diversification may be more difficult than unrelated diversification. While nobody suggested that publishing services should be integrated with the communication services, the whole point of offering advertising services was to integrate them as part of the broader repertoire of communications services. Thus, achieving structural ambidexterity (Birkinshaw and Gibson, 2004) by isolating advertising in a separate unit was not an option. It would have defeated the purpose, as it was clear from the beginning that diversification into advertising would only makes sense if one succeeded in integrating advertising with strategic communication consultancy. When this integration failed, offering complementary services from within the same activity system destroyed rather than created value, because it led to internal conflicts and discontented clients, and undermined the reputation for quality.

6.3.4 New recovery and strategic shift, 2003 to the present

Having suffered so much due to hubris and uncontrolled growth, the management team realised that bigger is not necessarily better, and that the best way forward was to return to the organisation's roots as a strategic communications consultancy, though with some important changes compared with the early days. Five significant changes in strategy can be identified when comparing the activity system of 1999-2000 (Figure 20) with that of 2005-07 (Figure 21, page 256).

First, the i3-method enters the activity system as a central element structuring the practices used in solving assignments, thereby providing a distinct StratCom-signature. The second change, related to the first one, was to amend the recruitment policy to fit better with the i3-method. In addition to recruiting promising junior personnel, StratCom had adhered to the practice common in the industry of recruiting high-profile individuals.

> We believe that one of our competitive advantages is our methods and processes - methods that make us the communications consultancy where you can learn the most about communication. It is precisely because of the methodological approach; you hit bull's eye because you have gone through a thorough process. We are no longer concerned with recruiting 'names'; we consider that to be old-fashioned (Partner 4, 10.10.07).

The third change was to introduce a formal learning hierarchy, a natural consequence of the new recruitment practices. The hierarchy consists of five levels, from junior consultant and consultant, via adviser and special adviser to senior adviser. There are in principle two entry levels; junior consultant for recruits arriving directly from university, and adviser for more experienced recruits. At the level of special adviser one will be invited to join the partnership and be eligible to be a key account manager.

These moves were clearly inspired by McKinsey practices and represented a remarkable shift in strategy; StratCom would no longer sell its services primarily on the basis of its reputation for strong and high-profiled individuals, but on its reputation for strength through a common approach, the internally developed "i3-method", much in line with Løwendahl's (2005) problem-solving or creativity-based generic strategy.

Fourth, changes were introduced in the remuneration system, which has always contained strong incentives. However, the actual incentives have changed over the years, and the significant change this time was to make partners collectively responsible for the employment and development of junior practitioners. Fifth, as a consequence of divesting itself of advertising, StratCom relied on nurturing strategic alliances with other leading players rather than providing all services in-house.

Figure 21, page 256, shows the activity system as it appeared at the end of data collection for this study. The number of formal rules in the map reflects the emphasis on formalisation of and explicit belief in creating structures which will lead practitioners' creativity and energy in the 'right' direction.

For instance, in the fifth draft version of the 39-page-long internal presentation of StratCom's business plan for 2008, presented in August 2007, the founder of the European Community, Jean Monnet, is quoted with the words, "Nothing is possible without men, nothing is lasting without institutions". The significance for StratCom is then spelt out: "That is, lasting change is created through the construction of new systems and new structures."

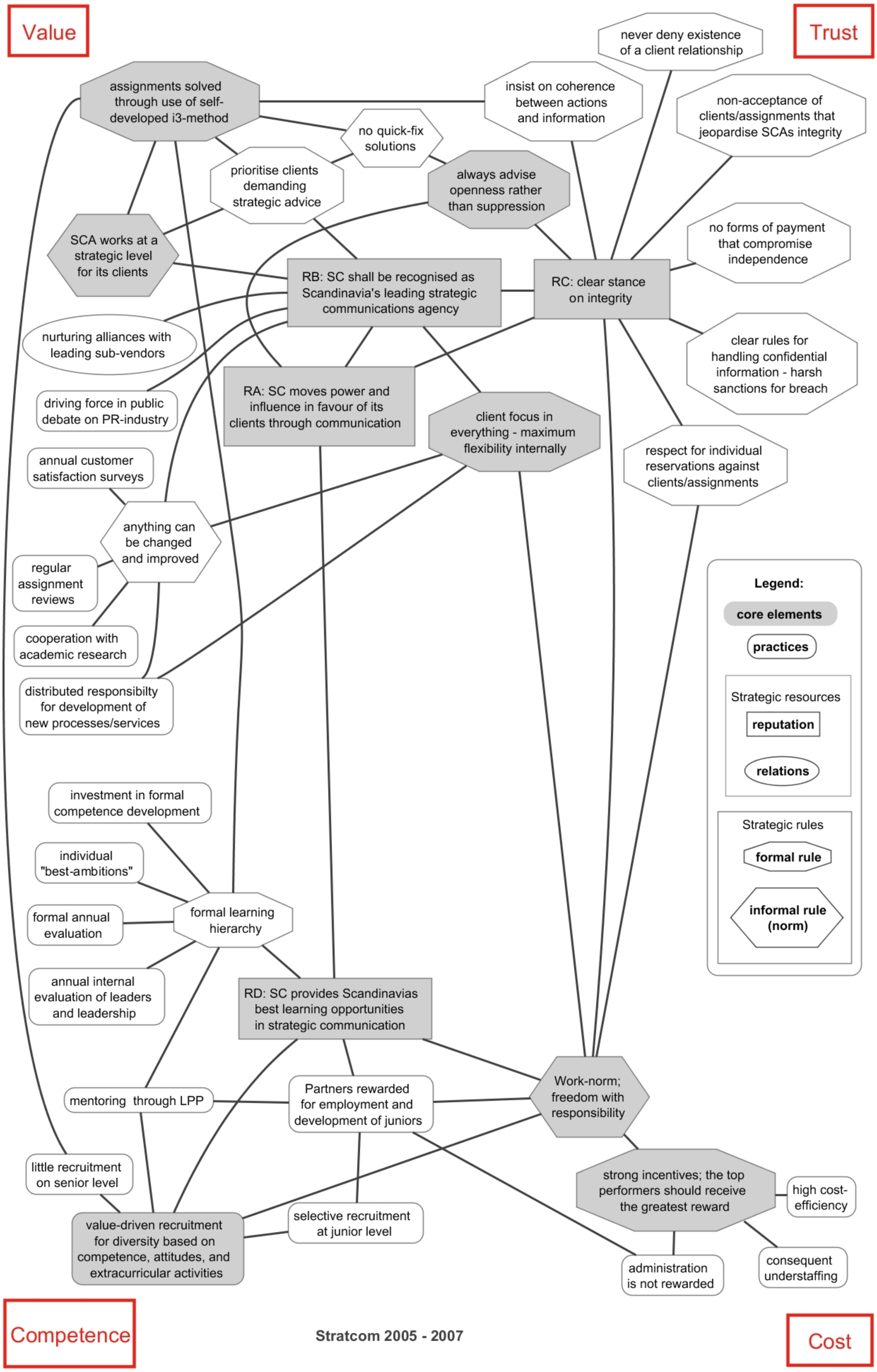


Figure 21 StratCom's activity system 2005-07

The map shows that StratCom's formal strategies are aimed at reputations, relations, and practices for positioning the firm. There are four sets of reputations. RA) SC moves power and influence in favour of its clients through communication; RB) SC will be recognised as Scandinavia's leading strategic communication agency; RC) SC takes a clear stance on integrity; and RD) SC will provide Scandinavia's best strategic communications learning opportunities.

The two most important positioning practices distinguishing StratCom from its competitors are mentioned above: always advocating openness, and the i3-method. New recruits are indoctrinated with the superiority of the i3-method and the effectiveness of openness.

I happened to observe a telling episode in a partner meeting: in a discussion of how to respond to calls for tenders from public agencies, one of the partners mentioned a rumour floating around town that StratCom was losing bids for potential clients due to its insistence on solving assignments through 'proper' use of the i3-method and its insistence on always advocating openness. This comment was celebrated as being confirmation that StratCom had succeeded in its positioning; indeed, the celebration occurred even though the topic of the discussion was how not to lose clients in bids.

StratCom is also aware of the need to position the firm in the market for talented people, its main relational resource. The firm's emphasis on a set of values, strong incentives, and 'freedom with responsibility', is an attempt to attract the kind of talented people the founder and his fellow partners believe to be best-suited to the types of service StratCom offers, and to cultivate the kind of culture that supports the positioning practices of StratCom effectively. In the map this is shown as a cluster of practices aimed at attracting, developing and retaining talent, rather than a relational resource in itself.

In conclusion, the activity system of 2007 appears well-fitted to the task environment and the goals of the firm. However, this neither precludes strategic dilemmas and tensions, nor guarantees commercial success, as the activity system only provides guidance, or structures, for practice.

6.3.5 Summary

The history of StratCom is a roller-coaster of success and failure, and of strategic changes, some intended, some unintended through self-inflicted crisis. Yet there has also been stability, both in terms of important elements of the activity system that have remained from the very beginning, and in terms of the fundamental direction of change. When it was founded, StratCom was more a collection of individuals pursuing their own strategies than individuals engaging in a collective endeavour. Over the years the management team put increasingly strong emphasis on the methodical approach, as a means of both setting StratCom apart from its competitors and creating an organisation larger than the sum of its individuals.

The basic idea of what StratCom provides for its clients remains constant throughout the firm's history, and includes its aspiration always to work with clients at a strategic level. Likewise, the keenness to be a recognised industry leader remains as strong at present as it was when the firm was founded. The idea of a value-driven organisation of diverse people, with strong incentives, "freedom with responsibility", and a work-norm of "self-moving artillery" is articulated using the same expressions now as two decades ago, and can be traced to the founder's formulations in early portrait interviews. Clear stances on integrity and on openness are also stable elements, even if those particular elements probably came about as a result of a few hard-earned early lessons.

The most incontestably dramatic change in formal strategies over the years has been the decision to develop competitive advantage based on collective firm-specific practices, i.e. the i3-method, rather than on the individual practices of high-profiled individuals.

The following section will investigate further two of the most important dilemmas StratCom has to cope with, neither of which can be dissolved by making strategic choices: balancing the concern for individuals representing strategic resources with two legs to walk on (Løwendahl, 2005) with adding value through collective practices not dependent upon any single individual, and balancing concern for the firm's reputation for integrity with the need to keep clients' best interests at heart.

6.4 The translation of formal strategies into strategies-in-practice

As mentioned in the introduction to the chapter, I have placed emphasis on tracing the strategic changes in StratCom. However, in this chapter I will investigate three dilemmas StratCom must cope with when translating the activity system into practice. The first dilemma is that of maintaining a strategic level in assignments and fully utilising available capacity. This dilemma will be analysed in subsection 6.4.2, where I discuss potential benefits from straddling. The second dilemma is the enduring tension between individualism and collectivity, discussed in subsection 6.4.3, whereas the third dilemma is that between serving the bests interests of its clients, and credibly obeying its own integrity rules, as discussed in subsection 6.4.4.

As in the previous two cases, I will discuss coping practices at the end of the chapter. This time I will in particular discuss how StratCom is coping with the enduring tension between individuality and collectivity, and investigate further coping through internal dialogue (6.4.5). I also discuss StratCom's crisis in the early 1990s as a case of non-coping.

6.4.1 Incompatible requirements from straddling

StratCom's activity system is clearly geared towards large, integrated communication projects. These are the most demanding assignments, and although they are relatively few in number compared with the other two types, they are clearly formative for self-perception in StratCom. They are also economically decisive for StratCom, as they draw the largest profits, but also the largest losses when things go wrong, reflecting the high task uncertainty of these projects.

However, an inspection of Table 6, page 239, shows that activity systems designed for each of the three types of services would look very different. For one thing the composition of the resource-base in terms of people would differ, especially between isolated special services and ongoing advisory services. Isolated special services call for profit through a large share of junior consultants solving assignments with standardised templates under the supervision of as few senior consultants as possible. This is the standard profit-through-leverage model of professional service firms.

Ongoing advisory services have little room for junior consultants, as the value of the service depends upon highly-trusted senior consultants with deep insights into the client's strategic position. Profit is made through handsome retainers or high hourly rates. Moreover, these advisory assignments would probably be more effectively delivered by a boutique of experienced partners, and would not need the kind of coordination provided by the i3-method. The resemblance with "expert advisory assignments" in Engineering is clear.

Integrated communication services make use of a mix of junior and senior consultants. However, the critical competences for leading an integrated communication project differ from the competence required of a trusted adviser; project management is important in order to co-ordinate the tasks in the project and to accomplish the assignment within scheduled time and cost.

Perhaps more importantly, the scope for division of labour and the optimal composing of the workforce in terms of competences, backgrounds, and perspectives are widely different among the three types of service. In particular, the requirements of integrated communication projects at a strategic level, epitomising the aspirations of StratCom, differ from both isolated special services and on-going advisory services, as the requisite variety (Weick, 1979:188) of the teams is much greater. StratCom's emphasis on diversity in the workforce fits well with the requirements of integrated communication projects, but also brings efficiency concerns. These are analysed in subsection 6.3.3, and will be further investigated as a tension between individualism and collectivity in subsection 6.4.3. In addition, the support system required for handling 80 client portfolios of less than 50,000 NOK is quite different from that required for handling 25 client portfolios of more than 1 million NOK, see Table 4.

Similarly to Engineering, there are thus real costs to straddling strategically distinct services which require different configurations of the activity system. These findings confirm the advice from the standard literature on strategic management; that is, to avoid being stuck in the middle (Porter, 1985, 1996), as corroborated by the literature on professional service firms (Løwendahl, 2005; Maister, 2003). The following subsection will however adopt a more dynamic perspective, allowing for interaction effects between strategically-distinct assignments and the resource-base of StratCom.

6.4.2 The benefits of straddling three configurations of the activity system

In the previous subsection I discussed some of the problems that stem from delivering three distinct types of services from a single activity system. Despite these problems, one conclusion of this thesis is that straddling appears to serve StratCom quite well, even if it is not embraced by StratCom's formal strategies. Straddling provides learning opportunities, internal career opportunities and means for maintaining client relationships that would otherwise have been inactive, and possibilities for utilising capacity when the influx of 'strategically correct' assignments is limited.

StratCom partners are very clear about the firm's strategy to only work at a 'strategic level' for its clients (see AS-map, Figure 21). And indeed, most of the assignments in the categories of integrated communication projects and on-going advisory services are aimed at communication related to the strategic positioning of the client. In many cases the i3-model and the dictum of coherence between actions and communication implies that the client is advised that in order to be able to communicate effectively in the direction of the desired identity, important practices must also be altered.

However, most of the assignments StratCom carries out must be categorised as isolated special services that are limited in scope and size, and which only rarely affect the client's strategy. These assignments are outside the formally-endorsed strategic domain, but they make a number of contributions to StratCom. The first is that they help to utilise capacity that would otherwise have been idle. Second, they provide good training for junior consultants hoping to assume more responsibility. Working with experienced consultants on integrated communication assignments is an important source of training, but it is through smaller assignments of a routine character that junior consultants can learn to take responsibility for whole assignments without too much risk.

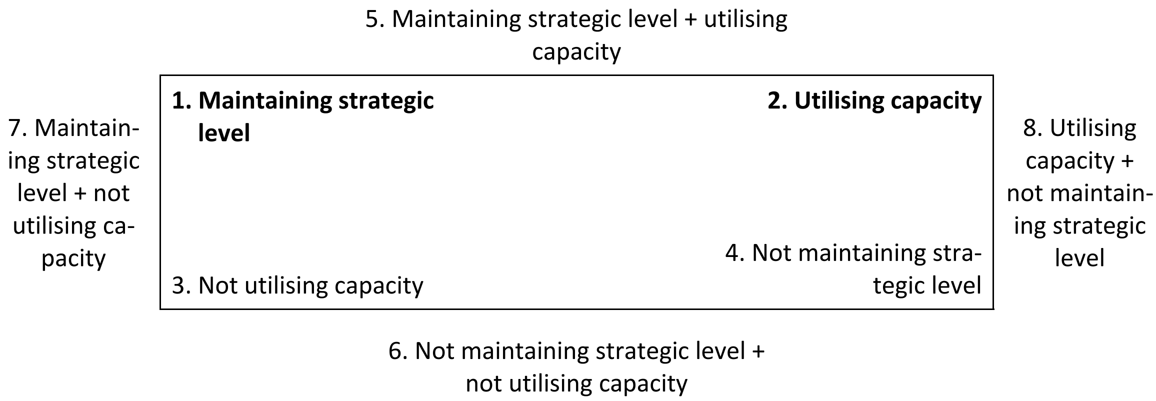
> I believe we have to throw people in the deep end when they start here. We have to provide them with a 'test of manhood', so that they can be proud of having passed the test. This is no place for feebleness, it'll never be accepted (Partner 1, 12.09.00).

Furthermore, as StratCom is a Scandinavian consultancy, assignments for isolated special services sometimes cross borders. I have not emphasised the "Scandinavian dimension" in this thesis, yet it is important in order to understand how isolated special services can create value through providing learning opportunities.

> Take for instance [name]. She is not yet ready to be responsible for a large strategic project, but I doubt we would be able to keep her if we only had these smaller projects to offer. Now she is responsible for coordinating a product release in three countries. It is not difficult, but the geographical dimension adds that little extra. Besides, this way we add value that domestic players cannot (Current Managing Partner, 04.03.08).

The third contribution from these assignments is that they may secure a foothold with a new client or keep an otherwise sleeping client relationship active. Prospective clients often want to try out StratCom through a small assignment before they sign up for a larger project.

In the semiotic square below I have shown 'utilising capacity' as the main motivator for accepting assignments that are otherwise not encouraged by StratCom's strategic aspirations. 'Maintaining strategic level' would imply that StratCom only accepted assignments that are embraced by its strategies.



Semiotic Square 6 Maintaining strategic level versus utilising capacity

The preceding discussions demonstrate that relations 7 and 8 are more a question of balance than of either-or. That is, relation 8 is not necessarily problematic unless it becomes a dominant pattern, because StratCom's strategic positioning could then be seen to be drifting. Relation 8 also has the benign effect of developing human resources through use, as it is commonly agreed in StratCom that practitioners mainly learn through assignments, similarly to the prevailing wisdom in Headhunting and Engineering.

Relation seven would imply that unattractive assignments are rejected and the idle capacity put to other uses. As long as the reason for the assignment's unattractiveness has nothing to do with integrity issues, then the norm in StratCom would be for consultants to avoid being idle at almost any cost; at least, that is what junior consultants report.

> It is very important to be able to document what you have done and what you can do – and you are what you invoice (Junior Consultant 1, 22.09.00).

This relentless pressure on invoicing (relation 8) is thus a potential threat to the long-term strategic positioning of the firm, unless one remains understaffed through high demand for strategically 'correct' services. Strategy maintenance and strategy drift are thus topical issues in StratCom, as also was documented in the Headhunting case study. It appears that when the strategic intent is ambitious but nevertheless attainable, then strategy maintenance emerges as a crucial issue, because the organisation is only able to live up to its ambitions when it acts at its best. Strategy drift would then occur when the ambitions are gradually lowered, perhaps tacitly, to avoid too much cognitive dissonance (Elster, 1993) between aspirations and actual achievements.

The two main positive interaction effects between advisory services and integrated projects are that advisory projects may encourage larger projects, larger projects may induce follow-up through an ongoing relationship, and advisory assignments provide variation in work for valuable senior practitioners who are not too keen on managing large projects. Thus, it also provides a second career path as an expert, rather than as a manager. The conclusion of this discussion is therefore that while the straddling is demanding and sometimes costly, it also helps to balance the firm and develop strategic resources. Utilising capacity with strategically insignificant assignments is an effective way of coping with the pressure to balance the firm, as long as the extent of isolated special services does not lead to strategy drift. The similarity with the corresponding analysis of Engineering is striking.

6.4.3 Enduring tension between individualism and collectivity

The enduring tension between individualism and collectivity is well-known in the PSF-literature: "the professional competence in terms of problem solving capabilities, creativity, and expertise cannot be converted to organizational competence, even though it may be used to develop collective competence, such as team and organizational methods…"(Løwendahl, 2005:140).

Moreover, StratCom maintains that the dilemma is particularly severe for a firm equally dependent upon analysis, synthesis, and creativity. According to StratCom, any viable advice on strategic communication must build on thorough analysis. However, it is creativity that makes StratCom able truly to add value to its clients and develop a competitive edge in the market. Synthesis brings creativity and analysis together in practicable advice and action plans.

The call for freedom with responsibility and the expectation of employees at every level to act as 'self-moving artillery' need to be matched with equally strong social norms, in order to maintain the collectivity of practices. Thus, the firm must prove that there is no inherent contradiction between being strong on agency and strong on social structures (Whittington, 1988).

In Figure 22, page 266, the main tensions in the activity system are displayed. The most individualised elements of the activity system are recruitment for diversity, the work-norm of freedom with responsibility, plus the remuneration system, all of which maintain strong incentives based on individual performance. At the other end of the continuum we find the i3-method and also the learning hierarchy that requires individuals to submit to formal requirements.

Hence, StratCom is dependent upon creative individuals who thrive when they are allowed to "think outside the box", just as much as it needs effective coordination and ability to deliver according to specification, within cost and on time.

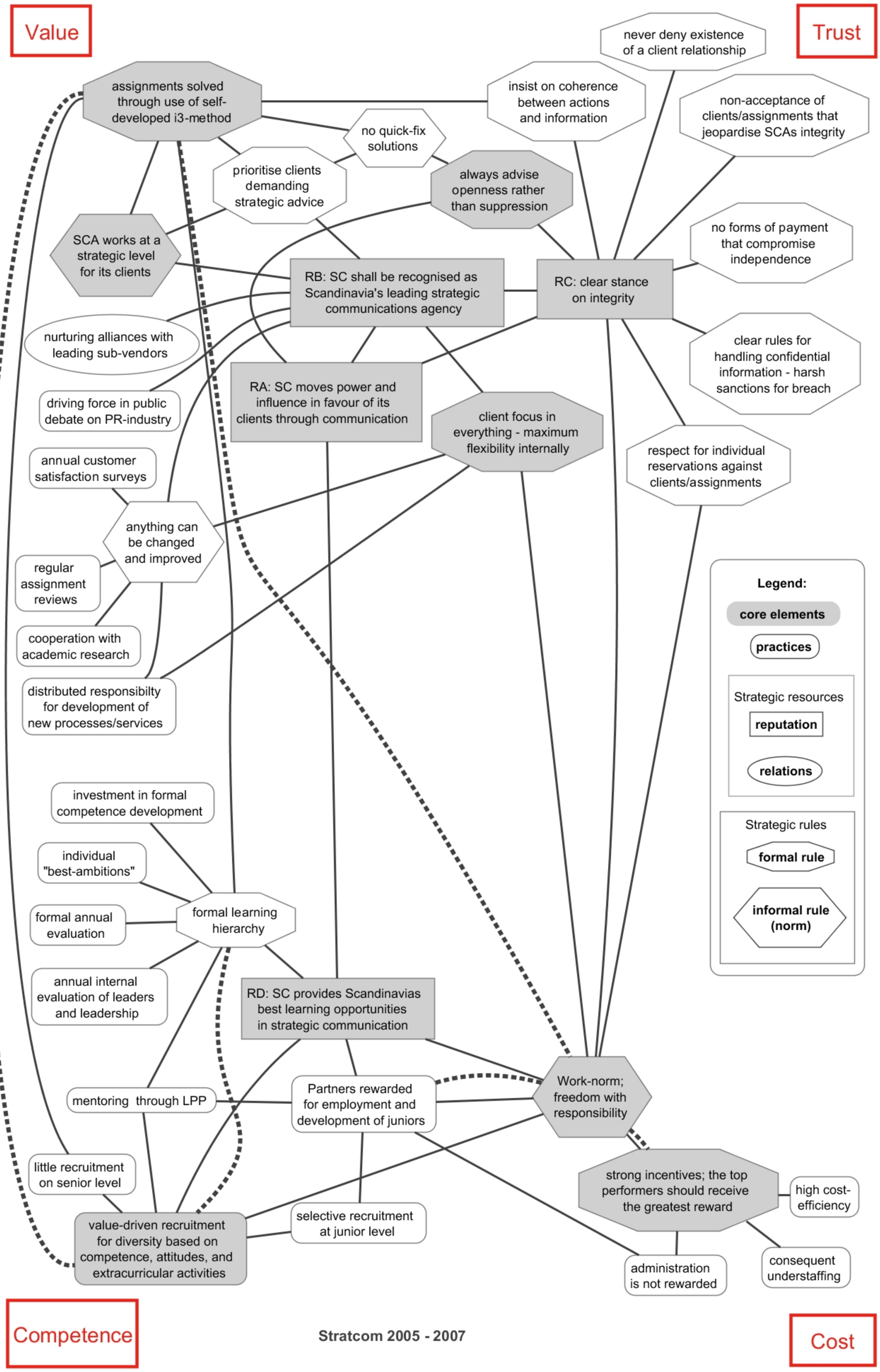


Figure 22 Tensions between individuality and collectivity in StratCom

6.4.4 Dilemma: integrity rules versus serving the client's best interests

Sometimes there is a dilemma between a commitment to maintain the client's best interests on the one hand, and maintaining a reputation for integrity on the other, as indicated by the dotted lines in Figure 23, page 269. Non-quick-fix solutions, coherence between actions and information and always advising openness rather than suppression are important elements of StratCom's stance on integrity, but in concrete situations these policies may come under pressure. (A fourth policy, avoiding clients and assignments that jeopardise StratCom's integrity, is discussed in Vignette 5.)

According to StratCom's publicly-held beliefs, this is a false dilemma: openness and coherence between actions and information are always in the client's best interests. That however is not entirely up to StratCom to decide, as after hearing the arguments the client may after all conclude that their interests are best served not by disclosing damaging information about some unfortunate event or practice, but rather by bringing current practice into line with regulations. It is not difficult to conceive of examples where the CEO of a client organisation would honestly (but not necessarily rightfully) argue that more damage would occur through openness than through secrecy in, for instance, a crisis.

It is not the clear-cut cases of suppression of malfeasance or illegal discharges of toxic waste that are interesting to investigate. Rather, it is the borderline cases where several legitimate interests seem to be in conflict and careful judgements must be made, for instance regarding the risk of damaging information being publicly known. There is a difference between telling only the truth, and telling the whole truth. If StratCom were to be perceived as being too concerned with its own reputation to serve the needs of its clients effectively, it would not be likely to bring in many large clients on crisis management retainers. On the other hand, being seen as a 'hired gun' reduces the value of StratCom's advice, and would also reduce its ability to attract talented people. The dilemma is shown in Semiotic Square 7 below.

