Strategic management as multi-contextual sensemaking in intermediate organizations

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Abstract

Traditional strategic theory often provides limited means for dealing with the strategic management problems of organizations operating between societal sectors. This article thus uses the case of three industrial development organizations in developing an understanding of strategic management in organizations that operate under multi-contextual conditions. It is concluded that such organizations lack any clear mandate to act, any sound resource base, or any domain of their own, and that all these have to be created as part of the organizations' strategic management process. The implications of this line of reasoning for the general strategic management process are discussed in the closing section of the article. © 2002 Elsevier Science Ltd. All rights reserved.

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1. Introduction

The combination of environmental assessment and goal-oriented implementation is a classical topic of strategic management studies. Normally, the focus is on the assessment of the opportunities and threats that confront an organization, and on the evaluation of strengths and weaknesses in relation to the perceived strategic options. The aim is to profit from the opportunities while avoiding the threats. This conception of the strategic management process can thus be described as an externally constrained rational and sequential process of formulation and implementation.

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More recently, strategic management has been redefined to include an understanding of cognitive, social, cultural and economic rent-seeking aspects. Hence, the theoretical focus has evolved from planning and adaptation to embrace a greater emphasis on the organizational resource situation and other contextually dependent aspects. Strategic management may also include human-based perspectives on the strategic capacity of an organization. Conceptions of external relations have also been subject to theoretical elaboration. Strategic concepts (e.g. goals, environment, markets, technical competence, organizational size) constantly need to be re-conceptualized due to technological development, changes in infrastructure, and organizational disintegration. Increasing organizational collaboration, internationalization and rapid technological development further underline the importance of acquiring a deeper understanding of the scope and depth of organizational and environmental relations.

This development has heightened our awareness of the contextual aspects of organizations and accordingly, of their embeddedness. To say that an organization is embedded means that it is regarded as being constructed on multiple levels, ranging from the individual to society at large. That is to say, the organization exists within permeable webs of social, political, cultural and economic conditions. The purpose of this article is to explore and reflect upon the implications of this organizational embeddedness for the strategic management of organizations. The main issue addressed is how contextual dependency and interrelatedness affects the strategic management process in the organization.

The discussion is limited to what are known as intermediate organizations, that is organizations that are neither private, nor public, nor voluntary. They exist between the different societal sectors, possessing some properties of each one, and they have to relate to many contexts in order to survive. Intermediate organizations thus provide an interesting empirical base for the exploration of organizational embeddedness.

This article is based on and supported by findings from three case studies which were conducted within independent research projects in Denmark, Sweden and Iceland (Steinthorsson, 1995; Söderholm, 1991; Arnar, 1995). All three projects were aimed at mapping the activities of Industrial Development Councils, with a view to analysing their organizational characteristics and managerial premises. Industrial Development Councils can be seen as examples of intermediate organizations.

As may be imagined, a number of differences can be detected between single-sector organizations and organizations operating between sectors. Most obviously, intermediate organizations need to relate or even adapt to at least two systems of rules, regulations, norms, and traditions. Being neither public nor private, the organization's grounds for existence is less self-evident. This in turn complicates daily life within the borders. Defining what to do and how to do it, and articulating why things should be done at all, are tasks not easily accomplished in a situation involving different kinds of logic simultaneously.

The disposition of this paper is as follows. In Section 2 certain aspects of strategic management in intermediate organizations are discussed. The focus on the embeddedness perspective is stressed. In Section 3 the empirical cases to be used for illustrative purposes are presented. Section 4 contains several lessons that can be learned from the

cases regarding the strategic management process. In the final section, it is proposed that the strategic management process can be characterized in terms of reciprocal multi-contextual sensemaking.

2. Strategic management processes and embeddedness

The main body of strategic management literature has been devoted to private sector organizations (see the many textbooks and major edited volumes in this area, e.g. Chandler, 1962; Ansoff, 1965; Ansoff, Declerck, & Hayes, 1976; Porter, 1980; Snow, 1986; Andrews, 1987; Quinn, Mintzberg, & James, 1988; Schendel & Cool, 1988; Ansoff, 1991; Grant, 1998; De Wit & Meyer, 1998; Lynch, 2000). However, contributions have been made regarding strategic management in political markets, in the public sector, in the voluntary sector and even in intermediate organizations (examples are Gruber & Mohr, 1982; Ascher & Nare, 1990; Berg & Jonsson, 1991; Nutt & Backoff, 1992; Steinthorsson, 1995). This has largely meant that what is said to apply to private organizations is transferred to other types of organization (Pettigrew, Ferlie, & Mckee, 1992). By adopting an embeddedness perspective on strategic management studies, it is possible to account for both differences and similarities between sectors.

