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# Strategy formation as layered discussion

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## Abstract

This paper seeks to elucidate the day-to-day activities comprising the strategy process at the senior management level as part of a layered discussion. The recent interest in micro-strategy has stimulated a re-examination of data gathered during an eight-month stay with the senior management group of one of the larger construction companies in the Netherlands in 1990 and 1991. It emerged that the intended strategy was rarely debated deliberately or openly. If strategy content was ever discussed, it was usually in an implicit manner while dealing with other subjects, where the outcome appeared to have a bearing on the strategic direction of the firm.

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## 1. Introduction

The textbook approach to strategic management envisages strategy formation primarily as a process of deliberate debate and decisive choice. An analysis of the threats and opportunities posed by the environment, combined with a listing of the strengths and weaknesses of one's organization, allegedly fuels the debate in top management about the appropriate course of action. As soon as the strategy has

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been formulated, the wheels are supposed to start turning and implementation will follow.

Over many years the textbook image of strategic management has been refined by a great many case studies on real-life processes of strategy formation (Bower, 1970; Child & Smith, 1987; Grinyer & Spender, 1979; Johnson, 1987; Lewis, 1988; Pettigrew, 1985; Quinn, 1980; Sminia, 1994; Stein, 1993). As a result of these longitudinal investigations, organizational politics and organizational culture have both been identified as making contributions to the realization of strategy, which in turn has led to a variety of different representations of the strategy-making process (Chaffee, 1985; Johnson, 1987). Logical incrementalism, for instance, sees strategy formation as a combination of rational analysis to assess the suitability of strategy content, and of political activity to make the strategy acceptable to senior management (Quinn, 1980). When organization culture was added to the process, strategy formation became portrayed as a process of punctuated equilibrium (Tushman, Newman, & Romanelli, 1986). Periods of incremental change or convergence, during which the dominant interpretative scheme remains intact, are alternated with periods of cultural change or upheaval, during which top management's definition of the situation is also subject to change (Hinings & Greenwood, 1988; Johnson, 1987). It was Pettigrew (1985, p. 443) who characterized strategy formation as a process of 'politics as the management of meaning': *'The content of strategic change is thus ultimately a product of a legitimization process shaped by political/cultural considerations, though often expressed in rational/analytical terms'*. This view was recently echoed by Maitlis and Lawrence (2003), who saw politics and discourse as the key elements in the practice of strategy formation.

As a result, there has been some debate between Mintzberg and Waters, Pettigrew and Butler (in Mintzberg, Waters, Pettigrew, & Butler, 1990) about how best to study the process of strategy formation. Mintzberg & Waters, Pettigrew and others such as Hellgren and Löwstedt (1998), and Langley, Mintzberg, Pitcher, Posada, and Saint-Macary (1995) have argued that 'decision-making' as a concept has ceased to be fruitful. What they refer to as the 'choice model' of strategy formation leads researchers to pay too much attention to discrete decision points and decision episodes, while failing to recognize that decisions do not always lead to actions and that actions may well precede decisions. Others have suggested that the concept of 'decision-making' is perhaps more an ordering principle that helps managers to make sense of their work, rather than an accurate description of what actually happens when strategies are being formed (Chia, 1994; Hendry, 2000; Laroche, 1995). Instead, Mintzberg & Waters, and Pettigrew in Mintzberg et al. (1990) argued in favor of a 'change model' of strategy formation, focussing on actions instead of decisions. Butler in Mintzberg et al. (1990), on the other hand, emphasized the usefulness of the 'choice model' for studying processes of strategy formation, and urged researchers not to throw away the proverbial baby with the bath water, since decisions are undoubtedly an important part of organizational life. The 'choice model' has remained a much used conceptualization of strategy formation (e.g. Dean & Sharfman, 1996; Eisenhardt & Zbaracki, 1992; Hickson, Butler, Cray, Mallory, & Wilson, 1986; Nutt, 1984, 2002; Rajagopalan, Rasheed, & Dutta, 1993).

As well as considering how best to describe and understand strategy formation processes, interest has also been growing in the actual day-to-day activities that comprise these processes (Jarzabkowski & Wilson, 2002; Johnson, Melin & Whittington, 2003; Whittington, 1996, 2002). What is thus known as the practice perspective of strategy asks the question: ‘*how [do] managers act and interact in the whole strategy-making process?*’ (Whittington, 1996, p. 732). Some research has been conducted in the UK focussing on boards of directors. By interviewing non-executive directors, Pettigrew and McNulty (1995, 1996; McNulty & Pettigrew, 1999) found that boards of directors can be either passive or active, and contrary to popular belief non-executive directors are able to influence processes of strategic choice. Samra-Fredericks (2000a, b, 2003) concentrated on boardroom talk in the top management group of a UK manufacturing firm. Observations over a 12-month period and subsequent analysis revealed that an effective strategist appears to utilize specific linguistic skills and forms of knowledge to shape strategic direction. Jarzabkowski (2003; Jarzabkowski & Wilson, 2002) studied the top management groups of three UK universities. She seeks to explain strategy outcome as resulting from certain strategic practices that mediate between the actors in the top management team (TMT), the collective structures of the organizational context, and strategic activity arising from the process concerned.

The present paper focuses on the day-to-day interactions in which senior management engages. It represents an attempt to describe and understand what is happening in what Jarzabkowski (2003) refers to as strategic practices. The concept of strategic practice has been launched as a central element in the overall practice of strategic management, but it requires further elaboration if we are to understand how such an activity actually contributes to a specific outcome. On empirical grounds a proposition will be presented characterizing strategic practice as a process of layered discussion. It will then be argued that it is in this process of layered discussion that the linguistic skills and forms of knowledge (Samra-Fredericks, 2000a, b, 2003) are deployed. The notion of layered discussion thus allows us to link day-to-day boardroom talk in the course of strategic practice with the strategy that is eventually realized. To provide the requisite empirical grounding, data has been gathered from the process of strategy formation at the Boulden Group<sup>1</sup> over an eight-month period between July 1990 and February 1991. At the time the Boulden Group was one of the larger construction companies in the Netherlands. This data enables a description and analysis of the day-to-day activities of the senior management group of this firm, and the effects that their activities have had on the realization of strategy.