5. Insist on integrity rules + serving client's best interests

7. Insist on integrity rules + not serving client's best interests

1. Insist on integrity rules

2. Serving client's best interests

3. Not serving client's best interests

4. Not insist on integrity rules

8. Serving client's best interests + not insist on integrity rules

6. Not Insist on integrity rules + not serving client's best interests

Semiotic Square 7 Integrity rules versus serving the client's best interests

As with the semiotic squares discussed in the Headhunting case, it is relations 7 and 8 that are interesting. When put together as oppositions we can clearly see how the dilemma encompasses two reputations that are of strategic importance to StratCom. Given its positioning, it cannot be seen to compromise on integrity. On the other hand, StratCom is equally dependent on being perceived as prioritising the interests of its clients above its own interests.

There are two main reasons as to why this dilemma is so important: first, the PR-industry has a contentious reputation, and the media are eager to reveal any complicity in dubious activities. Second, whereas lawyers, for instance, adhere to a strong ethos stating that every suspect has the right to a defence, no such ethos exists for the PR-industry. StratCom must be prepared to defend every assignment it accepts publicly. The dilemma is put to the test when a long-lasting and loyal client gets into trouble: it is one thing to maintain a general policy of openness, but another to draw the line for a hard-pressed client in a specific situation.

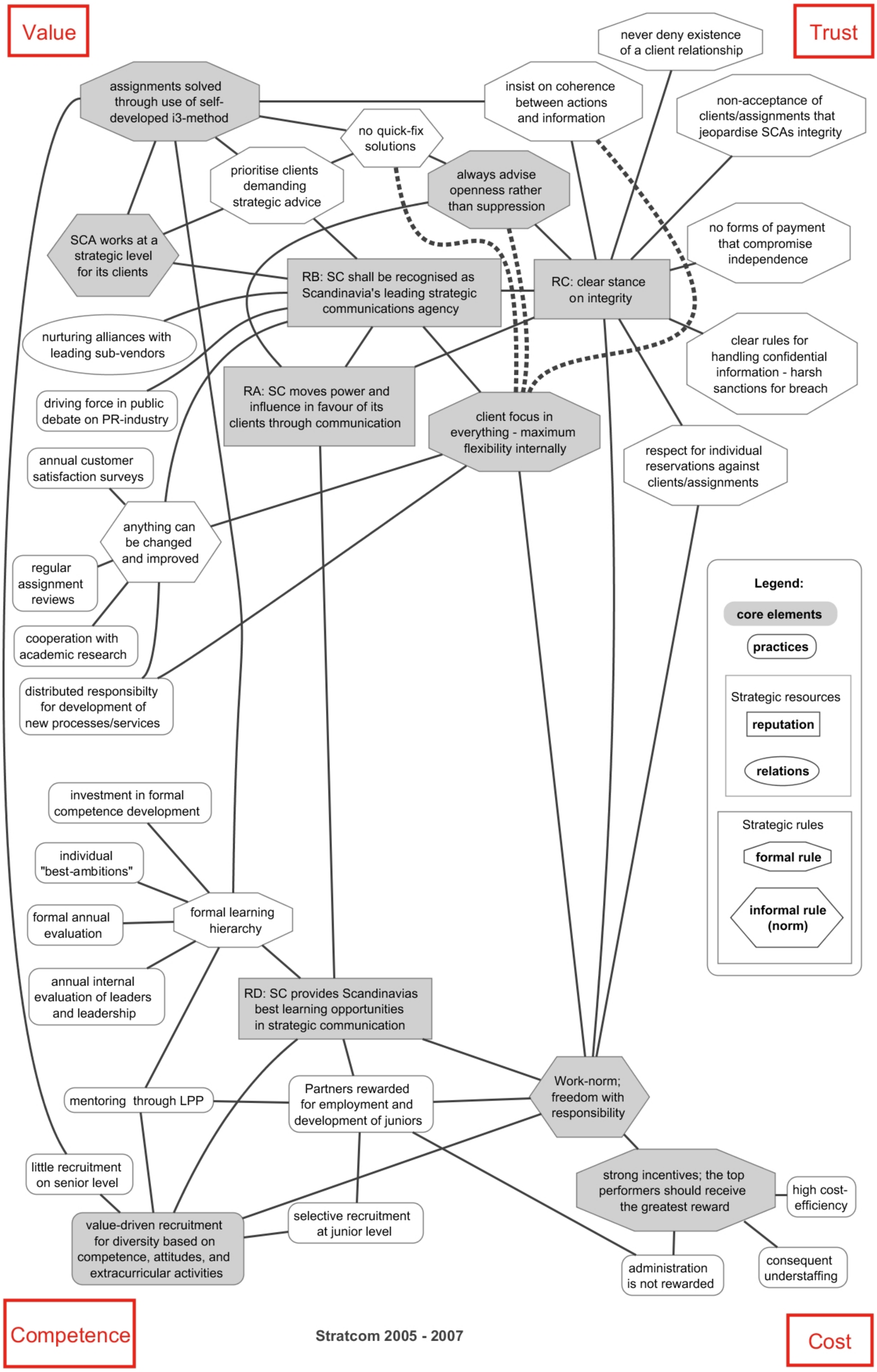


Figure 23 StratCom dilemma maintaining integrity vs serving client's best interests

The practice I have observed for coping with this dilemma is to be quite insistent towards the client, perhaps to a point where the client either accepts the advice or reconsiders the use of StratCom. These situations are so slippery that I only have limited interview data, but it is clear that successful coping depends on considerable competence, and also on effectively conveying a strong commitment to the client of one's seriousness about caring for the client's interests, and a belief in the effectiveness of openness.

Vignette 5 Dubious clients and client requests

> StratCom emphasises an explicit set of ethical rules to be used as measures to counter suspicion and accusations of unethical behaviour. One litmus test they apply is, "What will happen to our reputation if it becomes publicly known that we are involved in this?"
>
> One example of a crisis that may affect a client is being under police investigation. When this happens, and becomes publicly known, the damage to the client's reputation may be irreparable, irrespective of the fact that the case may be dropped. Whether or not to accept such an assignment is a matter of fine judgement. On the one hand, StratCom is not particularly keen on being associated with criminal acts, while on the other, the firm would prefer to avoid refusing an innocent client. The judgement of whether StratCom can effectively assist such a client, given its commitment to openness and coherence between action and information, is usually based on uncertain information and therefore often a difficult one, triggering coping through dialogue (6.4.5).

6.4.5 Coping practices in StratCom

The dilemmas StratCom faces have much in common with those in Headhunting: maintaining a strategic position while utilising capacity and preserving integrity under pressure from serving current clients. StratCom also relies on similar practices for coping with dilemmas. The firm has formalised a continuous open dialogue through compulsory debriefing meetings, but also relies on informal dialogue. Skilful ignorance is less pronounced, partly because ignorance is made more difficult by the formal learning hierarchy and the associated annual evaluation. Also, skilful ignorance is contrary to StratCom's strategic rule of always advocating openness. Some of the rules regulating integrity issues have been formalised by episodes that have triggered the accommodation of deviations.

I will use this subsection to delve further into coping through open dialogue, and will analyse StratCom's management of the enduring tensions between individuality and collectivity. I end the subsection with an analysis of StratCom's crisis in the early 1990s as a case of non-coping.

Coping through open dialogue

Maintaining ambitious strategies-in-practice is as Sisyphean a task in StratCom as it is in Headhunting. In this section I have discussed the dilemma of maintaining strategic level versus utilising capacity, as well as that of maintaining integrity versus serving the client's best interests as perceived by the client. These are similar to Headhunting's dilemmas over maintaining strategic profile (4.4.1), and in concluding assignments versus maintaining spotless integrity (4.4.2).

In the study of Headhunting I also identified coping through continuous open dialogue as a practice for strategy maintenance (4.4.4). I will elaborate on this coping practice by analysing the role of interpretative legitimacy in strategy maintenance. Jarzabkowski (2005:95) discusses interpretative legitimacy and interactive strategising. I found this to be topical for strategy maintenance and to bear a close resemblance to Lukes' (2005) third dimension of power — shaping the *Weltanshcauung* of fellow practitioners. In all three organisations variations of the phrase 'this is what we are trying to accomplish here' was used skilfully by managing partners or other dominant figures.

The phrase is used in situations where a dominant practitioner experiences a need to clarify the strategic direction of the firm. I have observed that such a need can arise in a number of situations: to explain a particular point to a junior, as a rhetorical device to settle an argument among senior partners through gaining the moral high ground, or to patiently explain something for a persistent and inquisitive researcher. The tone of the utterance naturally differs between these situations.

The phrase draws together signification, legitimation, and domination. It can be impressively powerful, but it also requires the capacity to mobilise considerable (authoritative) resources, or else it just becomes an empty phrase, signifying feebleness rather than decisiveness.

'This' refers to the interpretative scheme in question. If the stress is upon 'this', then it is likely that the phrase is being used in order to clarify an issue, for instance for a newcomer or indeed for a researcher trying to understand the organisation. The phrase is still normative, but its utterance does not signify that the norm has been challenged on this occasion.

The use of 'we' is not coincidental; it implies that the individual uttering the phrase is acting on behalf of a community. The issue is not between the utterer and the other individual, but between the other individual and the whole community. The individual (or the subgroup) can thus choose between being part of that community or not. 'Trying to accomplish' indicates that the community has still not reached its goal, but is engaged in a process of becoming (Sztompka, 1991). This increases the perceived uncertainty of the situation the community finds itself in. The other individual is thus increasing the vulnerability of the community. The emphasis on becoming rather than being also communicates a mission.

I have observed this phrase being used, with different intonation, to clarify an issue, to settle an issue of dispute, and as a rallying-cry to energise an audience of fellow practitioners into action in a competitive battle in the market place against 'them'. Its effectiveness for the latter purpose seem to be precisely that it combines signification ('what are we doing'), with legitimation ('why are we doing this') and mobilisation of resources ('we can do this'). As such, successful use of the phrase is an instance of sensegiving (Gioia and Chittipeddi, 1991).

The strategic significance of the phrase is its uses and misuses as a device for maintaining strategy through dialogue. It contributes to what seems a never-ending quest in StratCom in particular, to answer the question, 'What is our strategy?'

Coping with the enduring tensions between individuality and collectivity

StratCom attempts to cope with the enduring tensions between individuality and collectivity, described in subsection 6.4.3, through four strategic moves that were analysed earlier in this chapter.

The first was the development of a firm-specific practice through the i3-method. The method distinguishes StratCom from its competitors and provides a firm-specific 'signature' on assignments, rather than the idiosyncratic signatures of the different partners.

The second move was the change in recruitment practices. StratCom abandoned the industry-wide practice of recruiting high-profile senior partners, and adopted from leading management consultants the practice of producing their own partners through recruitment at junior level, followed by rigorous training and coaching. To this day, the firm continues to recruit a diverse mixture of strong personalities and cultivates a distinctly individualised ethos.

The third move was to return to an elaborate and inclusive strategy process. The process used in the early years, which included almost everybody in the firm, was abandoned when the firm had grown to comprise too many people. The current process has much in common with the former in its inclusiveness and thoroughness. The idea is that the inclusiveness encourages commitment and common understanding among practitioners.

The fourth move was further change in the remuneration system, first from only rewarding consultants for their own invoicing to rewarding partners for their development of client portfolios, thus aligning the economic interests of individual partners with that of the firm. The last change was to reward partners for their ability to employ consultants in assignments, measured as the ratio of their client portfolio to their own invoicing, and to reward them for competence development and development of new services.

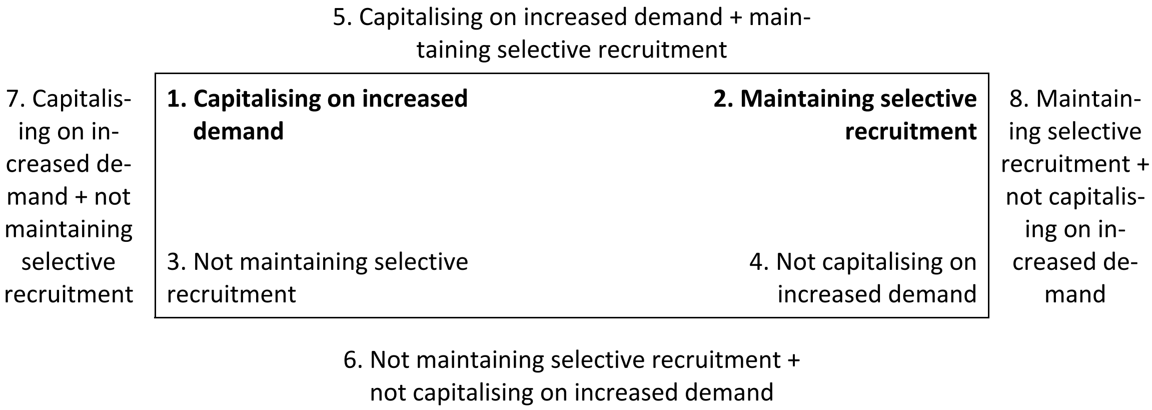
This structural change has both "hard" and "soft" aspects to it. The hard aspect is that the financial self-interest of individual partners is now much more aligned with the long-term well-being of the firm. It is in the interests of a selfish partner to assist others in generating revenue. The soft, or cultural, side of the change in the remuneration system is that the collective expectations of what makes a partner have changed.

These are all changes in the formal social structures of the organisation, and provide changed structuration of practices. The introduction of the i3-method is analysed in subsections 6.2.1 and 6.3.3, and the change in recruitment practices is discussed in 6.3.4. Coping with the tension through design of formal social structures only relieve the tension. There is still a need for competent balancing of individuality and collectivity, almost like a tightrope walker. Again we see that strategy-in-practice is as much about continuous balancing as it is about making and implementing bold, one-off, strategic choices.

StratCom's first crisis as a case of non-coping

What went wrong in StratCom in the early 1990s according to the framework used in this thesis? Available data from interviews points in the direction of a combination of four explanations.

First, there was a shift in the environment towards higher demand for StratCom's services. This lead to a dilemma akin to the dilemma Engineering faced when demand became much higher than available capacity. One difference is that in StratCom's case it was not obligations towards loyal clients as much as lost revenues due to lack of capacity that triggered the dilemma. The dilemma is shown in Semiotic Square 8 below.



Semiotic Square 8 Capitalising on increased demand versus maintaining selective recruitment

Relation 5 is the attractive but eventually unattainable situation where StratCom is able to capitalise on increased demand, while maintaining its strategy of selective recruitment. Relation 7 implies that the strategy of selective recruitment is relaxed in order to build capacity faster, whereas relation 8 would imply that revenues would be forgone in order to maintain the strategy of selective recruitment.

Responsible practitioners then failed to cope with the dilemma in any effective way, consistently choosing relation 7, which meant non-compliance with the strategy of selective recruitment. Several quotations point to this failure and non-compliance as a result of overconfidence in the firm's ability to make strategic communications consultants out of unexceptional candidates. The internal dependencies of the activity system were thus either not understood, or ignored in the eagerness to grow faster.

Eventually this aggressive growth was elevated into a new intentional strategy, which created a further misfit between the firm's intended strategic positioning and the task environment. With the benefit of hindsight, it is tempting to disparage this development as doomed to failure from the start, and some senior partners did indeed warn others about the situation On the other hand, for a while the initial dilemma was calmed, and fit with the task environment increased as capacity became better adjusted to deal with the increased demand.

It was the combination of relaxing the standards of new recruits and reduced capacity for development of the newly-acquired human resources that turned triumph to crisis. The firm was attractive for new recruits, but evidently not so attractive that the queue of extraordinary talent was infinite.

This story is not unique, and the starting point resembles the situation in Engineering where demand outstripped capacity. Yet, the two organisations' practices for coping with the situation were very different. The episode demonstrates that a well-functioning activity system depends on the relations between the elements. Moreover, it shows the importance of responsible practitioners being competent enough to analyse and understand the repercussions of different ways of coping with a difficult dilemma, and their commitment to key elements of a strategy even when that commitment is costly.

6.5 Conclusion

In this chapter I have outlined the remarkable history of the Norwegian-based strategic communication consultancy StratCom, from its establishment in 1989, to 2007. I have shown how its activity system has evolved through three stages, and that the firm now successfully competes with three distinct types of service that according to prevailing strategic management theories ought to be served by different activity systems. I have also shown how assignments serve as an arena for learning and human resource development, and for maintaining strategic client relations, leading to the conclusion that for StratCom assignments serve to "purposefully create, extend, or modify its *resource base*" (Helfat *et al.*, 2007:121) to once again borrow a phrase from Helfat *et al's* definition of dynamic capability.

Investigation of the activity system of StratCom shows that the firm must cope with three enduring dilemmas. The first is to balance the strategic positioning towards working with clients at a strategic level with the need to utilise available capacity. The second is the tension between being dependent on creative and independent individuals and at the same time having to meet regular requirements from project management: delivering according to specification, within cost, and on time. The third dilemma is to balance the need for maintaining reputation for integrity while at the same time honouring obligations towards clients in need, even when a client is suffering a self-inflicted crisis. StratCom uses a number of coping practices for dealing with these dilemmas and for maintaining strategy, including straddling and continuous open dialogue.

7 STRATEGY–IN-PRACTICE: SOCIALLY CONDITIONED CHOICES AND COPING WITH DILEMMAS

The three preceding chapters document three organisations that have much in common, but which also display considerable diversity. The diversity is partly revealed by which issues appear as strategic, and partly through how common strategic issues are coped with. Staying true to the purpose and design of this study, I will focus on commonalities more than diversity in comparing the three with each other and relating the findings to the relevant literature.

All three organisations generate revenue through selling advice and solving problems in close interaction with clients. This problem-solving is encumbered with substantial task uncertainty and requires competent practitioners to draw on specialised and advanced technology. In Headhunting and StratCom the available technologies amount to methods, skills and work practices, whereas Engineering also makes use of, for instance, computer-aided design (CAD)-technology. The quality of the advice and problem-solving is usually not verifiable and is thus contestable, and moreover is often dependent on co-production with the client. The lack of objective criteria for judging the quality of what is delivered appears to be more accentuated when task uncertainty is high, which is not surprising. According to their strategies, all three organisations prefer assignments with high task uncertainty, due to the associated benign features, such as prestige, learning opportunities, and willingness to pay a premium for quality. Thus, the credence goods characteristics become prominent in the formal strategies: clients must be credibly assured that maintaining trustworthiness is essential for the firms (Liu, 2011), even when short-term interests may induce opportunism and relaxation in quality.

The assignments are organised as projects, and in this sense they are project-based firms (Whitley, 2006). The maps of the activity systems confirm that for all three firms formal strategies are much concerned with what kind of projects the firms want to acquire and how these projects ought to be carried out: the strategic domain. Moreover, the AS-maps show that strong client relations and solid reputation are acknowledged as essential strategic resources in acquiring the "right kind of projects" and thus for performance. Accordingly, strategic rules for protecting and developing those resources are prominent. Furthermore, the strategies reflect the interdependence between recruiting and developing practitioners on the one hand, and developing a solid project portfolio on the other. These findings corroborate and elaborate on current literature on strategic management in PSFs (Empson, 2007a; Greenwood *et al.*, 2005; Hitt *et al.*, 2001; Lorsch and Tierney, 2002; Løwendahl, 2005; Maister, 2003, 2008).

However, what is more striking in all three case studies is the pivotal role of practices and the continuous need to cope with insoluble dilemmas. Practices bring projects, practitioners, and strategic resources together: consequently, many of the elements in the AS-maps are rules aimed at structuring practices. The three case studies, and the associated maps of their activity systems, show that the realisation of strategies is conditioned by practices in three distinct yet intertwined ways.

The most direct route is through the work practices for carrying out assignments with intended performance. These are the practices that are directly involved in "getting the job properly done", They are essential for realising strategies through delivering according to expectations, but need not encounter other issues relevant for the realisation of strategy. The case studies show that strategies for all three organisations emphasise the need for fit between work practices and the task environment, task uncertainty, and the intended strategic positioning. Indeed, it is difficult to see how significant misfit can be effectively compensated for by other measures.

One of the firms, Headhunting, enjoys clear strategic positioning that also offers some protection by its use of two complementary work practices for identifying potential candidates in assignments. Yet the coin has another side: this positioning implies a lock-in that appears to prevent Headhunting from winning the most prestigious assignments, and does not relieve Headhunting's practitioners from being obsessive about their 'strategic profile'. The two other firms both provide services that appear to imply incompatible strategic positioning with respect to the task environment. This straddling brings clear costs, but also some benefits, such as increased learning opportunities and variation in work.

In section 7.1 the seven distinct types of services identified in the three case organisations are mapped according to the technical and strategic task uncertainty. This mapping is then used to draw some general conclusions on how, respectively, routine problem-solving, expert problem-solving, and integrated problem-solving relate to the task environment (value drivers, cost drivers, critical competences and trust issues). I also discuss briefly how this taxonomy relates to other taxonomies of professional services, provided by Løwendahl (2005), Maister (2003), Malhotra and Morris (2009), and von Nordenflycht (2010).

Section 7.2 delves deeper into the apparent paradox that Engineering and StratCom are apparently thriving while being firmly stuck in the middle of generic strategies. I discuss the potential benefits of straddling, including: increased learning opportunities and variation in work; capitalisation on the routinisation of problem-solving; the transaction-cost case for variation; and easier balancing and utilisation of capacity.

I also argue that given the coexistence of the substantial real costs of straddling and the potential benefits of straddling, the net value depends on the benefits balancing the costs and on the organisation's capacity for reconfiguring the activity system towards strategically different assignments; its proficiency in reconfigurational ambidexterity.

The second route is through practitioners making situated choices that affect the strategic positioning of the firm, including their coping with strategic dilemmas. In the everyday running of business, when no strategic change is intended, these choices and coping practices determine whether strategies are being maintained or are drifting. In this sense, formal strategies are thus translated into practice insofar as they condition practitioners' making of situated choices and coping with dilemmas.

The maps of the activity systems in the three case organisations show how such choices and coping practices are intended to be enabled by the strategic resources and conditioned by the strategic rules. The status of the practices that are represented in the maps is less clear. Many, such as the recruitment practices of StratCom, are aimed at developing the resource-base of the firm (see section 7.5). Others, like tacit, experience-based project management in Engineering (discussed throughout chapter 5), are actual work practices which have important strategic repercussions that are usually unintended but not necessarily unwanted.

The maps also show a number of apparently insoluble strategic dilemmas that practitioners must cope with on an everyday basis. Section 7.3 discusses and reinterprets some of the dilemmas and shows that they are variations on such classic dilemmas as short-term revenue generation versus long-term value, individuality versus collectivity, and efficiency versus effectiveness. Two conclusions can be drawn from this discussion: the first is that insofar as these dilemmas are insoluble and general, important advantage may be derived from developing effective practices for coping with them. The second conclusion is that insofar as these dilemmas are insoluble by 'either-or' strategic choice, the tendency in the strategic management literature to insist on the making of strategic choices may actual misguide practitioners in some of the most strategically significant situations they encounter.

Section 7.4 draws together and discusses the coping practices that are identified in the three case organisations. Coping practices are shown to affect whether strategies are maintained or subject to drift.

The third route is through the effect that the performing of practices has on strategic resources like reputations, relations, and competence. The evidence from the three cases in this study unambiguously points to development of strategic resources as a side-effect of either of the first two routes. There are cases of direct development of strategic resources, for instance StratCom's development of the i3-method, yet even in this case much of the development occurred through experimentation in regular assignments. The continuous interplay between practice and resources testifies to the duality of structure: practices affect resources, but are also dependent on the very same resources, albeit with a time-dimension involved. A practitioner performing a situated practice must make do with the resources he or she is able to mobilise there and then. However, how that situated practice is performed may affect the resources that are available for mobilisation in the next episode.

Section 7.5 discusses the strategic resources of a PSF (Greenwood *et al.*, 2005) in more detail, and relates the findings in this study to the literature on dynamic capabilities (Ambrosini and Bowman, 2009; Helfat *et al.*, 2007; Teece, 2009) and the resource-based view (Barney and Clark, 2007; Sheehan and Foss, 2007).

The activity systems encompass these three routes in an *in*coherent whole — with built-in tensions and insoluble dilemmas — which leaves a lot to the competence, commitment, and resourcefulness of practitioners.

From the strategy-as-practice perspective, the three cases show that "building" and "dwelling" (Chia and Holt, 2006) are complementary rather than alternative modes of strategising, contrary to the gist of Chia and Holt's paper advocating "dwelling" over "building". Strategy-as-practice researchers would thus do well to include "dwelling", but not as a substitute for "building". Indeed, the three cases taken together illustrate that activity systems were partly designed in the building mode, and partly emerged through a dwelling mode. Table 7 below provides a summary of the findings in the three case studies.

	Headhunting	Engineering	StratCom
Strategically focused or straddling	Focused; services offered are part of the same activity system configuration.	Straddling; three strategically-distinct generic types of services requiring different configurations of activity system.	Straddling; three strategically distinct generic types of services requiring different configurations of activity system.
External regulation of practice?	No regulation.	Regulation by authorities and by professional body.	No regulation.
Technology	Tacit and experience-based knowing. Science-based tools for aptitude and personality testing, but use of tools depend on tacit knowing.	Advanced stock of technical knowledge. Experience-based project management. Expertise-assignments depend upon experience and tacit knowing.	An internally developed framework (i3-method) for execution of assignments. Competent use is experience-based.
Explicit strategy?	Explicit and conscious at a general level (regulating strategic domain, code of ethics). Both building mode and dwelling mode	Mostly implicit. Dwelling mode dominates.	Explicit and conscious at a general level, but supplemented with numerous details. Both building mode and dwelling mode

Table 7 Summary of findings in the three case organisations

7.1 Towards a typology of problem-solving activity systems

This section develops a typology of problem-solving activity systems based on the technical and strategic task uncertainty of the problem-solving services. In subsection 7.1.1, by mapping the seven strategically-distinct services identified in the case organisations onto the familiar framework that distinguishes between technical and strategic task uncertainty, three generic types of problem-solving services are suggested. Then I show how the three generic services relate to the task environment in terms of value drivers, cost drivers, trust issues, and critical competences. In subsection 7.1.2 I discuss the costs caused by straddling. Reconfigurational ambidexterity as a practice for coping with straddling is discussed in 7.4.2.

