

Preface

‘Strategy’ is a much-vaunted term often associated with successful accomplishments in a wide range of human endeavours from our personal lives to business, politics, warfare, sports and beyond. In the world of business, strategy-making is typically associated with major decisions taken by senior management, aimed at outwitting the competition through superior intellectual assessments and well-thought-out manoeuvres. The concept of strategy, therefore, offers a useful way of rationalising causal links between innate desires, the articulated organisational goals of top management and measurable performance outcomes.

This view of strategy-making as a deliberate, top-down, goal-setting activity is widely held in practitioner and academic circles. Consequently, much of strategy research focuses its attention on the formalised efforts and outputs of CEOs and senior management, reinforcing the image of strategy-making as essentially a top-management activity oftentimes requiring individual ‘heroic’ interventions. This widespread view underestimates the powerful influence of broader sociocultural tendencies and everyday operational coping practices on an organisation’s strategising process and creates potential strategic misalignment between aspirations and internalised capabilities and predispositions.

Consequently, a common experience among practitioner circles is that well-formulated strategic plans frequently do not deliver intended outcomes when they encounter the cut and thrust of strategic and operational realities. The typical reaction among practitioners and strategy scholars, however, is to justify ever more sophisticated ways of formulating and designing comprehensive and prescient plans for delivering executive vision, often to no greater avail. In this Element, we maintain that increasing strategic effectiveness involves paying greater attention to the idiosyncratic capabilities, practical know-how and tendencies already accumulated in an organisation’s shared practices and the *modus operandi* contained therein.

These organisational practices themselves comprise congealed aggregations of a multitude of in situ everyday coping actions taken, throughout the history of the organisation’s existence, to deal with exigencies faced over time. Because of a lack of explicit recognition, the effect of this accumulated practical know-how in tacitly shaping the more formalised strategy-making processes, and hence affecting what is considered organisationally doable, has not been fully explored. We argue here that an organisation’s strategy-making efforts are unavoidably affected by broader sociocultural tendencies as well as the practical wisdom accumulated in its operational coping practices. Together they shape an organisation’s *modus operandi* predisposing it towards a patterned consistency in its responses to strategic circumstances even in the absence of

any clear, formalised strategy. This patterned regularity in an organisation's responses is what we mean by Strategy-in-Practices (SiP).

Strategy-in-Practices draws attention to the tacit and often unacknowledged capabilities contained in an organisation's shared practices and the influence these have on its formal strategy-making efforts. It points to the need for both the tacit and the explicit to be aligned so that the organisation is better prepared to cope with the challenges and opportunities it faces. In effect, *modus operandi* is the generative source of adaptability, nimbleness and organisational resilience that enables an organisation to cope with unstable and challenging environmental conditions. It underpins the successful strategic changes needed to assure beneficial outcomes in such changing environmental circumstances.

Underpinned by a *process* worldview, our exposition of SiP is intended to help practitioners and strategy scholars better understand how extended close-quarter engagement with the environment guided by organisational practices and operational expertise can help an organisation develop and align its capabilities with its aspirations to achieve optimal outcomes with minimum effort in a world perpetually in flux.

Introduction

In each age of the world . . . there is a general form of the forms of thought (that) like the air we breathe . . . is so translucent, and so pervading, and so seemingly necessary, that only by extreme effort can we become aware of it

Whitehead (1933: 20–1).

To set the scene for our exploration of Strategy-in-Practices (SiP), in this opening section we address:

- The problems arising in practice from the top-down view of strategy as a deliberate and intentional activity involving goal-setting, planning and systematic execution.
- The impact of historical and sociocultural conditioning of strategic outlooks on organisational strategy-making.
- The overlooked strategic value of operational coping practices arising spontaneously in organisations through creative, in situ responses to environmental demands, and the importance of these practices for organisational strategising.