## 2. Layered discussion

As has become apparent from the many case studies of strategy processes, the interpretative scheme of an organization is inextricably bound up with strategic

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<sup>1</sup>Names have been anglicized to improve readability.

activity (Child & Smith, 1987; Grinyer & Spender, 1979; Hinings & Greenwood, 1988; Johnson, 1987; Lewis, 1988; Pettigrew, 1985; Sminia, 1994; Stein, 1993). For strategic change to occur the interpretative scheme needs to be modified, while at the same time the organization is so bound up in the scheme that it also acts as an impediment to change. Building on the Luhmannian concept of episode, Hendry and Seidl (2003) propose a solution for this theoretical dilemma. An episode is defined as *'a sequence of communications structured in terms of its beginning and ending, for it is through episodes that organizations are able to routinely suspend their normal routine structures of discourse, communication, and hierarchy, and so create opportunity for reflexive strategic practice'* (Hendry & Seidl, 2003, p. 176). Transferred to the realm of strategic practices, this means that senior management can take a break from their normal routines by separating themselves deliberately but temporarily from their day-to-day chores. It is during breaks like this that deliberate debate about the content of strategy is likely to occur, with the possibility of being able to counter the thought patterns inherent in the current interpretative scheme. Hendry and Seidl (2003) cited those occasions when a TMT gathers for a workshop or a review away from the company at some nice remote spot in the country, as examples of this Luhmannian type of episode.

There remains the problem of connecting such episodes with the day-to-day routines of the organization. Points of connection occur at the beginning and the end of the episode (Hendry & Seidl, 2003). At the beginning, it is a question of how much of the daily routine is transferred into the episode, while at the end it is a matter of how much of the outcome of the episode is going to take root in the organization. Hendry and Seidl (2003), following Luhmann, consider the impact of an episode—how long its effect is going to last—to be a matter of chance, although the odds are affected by the manner in which the outcome is communicated in the larger system.

This elaboration of the Luhmannian concept of episode can be seen as a further reading of a specific strategic practice that mediates between strategic activity, collective structures and TMT actors. Strategic practices are *'formal operating procedures'*. They are *'tools of interaction and mediation [that] may be defined as the practices through which strategy is constructed'* (Jarzabkowski, 2003, p. 26). A periodic retreat in the country is one among many of the formal meetings and procedures. How much of the result of such an episode is going to take root is determined by what happens in the course of all the other strategic practices.

Consistent with this view, deliberate and open debate about the intended strategy took place among the senior management of the Boulden Group during a few sessions that can be described as 'episodes' in the terminology of Hendry and Seidl (2003). A succession of dedicated meetings, in which an external strategy consultant took part, resulted in a strategic plan and a new strategy for the Boulden Group at the end of 1989. It was February 1991 before the Boulden TMT decided to go into retreat again. On this occasion the 1989 strategic plan was abandoned and it was concluded that the Group would have to revise its strategy. Gradually, while following their strategic practices (Jarzabkowski, 2003), senior

management had come to the point where they felt that abandoning the 1989 strategic plan was inevitable. But, as will be described below, they reached this conclusion without much open or deliberate debate. It can thus be assumed that debate on the content of the strategy had occurred in the course of strategic practices, but not in those terms. Such discussion is regarded as layered. Debate about strategy content hitches a ride, as it were, while another subject is being discussed.

Any observer of a strategic practice will be able to see that specific subjects are being raised, discussed, and settled again, and that on the surface these appear to have no bearing on the intended strategy whatsoever. To well-informed participants however, some specific subject might have particular implications for strategy content as well. For these participants, a discussion of this specific subject also means discussing strategy. The outcome of such a discussion signals specific meaning with regard to the intended strategy. A consistent pattern in these outcomes creates an effect of lamination (Samra-Fredericks, 2003), producing a collectively agreed sense of strategic direction without literally, deliberately or openly debating the intended strategy as such. A skilled participant might even exploit this effect to their own advantage by raising subjects that have a double meaning, and simply by discussing such a subject they produce a result at the level of strategy content.

For layered discussion to occur, two conditions need to be met. First, elements in the realm of strategy content need to be ambiguous enough to become disputed when a specific subject is being raised. This is a necessary condition because ambiguity provides an opportunity for managers to try out their own readings of the situation by taking action or signaling their intentions to take certain actions on specific issues to see how far they can get. Change in organizations is often associated with ambiguity (Ericson, 2001; Pettigrew & Whipp, 1991). This applies especially when a Luhmannian-type episode is terminated, and the participants are most likely to have experienced some alterations to the interpretative scheme. As Hendry and Seidl (2003) have indicated, ambiguity is present when it comes to the question of whether or not these alterations are going to take root, once the participants have returned to their daily routines. Secondly, a conflict of interest should also be present, since as Jarzabkowski (2003) puts it: contradiction fuels change. This is a necessary condition because managers who take part in layered discussion only do so because they have a corner to fight. These two conditions are consistent with a view of strategy process in which politics and discourse are key elements (Johnson, 1987; Maitlis & Lawrence, 2003; Pettigrew, 1985).

Most of the remainder of this paper is devoted primarily to the empirical grounding of this interpretation of strategy formation as layered discussion. Three examples of layered discussion in the top management of the Boulden Group will be described, as well as the few moments of deliberate debate about the intended strategy that took place. First, however, the methods of data collection and the data analysis procedure will be described, and relevant details concerning the Boulden Group will be given.

### **3. Sample and method**

The data was originally collected for a case study at the level of what Jarzabkowski and Wilson (2002) call ‘strategy process research’ (e.g. Pettigrew, 1985; Pettigrew & Whipp, 1991), as opposed to ‘strategy practice research’. Strategy process case studies of this kind focussed more on the reciprocal relationships between context, strategy and managerial activity. The results of my original study were published in Sminia (1994). The idea of layered discussion first occurred to me in the course of the fieldwork. As will be described below, part of the fieldwork consisted of providing feedback on the implementation process to the top management team at Boulden. It seemed to me that there was very little implementation at all, and that this depended on hidden meanings in the way top management team members dealt with various issues that the subsidiary and departmental managers then picked up and acted upon. Further, these hidden meanings appeared predominantly to contradict the letter and the spirit of the strategic plan. The recent interest in strategy as practice (Whittington, 1996; Johnson et al., 2003) warrants a re-examination of the Boulden Group case to see whether the notion of layered discussion could be supported by the available data. Also, with the publication of the *Journal of Management Studies* special issue on Micro Strategy and Strategizing (vol. 40, no. 1), it also became possible to fit the concept of layered discussion into the now available theoretical vocabulary.

At the time when the data was being gathered during 1990 and 1991, the Boulden Group was a construction company, working mainly in the Netherlands with an annual turnover of 394.3 million guilders. The company originally grew out of the construction department of the National Railways. It was made an independent company in 1969, and adopted the name Boulden in 1972. Since then, the Boulden Group had taken over one or two other construction companies and was now working in a number of non-railway-related branches of the industry, although the National Railways still owned the whole company and were by far its biggest customer. In the early 1990s, the period between 1969 and 1988 was looked back upon by the Boulden management as the period of diversification. Nevertheless, the company was being more or less run as a single construction company, firmly in the hands of its chief executive. The various subsidiaries were regarded more as departments reporting directly to the chief executive than as separate construction companies working more or less independently in different branches of the construction industry.