2.1. Strategic management processes

Common to organizations in all sectors is the apparent need for strategic management. Consequently, the central aspects and conditions that affect and reflect the organization's grounds for existence, the direction of its actions and the outcomes of these, as well as the procedures, routines, contexts and contextual elements that the organization uses and comprises at a any given point in time, all have to be attended to. Strategic management is thus concerned with conceptions and actions that define what the organization does, in what field it acts, for whom it operates, and where, why and how it seeks to deliver positive results.

This conception of strategic management highlights four processes that can be seen as relevant to the exploration and understanding of strategic management. However, it is assumed that the manifestation of strategic management in any specific organization will be sector-specific. That is to say that strategic management in private firms will differ from strategic management in other organizations such as the public or the voluntary kind.

Fig. 1 shows a four-dimensional model that offers an analytical framework for explorative purposes. The model is influenced by the dimensions or strategic processes (content, action processes and context) drawn from Pettigrew (1985), and Whipp, Rosenfeld, and Pettigrew (1988). A fourth dimension, the 'grounds for existence', has been added. The grounds for existence is assumed to be of fundamental importance. It relates to organizational legitimacy and to core formulations explaining why the organization exists and what it is meant to accomplish, as well as providing the main direction for its activities.
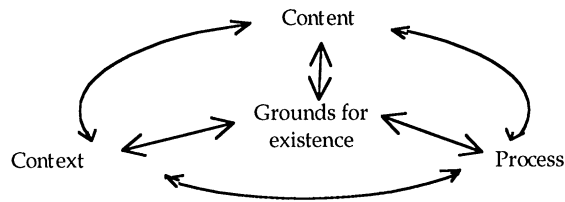
Fig. 1. Four dimensions of strategic management (Source: Steinthorsson, 1995).

Strategic management in organizations implies a continuous inquiry into, and directing of, the role and functioning of the organization concerned, something which can only be pursued effectively on the basis of an understanding of the organization's contexts and through a multi-level dialogue with its constituents. To ensure positive results, the organization in question has to be managed according to the premises and principles that are characteristic of its nature and that are based on its contextual roots. To explore these contextual dependencies and the way in which the different processes of strategic management are manifested in different sectors of society, it is assumed here that an embeddedness perspective is needed.

2.2. An embeddedness perspective

Baum and Dutton (1997) claim that an approach that assumes the embeddedness of strategy implies that strategy is understood as a contextualized concept. Thus, it is acknowledged that strategic processes are embedded in different contextual conditions. The embeddedness perspective means that business strategy is embedded in the structural, institutional, political and cultural surroundings of the organization. Mintzberg (1988) has also contributed to this line of thought by introducing concepts such as emergent strategy as opposed to pure planned strategy concepts (see also Mintzberg, 1994; Mintzberg, Ahlstrand, & Lampel, 1998).

Adopting an embeddedness perspective implies a theoretical shift away from a universal and predominantly problem-solving theory of strategic management (De Wit & Meyer, 1998). It can also be associated with changes in organizational characteristics. Rational problem-solving theories may be more appropriate for in-dustrial bureaucracies than for modern virtual (Davidow & Malone, 1993) or network-type organizations. Changes that tend to make rational approaches less appropriate include an increasing number of reciprocally dependent activities (cf. Thompson, 1967), many contacts with other organizational bodies that are not easy to forecast, complex products (or 'solutions') produced in co-operation with other organizations for customers who are inclined to be skilled in the particular area, complex internal organizational systems with strong professional areas within the organization, etc. Embeddedness thus means that strategic management concepts must be developed in line with the organizational realities and actions that they are supposed to reflect.

