

Strategic Management in an Enacted World

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There is a debate within strategic management about organizational environments—are they objective, perceived, or both? Still another view of environments, derived from an interpretive worldview, claims that environments are enacted. This paper explores three major implications of the enacted environment concept for strategic management theory and practice: abandoning the prescription that organizations should adapt to their environments; rethinking constraints, threats, opportunities; and considering the primary role of strategic managers to be the management of meaning.

A major debate within organization theory and strategic management concerns whether environments are objective or perceptual phenomena. This paper develops a third view—that environments are enacted through the social construction and interaction processes of organized actors. Although this view has been mentioned in some strategic management literature (Miles & Snow, 1978; Pfeffer & Salancik, 1978), its implications have not been explored adequately. This paper demonstrates that enactment implies distinctive strategic management models, new research questions, and different prescriptions for practitioners.

According to most strategic management literature, an organization is an open system that exists within an independently given environment (Thompson, 1967). The objective environment may be accurately or inaccurately perceived, but in either case the task of strategic managers is to maintain congruence between environmental constraints and organizational needs (Lawrence & Dyer, 1983).

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According to another perspective, derived from interpretive sociology, organizations are socially constructed systems of shared meaning (Burrell & Morgan, 1979; Pfeffer, 1981; Weick, 1979). Organization members actively form (enact) their environments through their social interaction. A pattern of enactment establishes the foundation of organizational reality, and in turn has effects in shaping future enactments. *The task of strategic management in this view is organization making—to create and maintain systems of shared meaning that facilitate organized action.*

The purpose here is not to argue the veracity of these differing perspectives on the organization-environment relationship and on strategic management. Instead, it is to show how an interpretive approach, with its different emphasis on what is important, can enrich and expand the theory, research, and practice of strategic management.

The potential contributions of an interpretive perspective are well-timed: many of the problems in strategic management—for example—failures in implementation (Kiechel 1982)—seem to originate primarily in the field's inattention to the fundamentally social nature of the strategy formation and organizing processes.

Three Models for Knowing the Environment

For any single "organization," the "environmental" field contains an infinite number of

situations and events, each of which could provide some material for environmental scanning. (The authors are troubled by the connotations that the terms "organization" and "environment" carry in most discussions of theory. Quotation marks around a word convey the authors' doubts about meanings of these concepts even when the terms are used in the senses that most readers will readily understand.) Obviously, to consider every situation, event, condition, and so on, and furthermore, to evaluate the vast combinations of environmental relationships is far beyond the capacity of any imaginable method of environmental analysis. Yet, this is what seems to be required for effective strategic management. Somehow, the tidal wave of environmental data must be funneled down to a small pipeline of information. It is like analyzing the world's oceans using a glass of water. How can strategic managers accomplish this feat? Three different models that represent ideal types for explaining how organized participants know their environments are offered here.

An Objective Environment

The words "organization" and "environment" create a dichotomy that profoundly shapes thinking about strategic management. This dichotomy clearly underlies the objective environment model which assumes that an "organization" is embedded within an "environment" that has an external and independent existence. "Environments" constitute some thing or some set of forces to be adapted to, coaligned with, controlled, or controlled by. Terms that seem to capture this sense of "environment" include concrete, objective, independent, given, imminent, out there.

The open system analogy provides a common way of thinking about the relationship between an "organization" and its objective "environment" (Miller, 1978; von Bertalanffy, 1968). The open system idea was originally derived from, and applied to, plant and animal communities, but the image of an organization-as-organism is now strongly entrenched in organizational studies (Keeley, 1980; Morgan, 1980). Much of the biologist's theory and language has been borrowed by organization theorists and strategic management theorists (e.g., adaptation, population ecology, the life cycle approach).

Nearly all strategic management research and writing incorporates the assumption that "organization" and "environment" are real, material, and separate—just as they appear to be in the biological world. Strategists search for opportunities or threats in the "environment." Strategists search for strengths and weaknesses inside an "organization." In the figures theorists draw, an "organization" and its "environment" occupy opposite ends of the arrows. This view emphasizes recognition of what already exists. Environmental analysis thus entails *discovery*, or finding things that are *already somewhere* waiting to be found. Strategy, naturally, is defined as the fit between an "organization" and its "environment." Given this set of concepts, research proceeds directly to find the successful combinations of organization-strategy-environment.