By 1988, it was felt that the period of diversification was over. This was marked by the retirement of the then chief executive and chairman of the executive board and the appearance of his successor at the helm. A process of decentralization was immediately launched and the subsidiaries were urged to operate as genuinely separate companies assembled within a holding structure. Senior management also embarked on the formulation of a new strategic plan, which was completed at the end of 1989. The new strategy suggested the creation of two separate divisions: a civil engineering division and a general building division. Each division was supposed to develop and exploit its own specialist expertise in construction methods and site

management to provide added value in the market-place and to avoid the price competition that characterizes tendering practices in the Netherlands. It was the company’s intention to take advantage of the growing dissatisfaction with competitive tendering in the industry. The catch-phrase was that Boulden had to become one of the ‘élite’ construction companies in the Netherlands. The separate subsidiaries were grouped together (on paper) to create the two divisions (see Fig. 1), while it was considered necessary to acquire more smaller construction companies to reinforce the available expertise and to build up further capacity. When the data collection began in July 1990, the Boulden Group had, in their own view, just started to implement the 1989 strategic plan.

The Boulden senior management group consisted of two hierarchical levels. There was a four-member executive board that could be considered as the company’s top management team. Its members were the chief executive who also acted as chairman of the board, the financial manager, the civil engineering sector chief and the general building sector chief. The last two could also be described as divisional managers but, as will be explained below, in June 1990 the Boulden TMT had explicitly chosen to adopt the term ‘sector’ in referring to the two ‘divisions’ mentioned in the 1989 strategic plan.

The next level down was the subsidiary management. Every subsidiary had its own manager, and a management team ran the major subsidiaries, whereby the subsidiary manager occupied the position of chief executive for that subsidiary. During the observation period, the head of the civil engineering sector also acted as manager of the Boulden Railway Construction subsidiary, while a new manager was being sought. After the subsidiaries there came four support departments run by their own departmental heads. Apart from the personnel manager, these departmental heads had more or less the same status as the subsidiary managers. Although the personnel manager was not counted as a board member, he participated in the weekly executive board meetings. The Boulden internal consultant was another who held an exceptional position. Although officially a member of the personnel

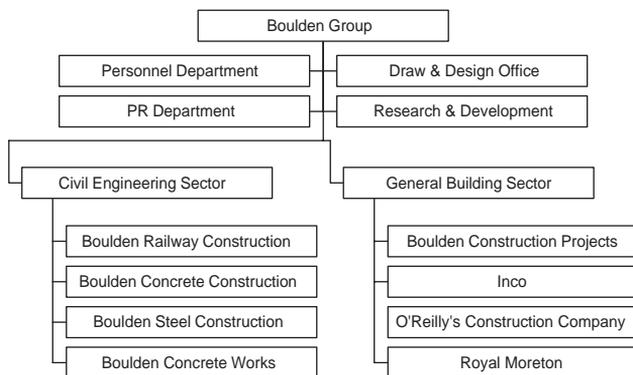


Fig. 1. Boulden Group Organization Structure.

department, this person worked freely with Boulden's senior management and attended meetings at all levels when the need arose.

Several strategic practices (Jarzabkowski, 2003; Jarzabkowski & Wilson, 2002) were present in the Boulden Group during the observation period. The Boulden TMT met once a week in the shape of the 'D4'. The name referred to the four executive board members, but the personnel manager—who was not a member of the board—also took part in the board meetings. Sector meetings were also held, although not at fixed intervals. These were attended by the respective sector heads subsidiary managers (Fig. 1 shows which subsidiary belongs to which sector). These sector meetings had been introduced at the beginning of the observation period as a consequence of the 1989 strategic plan. Finally, there was the biannual 'Boulden Management Team Meeting', at which both hierarchical levels met.

Further, there were two regular procedures during which the Boulden senior management met. One was the business plan procedure. At the time under discussion this was a redesigned procedure that was being conducted for the first time in its new guise during the observation period, also as a consequence of the 1989 strategic plan. Every subsidiary had to write a business plan, which was then going to be reviewed by the Boulden TMT at a D4 meeting, also attended by the internal consultant for the occasion. Subsequently, subsidiary management was going to be invited to discuss the executive board's judgement on their plan. Parallel with this procedure, there was an annual budget procedure, during which every unit (subsidiary and department) had to make an estimate of their costs and proceedings for the next year. These too were going to be reviewed by the Boulden TMT at a D4 meeting, and subsequently discussed with the subsidiary and department managers, after which the budgets for the next year would be set. Additional meetings were arranged on an ad hoc basis to deal with specific issues as the need arose.

Direct real-time observation had been conducted at all the above-mentioned meetings during the eight-month observation period. The data was recorded by making notes about what was said and by whom. The notes were later transcribed into interaction sequences, generally within the next 24 h after the meeting. The interaction sequences were not literal transcriptions of what was said, as this would have involved taking sound-recording equipment into the meetings. (A sample of an interaction sequence can be found in Appendix 1.) Apart from the sheer volume of transcription work that sound-recording would have meant, another aim was to be as unobtrusive as possible, which taping the meetings would have made very difficult. This data collection method resulted in abbreviated accounts of what had been said, focussing on the exact arguments put forward and based on the notes made during the meetings. Table 1 lists the meetings that I attended as the observer. These covered the strategic practices mentioned above, as well as three meetings of the Boulden Railway Construction subsidiary management team. It was these interaction sequences that provided the raw material on which the proposition of layered discussion is based.

The original study included other data collection methods besides sitting in on meetings. Although the additional data that was also collected is available, it has not been used in the main analysis that was made for the present paper. Thus the

Table 1  
Boulden Group strategic practices

	Number of observed meetings
D4 meetings	24
General building sector meetings	4
Civil engineering sector meetings	1
ad hoc meetings	2
Boulden management team meetings	2
Boulden Railway Construction management team meetings	3
Business plan procedure meetings	Incorporated in D4
Annual budget procedure meetings	8

methods included participant observation by assuming the role of junior internal consultant in two projects; 18 formal interviews; the collection of ethnographic data from casual observation, and being on site for four days per week over an eight-month period; and documenting among other things minutes of the meetings attended. This involvement has been very helpful when it comes to understanding the deliberations in the meetings and has provided essential background information about the goings-on in the Boulden Group, of which the meetings themselves are just a part. In fact, the background information about the case given in this section is itself based on data from the various additional data-collection procedures.

The idea behind the original research design had been to seek exposure to an authentic process of strategy formation, with as little interference as possible from data collection procedures. Further, the original design had not been structured according to any preconceived theoretical ideas about how strategy processes are to be understood (Eisenhardt, 1989). Multiple sources had been used to allow for triangulation (Jick, 1979), as well providing the breadth of information needed to appreciate such a complicated and embedded process (Dawson, 1997; Pettigrew, 1990, 1997). As noted above, prior to the analysis made for this paper, a basic idea about the phenomenon of layered discussion already existed, having stemmed from a presentation to the Boulden top management group during the observation period. With the basic idea of layered discussion already in place, what mainly required to be done was the selective coding of the interaction sequence data to ground the theoretical concept of layered discussion in these data (Strauss & Corbin, 1990).