Strategy has become a key concept in explaining organisational success. Understood in its most generic sense, strategy is fundamentally about

advantage-gaining moves: seeking out and creating possibilities, grasping opportunities and exercising control over an organisation's circumstances and hence actively shaping its destiny. Within the strategy literature, it is widely assumed that success and superior long-term performance is the result of well-thought-out strategic plans. There is an abiding belief that, above and beyond the grind of daily operations, strategy is what unifies and directs organisational efforts towards these sought-after outcomes. Such established views of strategy-making speak to an unflinching faith in the ability to survive, grow and succeed through deliberate goal-setting, planning and systematic execution. Consequently, as commonly used, strategy provides a convenient way of rationalising the causal links between competitive pressures, commissioned initiatives, resource usage and shared goals.

Much of the current strategy literature examining differential organisational performances is underpinned by a philosophically *substantialist* worldview. A substantialist worldview privileges the identity, status and autonomy of individuals and entities, such as CEOs or market leading firms, and assumes that with sufficient purposeful planning involving deliberate choice and will-power, target outcomes can be achieved regardless of prevailing external circumstances. This substantialist worldview is a historical legacy passing from Parmenides in the fifth century BC through to Aristotle, Newtonian physics and beyond. Substantialism views all of reality as comprising *substances* – discrete, stable and identifiable entities that readily lend themselves to linguistic representation, logical analysis and cause and effect explanations. It is a legacy still dominant in the physical as well as the social sciences.

In much of the social sciences and especially in strategy theorising, these widespread substantialist assumptions have resulted in the privileging of:

- the discrete, autonomous, wilful individual over the shared collective
- a belief in the adequacy and accuracy of linguistic representations
- thought over action
- a reliance on the intellect rather than on the senses as the primary basis of knowing
- detached, systematic and logical analysis over in situ coping responsiveness
- deliberate, top-down, planned strategy as the basis of organisational success.

Within strategy theorising, the substantialist worldview manifests itself in the assumptions that logical analysis, deliberate rational choice and systematic goal-setting necessarily precede effective action (i.e. 'To succeed, you must have a clear strategy'). This effectively means focusing on prominent individuals – CEOs, strategy directors and so on – making individual autonomous choices, within social entities called 'organisations', that then coalesce into

strategic plans that subsequently guide strategy implementation. Grounded in substantialist thinking, this formulaic approach to strategy-making has become ubiquitous among business consultants and strategy practitioners.

This view endures despite the fact that, time and again, such top-down planned approaches to strategy have been shown to be ineffective in practice. In multiple arenas, the practitioner world has experienced how well-intended elaborate plans often go awry in the face of unexpected real-world changes. As the Scottish poet Robert Burns (1786) famously noted: ‘the best laid schemes o’ mice an’ men / Gang aft a-gley’ (the finest-crafted plans often don’t work out as intended). Elaborate strategic plans may look good on paper, but in practice, they are often ineffective or unhelpful in the face of unexpected environmental changes. Yet, despite this commonly recurring experience, organisational leaders continue to insist on the need for such abstract goal-setting and planning as the primary basis for strategic action.

At the root of the rational strategic planning approach are three interrelated substantialist assumptions. Firstly, an unalloyed belief in the autonomy of individual choice. Second, an assumption that cognitive representations, including linguistic representations, accurately reflect the reality of actual goings-on in the world. Third, an unchallenged belief that logical thinking and systematic analysis must always precede effective action. Methodological individualism (von Mises, 1949/1998; MacKay et al., 2021), a representationalist epistemology (Aristotle, 1998) and the privileging of thought over action (March, 1972) underpin much of contemporary strategy theorising.