Prescriptive theories developed on a basis of single-sector industrial bureaucracies obviously cannot be used if an understanding of the strategic situation of newer types of organizations is required. However, earlier strategic theories do alert us to the fact that strategy as such is concerned with the way the main areas for an organization's operations are decided upon, and how management tries to coordinate actions in such a way as to produce a fit between the organization and the environment and the implementation of long-term strategy. Embeddedness makes it clear that rational planning is not an adequate solution, nor is the reliance on simple environmental adaptation. Instead, the embeddedness of the organization in general, and of strategic management in particular, holds the key.

3. Strategic management in intermediate organizations — empirical illustrations

Experience from three intermediate organizations will be used here in developing our conceptual framework. All three are industrial development organizations that operate in local communities with a view to develop industry in their own areas. Industrial development councils can be regarded as typical intermediate organizations. Over 1400 such organizations are active in Western countries, many of them having been established in the last decade. They seem to play an important role in modern society, especially in times of recession and economic difficulty, although it is not easy to pinpoint the tangible results of their work. Our cases are the Kolding Industry Council (KIC) in Denmark, Mala Energy and Industry (MEI) in Sweden, and Aflvaki in Iceland.

The people and institutions of Kolding community in Denmark established the *Kolding Industry Council (KIC)* in 1941. It is a member-based organization with around 340 member organizations of varied origin. Some members are closely related to the council while others have only sporadic contact with it. KIC has a representative council consisting of 10 appointed and eight elected representatives associated with eight different contexts: (1) the local authorities of Kolding, Vamdrup and Lunderskov, (2) the unions of workers and employers, (3) industrial organizations, (4) retail organizations, (5) transport organizations, (6) independent professional services, (7) education, and (8) other important stakeholder groups. Initially, KIC's main task was defined as being 'to promote and encourage business and economic activities in Kolding, including tourism'. KIC receives economic support from local authorities (60% of its total income), and from its members. There are seven regular employees, but representatives from among the members often work with KIC on specific projects or activities.

KIC organizes a wide range of activities, but aims to remain dispensable (i.e. to provide services of a temporary nature, which can be dispensed with when a project is complete). Examples include: contact-seeking activities; professional advice and action to encourage business stakeholders to start up professional clubs such as 'the export club', 'the transportation club' and 'the supplier club'; and a variety of specific initiatives to promote industry, for example 'Project America'. In designing activities and strategic plans KIC aims at consensus, which means that

members are often deeply involved in planning, discussing and organizing KIC activities and policies.

Mala Energy and Industrial (MEI) was set up in 1983 by the local government in Mala (Sweden). Its main concern is the long-term development of the community and, more specifically, the creation of favourable conditions for business activities. Local politicians and civil servants have served the company as board members or in leading positions such as CEO. MEI owns a number of industrial buildings, which it leases to local companies. MEI receives annual funding from local government to cover losses generated by the industrial buildings that it possesses. Other tasks have been organized under MEI as a result of special initiatives, and have been financed on an ad hoc basis. Thus, the activities undertaken by MEI include the leasing of industrial buildings, business development (through consultants and public funding or subsidizing programmes), and specific projects (e.g. establishing new competence centres, organizing educational ventures, the establishment of the Mala Mineral Centre).

Activities organized by MEI have gained general support from the various stakeholders. Written strategy documents are seldom referred to, however. Rather, MEI is used as a gathering place for ideas relating to one or more of the stakeholders' organizations. If a large number of stakeholders have a personal stake in an idea, it is more likely to be developed as one of MEI's main projects. Organizations engaged in MEI-associated activities usually also contribute competence (personnel) and economic support. MEI has been used mainly as an arena for multi-contextual activities. It is a company in which it has been possible to bring together different organizational interests, ideas and resources concerning specific activities of a regional/local development nature.

Aflvaki was established in Iceland in 1992 as a limited company under the name Aflvaki Reykjavíkur, owned by the community of Reykjavík (neighbouring communities joined as owners a few years later). The municipalities provide annual payment to Aflvaki in order to finance basic service operations, and to contribute to the financing of industrial development projects initiated by Aflvaki. A professional board governs the company. Aflvaki's activities have included general service activities (marketing and informational activities), development activities, and investment activities. Aflvaki invests in promising companies and entrepreneurial activities on a commercial basis. It has developed a policy and guidelines for evaluating possible investment projects.