#### 4. Data analysis

For the purpose of this paper the data that had been collected during the meetings listed in Table 1 was examined once again. The aim was to indicate those occasions when the phenomenon of layered discussion could be identified. The interaction sequences were organized into text units according to items on the agenda of the meetings. For this, the original agendas and the minutes of the meetings were both available as reference material. Each text unit was then coded, indicating the subject

that was being discussed. Initially, the coding followed the original agendas, but subsequent coding rounds added a few more subjects. Some text units were also assigned more than one subject code, when interaction sequences touched upon more subjects than the one supposedly being discussed according to the agenda. Eventually a total of 157 different subject codes were established, with each one being separately defined according to what the subject involved.

This revealed that only 16 subjects were directly related to the Boulden Group's intended strategy. These included the only three occasions when the Boulden strategic plan was actually being openly debated. On another thirteen occasions, the strategic plan was referred to, but without generating any questioning of the intended strategy as such. These occasions will all be described below. Selective coding (Strauss & Corbin, 1990) in terms of layered discussion was applied to the remaining subjects. Three subjects were chosen to serve as vignettes to demonstrate that layered discussion had taken place. These three subjects have been chosen because they were discussed extensively and popped up at a number of meetings. They represented major subjects at the time, and involved the three biggest subsidiaries.

There has of course been a big time lapse between the period of the data collection and the re-examination of the data on which this paper is based. This applies particularly to the analysis of the observational data, as potentially there is a problem about how genuine an interpretation of the data can be after such a long time. Regarding the categorization described above the interpretative effort was less demanding as the original agendas and minutes of the meetings were still available as reference material. The problem is more pressing when it comes to the layered discussion itself. How accurate can you be with regard to a phenomenon that even at the time would require intimate knowledge of the situation for you to be able to observe it had taken place? As it happened, it had been documented at the time—not, however, for the purpose of writing a scholarly account, but for the purpose of providing feedback to the TMT about how they were doing with regard to the implementation of the strategic plan.

As we have seen, a presentation had been made to the Boulden Group TMT in a D4 meeting on 16 January 1991, at which the personnel manager and the internal consultant had also been present. The purpose of this presentation had been to provide feedback on the TMT process. The main message of the presentation was that the activities of the Boulden TMT members had been counterproductive as far as implementing the strategic plan was concerned. The presentation had focussed on the day-to-day behaviors of these people at the meetings, and how this could be seen to be against both the letter and the spirit of the strategic plan. With this presentation, a rudimentary form of the notion of layered discussion had emerged. With the theoretical vocabulary now available, as a result of the interest in strategic practices (Whittington, 1996; Johnson et al., 2003) and the recent publication of a *Journal of Management Studies* special issue (vol. 40, no. 1) on the subject, the point can be made again, but this time as part of a scholarly debate about micro-strategy and strategizing.

## **5. Deliberate debate on the intended strategy at the Boulden Group**

For the Boulden Group to achieve a positions as one of the 'élite' construction companies in the Netherlands, a few specific steps had to be taken. For one, the organizational routines had to be adapted to accommodate the two divisions in such a way as to allow the organization to rally round this new management layer. Consequently it was recognized that a management development program would be seen as necessary to provide adequate management capacity in the future, and the internal consultant had been asked to design such a program. And finally, as we have seen, a number of acquisitions in both general building and civil engineering were considered essential to boost capacity and expertise in the Boulden Group.

The executive board produced a management letter in June 1990, introducing a few amendments to the 1989 strategic plan. This letter also signaled that implementation of the strategic plan had begun. The most important amendment in the letter concerned the term 'division' in the strategic plan, which was being abandoned in favor of 'sector'. Furthermore, two of the executive board members had now officially been appointed as sector heads for general building and civil engineering respectively. They were expected to lead monthly sector meetings at which the subsidiary managers were supposed to align their businesses to each other.

While implementation was supposedly taking place, the intended strategy was being discussed very little. Perhaps the most significant moment occurred at a meeting on 19 February 1991, nine months after the aforementioned management letter had been written. The internal consultant asked for some input for the design of the management development program that he was working on. He especially asked about the status of the sectors, the possible consequences for the MD-program, and what the executive board thought about reorganizing the personnel department along sector lines. The chief executive reacted by declaring that he did not like the proposal about reorganizing the personnel department. The head of the general building sector, on the other hand, said that he was sympathetic to the idea. What happened next was that the 'sector' idea was questioned altogether. Almost immediately the discussion turned towards what would be the best principle for the division of tasks among the executive board members themselves. The chief executive said he did not want to stick too rigidly to the original 'sector' arrangement as a guiding principle on this or any other matter. The head of the general building sector remarked that the original arrangement had been based on the strategic plan. The chief executive replied that they would consequently need a new strategic plan. Nor was this conclusion contested by anyone there.

Apart from this instance, there were only four other occasions on which the content of the plan itself had been debated openly during the eight months observation period. One of these occurred when the subject of dealing with Inco, the loss-making concrete repair subsidiary, was discussed at an extra executive board meeting on 10 October 1990 as part of the business plan procedure. It was concluded then that Inco was not essential to the success of the strategic plan, so selling this subsidiary was one of the options.

Another subject had featured on three occasions of deliberate debate about the intended strategy, namely the question of dealing with the home-building subsidiary O'Reilly's, the other loss-making enterprise. On 28 August 1990 it had been briefly mentioned that the possibility of selling O'Reilly's could be motivated on the grounds that the subsidiary did not fit the current strategy. Nevertheless, on 6 September 1990, the head of the general building sector pointed out that getting rid of O'Reilly's would call for a reconsideration of the strategic plan, since home-building expertise had been regarded as essential expertise to the Boulden Group, and with the sale of O'Reilly's this expertise would be lost. The civil engineering manager pointed out that with the acquisitions that were being planned, home-building expertise could be re-introduced into the Group. Finally, answering a question about the importance of home-building to the Boulden strategy during the general management meeting of 6 February 1991, the chairman stated that the status of home-building as a core activity was now regarded as more or less obsolete, but without specifying why.

Looking through all the subjects that were discussed at the various meetings, it appears that the Boulden strategy was mentioned from time to time, but even on these occasions the intended strategy only served as a point of reference for discussing the issue itself and did not become a topic as such. There were five subjects where this occurred: the Europe 1992 unification, the search for acquisition candidates in general, the suitability of a specific candidate in particular, the financial consequences of the strategic plan, and the possibility of international expansion.