Table 8 displays descriptive statistics of the assignments in which the three firms were engaged during one year (2007 for Engineering and StratCom, 2005 for Headhunting). Engineering is involved in a number of projects that last for several years, whereas Headhunting and StratCom assignments are of only a few months' duration. I have also deliberately excluded one very large Engineering project because it is unique and a clear statistical outlier.

	Headhunting	StratCom	Engineering
Number of employees	10	40[13]	70
Number of assignments	127	205	372
Mean assignment (NOK)	132,624	240,296	396,504
Median assignment (NOK)	110,000	88,585	79,013
Standard Deviation	93,676	457,098	965,188
Range of assignments (NOK)	556,000	3,000,369	9,350,528
Minimum assignment (NOK)	8,800	725	1,580
Maximum assignment (NOK)	564,800	3,001,094	9,352,108
Share of smallest assignments to cover 10% of revenue	19% (37 of 127)	55% (113 of 205)	67% (251 of 372)
10 % largest assignments, share of revenue	25% (4,616 of 16,843)	55% (27,379 of 49,260)	67% (100,055 of 147,499)

Table 8 Descriptive statistics for all three cases

The variance in the size of Headhunting's assignments is much smaller than in Engineering and StratCom. The smallest assignments in Headhunting are larger than those of Engineering and StratCom, whereas the largest assignments account for a much lower share of the total revenue generated. The smallest assignments in Headhunting are concerned with selling one of the activities, usually the testing and assessment of a candidate put forward by the customer. Such a service involves at least a few hours' work on behalf of the consultant.

[13] In Norway

At the other end of the range, Headhunting's assignments are upwardly limited by the nature of the service the firm provides.

StratCom and Engineering both sell small-scale advice, which is sometimes just a short consultation over the telephone. On the other hand, they are also involved in major assignments that employ several consultants for months. The sheer variety and range in size of assignments in Engineering and StratCom suggests that they are engaging in strategically-distinct services. The requirements for generating profit from 251 assignments that, taken together, generate 14 million NOK in revenue are quite obviously different from the requirements posed by 40 assignments generating 100 million NOK in revenue, yet all these assignments are served by the same activity system (Engineering.) The situation is less extreme in StratCom, but the same principles apply.

Even if there are clear differences between the organisations, the similarities are even more striking. In both StratCom and Engineering the composition of the assignment portfolio consists of a few large projects accounting for most of the revenue, and a large number of small assignments. The large projects involve interdependencies and a degree of uncertainty of a different order of magnitude than the smaller projects. The critical competences in large projects – nearly absent in the smaller – are project management and the ability to conceive and manage the interdependencies involved.

7.1.1 Mapping the seven types of assignments identified in the case organisations

In Figure 24 below all seven strategically-distinct services identified in the three case organisations are superimposed from Figure 6, Figure 12 and Figure 18. The transparent isosceles triangle with dotted outline is the search and selection services provided by Headhunting. The figures with a dark (blue) shape-fill are the services provided by Engineering (relational projects, expert assignments, and large, integrated projects), and the figures with a light (green) shape-fill are the services provided by StratCom (isolated special services, ongoing advisory services, and integrated communication projects.). The shapes are deliberately chosen to show internal variation of task uncertainty in the types of assignments.

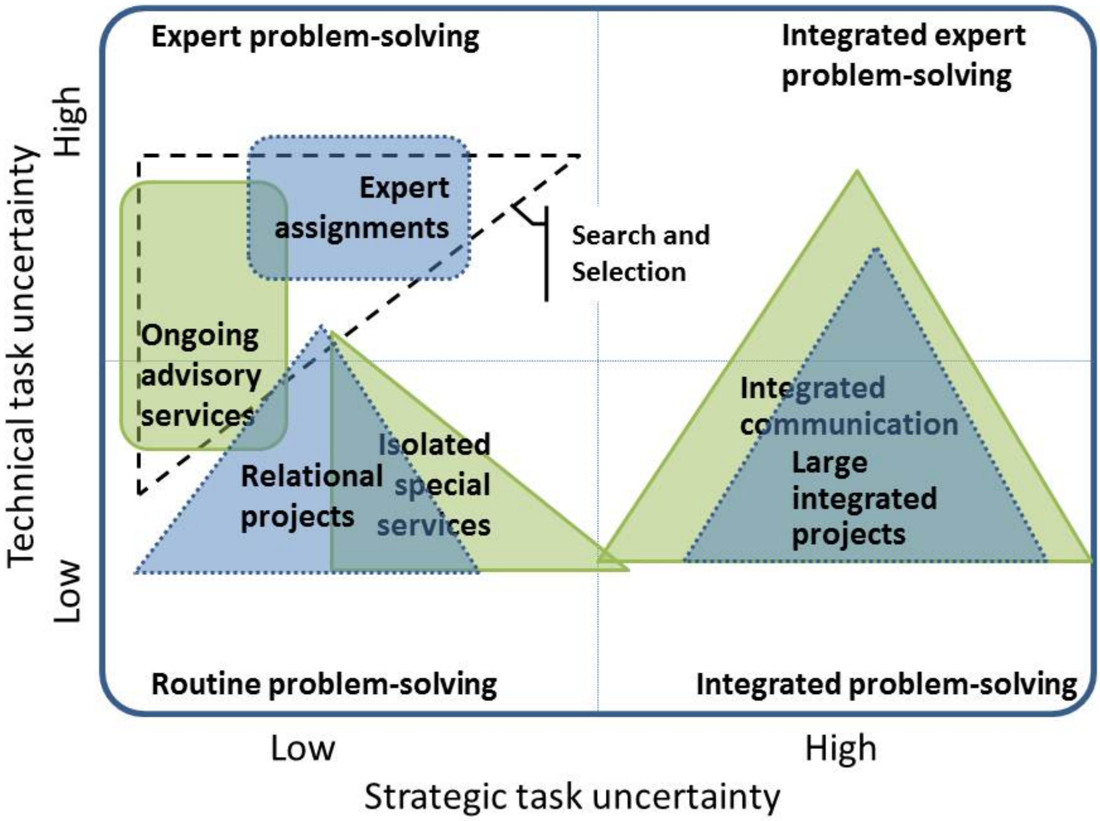


Figure 24 Mapping of all seven distinct services according to task uncertainty

The figure is somewhat busy, and the location and size of the shapes are meant for illustration only. Specifically, I have not attempted to make any quantitative measure of the task uncertainty of each service. However, I am confident that expert assignments in Engineering and the bulk of search and selection assignments in Headhunting feature more technical task uncertainty than do the bulk of relational projects in Engineering or isolated special services in StratCom. Furthermore, I think there can be little doubt that integrated communication projects in StratCom and large, integrated projects in Engineering feature significantly higher strategic task uncertainty than any of the other five types of services.[14]

[14] However, even if Figure 24 indicates that integrated communication projects span a larger variation of task uncertainty than do large integrated projects, this is an artefact for making the figure readable.

I have not found assignments in the three case organisations that can reasonably be termed integrated expert problem-solving, although I have found integrated problem-solving assignments in which a few tasks required expert problem-solving. That does not mean that such assignments do not exist, but they are probably not common in medium-sized firms like StratCom or Engineering.

Mapping the seven activity systems onto this framework, a number of observations can be made:

- The persistent high technical task uncertainty of Headhunting makes it a typical experience-based practice in Maister's (2003) terms. The task uncertainty of available technologies is remarkably resistant. Thus, task uncertainty is only reduced as a function of the practitioners' experience.
- Most of the relational projects in Engineering are routine problem-solving. However, some clearly require experience in order to be solved adequately, thus moving the problem towards the expert category. The low task uncertainty is partly an effect of the client-relationship: historical insight is important and both parties capitalise on the relation in terms of trust and efficiency. In Maister's (2003) terms relational projects are efficiency-based, whereas for Løwendahl (2005), the client relationship strategy fits best.
- Engineering's expert assignments have considerable technical task uncertainty, but are also subject to a dynamic of gradual reduction of task uncertainty through experience. And, contrary to Headhunting, this reduction is largely independent of the practitioners but is inherent in the technology as it develops and matures. Løwendahl's (2005) creative problem solving and Maister's (2003) expertise-based practice appears to fit best.
- Isolated special services are often easily defined in terms of their desired outcome, and the inherent task uncertainty is limited. However, success often depends upon co-production with the client, thus increasing the task uncertainty somewhat. The shape il-

lustrates that these services are sometimes infected by an uncertain outcome, for instance when lobbying, or attempting to sell in a particular message to the media. Sometimes the strategic task uncertainty increases because a routine assignment has to be coordinated across geographical borders. Because of the routine nature of these services, Løwendahl's (2005) ready-made solutions and Maister's (2003) efficiency-based practice fit best. However, some of the more challenging assignments may strain these generic strategies to their limits.

- To achieve an advisory role for demanding customers, a consultant in StratCom must exhibit considerable experience, hence, the expert problem-solving quadrant. However, some problems that are confusing to a customer are routine for a consultant with some training, hence the shape of the figure. The importance of broad experience, rather than raw expertise in a limited domain, makes this an experience-based practice (Maister, 2003).
- Integrated communication projects in StratCom and Engineering's large, integrated (engineering) projects are both permeated by substantial strategic task uncertainty due to the high level of task interdependencies. Most interdependencies are sequential, but many are reciprocal in nature, and reach across organisational borders. The triangular shape shows that in many such assignments a few tasks are also permeated by high technical task uncertainty, as when an engineering project use novel solutions. None of Maister's (2003) three generic practices appears to fit very well. Out of Løwendahl's (2005) three generic strategies I would propose that 'creative problem-solving' is the one that fits best, although 'standard assignments' resembles her 'adaptation of ready solutions'.
- Both StratCom and Engineering appear to find that novel services gradually become standardised, as the task uncertainty of the underlying technology gradually decreases.

One unsurprising, yet important conclusion is that low task uncertainty increases possibilities of standardisation and routinisation, compared with high task uncertainty. The consequence is that competition will then be efficiency-based rather than effectiveness-based. The differences of the services in terms of task uncertainty make them strategically distinct and incompatible, which is not fully captured by the generic strategies of Løwendahl (2005) or Maister (2003), or the taxonomy proposed by von Nordenflycht (2010). The task uncertainty affects the organisation of work, the value drivers, the critical competences, and trust issues. I provide a summary of the characteristic features of each of the types in Table 9.

	Routine problem-solving	Expert problem-solving	Integrative problem- solving
Value driver	Efficiency and reliability	Effectiveness (and novelty) in problem-solving	Effective task coordination Integration of competences from different knowledge domains
Trust issues	Reputation for integrity and non-opportunism may be important when credence goods features are pronounced or when self-serving opportunism is possible		
		Personal trust or reputation for expertise	Reputation for professionalism and competence Personal trust may be important when proposing a novel solution
Critical competence	Mastering standard methods Client relationship maintenance	Expertise in designated domain	Integrative across different knowledge domains Project management
Cost driver	Unbilled hours	Lack of clarification	Stretching supervision capaci-

	"Overuse" of seniors to tasks juniors are qualified for 'Gold plating'	of the problem Lack of specification of work that has been performed Using time the client is not prepared to pay for; being unclear about when the meter starts running	ty and thus missing important information Underestimating uncertainty and interdependencies 'Scope-creep'; work being added without more resources Lack of re-use of proven solutions Poor project management Hold-up due to lack of decisions; internal communication break-down
Profit through	Leverage; effective employment of junior consultants Avoidance of superfluous administration Re-use of proven solutions	High hourly rates or generous fixed fees	Value-based pricing or combination of leverage and high hourly rates Proper project management Avoiding scope-creep; getting paid for extra work and project changes Properly balanced project team

Table 9 Features of the three activity systems

A second conclusion arising from this mapping exercise is that both Engineering and StratCom are indeed straddling Løwendahl (2005) and Maister's (2003) different generic strategies, even if they fit only reasonably well. The differences between the generic activity systems shown in Table 9 illustrate why the traditional wisdom of avoiding a mix has much to say for it. Yet, as documented, both StratCom and Engineering believe they will always be dependent upon all three types of services if they are to thrive in the market.

7.1.2 Costs of straddling

The research confirms the view that warnings against mixing generic strategies (Løwendahl, 2005; Maister, 2003; Porter, 1985) are made for good reasons. There are clearly extra costs involved in straddling compared with adhering to one configuration which corresponds with clear positioning within a generic strategy

The first cost is directly related to Porter's (1996, 2001) strategic positioning theory: straddling generic strategies may confuse the positioning of the firm in the market. Is it a provider of low-cost efficiency-based routinised services, or is it a provider of expensive high-end expertise-based services? Such possible confusion in the market may very well be mirrored in internal confusion: "what is our *real* positioning?".

The problem is substantial in StratCom, mostly due to pitching for assignments, and to internal staffing issues. Pitching for effectiveness when the customer asks for efficiency is a common problem; it raises the client's expectations without necessarily encouraging willingness to pay. Secondly, it distorts internal communication and makes the management of expectations difficult, as too large a discrepancy between the rhetoric used towards the client and the internal requirements tends to create cognitive dissonance (Elster, 2007) that must be alleviated in one way or another.

In Engineering I have not discovered that many positioning difficulties. What partners complain about is the tendency of clients not to acknowledge risks and uncertainties in larger projects. One large public customer in particular is consistently used as an example of an employer who insists on fixed-priced contracts even when task uncertainty is high, and who has rigid and bureaucratic procedures for documentation of claims related to extra work – making this client an unattractive one. However, as the client is an employer for a great many high-profile prestige projects, it is difficult to make the choice of not bidding. Although a particular case, it illustrates a general point; acknowledged task uncertainty is socially constructed and has real implications for the client's conception of a fair deal.

In addition to the danger of confusion over the positioning, there are three more costs internal to the activity systems which should be taken into consideration: less scope for specialisation; increased changeover costs; and increased coordination costs. Specialisation generally leads to increased efficiency, a point made by Adam Smith (1776) and confirmed in modern cognitive psychology and the concept of the learning curve (Ritter *et al.*, 2001). In Engineering and StratCom, straddling requires practitioners to master a broader repertoire, thus diminishing the possibility of their developing expertise in a narrower range of tasks (Starbuck, 1992). Increased changeover costs are related; the concept is mostly used for physical production equipment, but changing from one mode of production to another may involve substantial cognitive changeover costs. The increased coordination costs are mostly due to: 1) the sheer increase in internal complexity from handling different configurations of the activity systems, and 2) to the fact that the activity systems consist of more elements in order to handle the compound requirements from three strategically-distinct types of service.

I would like to illustrate the increased complexity with a discussion of the requirements that stem from delivering routine, expert, and integrated problem-solving with one activity system. The situation would be familiar to any senior partner in Engineering or StratCom. In one assignment (routine) efficiency will be key, and the practitioners are not given time to do anything besides executing, as they are supposed to follow given procedures and solve the problem routinely. In another assignment (expertise) cost may not be an issue, the problem has no relevant precedent, and time is important. In a third assignment (integrated) many tasks must be coordinated, some of them requiring expertise. Time is of the essence, and the many interdependencies among tasks provide for additional tension.

An experienced practitioner may have all three assignments working simultaneously. In the first she is responsible for the deliverables, but the work is mostly delegated to a junior. She will nevertheless have to oversee the work to ensure quality. In the second she is a team member, because of her former experience with related assignments. However, she is not responsible for that client and she is at any rate fully-booked, so she cannot conceivably be project manager for that assignment. The third assignment is the experienced practitioner's responsibility. The budget is adequate, but the time-schedule is tight, and she is dependent on inputs from a range of specialists who are busy with other assignments as well. Besides, she needs to gather those specialists in one room, so that important decisions can be made. The ultimate decision is hers to make, but she needs all the relevant arguments and counter-arguments to be rehearsed. Most of the tasks in the assignment are of medium task uncertainty, but the interdependencies among them lead to significantly compounded strategic task uncertainty.

With her experience, the practitioner could supervise three or four juniors in routinised problem-solving assignments. The competition is mostly efficiency-based, and the clients are price-sensitive. With comparatively low margins, the key to high profitability is to maintain a high ratio of juniors to seniors. For the expert-based assignment the situation is different. Due to the recognised need for expertise, the fees are comparatively high, hours billed are not an issue, and the client's prime interest is to get the problem solved effectively. However, there is little space for juniors, as the assignment may easily become crowded. Besides, junior personnel would not contribute to the client's reassurance that the very best resources are allocated to the assignment.

The coordination-intensive assignment would employ a mix of junior and senior personnel. Some of the tasks are fairly routinised, whereas others are more demanding in terms of experience or expertise. The critical competences are project management, and the ability to integrate knowledge from various domains and make necessary trade-offs between several important but potentially conflicting concerns. The fees generated through such assignments may be quite handsome, but the uncertainty that stems from the need for coordination can easily lead to significant non-reimbursable costs. Economically, this type of assignment carries more risk than the two others.

In subsection 7.4.2 I will discuss how the costs associated with straddling can be alleviated through effective reconfiguration of the activity system.

7.1.3 Conclusion

Routine, expert, and integrated problem-solving assignments require different configurations of the activity system. Indeed, in a stable environment and within a static framework, it is difficult to conclude other than that they would be most efficiently served by three different activity systems. However, when the time-dimension is incorporated and a more dynamic framework that allows for interaction effects is used, the extra effort may also have benign effects. This is the topic of the next section.

7.2 Deliberately stuck in the middle – and thriving

The two case organisations that straddle strategically distinct types of services with one activity system (StratCom and Engineering) are clearly "stuck in the middle" according to conventional theories, yet their financial accounts suggest that they are thriving. However, taking Porter's warning seriously means that it must be established that successful straddling is not simply due to particularly benign market conditions.

Both StratCom and Engineering experience tough competition, in particular over routine assignments and integrated assignments. The competition is perceived as less intense for expert assignments. The market for routine assignments in both industries is price sensitive, while large, integrated assignments are often won through formal tenders and competitive bidding. The pattern seems to hold during both bear markets and buoyant times, that is, when competition is harsh and when it is more benign. The Norwegian markets for HVAC engineering services and strategic communication services also consist of several focused "boutiques". Yet, Engineering and StratCom both report that they compete with focused competitors on a routine basis and regularly win. On this basis I believe it is safe to conclude that both firms are able to compete effectively within the three strategic domains in which they are engaged.

I have identified four benign effects from straddling: increased learning possibilities and attraction, development, and retention of talent; an increase in the ability to capitalise on the dynamics of the routinisation of problem-solving; assistance with capitalising on client relationships; and easier balancing of utilisation of capacity. I will discuss each of the four dynamic effects below.

7.2.1 Increased learning possibilities and attraction, development, and retention of talent

Variation in tasks provides opportunities for learning for individuals and teams, and thus also for firms (Schilling *et al.*, 2003). While learning is often seen as inherently good, the immediate instrumental value of learning is that it may increase efficiency or effectiveness, or both, and that learning through exposure to a variety of tasks enriches the responsive repertoire in new situations (Argyris and Schön, 1996; Senge, 1990; Starbuck, 1992; Weick, 1979; Zollo and Winter, 2002). Recruitment and development of human resources is prominent in the activity systems maps for all three case organisations.

Variation in tasks also provides learning possibilities that involve reconfiguration and integration of competences, and thus contributes to a crucial part of a professional service firm's dynamic capabilities; see Eisenhardt and Martin's (2000:1107) emphasis on dynamic capabilities as resource integration and reconfiguration. Junior and senior practitioners in both StratCom and Engineering testify to the importance of this effect.

A positive effect of learning, and of a reputation for learning opportunities, is that it enhances the organisation's ability to attract, develop, and retain talented people. Again, this is consonant with the emphasis on the role of dynamic capabilities in gaining (and releasing) resources (Eisenhardt and Martin, 2000:1107).

The emphasis StratCom puts on this is expressed in their promise to their employees: "StratCom will be the place in Scandinavia where you learn most about communication." Likewise, Engineering claims that much investment is needed in order to make a fresh graduate into a profitable engineer, but by then the engineering consultant is firmly socialised into Engineering's way of doing things.

Less demanding assignments provide important training-grounds for developing practitioners. Of course, one could argue that a clear positioning in the high-end market would just imply that only experienced practitioners (so-called lateral recruitment) are recruited, but it is well documented (e.g. Lorsch and Tierney, 2002; Maister, 2003) that such an approach incurs serious problems as well: experienced professionals are likely to be costly, as more of their value is reflected in their salary, and it is more difficult to align them with distinct firm-specific practices. For these reasons, and in order to socialise new recruits into the i3-method more effectively, StratCom made the deliberate choice to end their practice of recruiting experienced practitioners. (See change from Figure 20 to Figure 21.)

Learning opportunities are also important for retaining talented people who are prone to getting good offers from competing firms or from clients. A rational practitioner who wants to maximise his or her long-term value must add the value of continued learning to their salary. If the learning opportunities and prospects are good, then the rational practitioner will be less inclined to accept the offer of a higher salary from a competitor. Acknowledged learning opportunities thus make the most valuable resource in a professional service firm less mobile, which is good from the perspective of resource-based theory (Barney and Clark, 2007).

Learning opportunities from task variation also provide practitioners with more possibilities for career development within the firm. One can aim for an expert role, or for the generalist role of supervising routine assignments or managing large integrated assignments.

Thus, straddling provide learning opportunities through variation in work, which again is important for attracting, developing, and retaining talented practitioners in PSFs.

Yet, learning is taxing. Another benign effect of straddling and the associated variation in work is what Elsbach and Hargadon (2006) refer to as "mindless work". Straddling implies that practitioners can also take refuge from the most challenging, thrilling, and exhausting assignments in assignments that only require competent performance of routine work. According to Elsbach and Hargadon (2006) this possibility is important for enhancing creativity among knowledge workers.

7.2.2 Capitalising on the routinisation of problem-solving

Innovation and new services usually involve significant task uncertainty, as practitioners are yet to develop adequate routines for producing the new service. Services that are initially high on technical or strategic task uncertainty, or both, will thus typically evolve towards less task uncertainty as time goes (Anand *et al.*, 2007; Morris, 2001).

Both StratCom and Engineering make use of this dynamic effect in their formal strategies (see Figure 21 and Figure 13), since both have a zeal for developing new services and solutions which are then gradually adopted as part of the standard repertoire.

For the purpose of this discussion I want to make further distinctions to that between technical and strategic task uncertainty; those of inherent task uncertainty, observed task uncertainty, and experienced task uncertainty. Inherent task uncertainty can be seen as random variation beyond human control; the task uncertainty that even an experienced practitioner with a broad repertoire and firm grasp of the available relevant stock of knowledge must cope with. For observed task uncertainty I mean the task uncertainty that is recognised and acknowledged by an external observer, be it a competitor or a client. Finally, with experienced task uncertainty I mean task uncertainty as it is experienced by a specific practitioner. All three types of task uncertainty are drawn in Figure 25 below.

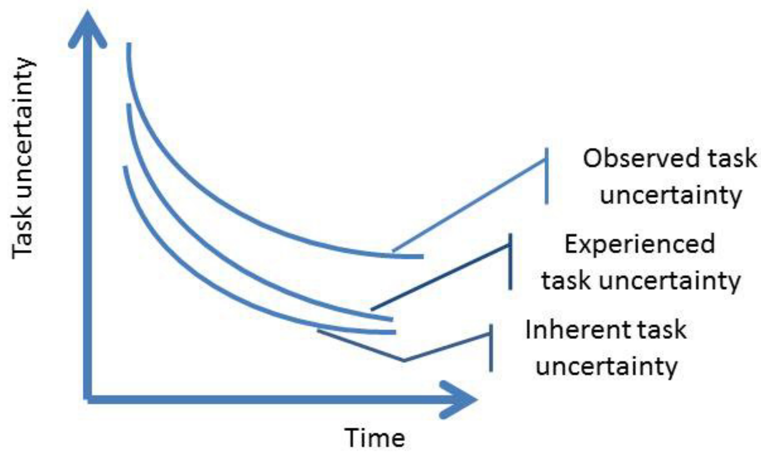


Figure 25 Different types of task uncertainties

Inherent task uncertainty has some kind of objectivity as a rock-bottom task uncertainty that everyone has to cope with irrespective of experience. Inherent task uncertainty may remain the same, but as practitioners gain experience on a task the experienced task uncertainty is gradually reduced through a process often referred to as the learning curve (Ritter *et al.*, 2001). In Figure 25 this means that the vertical distance between the graphs of inherent and experienced task uncertainty is reduced as a function of time. This is the situation in Headhunting, where the inherent (technical) task uncertainty of available technologies remains high, whereas the experienced task uncertainty that faces seasoned practitioners is closer to the inherent task uncertainty than is the case for less-experienced practitioners. In the figure, I have also shown a case where the inherent task uncertainty is reduced over time as the technology is developed, which is more like the situation in Engineering and StratCom face.

Whereas there is a close relationship between inherent and experienced task uncertainty, observed task uncertainty is an outsider's subjective perception. This perception is likely to be influenced but not wholly determined by inherent task uncertainty. Moreover, it is highly likely to influence a client's willingness to pay; indeed it can be argued that highly-observed task uncertainty is decisive for the high fees achieved by PSFs. Highly-observable task uncertainty may also deter a competitor from attempting imitation.

If a firm is capable of reducing the experienced task uncertainty at a faster rate than is the case for observed task uncertainty, then a gap develops between the possibilities for replication and the danger of imitation (Rivkin, 2001). One reason for this is that the information embedded in the problem-solving practice is 'sticky' (von Hippel, 1994) and costly to transfer. Extra profits can then be made by executing the task in less time or through using cheaper resources.

Maintaining all three activity systems helps in the exploiting of the dynamics of problem-solving. Neither technical nor strategic task uncertainty is static. On the contrary, the history of economic development is partly a history of the reduction of task uncertainty; today's novel solutions are tomorrow's routine services, hence the need to balance exploration and exploitation in organisational learning (March, 1991). Furthermore, as replication of a moderately complex activity system is usually easier than a transfer across organisational borders (Rivkin, 2001), it is likely to add more value when it is maintained in-house than by being taken over by another organisation, even when the wedge between observed and experienced task uncertainty has diminished.