Within the strategic management literature there is some disagreement about the nature of the relationship between "organizations" and their "environments." Child (1972) emphasizes the importance of strategic choice—the powerful-organization theory. Child argues that organizations can select their environmental domains, that environmental forces are not so confining that they cannot be outflanked or sometimes even safely ignored. On the contrary, Aldrich (1979) maintains that most organizations flounder helplessly in the grip of environmental forces—the weak-organization theory. Aldrich believes that "environments" are relentlessly efficient in weeding out any organization that does not closely align itself with environmental demands. He doubts that many organizations self-consciously change themselves very much or very often, or that the conscious initiatives by organizations are likely to succeed. Most researchers seem to place themselves somewhere between these polar views. *Despite the heated discussion, however, neither the strategic choicers, nor the environmental determinists, nor those in between, question the pivotal notion of environments as independent, external, and tangible entities.*

Therefore, a strategist must look out into the world to see what is there. Strategists function (in theory) like perfect information processors—able to access, organize, and evaluate data without mistakes. Strategists overcome the problem of deciding what information is worth bothering

about by using frameworks or lists (Glueck, 1980; Hofer & Schendel, 1978; Porter, 1980). Within an objective "environment," a strategist faces an intellectual challenge to delineate a strategy that will meet the *real* demands and *real* constraints that exist "out there."

The Perceived Environment

The difference between objective "environments" and perceived "environments" is not attributable to a change in the conception of environment (which remains real, material, and external). Instead, the difference between objective and perceived environments involves a distinction about strategists. Strategists are permanently trapped by bounded rationality (Simon, 1957) and by their incomplete and imperfect perceptions of the "environment."

The idea of a perceived environment raises new problems. For now, research has to encompass the *real* external "environment" and the partly mistaken beliefs of organizational strategists (Bourgeois, 1980; Paine & Anderson, 1975; Pfeffer & Salancik, 1978). Acrimonious debates have cropped up around questions about how accurate perceivers are (or can be) and whether organization behavior is more responsive to the environmental perceptions of strategists or to the real, material, environment (Downey, Hellriegel, & Slocum, 1975; Duncan, 1972; Lorenzi, Sims, & Slocum, 1981; Tosi, Aldag, & Storey, 1973).

From a practical standpoint, the challenge for strategists, who must labor within the confines of flawed perceptions, is minimizing the gap between these flawed perceptions and the reality of their "environment."

The Enacted Environment

Recently, under the influence of interpretive sociology (Schutz, 1967), the sociology of knowledge (Berger & Luckmann, 1967), and cognitive social psychology (Weick, 1979), another perspective vies for attention. Supporting the work of Mason and Mitroff (1981), Davis (1982), Huff (1982), and Peters (1978) is an assumption that organization and environment are created together (enacted) through the social interaction processes of key organizational participants. From an interpretive worldview, *separate objective* "environments" simply do not exist (Burrell &

Morgan, 1979). Instead, organizations and environments are convenient labels for patterns of activity. What people refer to as their environment is generated by human actions and accompanying intellectual efforts to make sense out of these actions. The character of this produced environment depends on the particular theories and frameworks, patterns of attention, and affective dispositions supplied by the actor-observers.

In an enacted environment model the world is essentially an ambiguous field of experience. There are no threats or opportunities out there in an environment, just material and symbolic records of action. But a strategist—determined to find meaning—makes relationships by bringing connections and patterns to the action.

The timeless practice of scanning the heavens in search of constellations provides an analogy. There is really no Big Dipper in the sky, although people find it useful to imagine that there is. People see the Big Dipper when they furnish imaginary lines to cluster and make sense of the stars. In finding constellations astronomers organize material reality (the stars) using their own imaginations to produce a symbolic reality (Orion, the Lion, etc.). The same is true for strategists. Physical phenomena (like stars) in a strategist's world are real and have an independent existence. The automobiles that roll off the production line in a day, the oil well that was either dry or a gusher, the number of missiles stockpiled by the enemy—these are surely material elements in the material world. By themselves, however, automobiles, oil wells, and missiles are meaningless, and they appear as random as the stars appear to an untrained eye. Strategists create imaginary lines between events, objects, and situations so that events, objects, and situations become meaningful for the members of an organizational world. The majority of many excellent top managers' time and effort goes into this interpretive process—drawing some imaginary lines so that the world of IBM, Hewlett-Packard, or 3M, for example, makes sense to employees and clientele (Peters & Waterman, 1982).