In particular, the notion that thought necessarily precedes effective action is inspired by the *Cartesian* split between the mental and the physical realms (famously expressed as *cogito, ergo sum* – ‘I think, therefore I am’). In this tradition, ‘proper knowledge’ entails cognitively representing the world around us in the form of processed mental images and linguistic concepts. The ability of language to cognitively provide an accurate picture of the situation faced as the basis for proper action is taken for granted in much of academic scholarship. Strategic action is thus explained through recourse to the meaning and intention of significant actors, and a means–ends logic of action is used to explain outcomes. March (1972: 419) describes this substantialist rationale succinctly: ‘thinking should precede action ... action should serve a purpose ... (and) purpose should be defined in terms of a consistent set of pre-existent goals ... choice should be based on a consistent theory of the relation between action and its consequences’.

Within the logic of this substantialist worldview, many have come to accept the need for deliberate strategic planning as a prerequisite for ensuring organisational success. However, our reality frequently does not end up as planned

simply because the world is often chaotic, unordered and perpetually changing, and planned actions take place in vastly different circumstances from those in which they were originally formulated. From lived experience, we know that rationalised expectations repeatedly fail to match up to, or even sometimes contradict, what happens in practice (Dreyfus, 1991; Chia and Holt, 2009; MacKay et al., 2021). In reality, our daily experiences suggest that spontaneous resourcefulness is oftentimes more critical than well-laid plans when attempting to successfully negotiate the vagaries of real-world challenges (Scott, 1998).

When facing dynamic or turbulent environments, there is more value in organisational coping capacities that enable members to respond ‘on the hoof’ than there is in pre-established plans. Such capabilities and spontaneous responsiveness are grounded in acquired sociocultural predispositions coupled with a refined sensitivity to prevalent environmental conditions. Such contextual forces affect how individuals cope with and respond to the exigencies faced. In situ coping actions and decisions, often taken spontaneously in an unplanned way, can nevertheless inadvertently aggregate into a coherent and effective strategy over time (Mintzberg and Waters, 1985; Chia and Holt, 2009). Yet, such aggregated coping responses containing patterned regularities are often overlooked in formal strategy-making practice and research. Such omissions diminish our capacity to explain organisational success beyond widely accepted narratives extolling the virtues of a deliberate, top-down strategic planning approach.

This critique applies to some extent to Mintzberg and Waters’s (1985) idea of ‘emergent strategy’ arising from the stream of actions and decisions made. Whilst Mintzberg and colleagues offer valuable insights about the inadvertent nature of such strategic outcomes, their work, nevertheless, remains focused on the autonomous actions and decisions of important individuals such as top managers and CEOs. Two crucial aspects of how strategy emergence necessarily relates to context are overlooked in the emergent strategy literature.

Firstly, the notion that strategy practitioners are autonomous individuals making deliberate choices of their own volition omits the fundamentally social nature of humans as belonging to a larger collective. As social beings, practitioners’ worldviews, their habits and predispositions are ineluctably shaped by historical traditions, acquired sociocultural practices and inherited paradigms of comprehension. What strategy practitioners think and how they act are invariably shaped by broader sociocultural circumstances and conditionings. To paraphrase Karl Marx in his *Eighteenth Brumaire of Louis Bonaparte*, ‘men (sic) make strategies, but they do not do so in social circumstances of their own making’. Top managers such as CEOs may like to believe that the strategic choices they make reflect their personal values, intentions and preferences, but

the reality is that they are always already shaped by inherited sociocultural traditions, practices and norms. They have been socially conditioned to act, think and respond in ways that broadly conform to wider societal expectations. An organisation's approach to strategising, therefore, does not happen in isolation; it is inevitably shaped by such broader sociocultural outlooks, preferences and predispositions (MacKay et al., 2021).