## **6. Layered discussion and strategy formation in the Boulden Group**

The few occasions described above were the only times when the Boulden strategic plan itself was actually debated deliberately and openly at a senior management level. It amounted altogether to a few brief moments spread over a period of eight months. There was eventually a clear statement by the chief executive that Boulden was in need of a new strategy, nine months after the management letter that marked the start of the implementation of the old strategy had been sent out. However, a look at the course of events as regards a number of other subjects that had been dealt with during this eight-month period, reveals that instances of layered discussion had been occurring regularly. In view of this, it came as no surprise to find that the original intended strategy had been abandoned.

As has been indicated, for layered discussion to occur, some ambiguity and some conflict of interests need to be present. The 1989 strategic plan that resulted from a particular episode had introduced ambiguity into the company, concerning the way the content of the plan was going to affect the daily routines. Moreover, the June 1991 management letter had introduced the concept of the 'sector' to the Boulden Group senior management in place of the concept of the 'division'. And apart from signaling some reluctance with regard to the Boulden Group strategic plan, the meaning of the term had not been made exactly clear either. As it stood then, 'sector'

could be interpreted as an entity in the Boulden Group organization structure, replacing the subsidiary with regard to several tasks and responsibilities that had been placed at subsidiary level during the earlier decentralization effort. Alternatively, it could be seen as an additional management layer to which subsidiary management had to report, while the sector chiefs in turn had to report to the executive board, and the actual tasks and responsibilities remained predominantly at the subsidiary level. Or the term might refer to no more than the regular sector meetings that were going to be held between subsidiary managers and the respective sector chiefs to discuss matters of mutual interest.

Even the concept of the ‘subsidiary’ had become blurred. The meanings of both ‘sector’ and ‘subsidiary’ were interdependent. The more autonomy the subsidiaries were going to be granted, the more difficult it would become to pool them together in a sector. The more a sector gained in prominence over a subsidiary, the less autonomously a subsidiary could afford to act. Further, different interests had also been at stake, connected with which of the organizational entities would become dominant. There had been differences in the power and prestige of specific individuals as well as different opinions about what would be the best option for the Boulden Group as a whole, or for a part of the Boulden Group for which a particular manager was held responsible. To sum all this up, the ambivalence and corresponding conflict of interests at this time can be expressed as follows. Is the Boulden Group going to develop into a federation of largely independent subsidiaries, with each one working in its own niche in the building trade? Or is the Boulden Group going to be managed as a two-division firm, where one division works in civil engineering and the other in general building, as was intended in the strategic plan?

As this was the situation at the beginning of the observation period, layered discussion can be expected to have assumed the following form. Whenever a subject is raised that has implications with regard to the meaning of the ‘sector’ or the ‘subsidiary’ idea, this will immediately have implications for strategy content. The intention of becoming one of the ‘élite’ construction companies in the Netherlands was closely intertwined with the question of how the Boulden Group was going to be managed. As it turned out, particular subjects were being discussed, while at the same time an undercurrent of various meanings for the sector and/or subsidiary idea were also part of the deliberations. These alternative meanings were rarely discussed openly. Nevertheless, the way these particular subjects were settled and which definitions of the ‘sector’ and ‘subsidiary’ were coming to dominate as a result, would have an impact on the strategic direction of the firm. Debate about strategy content does thus occur, but in a concealed manner.

Three examples are described below. The subjects chosen are the future of the Boulden Construction Projects subsidiary, the future of the Boulden Concrete Construction subsidiary, and crane runways at the Boulden Railway Construction subsidiary. Presented below are summaries of the interaction sequences that were recorded at the time.

### *6.1. The future of Boulden Construction Projects*

- At the end of an executive board meeting on 28 August 1990, the head of the building sector mentioned that Construction Projects was growing too big, and because the acquisitions were taking their time, subsidiary management was busy devising plans to start a branch office in the Rotterdam area. The CEO pointed out that one of the acquisition candidates was also located in Rotterdam and asked whether Construction Projects management had thought about other areas in the Netherlands. After discussing possible locations he concluded that this plan had at least been a useful thought experiment, implying that branching out did not meet with his approval.
- While discussing the Construction Projects business plan at the extra executive board meeting on 1 October 1990, the CEO startlingly asked if they were serious about establishing branch offices in different parts of the Netherlands. On receiving confirmation that this was actually the case, the CEO stated firmly his disapproval of the idea as it went against the strategic plan.
- During the review of the Construction Projects' annual budget on 15 November 1990, the plan to establish branch offices was not mentioned. (After the meeting, when I asked the Construction Projects manager what had happened to his plan, I was told that said the costs were being provided for in the budget.)
- When the Construction Projects manager presented his subsidiary to his colleagues at the biannual BMT meeting on 6 February 1991, he declared his intention of opening branch offices, although he realized this went against the wishes of the executive board. The CEO was present but did not speak out against it.

Discussing the future of Boulden Construction Projects had been a conversation about opening or not opening branch offices. Simultaneously, the Construction Projects manager had been steering towards more autonomy for his own subsidiary, and eventually got away with it. For him, 'sector level' had little meaning, and he acted in accordance with the definition of the Boulden Group as a federation of largely independent subsidiaries, whereby each subsidiary worked in its own niche in the building trade. Initially he was rebuked by a reference to the 1989 strategic plan, but this did not deter him from his view of the future. Although the pros and cons of branching out in relation to the 1989 strategic plan were never actually debated, the reins were ultimately slackened when the Construction Projects manager obtained passive permission at the biannual Boulden management team meeting in February: the CEO raised no objections and chose to keep quiet. This also indicated that the strategic plan had fallen into the background, as this permission meant that Boulden was coming to resemble a federation of subsidiaries rather than a two-division firm.

### *6.2. The future of Boulden Concrete Construction*

- While discussing the Concrete Construction business plan at the extra executive board meeting on 1 October 1990, executive board members debated how this

plan should be interpreted. The heads of the building sector and of the civil engineering sector pointed out that Concrete Construction did not explain how they were going to extend their customer base beyond the National Railways, as had been agreed. The internal consultant explained that the Concrete Construction manager could not be expected to deal with this problem in the business plan for two reasons. First, part of the solution depended on the acquisition of a particular company that Boulden was currently targeting. Because of the confidential nature of this operation, it could not be discussed openly while the business plan was being formulated. Secondly, targeting the non-railways market depended on how the civil engineering sector was going to be fleshed out. A big proportion of this subsidiary's capacity was tied up in large combination projects<sup>2</sup> on a scale that required handling at the sector level. Further, non-railway commissions where Boulden would have a chance were expected to be mainly of this magnitude. The Concrete Construction subsidiary was simply waiting for directions from the executive board. The internal consultant concluded by saying that the business plan was simply a cry for more clarity in this matter. The CEO declared his intention to discuss the status of the civil engineering sector in the near future.