Aflvaki provides general development-related and industry-related services to the communities by (1) acquiring, storing and mediating general information, (2) conducting research aimed at revealing possibilities and problems connected with the realization of foreign and domestic investments in relevant industrial development opportunities, and (3) participating in projects that investigate practical industrial development opportunities and contribute to economic growth in the community at large. Over the first 2.5 years of its existence, Aflvaki participated in 57 projects. In conducting these projects, the company used a number of external specialists.

Common to the three cases is their heavy dependency on contextual and environmental links, and the abscence of clear tasks or indisputable success factors. However,

this is no traditional organization–environment dependency, but is better characterized as a continuous adjustment and positioning of the intermediate organization in a multi-contextual environment rather than a planned relation between an organization and its environment. This embeddedness can be further discussed in three dimensions or in terms of three different general strategic processes. These are (1) a content dimension, reflected in the creation of 'temporary task domains', (2) an action, or process, dimension, involving 'mobilizing action in arenas', and (3) a context dimension, manifest in 'continuous networking'.

3.1. Content: creating tasks

Intermediate organizations operate in environments where there are no obvious competitors, no obvious customers, and no obvious results that must or should be achieved. This also means that there are no obvious tasks or areas of activity (cf. Porter, 1980; Jørgensen, 1977), competitive or otherwise, that can be used as input into strategy-making procedures or as a natural task environment towards which activities can be directed. Further, intermediate organizations do not assume profit as an objective, which means that the development of products and the measurement of results are less evident than they are in business corporations. Defining and deciding what to do in intermediate organizations can, therefore, be a complicated matter.

The absence of any obvious task means that intermediate organizations have to be given an environmental position and an activity (business) profile by means other than the definition of markets, industries and competitors. The only boundaries that can be distinguished are related to the geographical demarcation of the organizations' service area, but even these are not as clear as one might expect. In addition, there are very limited expectations at the outset about the kind of operations in which an intermediate organization should be involved. Beyond a general notion of promoting 'regional development', there are not many obvious tasks to fulfill. These characteristics can be seen in all three cases. Aflvaki devoted quite a lot of time for defining tasks and outlining projects to be pursued. In MEI, the creation of tasks was typically a result of which other organizations were involved in at the time. KIC regularly spent several months creating tasks and these were primarily the result of ongoing negotiations. KIC was also fully aware that less than 55% of the planned projects would be realized within the period. Aflvaki was the organization most concerned with task creation, and it did work actively on creating tasks. In both KIC and MEI, tasks were a result of other strategic considerations.

Hence, it is difficult for an intermediate organization to exert full authority over its strategies, policies, goals and activities. As in any organization, the principals have to validate, or have the possibility of outlining, general strategic decisions. Peculiar to intermediate organizations is that the stakeholders (institutions, organizations, associations, and individuals) who participate in 'task creation' come from different contextual and sectorial backgrounds. The making of plans and the definition of activities are therefore relationship-based, context-dependent and inter-organizational, rather than discrete and intra-organizational.

Moreover, in intermediate organizations strategic plans may be vague or even non-existent. Such was the case in MEI, where strategic documents existed only insofar as local government regulations or association rules so demanded. Intermediate organizations also have very limited possibilities for accumulating their own resources. MEI, KIC, and Aflvaki were all dependent on external annual financial contributions from their founders regardless of the activities conducted. There are also examples for the organizations being responsible for projects that are conducted on cost terms, in that specific clients ask for certain defined services and pay the costs that are related to the project in question. Some of the activities of our intermediate organizations did generate income, for example Aflvaki's investment operations, but these activities were clearly separated from Aflvaki's ordinary industrial development projects. This indicates that income of this kind is of marginal importance to the overall operations of intermediate organizations.

Task development can, therefore, be described as the contextually dependent creation of temporary tasks, the definition of the goals connected with these tasks, and the search for the collaborative partners needed to perform the tasks. Normally, all this is linked to some perceived problems in the environment that require attention and to which a number of actors may be attracted. The intermediate organization's officials do not achieve this on their own. Stakeholders and other forces are often actively involved in this search for an accepted problem definition and activity profile.