For example, consider varying views of using mergers and acquisitions (M&A) as a means for expanding market reach. As a type of purposeful strategic initiative, M&A is more prevalent in some Western cultures than others, and is almost non-existent in non-Western cultures like Japan. This preference for market capture/expansion or consolidation through M&A reflects inherited sociocultural tendencies and preferences more than is currently acknowledged. Strategic initiatives that work in one culture may be resisted in a different context because they go against the grain of what is locally expected or acceptable (MacKay et al., 2021). Strategic tendencies are inextricably tied to a culture's practices and *modus operandi*: the collectively shared and approved ways of doing things to achieve a desired outcome. To understand why an organisation arrives at a preferred strategy, therefore, it is necessary to examine its broader sociocultural context and the inherited societal preferences and historical tendencies impacting those involved in the life of the organisation. The case of Natura, a Brazilian-headquartered multinational, helps illustrate the influence of sociocultural norms and preferences on strategy and strategy-making.

ILLUSTRATIVE EXAMPLE: NATURA, THE AMAZON AND SUSTAINABLE PRACTICE

Mackay et al. (2023) and Jones (2012) examine Natura as an example of an organisation that has thrived by developing in harmony with the social, natural and environmental context in which it is embedded.

Founded in 1969 in a small lab and shop in São Paulo, Natura Cosméticos SA is a Brazilian multinational enterprise serving beauty care markets. The name Natura – Portuguese for Nature – reflects the organisation's origin in Brazil, two-fifths of which is covered by the Amazon rain forest. Since inception, Natura has prioritised harmonious relationships with the environment and the Indigenous people of the Amazon. This attitude is reflected in a recent commitment to create 100 per cent carbon-neutral products from many recyclable materials, and use wherever possible raw materials gathered through sustainable methods from the virgin forests. Natura uses the rainforest's biodiversity as its technological platform for the research and development of its

products in contrast to the mainly laboratory-based methods of its competitors. To sustainably draw from the rainforest's resources whilst guarding against 'biopiracy' – the unethical commercialisation of the region's genetic and cultural heritage – Natura entered into agreements with many thousands of small local suppliers for its raw materials. This way of operating positions the company as an empathic, locally embedded player in the market for natural cosmetics and skincare.

Natura has also nurtured a distinctive social character by operating in a way that mirrors the community-oriented culture and predispositions of the Indigenous people of the Amazon. Deprioritising corporate sales channels for its products, Natura relies on an extensive network of direct sales personnel, numbering over 1.4 million as of 2022. It supports capability development in daily operations, including investing in the skills of door-to-door associates, providing them payment machines and internet selling infrastructure. These acts support many local jobs whilst nurturing brand evangelists and rich flows of communication with the consumer base all across Brazil. This commitment to shared prosperity with Brazilian communities, including continued investment in local education and employment initiatives, imbues Natura with a competitive advantage over those acting in a less-attuned way to local culture and norms.

And bucking a previous industry trend, Natura has focused development on cosmetic products that meet consumer wellness needs, prioritising health over beauty in its marketing messages. This move was in alignment with broader national attitudes in Brazil and customer insights flowing from its direct sales network. Over the years, Brazilian consumers have responded by rewarding Natura with market share (e.g. a 43 per cent compound annual rate of revenue growth from 1979 to 1989). In recent decades, global attitudes have shifted towards this natural approach. As a result, Natura has emerged as an authentic and credible proponent of wellness with consumers around the world. This advantage has enabled Natura to actively expand into overseas markets, and to acquire firms such as Avon and the Body Shop (that once would have been considered giants in comparison to Natura). An emergent strategy that was initiated by local tendencies, and shaped by immediate sociocultural influences, has unexpectedly found resonance with global sentiments.

Secondly, strategic activity is inseparable from everyday operational activities and so-called tactical responses in a way that is seldom acknowledged in

strategy theory. In practice, where the operational ends and where the strategic begins is unclear and subject to differing opinions (Mackay and Zundel, 2017). The widely accepted distinction between the ‘operational’ and the ‘strategic’ is, in truth, arbitrary and any imagined separation is more a result of the influence of widely disseminated business school teaching and consultancy practices grounded in the convenience of a discipline-based teaching curriculum.