- During the review of the Concrete Construction annual budget on 13 November 1990, the CEO asked how the business plan had affected the budget. A representative of Concrete Construction replied that no definite choice had been made, as the status of the civil engineering sector was still unknown, and the current state of affairs was simply being projected onto the future (the subsidiary manager was not present because of illness). The head of the civil engineering sector asked whether the projected turnover in non-railway business was being backed by real prospects. The answer was that there were no clear prospects. The CEO explained that the projected turnover must be interpreted as the setting of a task. He added that further discussion would be difficult because of the subsidiary manager's absence.
- When the Concrete Construction manager presented his subsidiary to his colleagues at the BMT meeting on 6 February 1990, he explained that his subsidiary was difficult to manage because half its capacity was tied up in big combination projects over which he had no control.
- At a regular executive board meeting on 20 February 1990 (one day after the extraordinary executive board meeting during which the sector as an entity in the Boulden organizational structure was abolished), the head of the Building Sector suggested a dedicated marketing plan, to formulate the way Concrete Construction was going to acquire non-railway business.

Concrete Construction management continued to stick with the original sector idea as envisioned in the strategic plan, but they were told off. Their dealings with the executive board on issues such as the annual budget, their marketing effort, and

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<sup>2</sup>It is common practice in the Netherlands that construction companies join in temporary combinations for the construction of large building projects.

site management were all marked by a constant plea for fleshing out the civil engineering sector. They favored a future in which they would be part of a strong civil engineering sector instead of working on their own. In response to this, any discussion on the issue was avoided, and the idea of extending their customer base beyond the National Railways became a way of discussing the future of this subsidiary. This response contained the message that things had to be sorted out at the subsidiary level. The sector and subsidiary concepts were thus acquiring particular meanings that were not in accordance with the intentions of the strategic plan. Again the image of Boulden as a federation of subsidiaries was gaining precedence over the image of the two-division firm.

In both these examples—Construction Projects and Concrete Construction—ambiguity regarding the role of the two sectors played a part. A haggling game with different interpretations of the ‘sector’ idea was played out between the participants. To serve their own interests and ambitions, people made commitments and signaled intentions with specific interpretations of this idea in mind, to see how far they could go, or to get some clarity on the expected state of affairs. This last had been in the minds of both the Concrete Construction manager and the internal consultant when the future of the subsidiary was being discussed. Seeing how far he could go had been the game of the Construction Projects manager.

To sum up, in both examples layered discussion assumed the following shape. While discussing the future of two large subsidiaries, the Boulden strategy for becoming one of the ‘élite’ construction companies in the Netherlands had barely been mentioned. Instead, discussion on the future of the two subsidiaries had turned into a dispute about opening branch offices and extending the customer base beyond the National Railways, respectively. The arguments on these matters had signaled specific meanings regarding the sector and subsidiary concepts and in doing so had touched upon the content of the 1989 strategic plan. Neither these meanings nor the link-up with the strategic plan had been debated deliberately or openly. Nevertheless, the implications became clear enough; the disputes had been settled against the intentions of the 1989 strategic plan, contributing ultimately to an uncontested conclusion at the special D4 meeting in January 1991 that Boulden now had to come up with a new strategic plan.

### *6.3. Crane runways at Boulden Railway Construction*

- During the extra board meeting on 1 October 1990, when the Boulden Railway Construction business plan was reviewed, the CEO asked why this plan showed so little initiative. He also wondered why this subsidiary did not seem to put any effort into market development, and mentioned in passing the possibility of crane runways<sup>3</sup> as an example. The head of the Building Sector echoed this query. The head of the Civil Engineering Sector, who also ran the railway construction subsidiary, explained that the future of railway construction was determined by the National Railways and that the Boulden railway activities are very much tied

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<sup>3</sup>A crane runway is a piece of rail track on which large self-propelled cranes run.

up with the National Railways organization. In his opinion, this meant there was not much room for initiative.

- The comments of the executive board were discussed at the Railway Construction management team meeting on 15 October 1990. The head of the Civil Engineering Sector relayed the board's opinion regarding this subsidiary's lack of initiative. The management team members then discussed various possibilities whereby Railway Construction could expand into adjoining market segments. Somebody mentioned crane runways and the head of the Civil Engineering sector picked up on that, saying this had also been mentioned at board level, and asked if Boulden had the capability for laying crane runways. The answers were mixed, some explaining that it required a different technology and others sounding more optimistic. Somebody asked whether a subsidiary had the authority to make this kind of decision, or if board approval was required. The sector head replied that they could take decisions of this kind at the subsidiary level. He ended the discussion by saying that an investment sum must be included in the annual budget for financing the development of crane runways as a new Boulden Railway Construction activity.
- At the next management team meeting, on 29 October 1990, the business plan was finally assessed, with a view to developing crane runways as an extra activity for Boulden Railway Construction.
- On 5 November 1990, the management team compiled the final version of the annual budget, which included initial expenses of 200,000 guilders for crane runways.
- The Boulden Railway Construction annual budget was discussed with the board at a special meeting on 12 November 1990. The chief executive and the financial manager focussed on the question as to why the budget did not meet the financial targets previously set by the board. The subsidiary management tried to explain that the results as presented in the annual budget were what they had thought were feasible. The initial expenses for crane runways were only mentioned when they were being dismissed by the CEO as a small detail with regard to the difference between the targets and the projected results.
- During the biannual BMT meeting on 6 February 1991 the head of Civil Engineering, in his capacity as Railway Construction manager, presented this subsidiary as one that was taking an active stance, introducing crane runways as the first new venture.

This example offers another clear illustration of the way the term 'subsidiary' took on a specific meaning. Boulden subsidiaries were expected to make their mark in their respective branches of the building trade. No possible contribution by the Railway Construction subsidiary to the civil engineering sector had ever been part of the discussions. Rather, making ends meet in the annual budget, and crane runways as a separate subject altogether, came to stand for the displaying of this subsidiary as one of the semi-autonomous members of the Boulden federation of subsidiaries, and not as a contribution on the part of one of the two Boulden divisions. Again the intentions of the strategic plan vanished into the background.

Thus, not only in this example but also in the two described earlier, layered discussion was taking place. Specific subjects had been discussed on a number of occasions. In discussing these subjects the meaning of the sector and subsidiary concepts had also been questioned, albeit mainly in a concealed manner. It was this controversy that also signaled controversy about the strategic plan itself, but without anything being explicitly noted during the deliberations. Based on the frequent emphasis the CEO gave to the importance of the subsidiary as the focal point in the Boulden Group organization structure at the expense of the sector, it came as no surprise when the strategic plan was ultimately dismissed by a simple remark during a discussion about the division of tasks between the executive board members at the meeting on 19 February 1991.