Enactment implies a combination of *attention and action* on the part of organizational members. Processes of action and attention differentiate the organization from not-the-organization (the environment). The action component often is poorly

appreciated by theorists who discuss sense-making processes. An enactment model implies that an environment of which strategists can make sense has been put there by strategists' patterns of action—not by a process of *perceiving* the environment, but by a process of *making* the environment. Consequently, the analogy of finding the constellations is partly an inadequate one for capturing the full scope of enactment. The analogy does not allow an emphasis on how the material records of action (e.g., automobile production, oil wells, missiles) have actually been put there by activities of organizational participants who *subsequently* interpret them. In other words, managers and other organization members create not only their organization, but also their environment.

In summary, theories involving objective or perceived "environments" envision concrete, material "organizations" that are within, but separate from, real material "environments." The relationships between the two are expressed in terms of cause and effect. On the other hand, enactment theory abandons the idea of concrete, material "organizations/environments" in favor of a largely socially-created symbolic world (Winch, 1958).

Organization and Environment from an Interpretive Perspective

If one accepts the notion that people understand the world through bracketing and chunking experience into meaningful units (Schutz, 1967; Weick, 1979), it then follows that "organizations" and "environments" provide convenient, but also arbitrary, labels for some portions of experience. But no inherent rationale compels researchers to employ the everyday language and common sense understanding of these terms in their analyses (Bittner, 1965). In fact, doing so misdirects one's attention. Misdirection occurs because analysts investigate concepts such as strategy, organization structure, standardization, and technology as if the concepts correspond to freestanding material entities. Researchers often ignore the metaphoric and symbolic bases of organized life that create and sustain these organizational ideas. An interpretive perspective places these processes and symbolic entities at the center of analysis.

To illustrate the differences in approach, consider an interpretive definition of organization. Organization is defined as the degree to which a set of people share many beliefs, values, and assumptions that encourage them to make mutually-reinforcing interpretations of their own acts and the acts of others. Organization exists in this pattern of on-going action-reaction ("interacts," Weick, 1979) among social actors. For instance, the organization of the music industry rests in particular patterns of beliefs, values, and assumptions that support the ongoing creation, distribution, and enjoyment of the various forms of music. Thus, from an interpretive perspective, such organization is different from the everyday conceptualization of legally constituted "organization," and refers instead to a quality of interaction. Organization can extend across "organizations." Some "organizations" are disorganized. From an interpretive perspective the interesting questions concern *how patterns of organization are achieved, sustained, and changed*.

Similarly, environment takes on a different meaning, and different questions are important. From an interpretive view the term environment refers only to a specific set of events and relationships noticed and made meaningful by a specific set of strategists. An interpretive perspective does not treat environment as separate objective forces that impinge on an organization. Instead, environment refers to the ecological context of thought and action, which is not independent of the observer-actor's theories, experiences, and tastes. Multiple groups of people enact the ecological context; neither historical necessity nor the operation of inexorable social laws imposes it on them. From the standpoint of strategic management, strategists' social knowledge constitutes their environment. An interpretive perspective on strategic management and the environment asks questions about *the processes of knowing*—those social processes that produce the rules by which an "organization" is managed and judged.

Implications of an Interpretive Perspective

"Organization" and "environment" are key concepts in the vocabulary of strategic management. The reconceptualization of these building block concepts that flows from an interpretive

approach changes perspectives as well as words. The language through which people understand actions powerfully shapes future actions as well as the questions they are likely to ask about those actions. The logic of the interpretive perspective on organization and environment leads to three major implications for strategic management. It also has implications for the way we write research accounts. The editorial policies of journals work against interpretive modes of expression. A strong tradition in scientific writing has been the insistence on the third person and the passive voice. These depersonalize the arguments and lend an aura of "objectivity" and "consistency" to the research account. But the interpretive perspective highlights personal involvement with knowledge; it emphasizes that knowledge is standpoint dependent. An interpretive perspective aims to put the author back into the text, as one who *authorizes* the account. Our manuscript has been systematically edited; this has the effect of removing actors from the action and removing the sense of responsibility that comes from being included in the text—exactly what an interpretive perspective seeks to avoid.

1. *Abandoning the Prescription That Organizations Should Adapt to Their Environments.* The conventional wisdom of strategic management urges organizations to adapt to their environments. This taken-for-granted maxim is more problematic than it appears. It obscures a good deal of the complexity, ambiguity, and abstractness in the strategic management process.