3.2. Process: mobilizing action

Intermediate organizations cannot be described in terms of a unified or coherent organization, as many activities (including the selection and design of activities) are partly or entirely performed by people not employed full-time by the organization. Our three cases show that action had to be mobilized, and that as the relevant activities ended, the temporary action settings were dissolved. Afterwards, in some cases at least, it would be very difficult to specify what had actually been done by the intermediate organization. This is connected with the fact that intermediate organizations are very often not established for their own benefit, but are meant to channel temporary catalytic efforts for the benefit of their stakeholders and society in general.

MEI provides a good example of this, when it undertook the designing and realization of the Mala Mineral Centre. Positive results arose from this in organizations other than MEI itself (e.g. business opportunities were created), and it was seldom obvious whether or in what way achievements were due to MEI's own activities. The same applies to the many small contact and information–distribution activities performed by KIC, as well as to some of the initiatives undertaken by Aflvaki. However, MEI is the organization most dependent on the mobilization process, although the focal organization as such does not act as a catalyst. It is through particular stakeholder-driven mobilization that tasks at MEI are actually created. The stakeholders themselves use MEI as an arena for attracting and forging links with other stakeholders.

KIC has also been quite active in mobilizing its stakeholders to perform or support specific activities. This process is partially stakeholder-driven, however, since the associative form and the activities of the focal unit are significant driving forces. Aflvaki provides examples of projects aimed at benefiting stakeholders in general, but the projects are both conducted and initiated by the focal organization. In some cases, the projects (or tasks) are explicitly supported, and sometimes financed, by various stakeholders.

Despite their differences as regards mobilization, these cases, can be said to exemplify the same phenomenon, namely the open almost transparent character that is typical of intermediate organizations. In this sense they can be regarded more as arenas or forums for different types of action, in as much as they mobilize stakeholders and provide for them with a place where mutual interests can be developed. Up to a point, this could be called political action, i.e. the linking and adjusting of different interests to each other to facilitate action connected with specific activities. As there is little formal obligation for the partners to act vigorously, they have to be convinced by way of a political process of arguing, tempting or commitment-building.

Intermediate organizations also exhibit some attributes that have been used to describe the so-called virtual or imaginary organizations, for instance that strategic activities are dispersed over a number of organizations rather than being the sole responsibility of one (Davidow & Malone, 1993). Intermediate organizations are thus open; tasks and people move 'in' and 'out'. Further, intermediate organizations are often organized on a temporary basis around their tasks, which adds to their virtual and project-like character (Lundin & Söderholm, 1995).

3.3. Context: continuous networking

It is thus vital for any intermediate organization to establish positive and stable relations with stakeholders, which means in turn that the organization must be alert to its contextual rooting and must understand the multi-contextual body of possible stakeholders. The fact that intermediate organizations are intended to cover a specific geographical area sometimes makes it easier to define the different stakeholder groups and the relevant actors.

Continuous networking, then, is the basic way of creating general support for the organization. KIC illustrates this very clearly. The organization deliberately involves a number of partners in strategic planning, and stakeholders often take the initiative in such planning. For KIC this is an important path for the creation of tasks and the mobilization of activity at the next step. Consequently, due to the legitimate situation created by the networking, KIC can be seen to be acting on behalf of its stakeholders.

This process occurs in a different way in MEI. Here there are no obvious links between the policy and strategy level on the one hand, and the tactical and operational strategic issues dealt with on the other. In MEI, the issues dealt with arise either from functional demands on the part of public stakeholders (local government needs 'someone' to deal with business development issues), or from the creative ideas of private stakeholders. Networking is less an activity in its own right and more an issue evoked as a result of defined tasks. Aflvaki is active in sending out information about its projects, both through special summaries and full-length reports, and in specific

press releases. In this way, a network of supportive partners can be kept informed and committed.

Another feature of network-building and securing legitimacy is the system of staffing in the organization. On the whole, our cases reveal a tendency to staff different assignments individually, either by employing people temporarily, by using consultants (demonstrated most frequently in the Aflvaki case), or by committing different stakeholders to particular issues (as in MEI and KIC). Financial and personnel resources are both crucially important to any strategist, and the absence of such resources means that intermediate organizations are heavily dependent on external supplies. As Pfeffer and Salancik (1979) put it, they are true resource-dependent organizations.