7.2.3 The transaction cost theory case for variation

As shown in previous subsections, transaction of knowledge-based services involves significant task uncertainty and produces occasions for opportunism. Hence, substantial investment in trust on both sides is required. The client must trust that the practitioner understands his organisation and his problem, that she is capable of solving the problem, and that she is not prone to opportunism. Also, it is important to establish a personal rapport between client and practitioner. Such investments take time, and time is money both for client and practitioner. Hence, both have incentives to continued capitalising on an existing relationship rather than establishing new ones (Woolthuis *et al.*, 2005). We can see from the maps of the activity systems of all three case organisations how client relationships assume a central role.

A broader repertoire of services creates more opportunities for reducing transaction costs with a client. Sometimes a new client wants to test an organisation through a less sensitive assignment. In other cases, one may recognise that a small potential client has significant prospects for growth. In such cases a client-relationship that is of little initial interest may develop into a very attractive one, an approach emphasised in particular by Headhunting.

As relations are a source of new assignments, engagement in one type of assignment may lead to another. For instance, a large building project produces an installation in need of maintenance and future upgrading (relational projects), for which the supplier of the building is uniquely positioned. Ongoing advisory services may give birth to an idea for a larger integrated communication project, and so forth.

7.2.4 Easier balancing of capacity utilisation

The fourth benign effect of straddling is that it creates better opportunities for balancing utilisation of capacity. In particular, it may help fill capacity that would otherwise have been temporarily underutilised. For organisations which earn their revenue through invoicing by the hour, such underutilisation is extremely costly – as shown by the identification of cost drivers in preceding chapters. In the maps of activity systems in StratCom and Engineering, we find explicit references to utilisation of capacity.

Balancing capacity utilisation in a project-based organisation where each project uses a substantial part of the capacity is extremely difficult. The organisation is bound to work off and on, sometimes under extreme pressure and sometimes with spare capacity. Both situations are costly; the first because use of overtime is expensive and strenuous for the practitioners, the second because an idle hour cannot be reclaimed, because project-driven service organisations cannot produce to stock. Straddling may help balance capacity utilisation, primarily because the demands for different services may not wholly correlate with each other.

7.3 Problems and dilemmas reinterpreted

In each of the case organisations I have identified a number of strategic dilemmas that cannot be dismissed merely as the result of a lack of willingness or ability to make strategic choices. With the exception of the dilemmas caused by Engineering and StratCom's straddling, all the identified dilemmas appear to be strategically important and insoluble. They must be coped with, and that coping will have repercussions for the strategic positioning of the firms. A strategic position is not something a firm possesses as much as it is something a firm must continuously maintain (Barnett and Hansen, 1996; Derfus *et al.*, 2008).

In this section I will discuss the dilemmas identified in the case studies as prime examples of the generic dilemmas that are likely to face all professional service firms. The dilemmas identified in Headhunting are: maintaining the strategic position versus utilising capacity, concluding demanding assignments versus maintaining integrity, and the internal prioritisation of scarce resources. In Engineering the following two dilemmas were identified in addition to those associated with straddling: use of scarce resources, and choosing between providing impeccable quality and honouring obligations toward loyal clients, in a situation with severe capacity problems. In addition to the dilemmas associated with straddling, StratCom must in particular cope with the enduring tension between individuality and collectivity, and the dilemma of sticking to its own integrity rules and serving clients in need.

In the following subsections I will look at these dilemmas as manifestations of four generic dilemmas that affect professional service firms: efficiency versus effectiveness; short-term earnings versus long-term value; the enduring tensions between individuality versus collectivity; and the continuous battle over scarce resources.

7.3.1 Efficiency versus effectiveness

Concern for efficiency and concern for effectiveness may prove contradictory in practical situations. Unless effectiveness can be taken for granted, in which case effectiveness-based competition is meaningless, prioritisation of one can only be achieved at the expense of the other. This was clearly the case for Engineering in its struggle to handle excessive demand; it spread resources thinly in order to achieve increased efficiency, but experienced a dangerous slip in effectiveness (see 5.4.4.) While most organisations are probably facing this dilemma, it becomes urgent in organisations which straddle efficiency-based and effectiveness-based competition.

Organisations that engage in efficiency-based competition will experience an incessant pressure towards increased efficiency. Increased efficiency at a given level of effectiveness increases the value added. However, zeal for increased efficiency can lead to reduced effectiveness, which may be very expensive, as when pressure for efficiency leads to lack of robustness in a project team, resulting in less capacity for handling uncertainties. An attempt to save thousands may lead to extra costs in the millions. Engineering nearly experienced this, although the reason for attempting to increase efficiency was not the need to increase earnings but lack of senior capacity to handle ongoing assignments. In Headhunting, concern for efficiency may undermine effectiveness, if consultants for instance trim 'redundant' tasks that increase the robustness of the recommendation, such as for instance taking that extra phone call to check up on a reference even if the first two reference checks were positive.

Engineering and StratCom compete simultaneously in strategic domains where competitive advantage is derived from efficiency and effectiveness respectively. The incompatible requirements put on the activity systems are then brought to the fore in the necessary reconfiguration of the activity systems.

7.3.2 Short-term earnings versus long-term value

Although emphasis on long-term value usually carries more prestige, short-term earnings are what pay bills and salaries. All three case organisations experience the problem of their enactment of formal strategies regularly creating tensions between the need for short-term earnings and the pursuit of long-term value maximisation of the firms' strategic resources, as in for instance their reputations. This tension is at the heart of a number of the preceding analyses (for instance Semiotic Square 1, Semiotic Square 3, Semiotic Square 6, and the analysis of use of 'golden teams' in Engineering, section 5.4.3).

Similarly to the dilemma between efficiency and effectiveness, concern for short-term earning versus long-term value is common to almost all firms, often under the heading 'operations versus strategy'. Yet, I will argue that the dilemma is particularly important in firms that in effect generate revenues by invoicing hours, and that cannot produce for stock. There are simply fewer opportunities for putting idle capacity to uses that generate long-term value, particularly because in situations with idle capacity the best human resources are busy with bringing in new assignments. Neither is it unproblematic to assign idle capacity to development work. For instance, the development of StratCom's i3-method was heavily dependent upon the best practitioners giving it priority; because of their insight, but perhaps even more because it provided legitimacy.

Concern for short-term earnings suggests that one should not be too particular but should simply accept incoming assignments, even if they are not consonant with the intended strategic-positioning in the market. Consideration for long-term value may give the opposite answer, because accepting such assignments may give the wrong signals to the market and undermine positioning and reputation. The same goes for 'excessive' willingness to give rebates in order to land an assignment. In these cases it is usually not the individual cases as much as the compound effect of a pattern of cases that is harmful to the positioning, leading to unwanted strategy drift.

More severe are those cases where even one wrong step may be fatal, which is sometimes the case when the integrity of the practitioner or the firm is in question. Again, two legitimate interests may be in conflict; concluding the assignment to the client's satisfaction at the cost of cutting a corner, and keeping to the moral high ground at the client's expense. I have yet to interview an experienced practitioner who admits that she or he would knowingly cut a corner that might jeopardise their integrity, but there are always the difficult borderline cases where the answer depends on the perspective brought to the problem, and where one perspective is not inherently superior.

Another example is where the idea of the well-founded proverb "never change a winning team" is pitted against splitting up successful teams in order to distribute insights and good practice. In Engineering this tension is built into the strategies through the use of 'golden teams' to deal with particularly difficult and prestigious assignments.

7.3.3 Individuality versus collectivity

Just as fundamental as the dilemma over short-term earnings and long-term value is the tension between individuality and collectivity in PSFs. (See for instance Semiotic Square 1, Semiotic Square 3, and subsection 6.4.3 for illustrations.)

Professionals are often depicted as fiercely independent actors who know their value only too well. On the other hand, capacity for creating value that goes beyond that of individuals requires some degree of collectivity, and collectivity means intervention in individual autonomy. One telling example from this study is StratCom's insistence on their "i3-method" for solving assignments. The method has one of Giddens' defining characteristics of a structure, in the sense that it simultaneously enables and constrains practice. It enables collective problem-solving with a "StratCom signature", but its implementation also precludes many individual idiosyncrasies in problem-solving, idiosyncrasies that may be of great value to those very individuals. Valuable seniors have left the organisation on the grounds that the i3-method is too restrictive.

In PSFs, the tension between individuality and collectivity comes particularly to the fore in reward systems and profit-sharing schemes. I will use reward systems for partners as an example. Partners must acquire projects, execute projects, perform client management, perform personnel management and development, and contribute to the development of organisational strategic resources and practices. In general, they are responsible for the translation of formal strategies into practice. The different tasks require different skills and may be in inherent conflict with each other (at least in terms of consuming the same resource: partners' time), and their respective contributions to organisational success are difficult to measure fairly.

The three case organisations have different approaches to reward systems for partners. Headhunting maintains a strongly-individualised reward system, reflecting the belief that partners should develop 'their own' client portfolio, although as part of Headhunting. The individualised reward system is compensated for by a strong internal ethos of helping each other out with leads and as sparring partners, and also sometimes by sharing assignments when capacity utilisation is uneven. The interviews clearly corroborate the conjecture that the internal ethos of sharing actually increases the internal legitimacy of the individualised reward system.

StratCom has changed its reward system on several occasions, as accounted for in the case description. The organisation moved from a strongly-individualised reward system to a reward system that explicitly attempts to align a partner's economic self-interest with the organisation's need to employ its junior personnel. Quite a few leading partners have left the firm, with some making specific reference to the efforts to 'collectivise' the organisation.

Engineering is extraordinary in its egalitarianism among the partner-owners; they all receive the same salary, the same bonus, and the same dividend. The salaries for non-partners are individually negotiated, but the eventual bonus is shared equally. When probed, the managing partner simply observed that "it has always been like this in Engineering". When asked about the equal rewards among the partners, despite the obvious differences in contribution, the managing partner maintained that "there are so many different contributions expected from the partners that to start measuring them would be difficult and time-consuming, and would create ill-feeling. All of us earn enough anyway." The only uproar in recent times that was related to the reward system was when the managing partner decided to reward a couple of non-partners with an extra bonus due to their extraordinary efforts that year on Engineering's behalf. Although their contributions were universally recognised and praised, the managing partner's decision to provide personal bonuses was seen as an unprecedented breach of "Engineering practice".

Reward systems are only one set of structures guiding behaviour. No reward system can perfectly align individual incentives with organisational goals. Besides, many of the contributions necessary for a community to thrive cannot be translated into economic terms, and any attempt to do so may deprive a firm of vital social qualities. Highly individualised reward systems provide high-powered individual incentives for performance, ensure that high-performers get their reward and low-performers economic stimulus to improve, and make the organisation financially robust in recession because salaries are then mainly a variable and not a fixed cost. On the other hand, individualised reward systems put a high individual shadow-price on non-reimbursable work for the common good of the firm. In some situations it also drives a wedge between individual interests and the collective interest, for instance in the example above on what to do with idle capacity. If the individual practitioner has to bear the full burden of idle capacity, then she or he has strong incentives to accept 'substandard' assignments that may undermine the strategic positioning. Even worse, the same goes for cutting corners in order to get an assignment finished.

7.3.4 Continuous battle over scarce resources

In all three case organisations I have observed continuous and fierce battles over scarce resources. An important driving force for these battles is usually pressure to deliver in an assignment, and loyalty to clients.

All three case organisations are successful, and are faced with many more opportunities than they can possibly pursue. These potential openings increase the scarcity experienced, and intensify the battle over prioritisation. Both Engineering and StratCom have learned hard-won lessons in this respect. All three organisations have lost valuable partners in the wake of defeat in 'one too many' internal fights for priority. In organisations that are dependent upon decentralised strategy enactment this is all the more important, because the partners perceive losing priority as losing opportunities to develop the organisation in 'their direction'.

In all three case organisations I have observed that "I" is conspicuously absent in these internal battles; it is always "we", even when everybody involved must be aware that the interests of "I" and "we" overlap considerably. I have, however, observed two exceptions to the rule. The first is "I need help". Within this formula the "I" submits to the dependence upon "we" and thus confirms the importance of "we". Given the enduring tensions between individuality and collectivity reported in the previous subsection, this observation is interesting because it shows that over-obvious concern for individual interests is illegitimate. The second is appeal to a common norm of fairness: "it is my turn now". When this appeal works it actually appears to strengthen the "we", even if the appeal was for an "I".

7.3.5 Conclusion: the significance of the dilemmas

The dilemmas identified and analysed in this study are not exhaustive. However, they are profound, and present a tough challenge to the assertions that strategies can and must avoid internal inconsistencies (Maister, 2008; Porter, 1996, 2001; Rumelt, 1998). Indeed, they show that contradictions and dilemmas are sometimes inevitable, and must be coped with rather than solved once and for all by a strategic choice. The next section delves further into the practices I have identified for coping with these dilemmas.

7.4 Coping practices and strategy realisation

The preceding section discussed the dilemmas that are identified in the three case organisations as manifestations of generic strategic dilemmas that professional service firms may face. These dilemmas have to be coped with in situations that occur on an everyday basis. Sometimes decisions have to be made on the spot, and sometimes practitioners can consult their peers. Because of the unpredictable nature of these situations, practitioners must have autonomy to make decisions, and must also take responsibility for coping with the situation. A strong proposition derived from the research reported in this thesis is that strategy realisation is as much about continuous translation of formal strategies through coping with insoluble dilemmas as it is about the implementation of formal strategies through change from one state to another.

Effective coping requires a repertoire of practices. A number of coping practices have been identified and analysed, including continuous open dialogue, skilful ignorance, accommodating deviations, all-out effort, and reconfigurational ambidexterity, as summarised in Table 10. Reconfigurational ambidexterity is connected with straddling, whereas the other practices are related to dilemmas unconnected with straddling.

Coping practice	Headhunting	Engineering	StratCom
Open dialogue	Generally important	Generally important	Generally important
Skilful ignorance	Important for maintenance of strategic position	Not important	Not important
Accommodating deviation	Important, has resulted in new or amended strategic rules	Not important	Important, has resulted in new or amended strategic rules
All-out effort	Softened version important for helping out with assignments turned sour	Important for coping with capacity limitations and demanding projects ('golden teams')	Softened version occurs when pitching for an attractive new client or assignment
Reconfigurational ambidexterity	Not important	Important for coping with straddling	Important for coping with straddling

Table 10 Coping practices in the three organisations

7.4.1 Coping with insoluble dilemmas in practise

Skilful ignorance, open dialogue, accommodation of deviations, and all-out efforts require considerable competence, commitment, and capacity for mobilising necessary resources. Acknowledging these conflicting obligations and concerns, the practitioners engage in practical reasoning (Searle, 2001) to sort things out and reach a practicable course of action. Sometimes this is done on the spot at the level of practical consciousness (Giddens, 1984); sometimes they engage in an Archerian (2003) internal dialogue, as exemplified by the quote of Partner 5 on page 153; and at other times they explicitly invite other practitioners to partake in their reasoning through open dialogue (discussed in 4.4.4 and 6.4.5). The recurring theme in these dialogues is how to maintain 'the strategies' when under pressure from conflicting obligations or needs.

Instances of all three cases (practical consciousness, internal dialogue, and open dialogue) have been documented throughout the three case studies. What is common, in addition to the role of practical reasoning, is the importance of competence and commitment in exercising that reasoning, in reaching a conclusion, and in acting upon the conclusion. The importance of capacity to mobilise resources is most pronounced when acting upon a conclusion, but also plays a role in mobilising peers towards an open dialogue, and in using formal strategies effectively in that dialogue to reach a conclusion. Perhaps the most telling episodes in this respect are when a practitioner is driven more by acknowledged need for compliance than by commitment, and thus needs acceptance from the other practitioners in dealing with a borderline course of action. The episode reported in Vignette 2 may have been such a case.

I have observed that practitioners rely heavily on quick judgements, performed at the level of practical consciousness, for a great many decisions that involve elements of the activity system during assignments. Commitment and compliance are then internalised in much the same way as competence is internalised in the form of tacit knowing. In all three cases fellow practitioners are represented in the practical reasoning, through an individual practitioner's internalisation of the formal strategies. In this way, formal strategies condition practical coping in Headhunting, in clear contradistinction to the gist of Chia and Holt's (2006) paper on strategy as practical coping.

7.4.2 Coping with straddling through reconfigurational ambidexterity

Subsection 7.1.2 established that there are considerable costs associated with providing three strategically-different types of services with one activity system. The obvious thing to do is to seal off the different types of assignment in different units, as suggested by the concept of structural ambidexterity (Gibson and Birkinshaw, 2004). However, for organisations with fewer than 100 practitioners, creating semi-autonomous units could severely reduce overall flexibility. That would also reduce the positive effects of variation in assignments, as discussed in section 7.2.

In the literature review I discussed Gibson and Birkinshaw's (2004) concept of contextual ambidexterity as a special case of organisational ambidexterity. The emphasis in contextual ambidexterity is on stability and change, and efficiency and flexibility. This study shows that organisations may have to cope with conflicting demands, i.e. efficiency *and* effectiveness, from a stable task environment, and must simultaneously respond to these conflicting demands from a single activity system.

Thus, to cope with straddling, the organisations must be able to reconfigure their activity systems for each assignment according to its strategic type. First, the organisations must be able to recognise the type of service in terms of the critical competences needed, and of the value drivers and cost drivers of the specific assignment. Then the activity system must be configured accordingly. Given the likely importance of this being performed effectively the capacity for constant reconfiguration seems essential for overall performance.

In terms of organisational ambidexterity, my findings thus suggest a third form in addition to structural and contextual ambidexterity. In accordance with the emphasis on reconfiguration in the preceding discussion, I suggest reconfigurational ambidexterity as this third form of ambidexterity. This capacity has of course much in common with the emphasis on reconfiguration of resources in dynamic capabilities theory (Eisenhardt and Martin, 2000; Teece *et al.*, 1997). However, dynamic capabilities theory still seems to relate reconfiguration exclusively to organisational or environmental change (Teece, 2007). While organisational or environmental change may indeed call for reconfiguration of resources, the contention here is that capacity to constantly reconfigure[15] may be instrumental even in organisational and environmental 'steady states'.

---

[15] See subsection 5.4.5 for a comparison of reconfigurational ambidexterity with contextual ambidexterity.

7.5 Practices and strategic resources in a PSF

Four types of strategic resource have been identified in this study: relations with clients, relations with practitioners, reputations (for 'quality' and for trustworthiness), and practices. The literature review showed that the importance of relations with clients (Uzzi *et al.*, 2007) and practitioners (Teece, 2003), and the mutual reinforcement of these relations, are well-known in the PSF-literature (Lorsch and Tierney, 2002; Løwendahl, 2005; Maister, 2003). The same is true for reputations (Greenwood *et al.*, 2005; Uzzi *et al.*, 2007), for professionalism and integrity (Greenwood *et al.*, 1990) and for competence and commitment to quality (Starbuck, 1993). It has also been pointed out that none of these resources is something which an organisation can own (Løwendahl, 2005). This study corroborates conventional wisdom in all these areas.

The role of practices in shaping strategic resource has received less attention in the literature, even if the role of demanding assignments in connecting clients and competence development has been pointed out (Løwendahl *et al.*, 2001; Skjolsvik *et al.*, 2007). I will thus take this opportunity to concentrate on how concern for reputation as a fragile collective good conditions choices and practice, and on practices as a strategic resource in itself.

7.5.1 Reputation as a fragile collective good

Reputation is important for competitive advantage (Hall, 1992), and in particular for professional service firms (Greenwood *et al.*, 2005; Weigelt and Camerer, 1988), even if the contention that reputation for integrity is *de facto* important is now under some dispute (Leicht and Lyman, 2006). Moreover, Basdeo *et al* (2006) show that market actions influence reputation.

How then does practitioners' concern for reputation structure choices and practice? Signalling theory suggests that the mechanism is that firms invest in their reputation and then offer that reputation as a "hostage" in transactions (Williamson, 1983). Defecting on the promised quality will then have severe repercussions in terms of damaged reputation, thereby aligning the consultant's interest in maintaining the reputation with the client's interest in high quality and non-opportunistic behaviour.

However, signalling theory assumes that quality will eventually be revealed with experience. Headhunting and StratCom in particular, but also Engineering to some extent, deliver services afflicted by high task uncertainty, ambiguity, and unverifiable quality. The services are experience or even credence goods rather than search goods (Brush and Artz, 1999; Tirole, 1988: 106). The quality cannot be verified through a pre-purchase search but must be experienced post-purchase (experience goods) or may never be unambiguously determined at all (credence goods.) Moreover, the services provide ample opportunities for opportunism. If anything, this study affirms that these features make trust and reputation even more important vis-à-vis clients.

The reputations that are identified in the case organisations' activity systems have strong characteristics of being what we can call 'internal public goods'. That is, all consultants in an organisation enjoy or suffer the same organisational reputation, which is non-rivalrous and non-excludable (Tirole, 1996). This organisational reputation may be modified by the reputation of individual practitioners, but practitioners in all three case organisations apparently believe that a strong individual reputation for trustworthiness is of little value if the organisation is suspected of opportunism.

We have seen that reputations assume a pivotal role in the formal strategies of all three organisations: see also Semiotic Square 1, Semiotic Square 3 and Semiotic Square 6 for illustrations. My research in Headhunting and StratCom has documented how the reputation for trustworthiness and integrity are safeguarded as fragile collective goods which may be under threat from pressure for individual or short-term concerns. In both organisations the norms of non-defection are very clear, and are backed up with substantial sanctions to protect against defection.

When a consultant acts in accordance with an organisational reputation, reputation is maintained or even strengthened. However, when such behaviour is individually costly, it may be tempting to let others bear the cost while one still reaps the benefits. If such behaviour becomes commonplace, then the organisation may come to suffer from the tragedy of the commons (Hardin, 1968). Thus, there are very strong peer expectations in the case organisations to comply with the rules aimed at protecting reputation.

This finding is somewhat contrary to Leicht and Lyman's (2006) contention that emphasis on trust is in decline in professional service firms. We may have witnessed dismal episodes like the collapse of Lehmann Brothers and the Enron scandal, but the latter also brought about the downfall of Arthur Andersen and may thus be interpreted as testifying to the importance of trustworthiness. At the very least, practitioners in the three case organisations in this study appear to believe firmly that their choices and practices affect their firms' reputations, and that reputation is vulnerable. It is that belief, justified or not, combined with internal enforcement that makes concern for reputation work.

7.5.2 Practices as strategic resources

The findings in this thesis point to three routes through which practices act as strategic resources: work practices for carrying out assignments, choices and practices that affect the strategic positioning of the firm, and the interaction between practices and strategic resources.

The most direct route is the work practices that are used to carry out assignments. I will discuss this as a source of value creation and appropriation based on the VRIN-criteria of resource-based theory (Barney, 1991). The work practices determine the quality of the service and how well inherent task uncertainty in assignments is handled. Thus, practitioners' performances of work practices determine the *value* of the services that the firm provides. Insofar as the competition is based on effectiveness, the work practices are not only valuable but also rare and imperfectly imitable, due to complexity and social embeddedness. When competition is efficiency-based, for instance Engineering's relational projects, practices that are embedded in historical insight and a long relationship with the client are rare and imperfectly inimitable once they are established. This is a case of time compression diseconomies (Dierickx and Cool, 1989).

I have shown that both Engineering and StratCom are affected by a gradual routinisation of the work practices with high task uncertainty, so that in the long run expert advice may be transformed into routinised services. However, I also showed that these firms are well-positioned to take advantage of this reduction of task uncertainty, provided that they are able to come up with new valuable services with high observed task uncertainty. Thus, work practices also pass the criterion of being (temporarily) non-substitutable. Furthermore, internally-developed organisational work practices, such as StratCom's i3-method, are also protected against *ex ante* competition (Peteraf, 1993).

As discussed in the literature review, knowledge has often been touted as the supreme strategic resource. However, there are at least three reasons why practice is the main source of value creation and appropriation. The first is that knowledge only produces value when applied in practice. This study illustrates Ryle's (1949) famous distinction between 'knowing that' and 'knowing how': it is the latter which produces value for clients. The second reason is that the trend of codifying knowledge also makes it more mobile and imitable. Likewise, the discussion in the literature review of rules and rule-following can be summarised by a quotation from Giddens (1993) "to know a rule is not to be able to provide an abstract formulation of it, but to know how to apply it to novel circumstances, which includes knowing about the contexts of its application" (p. 130) (p. 130) (p. 130) (p. 130) (p. 130) (p. 130) (p. 130) (p. 130) (p. 130). Codification is an attempt to reduce knowledge to rules, but application of these rules occurs through practice. The third reason is that practice is socially embedded, and depends not only on competence, but also on commitment, compliance and capacity to mobilise resources that are mostly immaterial. In short, "the practice perspective recognises that knowing is situated in on-going social practices of interaction" (Bathelt and Gluckler, 2011:12).

The second route by which practices affect strategic positing is through practitioners' making of situated choices, including how they cope with strategic dilemmas. I have discussed this at length in the sections on the activity systems and coping, and the conclusion of these discussions is that strategic rules and practices, and coping practices for handling strategic dilemmas, are decisive for developing and maintaining an intended strategic position. The crisis in StratCom is a clear illustration of the dangers of not coping with strategic dilemmas.

The third route is through the interaction between practices and strategic resources. It has been pointed out many times that PSFs are crucially dependent on their human resources (Greenwood *et al.*, 2005; Hitt *et al.*, 2001; Løwendahl, 2005; Maister, 2003). Yet, at least two studies document the fact that "star practitioners" are much more valuable when they are immersed in a well-established team (Lorsch and Tierney, 2002) and work together with other high-quality colleagues (Groysberg and Lee, 2008). The most plausible explanation for this phenomenon, which is supported by the findings in this study, is that these practitioners are then part of a well-functioning community-of-practice (Amin and Roberts, 2008).

Collective practices thus provide value above and beyond that of individual practitioners, a point clearly illustrated by StratCom's i3-method. This added value obviously benefits clients, but it also ties top performers more closely to the firm, making them less mobile. This also makes the firm less vulnerable to the loss of a few top practitioners, because good, firm-specific practices may stay with the firm rather than being lost with the leavers.

The next chapter summarises the main findings of the thesis under five different headings. The theme binding these findings together is indeed the central role of practices. In the contest for importance as a strategic resource, this study enters with socially-embedded firm-specific practices as its preferred champion.

8 CONCLUSION

This concluding chapter will concentrate on the contributions this thesis makes towards the primary research question: *How are organisational strategies, as manifested in formal documents and decisions, put into practice in organisations that depend on distributed everyday strategic decision-making?* As work on the thesis has progressed, my understanding of the relationship between the two research questions that motivated this thesis has evolved considerably. I now believe that the secondary research question – *What are the potential benefits to be derived from straddling apparently incompatible generic strategies in professional service firms?* – is best understood as subsumed under the primary research question.