A brief example drawn from the American steel industry illustrates this point:

In 1950 America's steel industry was the most powerful in the world. Accounting for nearly one half of global steel output, it produced more steel than all of Europe combined, nearly three times as much as the Communist Bloc, and almost twenty times as much as Japan. Moreover, the large American steel firms enjoyed an undisputed position that had gone virtually unchallenged by foreign competitors during the preceding five decades (Adams & Mueller, 1982, p. 73).

By 1980, American steel producers lagged behind the Soviet Union, Japan, and Europe. The United States had become the world's largest importer of steel. American integrated steel producers increasingly suffer from outdated tech-

nology, inefficient plants, declining productivity, labor unrest, and inadequate cash flow for facility investment needs. The integrated companies vigorously called for import quotas or trigger-pricing levels that would choke off the flood of imports, imports said to be dumped at unfair prices by companies subsidized by foreign governments.

To the casual observer, the integrated steel companies seem to be having difficulties in adjusting to a hostile environment. The managers of the Big Eight steel companies feel that their problems have been caused by foreign competitors and government intervention ("Time runs out," 1982). Big Steel claims helplessness in the face of forces beyond their control and invites sympathy for their plight. Industry analysts, on the other hand, reproach steel executives for their conservatism and resistance to creative thinking (Ignatius, 1979; Lawrence & Dyer, 1983).

Regardless of which explanations one accepts, important questions remain: What should the managers of Big Steel do now? Should the steel companies build new facilities? Should they diversify? Merge? Should they sell plants to the workers? Should they import semifinished steel? Which actions are the adaptive ones?

When one theorizes from the present into the past as strategic analysts often do, one finds what seems to be a powerful argument about adaptation to an objective "environment." But the power of this explanation ends in the present. Although the argument about environmental adaptation may initially seem appealing, it does not provide much help for strategists in the here and now. The advice from much strategic management literature that stresses fit, congruence, and alignment is not sufficient for dealing with issues in day-to-day management. The executives in an industry cannot simply stand outside the action and adjust themselves to trends; their actions make the trends. Thus, if every firm rushes to take advantage of an opportunity, the opportunity vanishes. Trends are complex functions of multilateral behavior, making future outcomes problematic. The nature of what constitutes adaptation can be stated only *retrospectively*, never *prospectively*. Accordingly, the admonition to adapt to trends and forces is not very helpful.

An interpretive perspective argues that strategic managers can manage their organizations only on the basis of their knowledge of events and situations. But events and situations are *always* open to multiple interpretations. The facts never speak for themselves. If facts seem to "go without saying," it is only because observers happen to be saying very similar things.

For example, many commentators and participants in steel convey the impression that the industry is a scene of unrelieved devastation, using imagery reminiscent of The Alamo, Custer's last stand, or The Apocalypse, but other views can be brought to bear. To foreign steel producers the U.S. domestic market is a fragile opportunity. U.S. minimills are doing fine. The President of the United States views the situation as a painful, but necessary, evolutionary step into the golden age of techno-information, an era when former steelworkers will repair home computers, when kindly foreign governments will subsidize the cost of U.S. domestic steel. None of these views is dictated by the "environment." Each view flows from applying certain preconceived, limited frameworks to available contexts. Many other guiding images or views are possible. It is in terms of these multiple views that expectations and strategic action will congeal and shape the future. Old visions of what the industry is, how it works, who the participants are, and which strategic avenues are open, are becoming unglued. Out of this turmoil, new visions may emerge. Will the future bring a rapprochement with labor? Does the turmoil foreshadow the reawakening of a sleeping giant? Can one hear the *death knell* of steel? Whatever is possible depends on which visions people believe in and act on—not on environmental fiat.

Analysis of a firm's environment cannot aspire to the status of a science, because there are no independent, authoritative observers. Instead, the choice of frameworks and interpretations becomes a creative and political art. Strategists need to concentrate on their *choices vis-à-vis* frameworks and interpretations. Novel and interesting frameworks may stimulate novel and interesting environments that could in turn preface novel and interesting strategic initiatives.

2. *Rethinking Constraints, Threats, Opportunities.* Managers face a tidal wave of situations,

events, pressures, and uncertainties, and they naturally resort to collective discussion (in the broadest sense) to negotiate an acceptable set of relationships that provide satisfactory explanations of their social worlds. The scope and meaning of events are funneled down to manageable dimensions by formal and informal processes leading to industry wisdom. Huff (1982) points out that industry groups and other industry forums provide organized sense-making mechanisms.