These are only three of several examples during which layered discussion could be observed. The ambiguity of the ‘sector’ and ‘subsidiary’ idea had been part of the deliberations in this way on other occasions too. For instance, this ambiguity had been ever-present in the recently established periodic sector meetings, which eventually proved to be no more than noncommittal talks. Further, the head of the drawing and design office had been asked to develop a policy plan for his department, based on the strategic plan. (The present author acted as junior consultant in this project.) The head proposed a few alternative directions, depending on how the sectors were going to take shape, but could not get the executive board to commit themselves to any of his proposals. Layered discussion was also present on numerous other subjects, with the idea of ‘subsidiary’ being frequently re-confirmed as referring to a fairly autonomous organizational entity that was expected to take care of its own business. This had been the way in which subsidiary management had been addressed during the business plan and annual budget procedures. This interpretation of the sector and subsidiary concepts had informed the executive board in their treatment of the loss-making subsidiaries Inco and O’Reilly’s.

## **7. Discussion and conclusion**

The data presented here on the Boulden Group case indicates that over a period of eight months very little open or deliberate debate occurred about strategy content, although the period opened with a management letter stating that implementation of the strategic plan had started, and closed with a meeting at which the CEO announced that the plan needed to be reformulated. Nevertheless, if we view the situation in a layered-discussion perspective we find that debate about strategy content did occur quite regularly but hidden within discussion on other subjects. The talk about the future of the Boulden Construction Projects and the Boulden Concrete Construction subsidiaries, and about crane runways at Boulden Railway Construction, can all three be interpreted simultaneously as discussions about the strategic direction of the Boulden Group as a whole. There were messages about the meanings that were going to be attached to the terms ‘subsidiary’ and ‘sector’. The outcomes of the three discussions all went counter to the content of the strategic plan

previously agreed upon, as the meanings that became attached to these two terms indicated that the Boulden Group was going to be not a two-division firm but a federation of subsidiaries. It has also appeared that the outcomes of discussions on many other subjects contained a similar message. So it came as no big surprise to the Boulden management that the Boulden Group strategic plan was dismissed only eight months after its implementation had begun, although the intended strategy had scarcely been debated openly or deliberately. This case thus lends empirical support to the proposition that layered discussion takes place in strategic practices (Jarzabkowski, 2003).

One implication of the layered discussion concept is that the Luhmanian episode, as described by Hendry and Seidl (2003), is not the only solution for handling the interpretative scheme in the strategy-formation process. As previous strategy process research has shown, the interpretative scheme of an organization is bound up with its strategic activities (Child & Smith, 1987; Grinyer & Spender, 1979; Hinings & Greenwood, 1988; Johnson, 1987; Lewis, 1988; Pettigrew, 1985; Sminia, 1994; Stein, 1993). The interpretative scheme has been found to be an impediment to strategic change as well as being itself the object of such change. Hendry and Seidl (2003) introduced the notion of the Luhmanian episode as a way of dealing with this (theoretical) dilemma, whereby a TMT deliberately separates itself from the daily routines for a short period, with the result that thought patterns inherent in the current interpretative scheme might perhaps be countered. Workshops or review sessions organized away from the office are examples of strategic practices (Jarzabkowski, 2003) involving such Luhmanian episodes. The idea of the layered discussion, on the other hand, implies that the interpretative scheme can also be played about with in the context of the daily routines. Layered discussion thus has some resemblance to Goffman's concept of 'keying' (Goffman, 1975).<sup>4</sup>

'Keying' is a '*process of transcription*' whereby a 'key', being '*a set of conventions by which a given activity, one already meaningful in terms of some primary framework, is transformed into something patterned on this activity but seen by the participants to be something quite else*' (Goffman, 1975, pp. 43–44). In the layered discussion described above, some form of 'keying' is occurring that, for instance, talk about the Boulden Railway Construction subsidiary venturing into crane runways turns into a discussion about the meaning of the terms 'sector' and 'subsidiary', and thus into a discussion about the Boulden Group's intended strategy. In this way, the participants play around with the meaning of two terms that are central to the interpretative scheme of this organization, and that they do so as part of their daily routines.

Goffman (1975) sees 'keying' is a common phenomenon that is part of everyday life. Social interaction is often accompanied by layers of meanings, centered around what he calls an untransformed activity that is understood in terms of a primary framework and that can be 'keyed' in terms of various other frameworks that are

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<sup>4</sup>Thanks must go to the editor of this journal for making this suggestion.

recognized by the participants as also being relevant. He assumes further that the participants know what ‘key’ the activity is to be understood in and will report on it in terms of what they think is really going on. If for some reason one or more participants induce the others into nursing a false belief about what is going on, he then prefers the term ‘fabrication’ to ‘keying’. These transformations occur for ‘*fun, deception, experiment, rehearsal, dream, fantasy, ritual, demonstration, analysis, and charity*’ in order to ‘*confirm a frame-relevant view of the workings of the world*’ (Goffman, 1975, pp. 560–563).

Goffman’s main question concerns the way reality is being experienced. Strategy formation is not only about experiencing reality but also about shaping it for the future. In the Boulden Group case and in the research case reported in Samra-Fredericks (2000a, b, 2003), strategic direction is being shaped through layered discussion. In the Samra-Fredericks case, for instance, it was found that when the TMT was talking about the work of IT analysts and programmers, the discussion was interpreted as dealing not only with the IT function of the firm concerned, but also as having implications for the firm’s strategy—although this was never explicitly referred to at the time. The linguistic skills and forms of knowledge she discovered were being skillfully employed by one particular TMT-member who was able to channel the discussion of certain issues in such a way as to laminate them into a specific strategic direction for the firm, but with only a limited amount of deliberate open debate about strategy content. In the Boulden Group case, too, talk about a variety of issues generated particular meanings for the concepts of ‘subsidiary’ and ‘sector’ that in turn had a direct impact on the status of the strategic plan. However, it is doubtful whether the clear distinction between ‘keying’ and ‘fabrication’ in Goffman (1975) can be maintained here, since specific skills (Samra-Fredericks, 2000a, b, 2003) are required of the participants if they are to be able to take part in the process. It cannot thus be automatically assumed that every participant is aware of which ‘key’ the process is taking place in.

Strategic practices are often based on specific strategic-management tools. Budgeting and planning, for instance, are regular activities in which top management engages. The annual budget, the strategic plan, quarterly reviews—all these provide what Goffman (1975) would call a primary frame of reference in the shape of the budget, the plan, or the quarterly results. Given that layered discussion is taking place throughout all these activities, strategic practices are also ‘keyed’ to specific questions, dilemmas or controversies associated with the interpretative scheme of the organization. It is in this way that a continual debate about the strategic direction of the firm takes place, albeit in a partially concealed manner. A Luhmanian episode like a strategy review away from the office (Hendry & Seidl, 2003) is thus a strategic practice where the interpretative scheme of the organization is the primary frame of reference, and consequently it is one of the rather rare occasions when the intended strategy is openly debated.