The main contribution I make with this thesis is an outline of a theory of strategy translation. Complementary to strategy implementation, translation is a crucial mode of realising strategies through everyday practice in organisations that are dependent on distributed strategic decision-making. The proposed theory has three core elements, which will be elaborated in the following sections: first, the nature of translation (8.2); second, coping with strategic dilemmas (8.3); and third, the role of strategy maintenance (8.5). In addition, as a result of two of the three case organisations' straddling of generic strategies, I have been able to elaborate the theory with a fourth element, coping with straddling (8.4).

I propose that translation is the mechanism that transforms formal strategies, i.e. collective prior intentions (Searle, 2010), into strategies-in-practice in concrete situations where practitioners' conduct affects the strategic positioning of the firm. The situated practice of translation depends on practitioners' practical reasoning, which is influenced by their interpretation of formal strategies in the concrete situation and their personal interests and intentions. The situated interpretation of formal strategies is conditioned by the practitioner's competence, commitment or induced compliance, and capacity to mobilise the necessary resources. Commitment and compliance are both affected by belief in fellow practitioners' commitment and by expectations of social sanctions to non-compliance.

The second core element of the theory is coping practices for handling strategic dilemmas. The thesis demonstrates that dilemmas are endemic to strategic management in the form of situated structural contradictions (Giddens, 1984), and not necessarily the result of shying away from making strategic choices as is often claimed in the literature (Løwendahl, 2005; Maister, 2003, 2008; Porter, 2001). Consequentially, coping effectively with these dilemmas becomes essential for strategy realisation, depends on considerable competence and commitment, and is thus a source of advantage. The four main coping practices that have been identified in this study are: 1. continuous open dialogue, 2. skilful ignorance and balancing pressure and protection, 3 accommodating deviations, and 4. collective all-out effort. A fifth coping practice is concerned with straddling and will be discussed in section 8.4.

The third and final core element of the proposed theory is strategy maintenance as crucial for long-term strategy realisation, and thus central to the theory of translation. The need for coping with endemic strategic dilemmas, combined with consistent pressure from competition, makes unintended changes in strategies-in-practice a constant threat. Hence, even in situations where no strategic change is intended, strategy realisation through translation is an ongoing quest for maintenance of strategies and the strategic position.

Concerning the secondary research question on straddling, I observe that successful PSFs, contrary to clear advice from Løwendahl (2005) and Maister (2003, 2008), may straddle generic strategies, i.e. compete simultaneously in efficiency-driven and effectiveness-driven markets with a single activity system. Organisational ambidexterity then becomes vital for reconfiguring the activity system according to the corresponding divergent demands from the task environment. Coping with straddling adds a fourth element to the theory of translation.

I will also be able to make a few comments on structuration theory and the theory of organisational ambidexterity. Moreover, the present study contributes to the strategy-as-practice research agenda (Johnson *et al.*, 2007) by bridging content and process with the practice approach, and expands the research agenda further by proposing new links between content and process and organisations and practitioners that should be investigated further.

In the following I will first recapitulate how the development of a theoretical framework, the research design, and the empirical research worked together to provide findings relevant to the research questions. I will then discuss the main findings and contributions this thesis presents in four sections. Finally, I will consider a few limitations to the study, and end with a short discussion of prospects for further research.

8.1 Recapitulation of the framework

The primary research question requires a theoretical framework which does two things: First, it must integrate the content and the performance of strategy, i.e. the having and the doing of strategy. The doing of strategy consists of both making and realising strategy. The research question focuses on strategy realisation, but the thesis also document instances of strategy making. Secondly, it must enable investigation of how strategy conditions practitioners' conduct.

The framework I developed in chapter 2 does these tasks by way of a definition of strategy in three parts which also puts intention at the centre of strategy: strategy as intentions regarding how the organisation will create and capture value, strategy as a means for achieving stability and fit with the task environment, and strategy as providing guidance on actions, choices, and practices that affect the positioning of the organisation in its domain.

The analytical backbone of the framework is provided by an integration of Porterian activity systems theory with structuration theory, and supported by Searle's theory of intentionality. Activity systems theory and structuration theory are complementary in this framework: AS-theory enables mapping of the content of strategy, including relations between different parts of that content, whereas structuration theory facilitates analysis of the formal strategies as a particular form of social structures.

The framework incorporates intentionality through use of four key concepts from Searle (2001, 2010): prior intentions, which corresponds to formal strategies in the framework (2.1.1, p. 33); intentions-in-actions, which corresponds to strategies-in-practice (2.1.1, p. 34); practical reasoning, which is central for forming of prior intentions and intentions-in-action (1.2, p. 8); and the Gap (2.1.1, pp. 34-35). The Gap consists of three parts: first, that between reasons for action and formation of prior intentions; second, from formation of prior intentions to onset of action, i.e. intentions-in-action; and third, from onset of action to continuation to completion (Searle, 2010:41). Strategy translation is primarily concerned with overcoming the second, but also the third gap.

I have used institutional analysis (Giddens, 1984: 375) for identifying and displaying the social structures, i.e. rules and resources, which condition practitioners' conduct. However, as can be seen in the resulting activity system maps (e.g. Figure 1, p. 69), actors and their skills are absent in institutional analysis (Giddens, 1984: 285). Thus, in order to investigate how strategies condition practitioners' conduct, an analysis of strategic conduct (Giddens, 1984: 288) must complement the institutional analysis. Giddens makes it clear that institutional analysis and analysis of strategic conduct must be performed as separate operations. Hence, I established an intersubjectively valid account of formal strategies based on institutional analysis before I investigated how practitioners' strategic conduct translates strategy into practice.

In the activity system maps developed in this thesis, the four dimensions (value, cost, trust, competence) of the *task environment* correspond to generic drivers of strategy content. *The categories of elements* (i.e. rules, resources, and strategic practices), taken from structuration theory's concept of structures as rules and resources, provide the generic building blocks of strategies that provide structuration of practice. The three dimensions of such structures are signification, legitimation, and domination (See Figure 2 p. 78). In the analysis of strategic conduct these three dimensions correspond to the competence, commitment, and compliance of the practitioners.

Formal strategies reflect collective prior intentions (Searle, 2010: 43) of the organisation's positioning in the task environment. Consonant with the use of structuration theory in this thesis, these formal strategies are expressed as a set of strategic rules that are intertwined with strategic resources and practices with the purpose of providing structuration of everyday practice. *The concrete elements and the configuration of those elements* (strategic rules, resources and practices) are the firm's possibly unique configuration of formal strategies for structuration of everyday practices, actions, choices, and decision-making.

The relationship of those rules, resources, and strategic practices with individual conduct corresponds to the classic sociological and philosophical debates on structure and agency, collectivity and individuality. I have used structuration theory to establish my stance in that debate: neither structure nor agency has primacy over the other; rather they reciprocally constitute each other. In my analyses of strategic conduct I then investigate how strategies, as collectively self-imposed social structures, condition individual practitioners' conduct, as well as the interaction between practitioners.

The three empirical chapters all follow the same template (see introduction to chapter 4, pp. 119-120). Following an introduction to the case organisations and their task environments, I first present an institutional analysis of the main tasks and technologies, and then the activity system that represents the organisations' formal strategies to position themselves in their task environment. The main outcomes of this analysis are the maps of the activity systems (AS-maps). Finally, I present the analysis of practitioners' strategic conduct, i.e. their translation, or lack of translation, of formal strategies into practice in situations where their conduct affects the organisation's strategic positioning.

However, even from a platform of AS-maps created through institutional analysis, studying translation presents challenges for empirical research. For experienced practitioners such translation usually occurs at the level of practical consciousness (Giddens, 1984) and without need for deliberation, leaving no empirical traces of the reasoning. Part of being an experienced practitioner in the three case organisations is that they simply just know "how to go on" in routine situations, even when the situations involve decision-making pertaining to strategy realisation.

I therefore chose to concentrate on problematic situations that put strategy to test, and that force even experienced practitioners to reflect on what to do, either by themselves or with fellow practitioners. Practitioners' practical reasoning (Searle, 2001) and inner conversation (Archer, 2003) then become more accessible as their reasoning is moved from the level of practical consciousness to the level of discursive consciousness (Giddens, 1984). This choice made translation more accessible for investigation, and allowed me to concentrate research on situations recognised by practitioners as intrinsically important for the realisation of strategy.

To achieve this, it became important to identify situations that force practitioners to reflect in a manner that makes them capable of explaining their reasoning (choice, decision or action) to their fellow practitioners or to a client or another stakeholder. I found that situations representing structural contradictions (1979, 1984) served that purpose most effectively: either conflict of interests between practitioner's legitimate self-interest and his or her obligations as part of a collectivity, or situated structural contradiction between two strategic rules. I also found situations where the guidance provided by formal strategies was ambiguous or simply inadequate. Such situations can spur deliberations that produce new formal strategies: one telling example is the situation in Engineering (5.4.5) where capacity was severely overstretched and it was agreed to not accept new assignments. Commitment to collective prior intentions was investigated in everyday situations where practitioners had to choose between two alternatives; one which was individually costly but consistent with collective intentions (as represented by a strategic rule), or a justifiable alternative that was individually more palpable but nevertheless would detract from a strategic resource.

8.2 Formal strategies and the nature of translation

The first contribution of the thesis presents strategy translation as an alternative mode for realising strategies, thereby complementing strategy realisation through implementation. This thesis thus proposes that there are two coexisting modes of strategy realisation: implementation and translation. An extensive literature exists on strategy implementation (Argyris, 1989; Beer and Eisenstat, 2000; Chebat, 1999; Daft and Macintosh, 1984; Heracleous and Barrett, 2001; Hickson *et al.*, 2003; Hrebiniak, 2006; Lorange, 1998; Nutt, 1986; Shaw *et al.*, 2001) which is predominantly concerned with the implementation of big strategic decisions that are usually of a one-off nature (Hickson *et al.*, 2003). Such implementation may indeed be complex, iterative, fraught with uncertainties, and long-drawn-out. Yet, it is still an exercise with a foreseeable end; at some point the strategy will supposedly be implemented. It could also be abandoned, but the point remains: strategy implementation is a process with an expected end-point. The alternative mode presented in this study is strategy realisation as an on-going continuous process of translation of formal strategies into practice. This mode applies even when a firm finds itself in the intended strategic position, because maintaining that position may be difficult.

The study distinguishes between strategies as something organisations *have*, formal strategies, and strategies as something they *do* (Johnson *et al.*, 2007). Translation links the having with the doing of strategy: translation is predominantly about the practitioners situated overcoming of the gap between prior intentions and intention-in-action – Searle's second gap. Strategies-in-practice are thus one part of the "doing" of strategy; the other part is the making of formal strategies, which corresponds to Searle's first gap.

This study points to three reasons why translation is an ongoing process: The first, but least prevalent in this study, is the Red Queen Effect of competition (Derfus *et al.*, 2008); a favourable strategic position is under constant threat from competitors' improvements (2.4.4, p. 70). The second reason is the nature of translation as it is conceptualised in this study. This is the main topic of this section and will be discussed further below. The third reason is the existence of strategic dilemmas that defy solutions by making strategic choices, but which must be coped with on an everyday basis. The dilemmas documented in this study concern in particular strategic positioning with respect to value drivers and trust issues, as well as internal resource allocation (Bower and Gilbert, 2005). Coping with strategic dilemmas will be discussed in section 8.3.

The proposed theory of translation put forward that formal strategies, i.e. the content of strategy, convey collective prior intentions of positioning the organisation in the task environment, values the organisation intends to uphold in its operations, and beliefs about how the organisation can influence its position in the task environment. These are also beliefs about which resources are of strategic importance to the organisation, and how these resources can be developed and preserved. Moreover, formal strategies can be expressed as interpretative and normative rules defining the intended strategic domain and structuring practice. These rules aim to condition practitioners' conduct with a threefold purpose: a) realising the intended strategic positioning, b) protecting and reflecting the normative values of the organisation, and c) preserving and developing the strategic resources.

What then, is making formal strategies *effective*; what are the criteria for when a firm actually *has* a strategy? What is the difference between mere statements in a document and statements that qualify as 'strategy'? The simple answer applied in this study, consistent with structuration theory, is that a firm has a strategy when practitioners are acting as if the statements convey deontic powers, such as "rights, duties, obligations, requirements, permissions, authorizations, entitlements, and so on" (Searle, 2010: 8-9). That is, their practices are being conditioned, enabled, and constrained by those statements.

The empirical research corroborates the emphasis identified in the literature review (2.5.1 p. 77) on the generative capacity of expectations as the social mechanism mediating between statements and actions (Archer, 2003; Elster, 2007; Hollis, 1994). The strategy such defined provides structuration of practice by aiding practitioners to mobilise resources for acting according to the rules, and by practitioners' expectations that resources will be mobilised in favour of the rules. As the strategy is recognised as a local institutional fact (Searle, 2001) it becomes a part of the "we-intentions" (Searle, 2010) that assist the forming and delimiting of a community. The significance of "we-intentions" is elaborated in the section "coping through open dialogue" in subsection 6.4.5 (pp. 271-273). If practitioners cease to acknowledge a strategy, i.e. when disregarding the strategy has negligible consequence for the practitioner being part of "we", then that strategy is no longer reproduced as a social structure, hence the duality of structure.

In this study I document several episodes where practitioners' strategic conduct was conditioned by the rules in problematic situations, with the unintended but benign consequence that the very same rules were being reinforced. The social mechanism at work in such cases is that commitment to the rules in some situations carries a cost, which also becomes an investment in collective strategic resources (reputation, relation, or both). This investment is vulnerable to subsequent non-compliance, making compliance socially sanctioned.

In all three case organisations most everyday decisions pertaining to the strategic domain are taken by practitioners as a matter of organisational routine: they are in little doubt about what the proper decision is and find that it presents no particular problem. These decisions appear to be taken at the level of practical consciousness (Giddens, 1984). However, practitioners quite often face situations of strategic importance that require practical reasoning beyond that of acting on routine. The practitioner realises that the formal strategies of the firm provide both guidance and obligations on how to cope with the situation: guidance because they help the practitioner decide upon a course of action; obligations because they prescribe some actions and proscribe others.

The preceding discussion shows that rules, as interpretive schemes, enable practice, by working like a collective repository of knowledge and helping practitioners to make sense of and interpret a situation, or by working like a more-or-less detailed explication of a routine. Moreover, normative aspects of rules legitimise some actions or practices and constrain others. Any concrete strategic rule is both interpretive and normative. Rules provide guidance on the allocation of scarce resources, further stability and predictability, and also regulate the internal order of an organisation. That is, they do so if they are backed up by the necessary authoritative and allocative resources. For instance, in the battle for scarce resources in the case organisations, collectively acknowledged rules (norms) are what protect juniors from 'might is right', because they legitimise some arguments and proscribe others.

Although it may provide strong guidance for practice and priorities, rule-following is often demanding. In line with structuration theory, a key finding of this study is thus that rules have to be interpreted in each situation, and that following a rule thus requires competence, commitment or compliance, and capacity. In this respect the findings of this study are clearly at odds with Eisenhardt and Sull's (2001) conception of strategy as simple rules. That is, the rules may appear simple, but competent translation and use are embedded in complex social practices (Giddens, 1984). In fact, I will argue that the simpler the rule, the more experience is needed to ensure adequate interpretation and application in a specific situation. This is clearly the case for rules that predominantly enable practice, less so for rules that predominantly confine practice. Available empirical evidence suggests that proficiency in translation, as much as proficiency in the work practices that are used directly for carrying out assignments (7.5.2, pp. 315-318), is a feature distinguishing the high-flyers aspiring to partnership in the case organisations.

However, strategies are only constraining and enabling insofar practitioners make an adequate interpretation of the situation, choose to comply with the obligations, and have the capacity to do so. Capacity is a function of competence and the ability to mobilise other necessary resources, as discussed above. Compliance can stem from commitment or from a desire to avoid expected sanctions provoked by non-compliance. Of course, in a concrete situation prior collective intentions (formal strategies), as depicted in the AS-maps, are only one set of factors influencing the practitioner's practical reasoning and conduct. Individual inclinations and interests also play a role. The same goes for pressures beyond the control of the practitioner, who must then navigate in a situation with possibly conflicting (legitimate) concerns and pressures, and be prepared to account for her conduct to her peers.

Non-compliance can stem from three different reasons: First, the practitioner may fail to recognise the situation's strategic relevance, making it a competence issue, or may fail to make an adequate interpretation of the formal strategies in the situation, despite recognising its strategic relevance, which is still a question of competence. Second, the practitioner may lack commitment to the strategies in question and prefer to deal with the consequences of non-compliance rather than to incur the costs of compliance. If this reasoning is based on a well-founded expectation that the sanctions will be negligible, then the organisation is collectively uncommitted to the strategies in question. Third, the practitioner may make an adequate interpretation and have the necessary competence and commitment to act upon that interpretation, but may still be unable to mobilise the necessary authoritative and allocative resources for performing the intended practice. Capacity is thus crucial for overcoming Searle's third gap, that of sincere intention-in-action actually producing the desired outcome.

The empirical research for this thesis documents lack of capacity as an important source of strategic drift in all three organisations.

Between the opposite poles of full compliance and flagrant disregard of a rule, lays the reinterpretation of the gist of a rule. Rules 6 and 7 in Headhunting (4.3.2, p. 146) are examples of formal strategies that have emerged from strategies-in-practice that gradually changed in response to changes in the task environment (Tushman *et al.*, 1986). In Searlean terms experiences from intentions-in-action spurred deliberations which concluded with new prior intentions, which is Searle's first gap. Engineering's rule of saying rejecting new assignments for coping with overstretched capacity is an example of a new we-intention that took some time to take hold. Again, overcoming the first gap, making the formal strategy, was easier than overcoming the second gap, i.e. translating that strategy into practice. Successful overcoming of Searle's third gap depends on the adequacy of the practitioner's interpretation of the concrete situation and her competence and capacity to mobilise the necessary resources for performing the intentions-in-action.

To summarise: the situated practice of translation depends on practitioners' practical reasoning, which is influenced by their interpretation of formal strategies in the concrete situation and their personal interests and intentions. The situated interpretation of formal strategies is conditioned by the practitioner's competence, commitment or induced compliance, and capacity.

The preceding discussion provides grounds for a few comments on structuration theory. This study documents how intentionality and agency can be injected into social structures, thus adding to the theory of duality of structure. Giddens (1984: 293) emphasises structuration theory as an alternative to functionalism. The main contrast is this: while functionalism explains social behaviour as passive response to a higher order functional need, structuration theory sees social structures normally as arising from unintended consequences of skilled and knowledgeable strategic conduct. The duality of structure then works so that the social structures affect actors' conditions of action. Actors are aware of many, but not all, conditions of action, and their purposive action produces unintended as well as intended outcomes, some of which become social structures and unacknowledged conditions of action. Giddens (1993: 86) also emphasises that social research is not "innocent", in the sense that lay actors are able to use the concepts and results of social research to enhance their own understanding of and influence their conditions of action. This feature is quite strong in the type of organisations involved in this study: practitioners have considerable capability for reflecting on their conditions of action and how these can be influenced. This capability is crucial when key practitioners make formal strategies.

The key practitioners in the three case organisations demonstrate an intuitive understanding of the relationship between social structures and strategic conduct, and they use this understanding to make strategies that provide conditions of action that are conducive to realisation of their collective prior intentions. Although they hardly would have phrased it like this, the practitioners are aware of the need to develop social structures that condition their own strategic conduct towards their collective prior intentions.

The AS-maps as such are results of my empirical research and provide a systematisation of extant practical knowledge in a theoretical framework. The practical usefulness of the maps is mainly that the mapping exercise and the resulting maps provide practitioners with a better understanding of their own conditions of action. The making of the maps reveals connections and interplay between the elements of the map that have been partly unacknowledged by the practitioners. Yet, each of the elements antedates my research. The AS-maps thus display considerable practical knowledge of dilemmas and concerns that must be taken into consideration by practitioners in their coping with situations that affects the strategic positioning of the firm.

Moreover, practitioners realise that without guidance from formal strategies in such situations, they may either become incapable of acting or they may act in ways that produce unintended and negative consequences. Strategies as social structures thus exist in response to beliefs about functional needs. This functional explanation has however nothing to do with functionalism because there are concrete social actors that consciously create those structures (Elster, 2007). This adds a twist to the duality of structure, because some social structures are the result of social actors' intention to provide structuration of their own practice.

8.3 Coping with strategic dilemmas – situated structural contradictions

The second core element of the theory of translation is the identification and description of practices for coping with strategic dilemmas that are consequential for the translation of formal strategies into practice. Practitioners quite often face problematic situations where the formal strategies provide only indirect or perhaps ambiguous guidance, or where they must make a choice that represents a dilemma between legitimate strategic concerns. These situations are instances of *structural contradictions* (Giddens, 1984: 193), and represent exactly the type of situation of "conflicting desires, obligations, commitments, needs" Searle (2001) describes for practical reasoning.

In such situations strategy-in-practice is largely about coping with these conflicts. The situated decision of which rule or element to give priority to may have repercussions beyond the specific situation. Indeed, this is why the decision is strategic. Practitioners then use various *coping practices*, which effectiveness again depends upon practitioners' capacity, i.e. their competence, commitment or compliance, and ability to mobilise resources.

This study documents that effective coping practices are essential for strategy realisation and for maintaining credibility of commitment to strategies when compliance is costly. Successful coping is instrumental for maintaining a strategic position; unsuccessful coping may lead to strategy drift if unintended changes in strategies-in-practice are incremental and form a pattern. Failure to cope with more severe or urgent dilemmas may have more dramatic consequences. I have observed how fear of severe consequences is being used effectively to motivate for coping with rather than ignoring a dilemma, for instance in Headhunting's anxiety about staining its reputation for trustworthiness and integrity (4.4.2).

Five key practices for coping with enduring problems and insoluble dilemmas are identified and investigated in the three case organisations. They are: 1. continuous open dialogue; 2. skilful ignorance and balancing pressure and protection; 3. accommodating deviations; 4. collective all-out effort; and 5. reconfigurational ambidexterity for coping with straddling. The latter will be discussed in section 8.4.

The most fundamental coping practice is *continuous open dialogue*, which is shown to be essential in all three case organisations during problematic situations that require collective interpretation and decision-making. Indeed, in some sense a continuous open dialogue is essential for holding these organisations together. Strong centrifugal forces are fuelled by the priority given to client needs, distributed strategic decision-making, and the autonomy of the practitioners. A continuous open dialogue provides counterbalancing centripetal forces, as illustrated by the significance of we-intentions and "we" in internal discourse (see p. 271 and p. 308). This finding corroborates earlier work by Alvesson (1993, 2011) on rhetoric in knowledge-intensive organisations, albeit with a more positive slant. Whereas Alvesson emphasises the use of rhetoric and persuasion for handling identity and ambiguity, this study finds that coping with ambiguity and uncertainty is often based on collective and mutual effort through dialogue.

Skilful ignorance means coping with contentious discrepancies between formal strategies and strategies-in-practice through not acknowledging the discrepancy publicly in the organisation while the discrepancy is quietly remedied. Skilful ignorance may however develop into cynicism and undermine commitment to formal strategies unless checked by pressure to remedy an untenable situation. *Balancing pressure and protection* is thus complementary to skilful ignorance, which works partly through the latent threat of the issue to become an open issue in the organisation, which would be unpleasant for everyone.

The third coping practice, *accommodating deviations*, occurs when a systematic deviation from formal strategies is acknowledged and accepted, but with the intention of protecting the gist of the formal strategies from further unintended change. Coping practices may lead to strategic change when formal strategies are adjusted to accommodate change in strategies-in-practice. StratCom in particular tends to formalise such changes in the face of a situation where integrity is at stake, thus developing its set of formal rules for maintaining integrity (compare rules related to trust in Figure 19 and Figure 20). This change resembles Mintzberg's emergent strategies, with the important difference that the changes in formal strategies are intentional. A sequence of strategy drift, followed by passive strategic change to adjust formal strategies to a new pattern in practice, fits better with Mintzberg's emergent strategies because of the absence of intention. However, as I have argued that intention is essential to strategy, I am inclined to interpret this "emergent" sequence as primarily representing absence of commitment to any strategy that provides structuration of practice.

A fourth coping practise is an *all-out effort* to remedy a situation of strategy drift or to effectuate a strategic change that requires coordinated collective efforts but is individually costly, as illustrated by Engineering's struggle to overcome inertia when carrying out the new rule of not accepting assignments in the situation of capacity overload.

These four coping practices are important for maintaining the credibility of formal strategies that are involved. They are also crucial for maintaining practitioners' mutual expectations of formal strategies being taken seriously, even in difficult situations. Moreover, available evidence on coping practices suggests one way firms create value beyond the mere pooling of resources and competence: for services that require trust for effective exchange, individual practitioners become more trustworthy as part of a collective than when they operate alone. The episode reported from Headhunting, where a senior practitioner inadvertently breached the off-limits rule, is an illustrative example (Vignette 2). The practitioner's obligations toward the collective made him seek advice in a situation where he felt that he had acted for good reasons, but nevertheless wanted confirmation from his colleagues that he had handled the situation well. The discussion of a borderline situation and subsequent conclusion that the handling of it was inconsistent with the formal strategies served to enhance practitioners' competence and common understanding, and it promoted collective commitment to the rule that had been breached.

The analyses of cases in this study shows that practitioners are sometimes found to be in a 'building mode' of strategy (Chia and Holt, 2006; Chia and Rasche, 2010), for instance at strategy workshops, and at other times in a 'dwelling mode'. In the dwelling mode they cope with a situations as best as they can, but empirical evidence from this thesis shows that they then include the formal strategies in their coping to a larger extent than Chia and Holt (2006) seem to allow for. However, practitioners often find themselves oscillating between the two modes without distinguishing one from the other: in informal situations, like the lunch table, or at formal meetings where strategy as such is not on the agenda but where issues of strategic relevance nevertheless arise.