A corresponding problem occurs, however, when strategic managers, by holding untested assumptions, unwittingly collude to restrict their knowledge. They may suffer from "collective ignorance" (Weick, 1979).

Evidence of the fragile nature of industry wisdom often draws attention (Cooper & Schendel, 1983). What everyone knows about an industry translates into an opportunity for those who do not know. Many, if not most, really novel and exciting new strategies that invade an industry, are perpetrated by outsiders who do not know the rules. Consider the introduction of Lite beer by the Miller Brewing unit of Philip Morris. Traditional companies knew that a diet beer could not be sold, but a foolish interloper tested the assumption and thereby enacted the most significant product innovation in beer industry history.

These observations about the way social reality is formed in organizational settings suggest a powerful prescription for strategic managers. They must look first to themselves and their actions and inactions, and not to "the environment" for explanations of their situations. Indeed, recent research on organizational crises (Nystrom & Starbuck, 1984; Starbuck, 1983) reveals that in many cases top managers' thinking patterns, not external environments, cause crises. As Karl Weick advises:

If people want to change their environment, they need to change themselves and their actions—not someone else. . . . Problems that never get solved, never get solved because managers keep tinkering with everything but what they do (Weick, 1979, p. 152).

Because of the temptation to assign convenient blame, the contributions of strategic management research should help managers reflect on the ways in which managers' actions create and sustain their particular organizational realities. With the development of a greater capacity for self-reflec-

tion, corporate officials, governmental policy makers, and all organization members can examine and critique their own enactment processes. By maintaining a dual focus of attention—an ability to transcend the momentary situation in which they are entangled and to see and understand their actions within a system of meanings that is continually open to reflection and reassessment—strategic managers can challenge the apparent limits and test the possibilities for organizational existence.

3. *Thinking Differently About the Role of Strategic Managers.* The enactment model places strategy makers in an entirely different role from that envisaged by the objective or perceived models. Environmental scanning in those models sends managers “out” to collect facts and to amass an inventory of information (King & Cleland, 1978). A strategic manager is portrayed as a decision-formulator, an implementer of structure, and a controller of events who derives ideas from information.

The interpretive perspective, on the other hand, defines a strategist’s task as an imaginative one, a creative one, an art. In the chaotic world, a continuous stream of ecological changes and discontinuities must be sifted through and interpreted. Relevant and irrelevant categories of experience must be defined. People make sense of their situation by engaging in an interpretive process that forms the basis for their *organized* behavior. This interpretive process spans both intellectual and emotional realms. Managers can strategically influence this process. They can provide a vision to account for the streams of events and actions that occur—a universe within which organizational events and experiences take on meaning. The best work of strategic managers inspires splendid meanings (Davis, 1982; Peters, 1978; Pfeffer, 1981; Pondy, 1976; Smircich & Morgan, 1982).

The juxtaposition of events and context, figure and ground, is one mechanism for the management of meaning. Through this process, strategists work in the background to construct the basis on which other people will interpret their own specific experiences. The interpretive background makes a difference because people use it to decide what is happening and to judge whether

they are engaged in worthwhile activities or nonsense.

How can strategic managers generate the context for meaning in organizational life? A growing body of literature explains how the management-of-meaning can be accomplished through values and their symbolic expression, dramas, and language (Deal & Kennedy, 1982; Pfeffer, 1981; Pondy, Frost, Morgan, & Dandridge, 1983). Although researchers are aware of the powerful effects of some value/symbol systems (e.g., advertising), research has only just begun to explore how these processes occur in organizations, how symbolic realities change, and how symbolic realities may be manageable (Broms & Gahmberg, 1983; Peters, 1978). Nevertheless, many strategic managers probably can sharpen their strategic impact by gaining awareness of the less than obvious values/symbols that pervade their organizations.

For example, dramas include the standard ceremonies and rituals of an organization (regular meetings, socialization and training, the Christmas party, etc.) as well as unique happenings (“campaigns,” “challenges,” “struggles to the top,” “takeovers,” “the New XYZ Co.”). The standard ceremonies provide continuity and reaffirmation of values, status, individual and collective achievements. The “big meetings” are occasions for heightened awareness, reawakening, and sometimes for exciting changes. Strategic managers should be aware of the impact these dramas can have and realize that they (the managers) exercise wide discretion in defining what the dramas are and when and how they will occur.