In practice, there are no obvious dividing lines or convenient distinctions for easily separating activities in an organisation. For example, are the spontaneous coping actions of a cabin crew member calming a distraught passenger on a turbulent flight simply an operational matter or a matter of strategic consequence? One could argue this action is clearly an operational matter, until it is recorded and shared on social media, with a positive impact on airline reputation and share price. What may seem innocuous can in fact be the genesis of organisational-level ‘strategic’ consequences. Every apparently mundane but effective coping or creative action has the potential for a ‘trickle up’ effect on strategic outcomes. But an emphasis on top-down strategy-making often blinds us to the humble operational beginnings of many ‘strategic’ initiatives.

ILLUSTRATIVE EXAMPLE: THE STRATEGIC VALUE OF TAP-TONE CHECKS

In the early 1980s one of the authors was involved in the management of a can-manufacturing plant in the Asia-Pacific region serving clients in the breweries and beverage industries. To ensure product integrity and prevent leakage, a lacquer coating is sprayed inside each can at a rate of 300 cans per minute. Issues with this physical process and the possibility of leaking cans are always a concern when manufacturing at such high speeds. If not detected, costly reputational damage can arise from a customer receiving defective leaking cans. On one such occasion, a Japanese soft drinks customer complained of leaking cans and threatened to withdraw their business unless there was a more stringent quality check of the millions of cans supplied to them monthly.

In this instance, the threat of losing a much-valued business customer led to the author consulting the production team about whether it was possible to do a quality check that was cost-effective and not overly labour intensive. To his surprise he was told it might actually be possible to do so without too much hassle! The operators were already required to inspect the cans for external printing defects and this was done after the cans were washed, dried and inverted onto a moving conveyor belt for the final visual inspection. It was an onerous task since they were required at their station to visually check the over 300,000 cans produced

during each eight-hour shift. To alleviate themselves of their boredom from this routine, they would occasionally use fashioned wooden sticks to tap on the bases of the cans to create some rhythm and music to entertain themselves as they worked. From this improvised practice they came to notice that occasionally some cans made a different flat sound when tapped compared to others. On further investigation, it turned out that the cause of this flat sound was that the lacquer had not been properly sprayed, meaning the internal surfaces were not evenly coated and so were more likely to leak when filled.

An experienced operator pointed out that it was possible to tell if a can was liable to leak simply by listening to the tone it emitted when tapped. This piece of practical wisdom arising from operational experience proved a vital spark in identifying how to quickly pick up the defective ones before they were sent off. A ‘tap-tone’ check was instituted based on this operational insight, addressing the immediate client concerns and eventually giving the firm a significant strategic advantage over its competitors in terms of customer quality assurance and wastage cost reduction outcomes.

Over time, this ‘tap-tone’ check was introduced to all the multinational’s subsidiary operations worldwide. A seemingly small and innocuous difference of sound detected through the carrying out of mundane operational tasks ended up providing a crucial strategic advantage for the firm. This and many other examples illustrate how strategy can emerge inadvertently from the bowels of everyday operations.

Strategising – the enactment of activity relating to strategy-making – does not take place in a vacuum but rather in the context of everyday goings-on within and around an organisation (Mackay et al., 2023). Taking cognizance of the influence of context, those involved in strategising may supplement abstract strategy analysis with practical insights into the possibilities and limitations of resources, capabilities, internalised predispositions and practices. The perceived plausibility of an organisation’s strategy will be impacted by the extent to which it aligns with its accumulated practical expertise and established operational capabilities. Awareness of accrued, distinctive aspects of an organisation – the ‘*differences* which make a *difference*’ (Bateson, 1972: 453, emphasis original) – can make the difference between success and failure in strategic outcomes. Effective coping and advantage-seeking impulses naturally arising from an organisational modus operandi can result in strategic coherence even in the absence of an explicit strategic plan. Operational know-how often serves as a source of consistency and patterned regularity that can influence an organisation’s strategising activities.