8.4 Coping with straddling – organisational ambidexterity

For organisations that practice straddling, coping with straddling through organisational ambidexterity is important for translation. This provides an additional element to the theory of translation for organisations that straddle. Two of the case organisations in this study straddle three generic types of service that are shown to display systematic differences in terms of value drivers, cost drivers, trust issues, and critical competences (see section 7.1.1). This practice goes against the strong advice given by the literature on strategic management in professional service firms (Løwendahl, 2005; Maister, 2003, 2008)[16], which warns

[16] See page 64 in thesis for illustrative quotations.

against providing more than one generic type of service. This discrepancy between theory and practice led to the second research question concerning potential benefits from straddling in professional service firms.

Available evidence strongly suggests that these organisations thrive in a competitive environment, despite their straddling. Moreover, key practitioners in both organisations point to the practice as a way of meeting client needs. This indicates that straddling is a response, effective or not, to features in the task environment, and is thus part of the triadic relationship between the task environment, formal strategies, and strategies-in-practice. Although this study was not designed for providing conclusive evidence of whether straddling on balance creates or damages competitive advantage, an unambiguous finding is that organisational ambidexterity is important for mitigating the costs of straddling.

This study confirms that providing strategically distinct services with one activity system does indeed involve substantial costs for the firm, both in terms of the possible blurring of strategic positioning in the market, and in terms of decreased efficiency in the activity system. Thus, the firm's practices appear dysfunctional when analysed in a static framework of competitive advantage, because the static efficiency of the activity system is lowered.

However, when the benign dynamic interaction effects of the practice are taken into consideration, the increased dynamic effectiveness of the activity system may offset some, all, or more than the decreased static efficiency. The potential benefits from maintaining different configurations of the activity systems can be summarised in four points.

1. *Increased learning possibilities for individuals, teams, and the firm.* Variation in tasks provides increased opportunities for learning and the development of a richer repertoire of practices. This is particularly important when the task environment is not stable or predictable. In particular, learning opportunities attract and develop talent, and may also help to retain talent, because learning opportunities increase the value of staying with the firm.

2. *The ability to capitalise on the dynamics of the routinisation of problem solving.* Innovation and the production of novel services are encumbered with high task uncertainty, but also generate high margins. Repeated practice reduces the task uncertainty and improves task performance (Ritter *et al.*, 2001), while the practice remains difficult to imitate but becomes gradually more replicable internally. This wedge between the possibilities of imitation and replication provides possibilities for profit compared with situations when both replication and imitation are difficult (novel service) or easy (routinised service)(Rivkin, 2001).
3. *The ability to capitalise on relationships – the transaction cost theory case for variation.* Efficient transactions of knowledge-based services require investments in mutual trust. These investments are sunk costs, meaning that the return on the investment increases with repeated use, and with the development of embedded rather than arms-length ties (Uzzi, 1997).
4. *Balancing capacity: the demand for strategically-different services may fluctuate uncorrelated.* A temporary decrease in one type of service may be partially offset by increased demand for another. Moreover, when the average size of the assignments within each type of service are different, as is the case in two of the case organisations in this study, then the smaller assignments may be used to regulate general capacity utilisation.

In a dynamic perspective, these benefits strengthen the resource base of the firm and thus enhance capacity for future value generation (Barney and Clark, 2007; Helfat *et al.*, 2007; Teece, 2009). Straddling may thus, under certain conditions, facilitate value creation and value appropriation. The findings point to value creation in direct interaction with clients, for instance through faster routinisation of problem-solving, and deeper insight into a client's situation through broader involvement, through development of strategic resources, and as a result of sensing emergent client needs. Thus, insofar as managing professionals is like herding cats, it may be as much because the cats are following prey as it is because they are unruly.

Value appropriation is facilitated through lower transaction costs, to the benefit of client as well as consultant, with the net effect of straddling depending on the balance between these costs and benefits. This balance is strongly affected by the firm's capacity for reconfiguring the activity system towards strategically-different services, which will be discussed in the following. The finding that two of the case organisations apparently straddle generic strategies with some success has important affinities with the concept of organisational ambidexterity (Birkinshaw and Gibson, 2004; Raisch and Birkinshaw, 2008; Raisch *et al.*, 2009). Straddling depends on a capacity for organisational ambidexterity which in turn allows for realignment of resources towards assignments that relate differently to environmental dimensions such as value drivers, trust issues, critical competences, and cost drivers.

However, the findings cannot be wholly subsumed under any of the two forms of organisational ambidexterity that have hitherto been described in the literature, structural ambidexterity and contextual ambidexterity (Gibson and Birkinshaw, 2004). Structural ambidexterity is not relevant, because the organisations in question are too small for 'dual structures', and because it would prevent value-creation from straddling. Nor does contextual ambidexterity fit the bill: according to Gibson and Birkinshaw (2004), "contextual ambidexterity has been achieved [when] every individual in a unit can deliver value to existing customers in his or her own functional area, but at the same time every individual is on the lookout for changes in the task environment, and acts accordingly" (p. 121). Gibson and Birkinshaw (2004) emphasise stability and change, and efficiency and flexibility. This study shows however that organisations may have to cope with conflicting demands, i.e. efficiency and effectiveness, from a stable task environment on an assignment-by-assignment basis, and simultaneously respond to these conflicting demands from a single activity system. They therefore depend on the capacity to reconfigure the activity system to fit with the divergent requirements of strategically distinct services in an everyday basis. Teece (2007) underscores reconfiguration of tangible and intangible assets as a dynamic capability. Yet, in section 2.3.4

I observed that the literature on dynamic capabilities is concerned with changes in the task environment, rather than incompatible pressures from a steady-state environment.

In terms of organisational ambidexterity, my findings suggest a third form in addition to structural and contextual ambidexterity. In accordance with the emphasis upon reconfiguration in the preceding discussion, I suggest reconfigurational ambidexterity as this third form of ambidexterity that resembles a dynamic capability in a steady-state environment. Two capabilities are particularly important for reconfigurational ambidexterity: being able to recognise the type of deliverable (see Figure 24, p. 287), and being able to reconfigure the activity system into a pertinent mode of production.

8.5 Towards a theory of strategy realisation

The third core element of the theory of translation is the introduction of strategy maintenance; the intentional maintenance of stability in strategies-in-practice under pressure for change. The need for coping with endemic strategic dilemmas combined with consistent pressure from competition makes unintended changes in strategies-in-practice a constant threat. Hence, even in situations where no strategic change is intended, strategy realisation through translation is an ongoing quest for maintenance of the strategic position and strategies-in-practice. For two of the case organisations the practice of straddling adds to the challenge.

The strategic repercussions of situations of translation can be further analysed in a two-dimensional framework of stability and change, and presence or absence of intentions. Whereas strategy implementation is mainly concerned with one-off decisions, the emphasis in strategy translation is the pattern in outcomes, even if single episodes of translation failure may have severe consequences, as discussed in 7.3.2 and 8.3.

	Non-intentional	Intentional
Stability	Strategy Inertia	Strategy Maintenance
Change	Strategy Drift	Strategy Change

Table 11 Intentional and non-intentional stability and change

Three of the four resulting cells correspond to well-known phenomena from strategic management research, while strategy maintenance is proposed in this study as important for long-term strategy realisation.

Strategy inertia implies stability in strategies-in-practice despite change in prior intentions, i.e. formal strategies. It occurs when an organisation finds itself in a lock-in situation (Burgelman, 2002; Miller and Chen, 1994) or when intentions are too weak to overcome the initial costs of change in practice, i.e. Searle's second gap. Weak collective intentions may be the problem when individual commitment to change is contingent on the perceived commitment of other practitioners. This happens when the individual cost of compliance is significant, but individual gain depends on collective co-operation, a classic situation of the tragedy of the commons (Elster, 2007; Schelling, 2006). This study analyses in detail one such episode in one of the case organisations, Engineering, when strategy inertia delayed application of the rule of not accepting new assignments. Only a collective sense of emerging crisis and all-out effort made the practitioners eventually overcoming Searle's second gap[17].

Strategic change in this study describes change strategies-in-practice induced by change in formal strategies. Strategic change has been a main issue in strategic management research over the years (Balogun and Johnson, 2005; Gioia and Chittipeddi, 1991; Quinn, 1978; Zajac *et al.*, 2000). This study documents the difficult journey of one of the case organisations' (StratCom) attempts to change from a collection of individual practitioners with few common practices to an organisation that derives its competitive advantage mainly from a set of firm-specific collective practices in the execution of assignments.

[17] See also the discussion of all-out effort in 8.3.

A few other examples of strategic change in this study include: in Headhunting rules number six (recruitment of professionals) and seven (assistance to important clients regardless of position) emerged as responses to a perceived need for maintaining important client relations (seven) and new market opportunities that did not detract from Headhunting's "profile" (six). Rule number three (off-limits rule) was changed in response to the fact that competitors changed their off-limits rule from three to two years. In Engineering the rule of not accepting new assignments due to capacity problems was collectively endorsed after considerable deliberation, but only came into effect (began to actually constrain individual practitioners) after a further process (see strategy inertia above.) The case study of StratCom documents a number of changes in strategic rules and practices, including some that were successfully translated into practice but produced unintended and unfavourable outcomes.

Strategy drift in the context of this study occurs when strategies-in-practice change in an unfavourable direction despite stability in the formal strategies. This may happen when the interpretation of a rule is gradually and unintentionally shifted in one direction, or when its importance is gradually de-emphasised so that it no longer provides effective structuration of practice. Johnson (1988) presents a notion of strategy drift where an organisation fails to "keep pace with environmental change" (p. 88). The form of strategy drift I am concerned with may occur in a stable environment, but is due to a gradual, unintended shift in strategies-in-practice, thereby creating a gap between formal strategies and strategies-in-practice. Several of the dilemmas and problems analysed in this thesis are potential sources of strategy drift. One illuminating example of a strategy that increases the danger of strategic drift is rule 9 in Headhunting, which has the intended effect of making practitioners responsible for filling their own capacity. However, it also has the unintended consequence of inducing practitioners to accept "substandard assignments" if the alternative is to have idle capacity, thus undermining the firm's strategic position. In Engineering and StratCom straddling may induce an unintended gradual change in the assignment portfolio. In StratCom in particular, there is a concern for avoiding the bread-and-butter assignments to dominate.

The fourth quadrant in Table 11represents maintaining strategies-in-practice under pressure for unwanted change. The pressure for change may derive from changes in the environment or, more generally, from situations where compliance with a strategic rule is individually or collectively costly. Strategy maintenance then becomes an issue of 'defending the rules' when non-compliance is tempting, or when there is ambiguity in the interpretation of the 'true intentions behind the rules'. A number of strategic dilemmas that illustrate the importance of strategy maintenance are analysed in detail in this thesis (see especially 4.4.1, 5.4.3, 6.3.2, and pp. 274-275). The discussion of strategic dilemmas in the preceding section showed that the pattern in outcomes of coping with these dilemmas is essential for strategy maintenance.

As this study emphasises the translation of formal strategies into strategies-in-practice, which then assume relative stability in strategic intentions, the tension between strategy drift and strategy maintenance is of particular interest. Tushman *et al's* (1986) concept of converging change is useful for illuminating this tension. Strategy drift is different from both forms of converging change proposed by Tushman *et al* (fine tuning and incremental adjustment) with respect to intention. It is quite clear from their discussion that fine tuning and incremental adjustments are intentional changes in strategy to improve fit between strategies and the environment. The difference between Tushman *et al's* converging change and strategy maintenance is that converging change implies some change in formal strategy, whereas strategy maintenance could be solely about the preservation of strategy under pressure. The study documents some instances of converging change, for instance the decision in Headhunting to assist with the recruitment of professionals, and the reduction of the off-limit period from three to two years. These episodes are instances of strategic change, not strategy drift or strategy maintenance.

Based on this review of findings and contributions, I claim that the thesis contributes to a theory of strategy realisation that is also useful for practice. In particular, the theory of translation provides deeper understanding of strategy realisation through the following features: integration of task environment, strategy content, and practice in a framework that is parsimonious compared with the complexity of the subject matter; sensitivity to presence or absence of intentionality; emphasis on coping with strategic dilemmas; acknowledgement of strategy's role in maintaining stability and predictability as well as driving change; and elaboration of the role of translation of formal strategies into strategies-in-practice.

8.6 Limitations to the study

The main limitation I see to this study is the possible effect the selection of cases could have on generalisation of the findings. Small and medium-sized project-driven, knowledge-based service organisations represent an important, but still limited, population of business organisations. Specifically, the size of the case organisations and the type of services they deliver is likely to produce some limitations on generalisation. For instance, it could be that both the need for and the possibilities of reconfigurational ambidexterity are lower in larger organisations. Larger organisations tend to have more formal structures, which usually decrease flexibility but may also allow for structural ambidexterity (Gibson and Birkinshaw, 2004).

The second limitation I would like to emphasise has to do with the use of methods in this study. The purpose of the study called for deep and detailed qualitative case studies in order to ensure internal validity. I maintain that the choice of method was a sound one, and that it has had the intended effect on the validity of the findings, particularly given the explorative point of departure of the study and the format limitations of a doctoral thesis. However, a research design using, for instance, Ragin's (1987, 1994) comparative method (collecting a number of characteristics from many projects in each case organisation) could have produced more results at the level of projects. Each project's contribution to developing organisational resources could have been traced longitudinally, which might for example have further strengthened the present study's claims about dynamic interaction effects of straddling. Indeed, I believe such a comparative study could be a most fruitful follow-up to the present one.

8.7 Prospects for further research

The prospects for further research are linked to the above-mentioned limitations to this study. I would like to see an investigation of how far the main findings of the thesis can be extended to other types of knowledge-based organisations. The main criteria for extending the findings would be the importance of concrete assignments in defining the strategic domain, and also that individual practitioners assume a decisive role in enacting formal strategies. A further step would be to consider how the frameworks and findings could be adapted to fit larger sample comparative studies in order to test the extensiveness of straddling and reconfigurational ambidexterity, and also the covariance of straddling with organisational performance. I would also have liked to see a test of typology of problem-solving activity systems in a large sample study.

The costs and benefits of straddling deserve more in-depth case studies, as do coping practices. Indeed, within the limitations of this thesis I have only been able to analyse a few coping practices. As there is little reason to believe that the findings in this thesis are exhaustive in this respect, and there are good reasons to believe than enduring problems and insoluble dilemmas are endemic to strategic management in knowledge-based organisations, then more studies explicitly designed for in-depth investigation of coping practices are called for.

The last avenue for further research I would like to point at is strategy drift and strategy maintenance. If one accepts the finding of this thesis that strategy realisation may be as much about ongoing strategy maintenance as about strategic change, and that dilemmas are endemic to strategic management, then the quality of an organisation's strategy maintenance is instrumental to its long-term strategic positioning. A comparative longitudinal study of two (sets of) organisations that are as similar as possible along all relevant dimensions, except for their ability to perform strategy maintenance, could tell us more about the importance of strategy maintenance, and of the mechanisms and social processes that affect the capacity to perform such maintenance. For practical reasons the study would probably be retrospective, and the cases selected would be organisations which were once close competitors but which are now located in different segments of the market, due to one of the organisations suffering strategy drift while the other was able to maintain its strategies-in-practice.

I believe further research along these lines would make important contributions to our understanding of professional service firms. Given their ever-increasing importance in terms of employment, share of GDP, and involvement in innovation in modern economies, the demand for useful knowledge about strategic management is bound to retain its relevance.

9 REFERENCES

Abbott, A. D. (1988). The System of professions : an essay on the division of expert labor. Chicago ; London, University of Chicago Press.

Adler, N., A. B. Shani, et al. (2004). Collaborative research in organizations : foundations for learning, change, and theoretical development. Thousand Oaks, Calif., Sage.

Aghion, P. and J. Tirole (1997). "Formal and real authority in organizations." Journal of Political Economy **105**(1): 1-29.

Alchian, A. A. and H. Demsetz (1972). "Production, Information Costs, and Economic Organization." American Economic Review **62**(5): 777-795.

Alvesson, M. (1993). "Organizations as Rhetoric: Knowledge-Intensive Firms and the Struggle With Ambiguity." Journal of Management Studies **30**(6): 997-1015.

Alvesson, M. (1995). Management of Knowledge Intensive Companies. New York, de Gruyter.

Alvesson, M. (2000). "Social identity and the problem of loyalty in knowledge- intensive companies." Journal of Management Studies **37**(8): 1101-1123.

Alvesson, M. (2001). "Knowledge work: Ambiguity, image and identity." Human Relations **54**(7): 863-886.

Alvesson, M. (2004). Knowledge work and knowledge-intensive firms. Oxford, Oxford University Press.

Alvesson, M. (2011). "De-Essentializing the Knowledge Intensive Firm: Reflections on Sceptical Research Going against the Mainstream." Journal of Management Studies **48**(7): 1640-1661.

Alvesson, M. and D. A. N. Kärreman (2007). "Constructing mystery: Empirical matters in theory development." Academy of Management Review **32**(4): 1265-1281.

Ambrosini, V. (2003). Tacit and ambiguous resources as sources of competitive advantage. New York, Palgrave Macmillan.

Ambrosini, V. and C. Bowman (2001). "Tacit knowledge: Some suggestions for operationalization." Journal of Management Studies **38**(6): 811-829.

Ambrosini, V. and C. Bowman (2009). "What are dynamic capabilities and are they a useful construct in strategic management?" International Journal of Management Reviews **11**(1): 29-49.

Amin, A. and J. Roberts (2008). Community, economic creativity, and organization. Oxford ; New York, Oxford University Press.

Anand, N., H. K. Gardner, et al. (2007). "Knowledge-based Innovation: Emergence and Embedding of New Practice Areas in Management Consulting Firms." Academy of Management Journal **50**(2): 406-428.

Andersen, B., J. Howells, et al., Eds. (2000). Knowledge and Innovation in the Service Economy. Cheltenham, Edward ElgarPublishing.

Anderson, J. R. (1987). "Skill Acquisition - Compilation of Weak-Method Problem Solutions." Psychological Review **94**(2): 192-210.

Archer, M. S. (1982). "Morphogenesis Versus Structuration - on Combining Structure and Action." British Journal of Sociology **33**(4): 455-483.

Archer, M. S. (1988). Culture and agency : the place of culture in social theory. Cambridge, Cambridge University Press.

Archer, M. S. (1995). Realist social theory : the morphogenetic approach. Cambridge, Cambridge University Press.

Archer, M. S. (2000). Being human : the problem of agency. Cambridge, U.K. ; New York, Cambridge University Press.

Archer, M. S. (2003). Structure, agency and the internal conversation. Cambridge, Cambridge University Press.

Archer, M. S. (2007). Making our way through the world : human reflexivity and social mobility. Cambridge, Cambridge University Press.

Argyris, C. (1989). "Strategy Implementation - an Experience in Learning." Organizational Dynamics **18**(2): 5-15.

Argyris, C. (1991). "Teaching Smart People How to Learn." Harvard Business Review **69**(3): 99-109.

Argyris, C. (1993). Knowledge for Action. San Francisco, Jossey-Bass Publishers.

Argyris, C. and D. A. Schön (1974). Theory in practice : increasing professional effectiveness. San Francisco, Jossey-Bass Publishers.

Argyris, C. and D. A. Schön (1996). Organisational Learning II - Theory, Method and Practice. Reading, Mass., Addison - Wesley Publishing Company Inc.

Astley, W. G. and A. H. V. d. Ven (1983). "Central Perspectives and Debates in Organization Theory." Administrative Science Quarterly **28**: 245-273.

Audi, R. (1999). The Cambridge dictionary of philosophy. Cambridge, Cambridge University Press.

Baker, G. P. and P. M. S. Hacker (1985). Wittgenstein : rules, grammar and necessity. Oxford, Basil Blackwell.

Balogun, J., A. S. Huff, et al. (2003). "Three responses to the methodological challenges of studying strategizing." Journal of Management Studies **40**(1): 197-224.

Balogun, J. and G. Johnson (2004). "Organizational restructuring and middle manager sensemaking." Academy of Management Journal **47**(4): 523-549.

Balogun, J. and G. Johnson (2005). "From intended strategies to unintended outcomes: The impact of change recipient sensemaking." Organization Studies **26**(11): 1573-1601.

Barley, S. R. (1983). "Semiotics and the Study of Occupational and Organizational Cultures." Administrative Science Quarterly **28**(3): 393-413.

Barley, S. R. and P. S. Tolbert (1997). "Institutionalization and structuration: Studying the links between action and institution." Organization Studies **18**(1): 93-117.

Barnett, W. P. and M. T. Hansen (1996). "The red queen in organizational evolution." Strategic Management Journal **17**(S1): 139-157.

Barney, J. (1991). "Firm Resources and Sustained Competitive Advantage." Journal of Management **17**(1): 99-120.

Barney, J. B. and D. N. Clark (2007). Resource-based theory : creating and sustaining competitive advantage. Oxford, Oxford University.

Barney, J. B. and M. H. Hansen (1994). "Trustworthiness as a Source of Competitive Advantage." Strategic Management Journal **15**: 175-190.

Bartunek, J. M., S. L. Rynes, et al. (2001). "Across the great divide: knowledge creation and transfer between practitioners and academics." Academy of Management Journal **44**(2): 340-355.

Basdeo, D. K., K. G. Smith, et al. (2006). "The impact of market actions on firm reputation." Strategic Management Journal **27**(12): 1205-1219.

Bathelt, H. and J. Gluckler (2011). The relational economy : geographies of the knowledge economy. Oxford, Oxford University Press.

Baum, J. A. C. and J. E. Dutton (1996). "Introduction: The embeddedness of strategy." Advances in Strategic Management **13**: 1-15.

Beer, M. and R. Eisenstat (2000). "The Silent Killers of Strategy Implementation and Learning." Sloan Management Review **41**(4): 29-40.

Bell, C. (1997). Ritual. New York, Oxford University Press.

Berger, A. A. (2005). Media analysis techniques. Thousand Oaks, Calif., Sage.

Berger, P. L. and T. Luckmann (1967). The Social Construction of Reality. New York, Doubleday.

Bilderbeek, R., P. D. Hertog, et al. (1998). Services in Innovation: Knowledge Intensive Business Services (KIBS) AS co-producers of innovation, SI4S - Services in Innovation, Innovation in Services**:** 61.

Birkinshaw, J. and C. Gibson (2004). "Building ambidexterity into an organization." MIT Sloan Management Review **45**(4): 47-+.

Bitner, M. J., W. T. Faranda, et al. (1997). "Customer contributions and roles in service delivery." International Journal of service Industry Management **8**(3): 193-205.

Bjørkeng, K. (2010). Organizing practice: on mechanisms of stability and change in organization. Trondheim, Norges teknisk-naturvitenskapelige universitet. **2010:202:** VI, 197 s.

Blackler, F. (1995). "Knowledge, Knowledge Work and Organizations: An Overview and Interpretation." Organization Studies **16**(6): 1021-1046.

Blackler, F., M. Reed, et al. (1993). "Editorial Introduction: Knowledge Workers and Contemporary Organizations." Journal of Management Studies **30**(6): 851-862.

Bourdieu, P. (1977). Outline of a theory of practice. Cambridge, Cambridge University Press.

Bourdieu, P. (1990). The logic of practice. Oxford, Polity Press.

Bourdieu, P. and L. J. D. Wacquant (1992). An invitation to reflexive sociology. Cambridge, Polity.

Bowen, D. E. and G. R. Jones (1986). "Transaction Cost Analysis of Service Organization-Customer Exchange." Academy of Management Review **11**(2): 428-441.

Bowen, H. P. and M. F. Wiersema (1999). "Matching method to paradigm in strategy research: Limitations of cross-sectional analysis and some methodological alternatives." Strategic Management Journal **20**(7): 625-636.

Bower, J. L. and C. G. Gilbert (2005). From resource allocation to strategy. Oxford, Oxford University Press.

Bowman, C. and V. Ambrosini (2000). "Value creation versus value capture: Towards a coherent definition of value in strategy." British Journal of Management **11**(1): 1-15.

Britton, L. C. and D. F. Ball (1999). "Trust versus opportunism: Striking the balance in executive search." Service Industries Journal **19**(2): 132-149.

Brock, D., M. Powell, et al., Eds. (1999). Restructuring the professional organization. London, Routledge.

Brock, D. M. (2006). "The changing professional organization: A review of competing archetypes." International Journal of Management Reviews **8**(3): 157-174.

Broschak, J. P. and K. M. Niehans (2006). Social structure, employee mobility, and the circulation of client ties. Professional Service Firms. R. Greenwood and R. Suddaby. Oxford, JAI Press**:** 369-402.

Brown, J. S. and P. Duguid (1991). "Organizational Learning and Communities-of-practice: Toward a Unified View of Working, Learning and Innovation." Organization Science **2**(1): 40-57.

Brush, T. H. and K. W. Artz (1999). "Toward a contingent resource-based theory: The impact of information asymmetry on the value of capabilities in veterinary medicine." Strategic Management Journal **20**(3): 223-250.