It is important to note that 'networking' is not only a question of being generally accepted by the community. Any organization needs to consider societal values and attitudes and to comply with these to a varying extent. However, the more vague these relations with the environment are (for example in terms of end products), the more important legitimacy becomes in terms of complying with tacit rules, common attitudes or norms that surround individual organizations (see Powell & DiMaggio, 1991). Intermediate organizations have extremely vague 'products' and are thus more dependent on their stakeholders' general support than, for example, manufacturing companies or local governments.

Moreover, intermediate organizations cannot earn their living on their own; indeed, they are not meant to do so. Consequently, it is not enough for them to be generally supported or accepted; they need active support, and without such support they will be severely handicapped. For this reason intermediate organizations relate to their stakeholders not by way of economic exchange processes but by means of negotiation processes (negotiation on general policies as well as on the design and organization of specific tasks). These processes never end. When KIC evolved a strategic plan and established a legitimate situation, this provided a framework that was valid for a short period only. Relationships have to be maintained and negotiations within the network have to be regularly re-undertaken.

To sum up, the above discussion has singled out creating task, mobilizing action, and continuous networking as core elements in the strategic management of intermediate organizations. Task creation is concerned with what intermediate organizations do: organizational tasks have to be constantly created in order to enable the development of relevant activities. Mobilizing action is about constructing and implementing purposeful actions and providing an arena or forum for mutual action on the part of stakeholder. Continuous networking is concerned with the general network whose support is needed to keep the organization alive in the long run.

4. Strategic management as multi-contextual sensemaking

We began this article by indicating the main differences between the traditional planning/implementation approach to strategic management and an embeddedness approach. We have adhered essentially to the second of these as being more

appropriate to a discussion of strategic management, since this can be seen as both internally and externally embedded (as opposed to solely planned). As an embeddedness approach is interpretative and descriptive rather than prescriptive and generic, the aim of this concluding section will be to discuss more exactly how strategic management evolves and develops, at least in intermediate organizations.

In the previous section, we described (1) how tasks in intermediate organizations are decided upon in relation to diverse considerations or stakeholder needs, claims or demands, (2) how action is basically mobilized by way of participation and the involvement of stakeholders, and (3) how an important element consists of continuous networking. Essentially, intermediate organizations deal with strategic management by creating tasks, mobilizing action processes, and networking together with their stakeholders.

Embeddedness is often perceived as a new way of understanding organization–environment relations in terms either of general institutional embeddedness (e.g. Spender, 1989; Thornton, 1995) or of cultural/cognitive embeddedness (Dutton & Jackson, 1987; Porac, Thomas, Wilson, Paton, & Kanfer, 1995). In this sense embeddedness describes environmental relations, thus assuming that there are more or less clear borders between environment and organization. On the other hand, the organizational–environment boundary seems to be very vague in the case of intermediate organizations. Hence, embeddedness is a more fundamental issue in these organizations than has previously been proposed. The environment is neither adapted to (as is assumed in 'strategic management as planning' approaches), nor simply embedded in (as assumed in 'strategic management as interpretations' approaches). Rather, environment is lived and resided in (see Czarniawska-Joerges, 1993; Weick, 1995). Both environment in terms of different stakeholders, and organization in terms of bundles of tasks, actors, and arenas, are created as part of the strategic management process. Here we are coming close to an enactment definition of strategic management (see Smircich & Stubbart, 1985; Weick, 1979), but as enactment deals with the way environment is 'created', it is too narrow a concept. Rather, strategic management is constituted of both enactment (of the environment) and embeddedness (of the organization).

Embeddedness and enactment both reflect the fact that in this type of organization strategic management is a creative process. Weick (1995, p. 74) discusses sensemaking and claims that organizations are actually formed as a result of a sense-making process that rests, for example, on institutionalized patterns of behaviour and other regulative or constitutive pillars (Scott, 1995). During a sense-making process, participants formulate or agree upon common issues. They agree, at least, on what issues are important or valid at that particular moment, but they may entertain different values when it comes to how to judge certain issues. Sensemaking is not performed once and then left. Sensemaking, according to Weick (1995), can be evoked for a number of reasons, perhaps because of ambiguity or uncertainty. Thus, sensemaking can be more or less continuous over time, although it changes path and pace. In our interpretation then, sensemaking is a basic concept of strategic processes in intermediate organizations, and includes both the creation of an environment and the creation of an appropriate organization, including its tasks, actions and the relevant actors.