Powerful language and metaphors set a tone, provide direction, and gain commitment (Edelman, 1977; Pfeffer, 1981; Smircich, 1983). Wise strategic managers take advantage of language, metaphors, and stories to convey their messages. They also pay attention to language, metaphors, and stories that originate elsewhere. This is one reason why President Reagan is known as the “great communicator”—to the enormous frustration of his “objective” critics.

Values, dramas, and language comprise the symbolic foundations that support the everyday prosaic realities of management information

systems, hierarchy, incentive systems, and so on—the surface architecture of organizations. Until now, strategic managers have been taught to consider organizational design problems exclusively in terms of surface architecture. These conventional approaches to designing organized activity have been further restricted by focusing nearly all attention on intellectual (rather than emotional) issues and on massive, unremitting control (rather than imagination).

An interpretive approach, probing the subjective process of reality-building, redirects the strategic manager's attention toward deep images of organizational life. Strategic managers can improve their efforts—make them *more* strategic—by recognizing the powerful nature of those deep images and by consciously approaching this deeper level. The challenge to management research is to understand that world and to make such knowledge useful.

Following this advice would lead to a major reorientation of some strategic managers' thinking and behavior. Rather than concentrating on issues of product-market strategies, for example, a strategic manager would concentrate on process issues. Rather than concentrating on decisions or design of decision making structures, a strategic manager would concentrate on the values, symbols, language, and dramas that form the backdrop for decision making structures. Rather than confining themselves to the technical/intellectual aspects of organizational structures, many strategic managers would learn to express and to elaborate on the social/emotional basis for organizational life.

Managing in an Enacted World

Given a world increasingly characterized by organized, rather than individual action, what guidelines can be derived from an interpretive perspective to aid those responsible for managing human affairs?

Managerial Analysis

The idea of enactment underscores a view that one's own actions and the actions of others make an "organization" and its "environment." Because of this sequence, environmental analysis is much less critical than managerial analysis.

Managerial analysis means challenging the assumptions on which managers act and improving managers' capacity for self-reflection—seeing themselves as enactors of their world (Litterer & Young, 1981; Mason & Mitroff, 1981). This dual (active-reflective) posture toward action is difficult for managers to maintain. In fact, consultants often are called in to help organization members get a different perspective on what members are doing. Consultants state the obvious, ask foolish questions, and doubt — all of which helps organization members get outside of themselves. Management groups can institutionalize the role of "wise fool" (Kegan, 1981) in order to provoke the capacity for critical self-examination.

Creation of Context

The answers to such questions as "Who are we? What is important to us? What do we do? and What don't we do?" set the stage for strategy formulation. These questions elicit the values framework within which activity becomes meaningful. Current literature (Peters & Waterman, 1982) suggests that excellent companies have top management groups who can articulate clear value positions.

The creation of context is different from setting objectives. Setting objectives implies that an organization falls short in some way, needing to move from point A to point B. This sort of striving characterizes many strategic management models, suggesting that organizations have a place at which to arrive. Objectives present a management orientation of going-to-be instead of already-is (Davis, 1982). An interpretive perspective promotes managerial deliberations about the present—especially about management values and actions.

Encouraging Multiple Realities

An interpretive perspective urges the consideration of multiple interpretations. But, in strategic management, multiple interpretations often are viewed as communication problems to be overcome by more information, rather than as a natural state of affairs.

Successful strategists have often contemplated the same facts that everyone knew, and they have invented startling insights (e.g., Ray Kroc and the hamburger restaurant chain, or Gene Amdahl's

insight into the strategic inflexibility of IBM's pricing). Interesting enactments blossom when strategists draw out novel interpretations from prosaic facts. Quite often, novel interpretations occur when companies enter an industry for which they have no specific experience. They try out novel strategies that run counter to conventional assumptions (e.g., Philip Morris in the beer industry, Honda in motorcycles, Wendy's in hamburgers).

Companies might be able to enlarge their capacities for novel interpretations by systematically varying metaphors, by hiring in-house experts from distant industries, and by encouraging novel and conflicting viewpoints (e.g., a coal company hires an environmentalist; Caterpillar hires a top executive from Komatsu, who remains outside the Caterpillar culture; or a company hires a philosopher). These efforts legitimate and expand the managerial capacity for tolerance of differences.