Interestingly enough, the Boulden Group case also demonstrates a connection between strategy-as-practice (Whittington, 1996) and organization-structure-as-practice (Whittington, 2002). As has been noted above, strategy-as-practice focuses on the strategists themselves and on the way their day-to-day interactions constitute

their acts of strategizing. In the present paper layered discussion has been regarded as a characterization of such daily strategizing acts. The structure-as-practice approach looks at the role of practitioners in making organizational structures work, which involves everyday maintenance as well as adjustments and manipulation. In the case described here, layered discussion about the suitability, feasibility and acceptability of the Boulden Group strategy to be one of the ‘élite’ construction companies in the Netherlands was hidden in ambiguities centering around terms concerning organization structure. It was the structural terms ‘sector and ‘subsidiary’ that were contested. Furthermore, much of the dispute focussed on the role of the executive board and the relationship between board-level and subsidiary-level management. As it turned out, the term ‘sector’ came to refer not to an organizational entity or a management layer in the Boulden Group organization structure. It simply came to denote the monthly meetings at which subsidiary management sat down with their respective sector heads. Ironically, this confirmed the term of ‘subsidiary’ once again as referring to a semi-autonomous entity in the Boulden Group scheme of things. In this case it was the manner in which these two structural terms were given everyday meaning in Boulden’s daily practice, that both describes and explains the day-to-day strategy formation at senior management level.

When it comes to the debate about the best way to study the process of strategy formation, the concept of layered discussion seems to fit better with the ‘change model’ than with the ‘choice model’ (Mintzberg et al., 1990). It offers a specific reading of the pattern of activities whereby strategic direction takes shape. The focus is on the activities that take place within the strategic practices (Jarzabkowski, 2003; Jarzabkowski & Wilson, 2002). One important insight to emerge is that strategy as such cannot be easily distinguished from the day-to-day running of the firm since it can in fact be part of every subject that senior management has to deal with. Thus, for practicing managers, executives and directors, a specific requirement in conjunction with the specific linguistic skills and forms of knowledge proposed by Samra-Fredericks (2000a, b, 2003) is an ability to ‘read between the lines’, to pick up on the various layers of meaning that are inherent in every discussion, to be able to make a contribution. This immediately brings up the question of transparency. Given that layered discussion as such is probably unavoidable, the question arises as to how much implicit debate about strategy is acceptable? An additional task would then be the monitoring of strategic practices to insure that deliberate debate does take place sufficiently often.

To sum up, recognizing that strategic direction shaped at senior management level by way of layered discussion, means that ‘keying’ must be seen as an essential part of the process. With this acknowledgement, the pivotal role of the interpretative scheme in strategy formation remains in place, with layered discussion providing the means by which meaning is changed or maintained. Effective strategic management as the management of meaning then becomes the management of keying. For a manager, to be influential requires either knowledge and the use of available keys to steer discussion in a certain direction, or the ability to fabricate new keys to expand the range of possibilities whereby layered discussion can take place. This also implies the

existence of multiple frames of reference surrounding strategy formation at the top management level. Some of these frames are widespread and generally recognized among the management population. They include such things as the theories and tools that can be learned at business schools, the professional standards attaching to particular occupations or the strategic recipes (Spender, 1989) typical of certain industries. Other frames are extremely local, having developed from a specific company history, an organizational culture or a very particular shared experience. What can be expected is that the more widespread frames act as primary frames of reference, while local frames provide secondary frames of reference into which the ‘hidden layer’ in layered discussion is then keyed. Strategy tools then become a means for discussing something else. It is not the tool itself that provides meaning and understanding. The debate is about the frame of reference into which the particular discussion is keyed. Consequently, people such as outside strategy consultants who are not familiar with the situation are generally unaware of the local keys, and are thus only able to contribute in terms of the more general frames of reference that they share with local management. Another possibility is that if these outside consultants are particularly effective, they may be the means whereby a new frame of reference is introduced into which local frames then can be keyed, thus extending the range of the strategy debate that takes place. Finally, an outside researcher of strategy-formation processes at the senior management level should also be aware of the various frames of reference that surround the local strategy debate if they are to be able to gather what is going on. Ethnographic methods are thus essential to the study of the strategy process at the top management level.

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### **Appendix 1. Example of interaction sequence**

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D4 meeting on 21 November 1990, 9.30–12.30, item 9 on the agenda

(9) Attribution Personnel Department annual budget

[CEO announces that there are protests about cost increases at pd and that nobody recognized this in more pd activity]

PM X of course has only been recently in service and nobody has noticed that yet.

CEO Yes but one says that one did not ask for more activity.

PM There is Group policy in it too.

CEO One does not get the feeling one gets more. We arrive here at a more fundamental discussion.

- PM There are even more worrying noises. One doubts the quality of pd. One expects more attention.
- CEO That is not the point. It is the principle. Last year everybody agreed on how much I get for how much money. Now one has to pay considerably more without getting more.
- PM There has been temporarily subsidization by the Group.
- HCES One does not recognize the on-charged expenses. That is the problem.
- PM But there is more time available now.
- HGBS I think there are three things. The method of charging-on deviates from last year. Then subsidizing was the case.
- FM Subsidizing has been abolished two years ago.
- HGBS Oh. But secondly, one does not recognize the amounts of time spent as indicated by pd. And thirdly, the popularity of the club. At Moreton they have employed their own personnel officer of which H says that she is better and cheaper. T would like to have his own pd as well for his construction personnel. You should feel for that more.
- FM As a girder functions of course the social and personnel policy. If that is accepted, the amounts do not pose a problem. There should be consensus about what pd thinks what amount of time should be spend and what the subsidiaries want that pd should spent. This discussion still needs to be pursued.
- PM There are two things. The expectations of the subsidiaries need to be expressed. But there are also a number of things as a consequence of Group policy.
- CEO [interrupts] Three years ago I had already warned you that you should do something about your internal PR.
- [PM mutters]
- CEO My proposal is to force through the current amounts and that consensus should be reached about expectations before February 1st. That means a passing maneuver for the internal PR.
- HCES Maybe there should be some timekeeping for a period of three months to enter the discussion on the basis of that information. February 1st seems early for me.
- HGBS February 1st looks ambitious for me too.
- CEO I want the talks started before February 1st.
- HGBS Maybe through the sector?
- [remarks about the issues being to subsidiary specific]
- FM And then based on the existing social and personnel policy.
- HGBS Yes, yes.
- PM [announces he already had talked with R about a review of pd operations and that he will place this review in this context]

pd = personnel department

CEO = Chief Executive / PM = Personnel Manager / HCES = Head of Civil Engineering Sector / HGBS = Head of General Building Sector / FM = Finance Manager / X = specific personnel officer / H = Moreton subsidiary manager / T = Construction Projects subsidiary manager / R = internal consultant  
(translated from the Dutch by the author)

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