Burgelman, R. A. (2002). "Strategy as vector and the inertia of coevolutionary lock-in." Administrative Science Quarterly **47**(2): 325-357.
Burns, T. and G. M. Stalker (1961). The management of innovation. London, Tavistock.
Calori, R. (1998). "Essai: Philosophizing on strategic management models." Organization Studies **19**(2): 281-306.
Carlsen, A. (2005). Acts of becoming: on the dialogic imagination of practice in organizations. Trondheim, Instituttet. **2006-75:** IX, 228 s.
Carlsen, A. (2006). "Organizational becoming as dialogic imagination of practice: The case of the indomitable gauls." Organization Science **17**(1): 132-149.
Carlsen, A., R. Klev, et al., Eds. (2004). Living Knowledge: The Dynamics of Professional Service Work. London, Palgrave.
Chandler, A. D. (1962). Strategy and Structure: Chapters in the History of the American Industrial Enterprise. Cambridge, Mass., MIT Press.
Charmaz, K. (2006). Constructing grounded theory : a practical guide through qualitative analysis. London, Sage.
Chebat, J.-C. (1999). "Special Issue on Strategy Implementation and Assessment Research: Research on Implementation Deserves as Much Attention as Strategy Formulation." Journal of Business Research **45**(2): 107-109.
Chia, R. and R. Holt (2006). "Strategy as practical coping: A Heideggerian perspective." Organization Studies **27**(5): 635-655.
Chia, R. and A. Rasche (2010). Epistemological alternatives for researching Strategy as Practice: building and dwelling worldviews. Cambridge Handbook of Strategy as Practice. D. Golsorkhi, L. Rouleau, D. Seidl and E. Vaara. Cambridge, Cambridge University Press**:** 34-46.
Child, J. (1972). "Organizational Structure, Environment and Performance: The Role of Strategic Choice." Sociology-the Journal of the British Sociological Association **6**: 1-22.
Child, J. (1997). "Strategic choice in the analysis of action, structure, organizations and environment: Retrospect and prospect." Organization Studies **18**(1): 43-76.
Coase, R. (1937). "The Nature of the Firm." Economica **4**: 386-405.
Coff, R. W. (1997). "Human assets and management dilemmas: Coping with hazards on the road to resource-based theory." Academy of Management Review **22**(2): 374-402.
Cohen, I. J. (1989). Structuration Theory - Anthony Giddens and the Constitution of Social Life. London, Macmillan.
Coleman, J. S. (1990). Foundations of social theory. Cambridge, Mass., Belknap Press.
Cook, M. (2004). Personnel selection : adding value through people. Chichester, John Wiley.
Crabtree, B. F. and W. L. Miller (1999). Using code and code manuals: A template organizing style of interpretation. Doing qualitative research. B. F. Crabtree and W. L. Miller. Thousand Oaks, Sage Publications**:** 163-177.
Daft, R. L. and N. B. Macintosh (1984). "The Nature and Use of Formal Control-Systems for Management Control and Strategy Implementation." Journal of Management **10**(1): 43-66.
Danermark, B. (2002). Explaining society : critical realism in the social sciences. London ; New York, Routledge.
Day, E. and H. C. Barksdale (1992). "How firms select professional services." Industrial Marketing Management **21**(2): 85-91.
Denis, J.-L., A. Langley, et al. (2007). "Strategizing in pluralistic contexts: Rethinking theoretical frames." Human Relations **60**(1): 179-215.
Derfus, P., P. Maggitti, et al. (2008). "The Red Queen Effect: Competitive Actions and Firm Performance." The Academy of Management Journal **51**(1): 61-80.
Dewey, J. (1986). The later works 1938 : logic : the theory of inquiry.

Dierickx, I. and K. Cool (1989). "Asset Stock Accumulation and Sustainability of Competitive Advantage." Management Science **35**(12): 1504-1511.
DiMaggio, P. J. and W. W. Powell (1983). "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." American Sociological Review **48**: 147-160.
DiMaggio, P. J. and W. W. Powell (1991). The New institutionalism in organizational analysis. Chicago, University of Chicago Press.
Dreyfus, H. and S. E. Dreyfus (1986). Mind over Machine: The Power of Human Intuition. Oxford, Blackwell Publishers Inc.
Dulleck, U. and R. Kerschbamer (2006). "On doctors, mechanics, and computer specialists: The economics of credence goods." Journal of Economic Literature **44**(1): 5-42.
Dulleck, U., R. Kerschbamer, et al. (2011). "The Economics of Credence Goods: An Experiment on the Role of Liability, Verifiability, Reputation, and Competition." American Economic Review **101**(2): 526-555.
Duncan, R. B. (1976). The ambidextrous organization: Designing dual structures for innovation. The management of organization. R. H. Kilmann, L. R. Pondy and D. Slevin. New York, North-Holland. **1:** 167-188.
Eden, C. and C. Huxham (1999). Action Research for the Study of Organizations. Studying Organization. S. R. Clegg and C. Hardy. London, SAGE Publication.
Eden, C. and J.-C. Spender, Eds. (1998). Managerial and Organizational Cognition. London, SAGE Publications Ltd.
Eisenhardt, E. M. and D. N. Sull (2001). "Strategy as simple rules." Harvard Business Review **79**(1): 106-+.
Eisenhardt, K. M. (1989). "Building Theories from Case-Study Research." Academy of Management Review **14**(4): 532-550.
Eisenhardt, K. M. and J. A. Martin (2000). "Dynamic capabilities: What are they?" Strategic Management Journal **21**(10-11): 1105-1121.
Elden, M. and M. Levin (1991). Co-generative learning: Bringing participation into action research. Participatory action research. W. F. Whyte. Newbury Park, Calif., SAGE Publications**:** 127-142.
Elsbach, K. D. (2003). "Organizational perception management." Research in Organizational Behavior, Vol 25 **25**: 297-332.
Elsbach, K. D. and A. B. Hargadon (2006). "Enhancing Creativity Through "Mindless" Work: A Framework of Workday Design." Organization Science **17**(4): 470-483.
Elster, J. (1978). Logic and society : contradictions and possible worlds. Chichester, Wiley.
Elster, J. (1983). Explaining technical change : a case study in the philosophy of science. Cambridge, Oslo, Cambridge University Press ; Universitetsforlaget.
Elster, J. (1989a). The cement of society : a study of social order. Cambridge, Cambridge University Press.
Elster, J. (1989b). Nuts and bolts for the social sciences. Cambridge, Cambridge University Press.
Elster, J. (1993). Political Psychology. Cambridge, Cambridge University Press.
Elster, J. (2000). Ulysses unbound : studies in rationality, precommitment, and constraints. Cambridge, Cambridge University Press.
Elster, J. (2007). Explaining social behavior : more nuts and bolts for the social sciences. Cambridge, Cambridge University Press.
Emons, W. (1997). "Credence goods and fraudulent experts." Rand Journal of Economics **28**(1): 107-119.
Empson, L. (2001a). "Introduction to special issue on Knowledge Management in professional service firms." Human Relations **54**(7): 811-817.

Empson, L. (2001b). "Introduction: Knowledge Management in Professional Service Firms." Human Relations **54**(7): 811-817.
Empson, L. (2007a). Managing the modern law firm : new challenges, new perspectives. Oxford, Oxford University Press.
Empson, L. (2007b). Your partnership. Managin the modern law firm. L. Empson. Oxford, Oxford University Press: 10-36.
Empson, L. and C. Chapman (2006). Partnership versus corporation: Implications of alternative forms of governance in professional service firms. Professional Service Firms. R. Greenwood and R. Suddaby. Oxford, JAI Press: 139-170.
Encyclopedia Britannica. (2010). "practical reason." Retrieved 06 July, 2010, from http://www.britannica.com/EBchecked/topic/473575/practical-reason.
Epstein, A. J., J. D. Ketcham, et al. (2010). "Specialization and matching in professional services firms." The RAND Journal of Economics **41**(4): 811-834.
Farjoun, M. (2002). "Towards an organic perspective on strategy." Strategic Management Journal **23**(7): 561-594.
Faulconbridge, J. R., S. J. E. Hall, et al. (2008). "New insights into the internationalization of producer services: organizational strategies and spatial economies for global headhunting firms." Environment and Planning A **40**(1): 210-234.
Feldman, M. S. (1995). Strategies for Interpreting Qualitive Data. Thousand Oaks, SAGE Publications.
Feldman, M. S. (2000). "Organizational routines as a source of continuous change." Organization Science **11**(6): 611-629.
Feldman, M. S. (2004). "Resources in emerging structures and processes of change." Organization Science **15**(3): 295-309.
Feldman, M. S. and B. T. Pentland (2003). "Reconceptualizing organizational routines as a source of flexibility and change." Administrative Science Quarterly **48**(1): 94-118.
Felin, T. and W. S. Hesterly (2007). "The knowledge-based view, nested heterogeneity, and new value creation: Philosophical considerations on the locus of knowledge." Academy of Management Review **32**(1): 195-218.
Ferner, A., P. Edwards, et al. (1995). "Coming unstuck? In search of the “corporate glue” in an international professional service firm." Human Resource Management **34**(3): 343-361.
Fiol, C. M. (1989). "A Semiotic Analysis of Corporate Language - Organizational Boundaries and Joint Venturing." Administrative Science Quarterly **34**(2): 277-303.
Fligstein, N. (1990). The transformation of corporate control. Cambridge, Mass., Harvard University Press.
Foss, N. J. (2005). Strategy, economic organization, and the knowledge economy : the coordination of firms and resources. Oxford, Oxford University Press.
Foss, N. J. and C. Knudsen, Eds. (1996). Towards a competence theory of the firm. London, Routledge.
Fosstenlokken, S. M., B. R. Lowendahl, et al. (2003). "Knowledge development through client interaction: A comparative study." Organization Studies **24**(6): 859-879.
Freeman, J. and M. T. Hannan (1989). "Setting the Record Straight on Organizational Ecology - Rebuttal to Young." American Journal of Sociology **95**(2): 425-439.
Garfinkel, H. (1984). Studies in ethnomethodology. Cambridge, Polity Press.
Geertz, C. (1973). The interpretation of cultures selected essays. New York, Basic Books.
Ghemawat, P. and J. E. R. I. Costa (1993). "The Organizational Tension between Static and Dynamic Efficiency." Strategic Management Journal **14**(ArticleType: research-article / Issue Title: Special Issue: Organizations, Decision Making and Strategy / Full publication date: Winter, 1993 / Copyright © 1993 John Wiley & Sons): 59-73.

Gherardi, S. (2001). "From organizational learning to practice-based knowing." Human Relations **54**(1): 131-139.
Ghoshal, S., C. A. Bartlett, et al. (1999). "A new manifesto for management." Sloan Management Review **40**(3): 9-+.
Ghoshal, S. and P. Moran (1996). "Bad for practice: A critique of the transaction cost theory." Academy of Management Review **21**(1): 13-47.
Gibson, C. B. and J. Birkinshaw (2004). "The antecedents, consequences, and mediating role of organizational ambidexterity." Academy of Management Journal **47**(2): 209-226.
Giddens, A. (1979). Central problems in social theory: action, structure and contradiction in social analysis. London, Macmillan.
Giddens, A. (1984). The constitution of society outline of the theory of structuration. Cambridge, Polity Press.
Giddens, A. (1993). New rules of sociological method: a positive critique of interpretative sociologies. Cambridge, Polity Press.
Gioia, D. A. and K. Chittipeddi (1991). "Sensemaking and Sensegiving in Strategic Change Initiation." Strategic Management Journal **12**(6): 433-448.
Goffman, E. (1959). The presentation of self in everyday life. Garden City, N.Y., Doubleday.
Goffman, E. (1967). Interaction ritual; essays on face-to-face behavior. Garden City, N.Y.,, Anchor Books.
Golden, B. R. (1992). "Research Notes. The Past is The Past--Or is it? The Use of Retrospective Accounts as Indicators of Past Strategy." Academy of Management Journal **35**(4): 848-860.
Golsorkhi, D., L. Rouleau, et al., Eds. (2010). Cambridge handbook of strategy as practice. Cambridge, Cambridge University Press.
Grabher, G. (2004). "Temporary Architectures of Learning: Knowledge Governance in Project Ecologies." Organization Studies **25**(9): 1491-1514.
Granovetter, M. (1985). "Economic-Action and Social-Structure - the Problem of Embeddedness." American Journal of Sociology **91**(3): 481-510.
Grant, R. M. (1996). "Toward a Knowledge-based Theory of the Firm." Strategic Management Journal **17**(Special Issue Winter): 109-122.
Gravelle, H. and R. Rees (2004). Microeconomics. Harlow, FT/Prentice Hall.
Greenwood, D. and M. Levin (1998). Introduction to Action Research: Social Research for Social Change. London, SAGE Publications.
Greenwood, R., D. L. Deephouse, et al. (2007). "Ownership and Performance of Professional Service Firms." Organization Studies **28**(2): 219-238.
Greenwood, R. and L. Empson (2003). "The professional partnership: Relic or exemplary form of governance?" Organization Studies **24**(6): 909-933.
Greenwood, R., C. R. Hinings, et al. (1990). "P2-Form Strategic Management - Corporate Practices in Professional Partnerships." Academy of Management Journal **33**(4): 725-755.
Greenwood, R., S. X. Li, et al. (2005). "Reputation, Diversification, and Organizational Explanations of Performance in Professional Service Firms." Organization Science **16**(6): 661-673.
Greenwood, R. and R. Suddaby (2006). Professional service firms. Amsterdam, Oxford, Elsevier JAI.
Gregson, N. (1989). On the (ir)rrelevance of structuration theory to empirical research. Social theory of modern societies: Anthony Giddens and his critics. D. Held and J. B. Thompson. Cambridge, Cambridge University Press**:** 235-248.
Greimas, A. J. (1987). On meaning : selected writings in semiotic theory. London, F. Pinter.
Groysberg, B. and L.-E. Lee (2008). "The effect of colleague quality on top performance: the case of security analysts." Journal of Organizational Behavior **29**(8): 1123-1144.

Guba, E. G. and Y. S. Lincoln (1989). Fourth Generation Evaluation. Newbury Park, SAGE Publications.
Gunz, H. P. and S. P. Gunz (2006). Professional ethics in formal organizations. Professional Service Firms. R. Greenwood and R. Suddaby. Oxford, JAI Press: 257-282.
Guth, W. D. and I. C. Macmillan (1986). "Strategy Implementation Versus Middle Management Self-Interest." Strategic Management Journal **7**(4): 313-327.
Hall, R. (1992). "The Strategic Analysis of Intangible Resources." Strategic Management Journal **13**(2): 135-144.
Hall, R. H. (1968). "Professionalization and Bureaucratization." American Sociological Review **33**(1): 92-104.
Hannan, M. T. and J. Freeman (1977). "The Population Ecology of Organizations." American Journal of Sociology **82**(5): 929-964.
Hansen, M. T., N. Nohria, et al. (1999). "What's Your Strategy for Managing Knowledge?" Harvard Business Review **77**(2): 106-116.
Hardin, G. (1968). "The Tragedy of the Commons." Science **162**(3859): 1243-1248.
Haugstad, B. (1998). Knowledge development and strategic development - cooperation or contradiction? (in Norwegian only). Department of Industrial Economics and Technology Management. Trondheim, Norwegian University of Science and Technology: 117.
Haugstad, B. (2001). Organisational Transformation as Structuration of Practice: Can Giddens be used to understand Knowlege-Intensive Firms? Third Oxford Conference on Knowledge-Intensive Firms, Oxford.
Hayek, F. A. v. (1964). Rules, perception and intelligibility : from the proceedings of the British academy, volume XLVIII. Oxford, University Press.
He, Z. L. and P. K. Wong (2004). "Exploration vs. exploitation: An empirical test of the ambidexterity hypothesis." Organization Science **15**(4): 481-494.
Hébert, L. (2006). Tools for text and image analysis: an introduction to applied semiotics. Texto!
Hedström, P. and P. Bearman (2009). The Oxford handbook of analytical sociology. Oxford ; New York, Oxford University Press.
Hedström, P. and R. Swedberg (1998). Social mechanisms : an analytical approach to social theory. Cambridge New York, Cambridge University Press.
Heijden, K. v. d. and C. Eden (1998). The Theory and Praxis of Reflective Learning in Strategy Making. Managerial and Organizational Knowledge. C. Eden and J.-C. Spender. London, SAGE Publications Ltd.: 58-75.
Helfat, C. E., S. Finkelstein, et al. (2007). Dynamic capabilities : understanding strategic change in organizations. Malden, Mass. ; Oxford, Blackwell.
Hendry, J. (2000). "Strategic decision making, discourse, and strategy as social practice." Journal of Management Studies **37**(7): 955-977.
Heracleous, L. and M. Barrett (2001). "Organizational change as discourse: Communicative actions and deep structures in the context of information technology implementation." Academy of Management Journal **44**(4): 755-778.
Hickson, D. J., S. J. Miller, et al. (2003). "Planned or prioritized? Two options in managing the implementation of strategic decisions." Journal of Management Studies **40**(7): 1803-1836.
Hitt, M., L. Bierman, et al. (2006). "The Importance of Resources in the Internationalization of Professional Service Firms: The Good, The Bad, and The Ugly." The Academy of Management Journal ARCHIVE **49**(6): 1137-1157.
Hitt, M. A., L. Bierman, et al. (2001). "Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective." Academy of Management Journal **44**(1): 13-28.

Hollis, M. (1987). The cunning of reason. Cambridge, Cambridge University Press.
Hollis, M. (1994). The philosophy of social science. Cambridge, Cambridge University Press.
Hrebiniak, L. G. (2006). "Obstacles to Effective Strategy Implementation." Organizational Dynamics **35**(1): 12-31.
Håkonsen, G. (2007). Making a difference: creative dialogues, protopractice and the moral shaping of knowledge in a media company. Trondheim, Norges teknisk-naturvitenskapelige universitet. **2007:116**.
Jarzabkowski, P. (2004). "Strategy as practice: Recursiveness, adaptation, and practices-in-use." Organization Studies **25**(4): 529-560.
Jarzabkowski, P. (2005). Strategy as practice - an activity-based approach. London, SAGE Publications.
Jarzabkowski, P. (2008). "Shaping strategy as a structuration process." Academy of Management Journal **51**(4): 621-650.
Jarzabkowski, P., J. Balogun, et al. (2007). "Strategizing: The challenges of a practice perspective." Human Relations **60**(1): 5-27.
Jensen, M. C. and W. H. Meckling (1976). "Theory of Firm - Managerial Behavior, Agency Costs and Ownership Structure." Journal of Financial Economics **3**(4): 305-360.
Johnson, G. (1988). "Rethinking Incrementalism." Strategic Management Journal **9**(1): 75-91.
Johnson, G., A. Langley, et al., Eds. (2007). Strategy as Practice: Research Directions and Resources. Cambridge, Cambridge University Press.
Johnson, G., L. Melin, et al. (2003). "Micro strategy and strategizing: Towards an activity-based view - Guest Editors' Introduction." Journal of Management Studies **40**(1): 3-22.
Kerzner, H. (2006). Project management : a systems approach to planning, scheduling, and controlling. Hoboken, N.J., Wiley.
King, G., S. Verba, et al. (1994). Designing social inquiry : scientific inference in qualitative research. Princeton, N.J., Princeton University Press.
King, N. (1998). Template Analysis. Qualitative methods and analysis in organizational research: A practical guide. G. Symon and C. Cassel. London, Sage Publications**:** 118-134.
Kirmani, A. and A. R. Rao (2000). "No pain, no gain: A critical review of the literature on signaling unobservable product quality." Journal of Marketing **64**(2): 66-79.
Knights, D. and G. Morgan (1990). "The Concept of Strategy in Sociology - a Note of Dissent." Sociology-the Journal of the British Sociological Association **24**(3): 475-483.
Knights, D. and G. Morgan (1991). "Corporate-Strategy, Organizations, and Subjectivity - a Critique." Organization Studies **12**(2): 251-273.
Knights, D. and G. Morgan (1995). "Strategy under the Microscope - Strategic Management and It in Financial Services." Journal of Management Studies **32**(2): 191-214.
Kohn, M. (2008). Trust : self-interest and the common good. Oxford, Oxford University Press.
Kvale, S. (1996). Interviews : an introduction to qualitative research interviewing. Thousand Oaks, Calif., Sage.
Kwan, K. M. and E. W. K. Tsang (2001). "Realism and constructivism in strategy research: A critical realist response to Mir and Watson." Strategic Management Journal **22**(12): 1163-1168.
Lave, J. (1988). Cognition in practice : mind, mathematics and culture in everyday life. Cambridge, Cambridge University Press.
Lave, J. (1993). The practice of learning. Understanding practice: Perspectives on activity and context. S. Chaiklin and J. Lave. Cambridge, Cambridge University Press**:** 3-32.

Lave, J. and E. Wenger (1991). Situated Learning: Legitimate Peripheral Participation. Cambridge, Cambridge University Press.
Lavie, D., U. Stettner, et al. (2010). "Exploration and Exploitation Within and Across Organizations." Academy of Management Annals **4**: 109-155.
Lawrence, P. R. (1992). "The Challenge of Problem-Oriented Research." Journal of Management Inquiry **1**(2): 139-142.
Lawrence, P. R. and J. W. Lorsch (1967). Organization and environment : managing differentiation and integration. Boston, Division of Research, Graduate School of Business Administration, Harvard University.
Lawson, T. (2003). Reorienting economics. London, Routledge.
Learned, E. P., C. R. Christensen, et al. (1969). Business Policy: Text and Cases. Homewood, Ill., Richard D. Irwin.
Leibenstein, H. (1950). "Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand." The Quarterly Journal of Economics **64**(2): 183-207.
Leicht, K. and E. Lyman (2006). Markets, Institutions, and the Crisis of Professional Practice. Professional Service Firms. R. Greenwood, R. Suddaby and M. McDougald, JAI Press Inc**:** 17-44.
Lepak, D. P., K. G. Smith, et al. (2007). "Value creation and value capture: A multilevel perspective." Academy of Management Review **32**(1): 180-194.
Levine, S. and P. E. White (1961). "Exchange as a Conceptual Framework for the Study of Interorganizational Relationships." Administrative Science Quarterly **5**(4): 583-601.
Lewin, A. Y. and H. W. Volberda (1999). "Prolegomena on coevolution: A framework for research on strategy and new organizational forms." Organization Science **10**(5): 519-534.
Lewin, K. (1951). Field theory in social science; selected theoretical papers. New York, Harper.
Lincoln, Y. S. and E. G. Guba (1985). Naturalistic inquiry. Beverly Hills, Calif., Sage.
Linell, P. and T. Luckmann (1991). Assymetries in Dialogue: Some Conceptual Preliminaries. Assymetries in Dialogue. I. Markova and K. Foppa, Harvester Weatsheat**:** 1-20.
Lippman, S. A. and R. P. Rumelt (1982). "Uncertain Imitability - an Analysis of Interfirm Differences in Efficiency under Competition." Bell Journal of Economics **13**(2): 418-438.
Liu, T. (2011). "Credence goods markets with conscientious and selfish experts." International Economic Review **52**(1): 227-244.
Lorange, P. (1998). "Strategy implementation: the new realities." Long Range Planning **31**(1): 18-29.
Lorsch, J. W. and T. J. Tierney (2002). Aligning the stars : how to succeed when professionals drive results. Boston, Mass., Harvard Business School Press.
Lovas, B. and S. Ghoshal (2000). "Strategy as guided evolution." Strategic Management Journal **21**(9): 875-896.
Lubatkin, M. H., Z. Simsek, et al. (2006). "Ambidexterity and performance in small- to medium-sized firms: The pivotal role of top management team behavioral integration." Journal of Management **32**(5): 646-672.
Lukes, S. (2005). Power : a radical view. Basingstoke, Palgrave Macmillan.
Lynch, M. (1993). Scientific practice and ordinary action : ethnomethodology and social studies of science. Cambridge, Cambridge University Press.
Lyons, B. and J. Mehta (1997). "Contracts, opportunism and trust: Self-interest and social orientation." Cambridge Journal of Economics **21**(2): 239-257.
Løwendahl, B. (2005). Strategic management of professional service firms. Copenhagen, Copenhagen Business School Press.

Løwendahl, B., O. Revang, et al. (2001). "Knowledge and value creation in professional service firms: A framework for analysis." Human Relations **54**(7): 911-931.
Løwendahl, B. R. (1997). Strategic Management of Professional Service Firms. Copenhagen, Copenhagen Business School Press.
Mahoney, J. T. (2001). "A resource-based theory of sustainable rents." Journal of Management **27**(6): 651-660.
Maister, D. H. (1982). "Balancing the Professional Service Firm." Sloan Management Review(Fall): 15-29.
Maister, D. H. (1993). Managing the professional service firm. New York, Free Press.
Maister, D. H. (2003). Managing the professional service firm. London, Simon & Schuster.
Maister, D. H. (2008). Strategy and the fat smoker : doing what's obvious but not easy. Boston, Mass., Spangle Press.
Malhotra, N. and T. Morris (2009). "Heterogeneity in Professional Service Firms." Journal of Management Studies **46**(6): 895-922.
Malhotra, N., T. Morris, et al. (2006). Variation in organizational form among Professional Service Firms. Professional Service Firms. R. Greenwood and R. Suddaby. Oxford, JAI Press: 171-202.
March, J. G. (1991). "Exploration and Exploitation in Organizational Learning." Organization Science **2**(1): 71-87.
March, J. G. and H. A. Simon (1958). Organizations. New York, John Wiley & Sons, Inc.
Markides, C. C. (1999). "A dynamic view of strategy." Sloan Management Review **40**(3): 55-+.
McKenna, C. D. (2006). The world's newest profession : management consulting in the twentieth century. Cambridge, Cambridge University Press.
McKenna, P. J. and D. H. Maister (2005). First among equals : how to manage a group of professionals. London, Simon & Schuster.
Merton, R. K. (1968). "Matthew Effect in Science." Science **159**(3810): 56-&.
Meyer, J. W. and B. Rowan (1977). "Institutionalized Organizations: Formal Structure as Myth and Ceremony." American Journal of Sociology **83**(2): 340-363.
Miles, I. (2004). Innovation in Services. The Oxford Handbook of Innovation. J. Fagerberg, D. C. Mowery and R. R. Nelson. Oxford, Oxford University Press: 433-458.
Miles, M. B. and A. M. Huberman (1994). Qualitative data analysis : an expanded sourcebook. Thousand Oaks, Calif., Sage.
Milgrom, P. and J. Roberts (1990). "The Economics of Modern Manufacturing - Technology, Strategy, and Organization." American Economic Review **80**(3): 511-528.
Milgrom, P. and J. Roberts (1995). "Complementarities and Fit - Strategy, Structure, and Organizational-Change in Manufacturing." Journal of Accounting & Economics **19**(2-3): 179-208.
Miller, D. (1986). "Configurations of Strategy and Structure - Towards a Synthesis." Strategic Management Journal **7**(3): 233-249.
Miller, D. (1992). "Environmental Fit Versus Internal Fit." Organization Science **3**(2): 159-178.
Miller, D. and M.-J. Chen (1994). "Sources and consequences of competitive inertia: A study of a study of the U.S. airline industry." Administrative Science Quarterly **39**(1): 1.
Miller, S. (1997). "Implementing strategic decisions: Four key success factors." Organization Studies **18**(4): 577-602.
Mintzberg, H. (1973). "Strategy-Making in 3 Modes." California Management Review **16**(2): 44-53.
Mintzberg, H. (1978). "Patterns in Strategy Formation." Management Science **24**(9): 934-948.
Mintzberg, H. (1979). "Emerging Strategy of Direct Research." Administrative Science Quarterly **24**(4): 582-589.