Testing and Experimenting

Every industry is saddled with a long list of do's and don'ts. These stipulated limits should be tested periodically. Enactment means action as well as thinking. Exxon followed such a strategy with the Reliance Electric deal and other active attempts to discover whether it could push its technical skills in certain directions (Kaufman, 1982). Proctor and Gamble seems to be experimenting within the soft drink industry (Smith, 1980). Assumptions about what is related to what, what works (or doesn't), what we can do (or can't), should be tested periodically by acting as if counterassumptions are viable (Weick, 1979). Strategists should learn to act ambivalently about what they know, so that they do not become strait-jacketed by what they know. Learning compels forgetting. In fact, organizational wisdom may require continuous unlearning (Nystrom & Starbuck, 1984).

Managerial analysis, creation of context, encouraging multiple realities, and testing and experimenting are managerial principles derived from an interpretive worldview, recognizing that people enact their symbolic world. These principles of variety are largely ignored by approaches to strategic management that stress scanning of

an objective/perceived environment, setting objectives, and manipulating managerial controls.

Can Any Reality be Enacted?

This argument may seem to imply that people can enact any symbolic reality that they choose. In a limited sense the present authors are saying precisely that. Individual people occupy personal, subjective space—space in which intentions, meaning, and sensibility often are quite idiosyncratic—what the world means to them. And even those isolated lifeworlds can sometimes be transformed into social worlds (e.g., Hitler, Gandhi, Marx, Darwin). But in this paper the special concern is with enactments in which numerous people collectively participate, in which people experience limits to what they can enact.

First, organized people often struggle within the confines of their own prior enactments. Patterns of enactment rooted in prior personal, organizational, and cultural experiences powerfully shape ongoing organizational and cultural options. Starbuck (1983) calls these patterns "behavior programs" and emphasizes how past thinking gets concretized into standard operating procedures, job specifications, buildings, contracts, and so on that take on the aura of objective necessity. Behavior programs—institutionalized as unwritten rules and taken for granted assumptions—seem to dictate how things are and must be done (Zucker, 1977). Changing these patterns requires people to intentionally forget some of what they know and to disbelieve some of what they believe. Depending on the weight of prior commitments, changing may seem risky, foolish, or taxing.

Second, enactment means thinking and acting. Enactments test one's physical, informational, imaginative, and emotional resources. Without sufficient resources (or without the ability to think imaginatively about what might constitute resources), one simply cannot support many conceivable enactments.

Finally, enactments may compete with each other. In an election, for example, the candidates struggle mightily to discredit an opposition candidacy. In a corporate context, various strategic initiatives compete in a similar fashion. For sizable organizational enactments to succeed,

a critical mass of belief and acceptance must be reached. But reaching the critical mass depends on persuasion rather than objective factors.

For these reasons—prior enactments, problems with resources, and competing enactments—organizational enactment processes can be distinguished from fond hopes and castles in the air.

Research from an Interpretive Perspective

The fundamental premises of an interpretive worldview are different from those that support much strategic management research. Just as the assumption of an enacted environment implies a different role for strategic managers, an interpretive worldview suggests a different focus of attention for those who research the topic of strategic management. One purpose of such work is to encourage a more informed, more reflective, more self-conscious practice of organization. From an interpretive perspective, strategic management consists of those processes through which patterns of “organization” and “environment” are created, sustained, and changed. Interpretive research work examines the epistemologies of organizing processes. It aims to make explicit the knowledge (often taken for granted, but untested) by which organization members construe their situation and explore the multiple, often competing, systems of knowledge existing within a situation. Cause-effect logic is eschewed in favor of examination of the rules that people follow, people’s reasons for their acts, and the meanings people assign to events.

Conventional strategic management research has come under increasing criticism partly because this research starts from a positivist, rationalistic model of the strategic planning process. Critics suggest that this conventional model cannot account for the way that strategies get formulated. Critics have offered some empirical evidence to support these claims (Lyles & Mitroff, 1981; Mason & Mitroff, 1981; Quinn, 1980). Practitioners complain that much of the research is not organizationally useful (Kiechel, 1982). An interpretive approach to strategic management research is especially sensitive to the concerns raised by these critics because interpretive studies try to get as close as possible to experience-as-lived.

The key characteristics that distinguish an interpretive approach to strategic management research are:

1. *Interpretive Research of an Industry or Organization is Done from the Point of View of the Participants.* Rather than seeking a detached Olympian perspective on an industry or firm, interpretive research explores what strategists were thinking, why they acted as they did, what they wanted to accomplish. Interpretive studies seek to understand the strategists’ thoughts and actions at a personal level, not at the far removed level of abstract, aggregate statistics. Interpretive research asks: What is it like inside a strategist’s world?