Mintzberg, H. (1987). "Crafting Strategy." Harvard Business Review **65**(4): 66-75.
Mintzberg, H. (2007). Tracking strategies : toward a general theory. New York, Oxford University Press.
Mintzberg, H. and A. McHugh (1985). "Strategy Formation in an Adhocracy." Administrative Science Quarterly **30**(2): 160-197.
Mintzberg, H. and J. A. Waters (1982). "Tracking Strategy in an Entrepreneurial Firm." Academy of Management Journal **25**(3): 465-499.
Mintzberg, H. and J. A. Waters (1985). "Of Strategies, Deliberate and Emergent." Strategic Management Journal **6**: 257-272.
Mir, R. and A. Watson (2000). "Strategic management and the philosophy of science: The case for a constructivist methodology." Strategic Management Journal **21**(9): 941-953.
Mohan, T. (2004). "Strategic positioning of HRM in knowledge-based organizations." The Learning Organization **11**(1): 28.
Morris, T. (2001). "Asserting property rights: Knowledge codification in the professional service firm." Human Relations **54**(7): 819-838.
Morris, T. and A. Pinnington (1998a). "Evaluating strategic fit in professional service firms." Human Resource Management Journal **8**(4): 76-87.
Morris, T. and A. Pinnington (1998b). "Promotion to partner in professional service firms." Human Relations **51**(1): 3-24.
Nelson, R. R. and S. G. Winter (1982). An Evolutionary Theory of Economic Change. Cambridge, Mass., The Belknap Press of Harvard University Press.
Nicolini, D., S. Gherardi, et al., Eds. (2003). Knowing in Organizations: A Practice-Based Approach. New York, M.E. Sharpe.
Nonaka, I., R. Toyama, et al. (2000). "A Firm as a Knowledge-creating Entity: A New Perspective on the Theory of the Firm." Industrial and Corporate Change **9**(1): 1-20.
Nutt, P. C. (1986). "Tactics of Implementation." Academy of Management Journal **29**(2): 230-261.
Nutt, P. C. (1989). "Selecting Tactics to Implement Strategic Plans." Strategic Management Journal **10**(2): 145-161.
Nutt, P. C. (1998). "Leverage, resistance and the success of implementation approaches." Journal of Management Studies **35**(2): 213-240.
Ocasio, W. (1997). "Towards an attention-based view of the firm." Strategic Management Journal **18**: 187-206.
OECD (2002). The Measurement of scientific and technological activities proposed standard practice for surveys of research and experimental development : Frascati manual 2002. Paris, Organisation for Economic Co-operation and Development.
Oliver, C. (1997). "Sustainable competitive advantage: Combining institutional and resource-based views." Strategic Management Journal **18**(9): 697-713.
Orlikowski, W. J. (2000). "Using technology and constituting structures: A practice lens for studying technology in organizations." Organization Science **11**(4): 404-428.
Orlikowski, W. J. (2002). "Knowing in practice: Enacting a collective capability in distributed organizing." Organization Science **13**(3): 249-273.
Orlikowski, W. J. and J. Yates (1994). "Genre Repertoire - the Structuring of Communicative Practices in Organizations." Administrative Science Quarterly **39**(4): 541-574.
Ortner, S. B. (1984). "Theory in anthropology since the sixties." Comparative study of society and history **26**(1): 126-166.
Pascale, R. T. (1984). "Perspectives on Strategy: The Real Story Behind Honda's Success." California Management Review **XXVII**(Spring): 47-72.
Peirce, C. S., N. Houser, et al. (1992). The essential Peirce : selected philosophical writings. Bloomington, Indiana University Press.

Penrose, E. (1959). The Theory of the Growth of the Firm. Oxford, Oxford University Press.
Pentland, B. T. and M. S. Feldman (2005). "Organizational routines as a unit of analysis." Industrial and Corporate Change **14**(5): 793-815.
Pentland, B. T. and H. H. Rueter (1994). "Organizational Routines as Grammars of Action." Administrative Science Quarterly **39**(3): 484-510.
Perrow, C. (1967). "Framework for Comparative Analysis of Organizations." American Sociological Review **32**(2): 194-208.
Perrow, C. (1970). Organizational analysis : a sociological view. London, Tavistock Publications.
Peteraf, M. and R. Reed (2007). "Managerial discretion and internal alignment under regulatory constraints and change." Strategic Management Journal **28**(11): 1089-1112.
Peteraf, M. A. (1993). "The Cornerstones of Competitive Advantage: A Resource-Based View." Strategic Management Journal **14**: 179-191.
Pettigrew, A. (2003). Co-Producing knowledge and the challenges of international collaborative research. Innovative Forms of Organizing. A. M. Pettigrew, R. Whittington, L. Melinet al. London, Sage**:** 353-374.
Pettigrew, A. (2004). Foreword II: Some challenges for collaborative research. Collaborative research in organizations. N. Adler, A. B. R. Shani and A. Styhre. Thousand Oaks, Sage**:** xv-xviii.
Pettigrew, A. M. (1990). "Longitudinal Field Research on Change: Theory and Practice." Organization Science **1**(3): 267-292.
Pettigrew, A. M. and E. M. Fenton (2000). Complexities and dualities in innovative forms of organizing. The innovating organization. A. M. Pettigrew and E. M. Fenton. London, SAGE Publications**:** 279-300.
Pettigrew, A. M. and R. Whipp (1991). Managing Change for Competitive Success. Oxford, Basil Blackwell.
Pickering, A. (1993). "The Mangle of Practice - Agency and Emergence in the Sociology of Science." American Journal of Sociology **99**(3): 559-589.
Pinnington, A. and T. Morris (1996). "Power and control in professional partnerships." Long Range Planning **29**(6): 842-849.
Platt, J. (1981). "On Interviewing One's Peers." British Journal of Sociology **32**(1): 75-91.
Polanyi, M. (1962). Personal Knowledge: Towards a Post-Critical Philosophy. New York, Harper Torchbooks.
Polanyi, M. (1966). The Tacit Dimension. New York, Doubleday & Company.
Polanyi, M. and H. Prosch (1975). Meaning. Chicago ; London, University of Chicago Press.
Porter, M. (1981). "The Contributions of Industrial Organization to Strategic Management." Academy of Management Review **6**(4): 609-620.
Porter, M. E. (1980). Competitive strategy : techniques for analyzing industries and competitors. New York, Free Press.
Porter, M. E. (1985). Competitive advantage : creating and sustaining superior performance. New York, Free Press.
Porter, M. E. (1991). "Towards a Dynamic Theory of Strategy." Strategic Management Journal **12**: 95-117.
Porter, M. E. (1996). "What is strategy?" Harvard Business Review **74**(6): 61-&.
Porter, M. E. (2001). "Strategy and the Internet." Harvard Business Review **79**(3): 62-+.
Porter, M. E. and M. R. Kramer (2006). "Strategy and society." Harvard Business Review **84**(12): 78-+.
Porter, M. E. and J. W. Rivkin (1997). Activity systems as barriers to Imitation. Boston, Harvard Business School.
Porter, M. E. and N. Siggelkow (2001). Contextuality Within Activity Systems.

Porter, M. E. and N. Siggelkow (2008). "Contextuality within activity systems and sustainability of competitive advantage." Academy of Management Perspectives **22**(2): 34-56.
Powell, T. C. (2003). "Strategy without ontology." Strategic Management Journal **24**(3): 285-291.
Pozzebon, M. (2004). "The Influence of a Structurationist View on Strategic Management Research." Journal of Management Studies **41**(2): 247-272.
Pozzebon, M. and A. Pinsonneault (2005). "Challenges in Conducting Empirical Work Using Structuration Theory: Learning from IT Research." Organization Studies **26**(9): 1353-1376.
Priem, R. L. and J. E. Butler (2001). "Tautology in the resource-based view and the implications of externally determined resource value: Further comments." Academy of Management Review **26**(1): 57-66.
Quinn, J. B. (1978). "Strategic Change - Logical Incrementalism." Sloan Management Review **20**(1): 7-21.
Ragin, C. C. (1987). The comparative method : moving beyond qualitiative and quantitative strategies. Berkeley, University of California Press.
Ragin, C. C. (1994). Constructing social research : the unity and diversity of method. Thousand Oaks, Calif., Pine Forge Press.
Ragin, C. C. and H. S. Becker (1992). What is a case? : exploring the foundations of social inquiry. Cambridge, Cambridge University Press.
Raisch, S. and J. Birkinshaw (2008). "Organizational ambidexterity: Antecedents, outcomes, and moderators." Journal of Management **34**(3): 375-409.
Raisch, S., J. Birkinshaw, et al. (2009). "Organizational Ambidexterity: Balancing Exploitation and Exploration for Sustained Performance." Organization Science **20**(4): 685-695.
Ramirez, R. (1999). "Value co-production: Intellectual origins and implications for practice and research." Strategic Management Journal **20**(1): 49-65.
Ranson, S., B. Hinings, et al. (1980). "Structuring of Organizational Structures." Administrative Science Quarterly **25**(1): 1-17.
Rao, A. R. and K. B. Monroe (1996). "Causes and consequences of price premiums." Journal of Business **69**(4): 511-535.
Rasche, A. and R. Chia (2009). "Researching Strategy Practices: A Genealogical Social Theory Perspective." Organization Studies **30**(7): 713-734.
Reber, A. S. (1989). "Implicit Learning and Tacit Knowledge." Journal of Experimental Psychology-General **118**(3): 219-235.
Reber, A. S. (1993). Implicit learning and tacit knowledge : an essay on the cognitive unconscious. New York ; Oxford, Oxford University Press.
Reckwitz, A. (2002). "Toward a Theory of Social Practices: A Development in Culturalist Theorizing." European Journal of Social Theory **5**(2): 243-263.
Reed, M. I. (1997). "In praise of duality and dualism: Rethinking agency and structure in organizational analysis." Organization Studies **18**(1): 21-42.
Richardson, G. (1972). "The Organization of Industry." Economic Journal: 883-896.
Rittel, H. W. J. and M. M. Webber (1973). "Dilemmas in a General Theory of Planning." Policy Sciences **4**(2): 155-169.
Ritter, F. E., L. J. Schooler, et al. (2001). Learning Curve, The. International Encyclopedia of the Social & Behavioral Sciences. Oxford, Pergamon: 8602-8605.
Rivkin, J. W. (2000). "Imitation of complex strategies." Management Science **46**(6): 824-844.
Rivkin, J. W. (2001). "Reproducing knowledge: Replication without imitation at moderate complexity." Organization Science **12**(3): 274-293.
Rivkin, J. W. and N. Siggelkow (2003). "Balancing search and stability: Interdependencies among elements of organizational design." Management Science **49**(3): 290-311.

Rivkin, J. W. and N. Siggelkow (2007). "Patterned interactions in complex systems: Implications for exploration." Management Science **53**(7): 1068-1085.
Roberts, P. W. and R. Greenwood (1997). "Integrating transaction cost and institutional theories: Toward a constrained-efficiency framework for understanding organizational design adoption." Academy of Management Review **22**(2): 346-373.
Robertson, M. and J. Swan (1998). "Modes of organizing in an expert consultancy: A case study of knowledge, power and egos." Organization **5**(4): 543-564.
Rouse, J. (2007). Practice Theory. Handbook of the Philosophy of Science. S. Turner and M. Risjord. Dordrecht, Elsevier. **15: Philosophy of Anthropology and Sociology:** 630-681.
Rubin, H. J. and I. Rubin (2005). Qualitative interviewing : the art of hearing data. Thousand Oaks, Calif., Sage Publications.
Rumelt, R. (1980). The Evaluation of Business Strategy. Business Policy and Strategic Management. W. F. Glueck. New York, McGraw-Hill.
Rumelt, R. P. (1987). Theory, strategy and entrepreneurship. The Competitive challenge : strategies for industrial innovation and renewal. D. Teece. Cambridge, Mass., Ballinger**:** 137-158.
Rumelt, R. P. (1998). Evaluating Business Strategy. The Strategy Process: Revised European Edition. H. Mintzberg, J. B. Quinn and S. Ghoshal. London, Prentice Hall Europe**:** 91-100.
Ryle, G. (1949). The concept of mind. London, New York,, Hutchinson's University Library.
Ryle, G. (1984). The concept of mind. Chicago, University of Chicago Press.
Salvato, C. (2009). "Capabilities Unveiled: The Role of Ordinary Activities in the Evolution of Product Development Processes." Organization Science **20**(2): 384-409.
Sánchez-Runde, C. and A. Pettigrew (2003). Managing Dualities. Innovative forms of organizing: international perspectives. A. M. Pettigrew, R. Whittington, L. Melinet al. London, Sage publications**:** 243-250.
Sayer, R. A. (1992). Method in social science : a realist approach. London, Routledge.
Schatzki, T. R. (1996). Social practices : a Wittgensteinian approach to human activity and the social. Cambridge, Cambridge University Press.
Schatzki, T. R. (2001). Practice theory. The Practice Turn in Contemporary Theory. T. R. Schatzki, K. K. Cetina and E. v. Savigny. London, Routledge**:** 1-14.
Schatzki, T. R., K. K. Cetina, et al., Eds. (2001). The Practice Turn in Contemporary Theory. London, Routledge.
Schelling, T. C. (2006). Strategies of commitment and other essays. Cambridge, Mass. ; London, Harvard University Press.
Schilling, M. A., P. Vidal, et al. (2003). "Learning by Doing Something Else: Variation, Relatedness, and the Learning Curve." Management Science **49**(1): 39-56.
Schneider, B. (1987). "The people make the place." Personnel Psychology **40**(3): 437-453.
Schumpeter, J. A. (1934). The theory of economic development : an inquiry into profits, capital, credit, interest, and the business cycle. Cambridge, Mass., Harvard University Press.
Schumpeter, J. A. (1950). Capitalism, socialism and democracy. London, Unwin University Books.
Schütz, A. (1967). The phenomenology of the social world. New York, Northwestern university press.
Schön, D. A. (1983). The Reflective Practitioner. New York, Basic Books, Inc.
Schön, D. A. (1987). Educating the reflective practitioner. San Francisco, Jossey-Bass.
Scott, W. R. (1995). Institutions and Organizations. Thousand Oaks, SAGE Publications.
Scott, W. R. (1998). Organizations : rational, natural, and open systems. Upper Saddle River, N.J., Prentice Hall.

Scott, W. R. (2003). Organizations rational, natural, and open systems. Upper Saddle River, N.J., Prentice Hall Pearson Education International.
Searle, J. R. (1995). The construction of social reality. New York, Free Press.
Searle, J. R. (2001). Rationality in action. Cambridge, Mass., MIT Press.
Searle, J. R. (2010). Making the social world : the structure of human civilization. Oxford, Oxford University Press.
Senge, P. M. (1990). The Fifth Discipline. The Art & Practice of Learning Organization. London, Random House.
Sewell, W. H. (1992). "A Theory of Structure - Duality, Agency, and Transformation." American Journal of Sociology **98**(1): 1-29.
Sharma, A. (1997). "Professional as agent: Knowledge asymmetry in agency exchange." Academy of Management Review **22**(3): 758-798.
Shaw, J. D., N. Gupta, et al. (2001). "Congruence between technology and compensation systems: Implications for strategy implementation." Strategic Management Journal **22**(4): 379-386.
Sheehan, N. T. and N. J. Foss (2007). "Enhancing the prescriptiveness of the resource-based view through Porterian activity analysis." Management Decision **45**(3): 450-461.
Siggelkow, N. (1998). Benefits of focus, evolution of fit, and agency issues in the mutual fund industry. United States -- Massachusetts, Harvard University.
Siggelkow, N. (2001). "Change in the presence of fit: The rise, the fall, and the renaissance of Liz Claiborne." Academy of Management Journal **44**(4): 838-857.
Siggelkow, N. (2002a). "Evolution toward fit." Administrative Science Quarterly **47**(1): 125-159.
Siggelkow, N. (2002b). "Misperceiving interactions among complements and substitutes: Organizational consequences." Management Science **48**(7): 900-916.
Simon, H. A. (1982). Models of bounded rationality. Cambridge, Mass., MIT Press.
Singer, A. E. (1994). "Strategy as Moral-Philosophy." Strategic Management Journal **15**(3): 191-213.
Skaggs, B. C. and M. Youndt (2004). "Strategic positioning, human capital, and performance in service organizations: A customer interaction approach." Strategic Management Journal **25**(1): 85-99.
Skjolsvik, T., B. R. Løwendahl, et al. (2007). "Choosing to learn and learning to choose: Strategies for client co-production and knowledge development." California Management Review **49**(3): 110-+.
Smith, A. (1776). An inquiry into the nature and causes of the wealth of nations. London, Printed for W. Strahan; and T. Cadell in the Strand.
Spender, J.-C. (1996). "Making Knowledge the Basis of a Dynamic Theory of the Firm." Strategic Management Journal **17**(Special Issue Winter): 45-62.
Stabell, C. B. and O. D. Fjeldstad (1998). "Configuring value for competitive advantage: On chains, shops, and networks." Strategic Management Journal **19**(5): 413-437.
Starbuck, W. H. (1992). "Learning by Knowledge-Intensive Firms." Journal of Management Studies **29**(6): 713-740.
Starbuck, W. H. (1993). "Keeping a Butterfly and an Elephant in a House of Cards: The Elements of Exceptional Success." Journal of Management Studies **30**(6 November): 885 - 921.
Strauss, A. and J. Corbin (1990). Basics of Qualitative Research: Grounded Theory Procedures and Techniques. Newbury Park, SAGE Publications.
Strauss, A. L. (1987). Qualitative analysis for social scientists. Cambridge, Cambridge University Press.

Suddaby, R. and R. Greenwood (2001). "Colonizing knowledge: Commodification as a dynamic of jurisdictional expansion in professional service firms." Human Relations **54**(7): 933-953.

Suddaby, R., R. Greenwood, et al. (2008). "Introduction to the Journal of Organizational Behavior's special issue on professional service firms: where organization theory and organizational behavior might meet." Journal of Organizational Behavior **29**(8): 989-994.

Sztompka, P. (1991). Society in action : the theory of social becoming. Cambridge, Polity Press.

Sztompka, P. (1993). The sociology of social change. Oxford, Blackwell.

Sztompka, P. (1999). Trust : a sociological theory. Cambridge, Cambridge University Press.

Teece, D. J. (2000). "Strategies for managing knowledge assets: The role of firm structure and industrial context." Long Range Planning **33**(1): 35-54.

Teece, D. J. (2003). "Expert talent and the design of (professional services) firms." Industrial and Corporate Change **12**(4): 895-916.

Teece, D. J. (2007). "Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance." Strategic Management Journal **28**(13): 1319-1350.

Teece, D. J. (2009). Dynamic capabilities and strategic management. Oxford, Oxford University Press.

Teece, D. J., G. Pisano, et al. (1997). "Dynamic Capabilities and Strategic Management." Strategic Management Journal **18**(7): 509-533.

Terpstra, D. E. and E. J. Rozell (1993). "The Relationship of Staffing Practices to Organizational Level Measures of Performance." Personnel Psychology **46**(1): 27-48.

Thompson, J. D. (1967). Organizations in action : social science bases of administrative theory. New York, McGraw-Hill.

Thompson, J. D. (2004). Organizations in action : social science bases of administrative theory. New Brunswick, N.J.; London, Transaction.

Tirole, J. (1988). The Theory of Industrial Organization. Cambridge, MA, The MIT Press.

Tirole, J. (1996). "A Theory of Collective Reputations (with applications to the persistence of corruption and to firm quality)." Review of Economic Studies **63**(1): 1-22.

Tsoukas, H. (1996). "The Firm as a Distributed Knowledge System: A Constructionist Approach." Strategic Management Journal **17**(Special Issue Winter): 11-26.

Tsoukas, H. (2005). Complex knowledge : studies in organizational epistemology. Oxford, Oxford University Press.

Tushman, M. L., W. H. Newman, et al. (1986). "Convergence and Upheaval - Managing the Unsteady Pace of Organizational Evolution." California Management Review **29**(1): 29-44.

Tushman, M. L. and C. A. O'Reilly III (1996). "Ambidextrous Organizations: Managing Evolutionary and Revolutionary Change." California Management Review **38**(4): 8-30.

Uzzi, B. (1996). "The sources and consequences of embeddedness for the economic performance of organizations: The network effect." American Sociological Review **61**(4): 674-698.

Uzzi, B. (1997). "Social structure and competition in interfirm networks: The paradox of embeddedness." Administrative Science Quarterly **42**(1): 35-67.

Uzzi, B. and R. Lancaster (2003). "Relational embeddedness and learning: The case of bank loan managers and their clients." Management Science **49**(4): 383-399.

Uzzi, B. and R. Lancaster (2004). "Embeddedness and price formation in the corporate law market." American Sociological Review **69**(3): 319-344.

Uzzi, B., R. Lancaster, et al. (2007). Your client relationships and reputation. Managing the modern law firm. L. Empson. Oxford, Oxford University Press: 91-116.
van de Ven, A. H. (1992). "Suggestions for Studying Strategy Process: A Research Note." Strategic Management Journal **13**(Special Issue: Strategy Process: Managing Corporate Self-Renewal): 169-191.
Van de Ven, A. H. (2007). Engaged scholarship : a guide for organizational and social research. Oxford, Oxford University Press.
Van de Ven, A. H. and P. E. Johnson (2006). "Knowledge for theory and practice." Academy of Management Review **31**(4): 802-821.
Venkatraman, N. and J. C. Camillus (1984). "Exploring the Concept of Fit in Strategic Management." Academy of Management Review **9**(3): 513-525.
von Hippel, E. (1994). ""Sticky Information" and the Locus of Problem Solving: Implications for Innovation." Management Science **40**(4): 429-439.
Von Nordenflycht, A. (2007). "Is Public Ownership Bad For Professional Service Firms? Ad Agency, Ownership, Performance, and Creativity." Academy of Management Journal **50**(2): 429-445.
von Nordenflycht, A. (2010). "What is a professional service firm? Toward a theory and taxonomy of knowledge-intensive firms." Academy of Management Review **35**(1): 155-174.
Wallace, R. J. (2009). "Practical Reason." Summer 2009. Retrieved 06 July, 2010, from http://plato.stanford.edu/archives/sum2009/entries/practical-reason/.
Weick, K. E. (1979). The social psychology of organizing. Reading, Mass., Addison-Wesley.
Weick, K. E. (1992). "Agenda Setting in Organizational Behavior: A Theory-Focused Approach." Journal of Management Inquiry **1**(3): 171-182.
Weick, K. E. (1995). Sensemaking in organizations. Thousand Oaks, Calif., Sage.
Weigelt, K. and C. Camerer (1988). "Reputation and corporate-strategy - a review of recent theory and applications." Strategic Management Journal **9**(5): 443-454.
Wenger, E. (1998). Communities of practice : learning, meaning, and identity. Cambridge, Cambridge University Press.
Whitley, R. (2000). The intellectual and social organization of the sciences. Oxford Oxford University Press,.
Whitley, R. (2006). "Project-based firms: new organizational form or variations on a theme?" Industrial and Corporate Change **15**(1): 77-99.
Whittington, R. (1988). "Environmental Structure and Theories of Strategic Choice." Journal of Management Studies **25**(6): 521-536.
Whittington, R. (1992). "Putting Giddens into Action - Social-Systems and Managerial Agency." Journal of Management Studies **29**(6): 693-712.
Whittington, R. (1993). What is Strategy and Does It Matter? London, Routledge.
Whittington, R. (1996). "Strategy as practice." Long Range Planning **29**(5): 731-735.
Whittington, R. (2006). "Completing the practice turn in strategy research." Organization Studies **27**(5): 613-634.
Whittington, R. (2010). Giddens, structuration theory and Strategy as Practice. Cambridge Handbook of Strategy as Practice. D. Golsorkhi, L. Rouleau, D. Seidl and E. Vaara. Cambridge, Cambridge University Press: 109-125.
Whittington, R., P. Jarzabkowski, et al. (2003). "Taking strategy seriously - Responsibility and reform for an important social practice." Journal of Management Inquiry **12**(4): 396-409.
Williamson, O. E. (1975). Markets and hierarchies: analysis and antitrust implications a study in the economics of internal organization. New York ,, Free Press.
Williamson, O. E. (1983). "Credible Commitments: Using Hostages to Support Exchange." The American Economic Review **73**(4): 519-540.

Williamson, O. E. (1985). The economic institutions of capitalism : firms, markets, relational contracting. New York, London, Free Press ; Collier Macmillan.
Williamson, O. E. (1993a). "Calculativeness, Trust, and Economic Organization." Journal of Law and Economics **36**(1): 453-486.
Williamson, O. E. (1993b). "Transaction Cost Economics and Organization Theory." Industrial and Corporate Change **2**(2): 107-156.
Williamson, O. E. (1999). "Strategy research: Governance and competence perspectives." Strategic Management Journal **20**(12): 1087-1108.
Winch, G. and E. Schneider (1993). "Managing the Knowledge-Based Organization: The Case of Architectural Practice." Journal of Management Studies **30**(6): 923-937.
Windrum, P. and M. Tomlinson (1999). "Knowledge-intensive services and international competitiveness: A four country comparison." Technology Analysis & Strategic Management **11**(3): 391-408.
Winter, S. G. (1988). "On Coase, Competence and the Corporation." Journal of Law, Economics and Organization **4**(1 Spring): 163-180.
Wittgenstein, L. (1968). Philosophical investigations. Oxford, Basil Blackwell.
Wolinsky, A. (1983). "Prices as signals of product quality." Review of Economic Studies **50**(4): 647-658.
Wolinsky, A. (1993). "Competition in a market for informed experts services." Rand Journal of Economics **24**(3): 380-388.
Wolinsky, A. (1995). "Competition in markets for credence goods." Journal of Institutional and Theoretical Economics-Zeitschrift Fur Die Gesamte Staatswissenschaft **151**(1): 117-131.
Wolinsky, A. (2000). "A theory of the firm with non-binding employment contracts." Econometrica **68**(4): 875-910.
Woolthuis, R. K., B. Hillebrand, et al. (2005). "Trust, contract and relationship development." Organization Studies **26**(6): 813-840.
Yelle, L. E. (1979). "The Learning Curve: Historical Review and Comprehensive Survey." Decision Sciences **10**(2): 302-328.
Yin, R. K. (1994). Case study research : design and methods. Thousand Oaks, Calif., Sage.
Yin, R. K. (2003). Case Study Research: Design and Methods. Thousand Oaks, Sage Publications.
Zack, M. H. (2003). "Rethinking the Knowledge-Based Organization." MIT Sloan Management Review **44**(4): 67-71.
Zajac, E. J., M. S. Kraatz, et al. (2000). "Modeling the dynamics of strategic fit: A normative approach to strategic change." Strategic Management Journal **21**(4): 429-453.
Zollo, M. and S. G. Winter (2002). "Deliberate learning and the evolution of dynamic capabilities." Organization Science **13**(3): 339-351.