2. *Interpretive Research Embraces the Multiple Perspectives Within any Organized Situation.* Rather than trying to merge the incompatible views of multiple actors into a single objective explanation, interpretive research recognizes that differences are essential for understanding strategic action and strategic change. For instance, an interpretive analysis of the steel industry would not be carried out solely from the standard perspective of the Big Eight American steel producers. An interpretive analysis could begin with a careful mapping of the existing organization of the steel industry. The aim of such an analysis is to discern the ways in which the various groups acted, reacted, and interacted to bring forth the situation that exists today. Here, a view that an organization adapts to its environment gives way to a need to study the complex shifting patterns and configuration of organization that make up an industry.

A consulting effort with strategic managers in an industry from an interpretive perspective would involve further steps. The core problem for steel industry strategists is not how to adapt to the apparent trends, but to become aware of the ways that their ability to think critically about events and relationships has become strait-jacketed. If strategists understood how they had inadvertently and unconsciously traded their options for assumptions, they might begin to invent new ways to understand present events and to envision viable futures for their companies. The effect of this intervention would be to de-emphasize the current tendency to react to the taken-for-granted “environment” and to highlight

the role of autonomous action in creating environments.

3. *Interpretive Research is Historical-Contextual.* Despite exhortations about open systems, strategy research is often static, cross-sectional, and seldom involves any significant evolutionary perspective. On the other hand, interpretive studies are longitudinal. They record social-political-cognitive-affective processes as these unfold. What did strategic actors think and feel at the time of the events? How did their prior experiences affect them? To what societal or cultural events did they pay attention?

The suggestion of an interpretive approach for strategic management research does not mean more conventional case studies. Typical case studies are not conducted from an interpretive perspective. First, the case writer is reporting from his or her own perspective, or a synoptic perspective, and usually avoids the ambiguity associated with multiple perspectives. Second, cases are typically wrapped around an explicit or implicit acceptance of a normative, rational model of organizational decision making. Policy cases often ignore the affective, symbolic, and linguistic aspects of organizational processes. Third, case writers often casually internalize the values, purposes, and language of top managers they study. Consider an anthropologist arriving at a South Seas island and proceeding to launch investigations designed to help the high priests overcome bad karma! Irony lies in recognizing that research that tries too hard to be useful may ultimately be less useful than research that does not try so hard to be useful.

Conclusion

Several writers in the field of organizational analysis and strategic management have raised questions about how strategists come to know their environments. Yet the implications of one legitimate answer to these questions—enactment—have not been fully examined. The implications of the enactment perspective for strategic managers given here are extensive and provocative:

1. The eclipse of the "organization/environment" dichotomy
2. A different mode of strategic analysis
3. An entirely different role for the strategist from the role presently envisaged by most analysts
4. A different research focus

This message to researchers contends that more resources should be devoted to the study of the enactment processes of strategic managers, because these enactment processes form the invisible foundations supporting strategic choice. The role of an analyst is to show the practitioner how the practitioner's patterns for enacting environments can fundamentally alter the range of available choices. By displaying assumptions, beliefs, and norms, consultants/researchers can uncover practices trapping people in cycles of behavior that prohibit scrutiny of enactment processes. Researchers/consultants can facilitate examination of the reality-construction process and evoke possibilities for change.

What prevents one from doing interpretive analysis more frequently? Again, a general acceptance of a deceptively persuasive "organization-environment" metaphor blinds one to the largely symbolic, social nature of organized life. That metaphor leads theorists to adopt the frame of reference of a focal organization or industry, rather than a perspective of an undisciplined environment enacted by multiple interest groups. Another contributing factor may be the tendency of strategic management researchers to identify closely with those whom they choose to study, so that researchers unquestioningly accept management's commonsense understanding of the environment as something that is "out there." An acceptance of "organization-environment" fundamentally establishes a frame of reference guiding analyses along only certain paths.

This appeal to strategic managers asks that they begin to think of themselves as playwrights more than as heroes, as creators rather than as co-aligners. They could begin to think more about how they get to know what they know and think less about what they know. In addition, strategic managers may find that their most enduring strategic contributions rest with their unique roles as background-generators and context-composers, not on their direct roles as decision makers and commanders.

It has been strongly argued here that a strategic analyst should guide the strategic practitioner toward critical self-examination. Similarly, the contribution of this paper to the field of strategic management guides the field toward a critical examination of one of its major assumptions—the

nature of the "organization-environment" relationship. In either case, success should be mea-

sured only in terms of raising issues—not in terms of settling them.

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