These explorations have exposed the contextual dependence of the strategic management process, in which means–ends relationships can only to some extent, be anticipated in advance, and the resources that may have to be mobilized are often not known until tasks are actually being created and performed. We thus suggest that strategic management processes in intermediate organizations can be defined in terms of reciprocal, multi-contextual sensemaking.

The reciprocal aspect is emphasized by the constant need for interchange between the stakeholders and the organizational actors. As the organizational tasks are of an ad hoc and temporary nature, they emerge from a dynamic discourse and negotiations between stakeholders with a view to maintain and strengthen the organizational base of existence, the conceptual guidelines, and thus to ensure the organization's ability to provide pragmatic solutions.

This emphasis on the multi-contextual aspect turns the focus on the various contextual roots that have to be considered. Every organization has to deal with the fact that resources are limited, which in turn highlights resource-dependencies. When these dependencies are very strong, as they are in intermediate organizations, the organization has to build up and maintain its position and the support of stakeholders in and across different organizational contexts on each separate occasion.

By introducing the sensemaking aspect as a key quality in the strategic management process, we are emphasizing the fact that the organization constantly has to cope with a great variety of uncertainties and ambiguities. Because of the ad hoc nature of the organizational tasks, participants constantly have to formulate and agree on what the tasks are, how and with whom they organize their activities and what resources they use to do so — and all in such a way as can be aligned with the organizational grounds for existence. This interrelation between the three strategic processes and their reciprocal, multi-contextual and sensemaking characteristics is shown in Table 1.

As can be seen from our cases, the ability to make profit (such as is characteristic of business organizations) does not provide a relevant answer to the question, 'why do intermediate organizations exist?'. Nor does 'making a contribution to the public benefit' (as can be said of public organizations) fully legitimize their existence. Nor, again, can their existence be explained by reference to some particularly powerful idea (in the way of voluntary organizations). Instead, we find a broad and sometimes ambiguous idea supported by a mix of aims, goals and aspirations that provide the initial grounds for establishing the organization.

As creating tasks, mobilizing action, and continuous networking are undertaken jointly by a number of stakeholders from different sectors and different operational levels, the grounds for existence thus agreed upon can be said to have multi-contextual roots. Once again the embeddedness of strategic management in commercial, political, social and cultural respects — both formal and informal — is confirmed, which reminds us that multi-contextual embeddedness can, or should, result in a weak ground for existence, i.e. one that is built up around neutral formulations (Berg & Jonsson, 1991), whose goals are vague (Mandell, 1989), and whose character is broad enough to be accepted by a variety of stakeholders representing different values. In other words the 'grounds for existence' in intermediate organizations is actually meant to be broad and to provide a foundation for consensus rather than

Table 1
Interrelation between three strategic dimensions and characteristics

Strategic processes	Strategic management characteristics		
	Reciprocal	Multi-contextual	Sensemaking
Creating tasks	Tasks are created reciprocally among actors	Tasks mirror the needs and opinions of various contexts	Tasks are made sense of as part of their creation
Mobilizing action	Action is accomplished as a consequence of reciprocal under-standing	Action needs to be legitimate and accepted as different contextual logics apply simultaneously	Action is continuously being given its meaning
Continuous networking	Networks are built up reciprocally among a set of actors	Networking links various contexts and various actors with different backgrounds	Networks are made sense of with respect to those involved and the action performed

conflict. On the other hand, this does not have to mean that the organization is doomed to make little impact or to occupy a weak position. Rather, its weak grounds gradually reveal themselves to be a responsible and balanced foundation for the manifestations of the three strategic processes discussed above.

Thus, we argue that the role of the organization's purpose — its 'grounds for existence' or its 'why' — differs from that usually assumed in strategic management theories. Strategic management literature normally assumes that stakeholders, principals or the like, first agree on the organization's 'grounds for existence', which in turn empowers the organization internally to take upon itself the creation and articulation of tasks, actions and networks. In intermediate organizations, however, the strategic management process appears to be rather the reverse. That is to say that the creation and elaboration of other strategic processes precedes the interpretation and articulation of the grounds for existence. Figuratively speaking (see Fig. 2), the 'grounds for existence' are a result of, rather than a prerequisite for, the creation of tasks, actions and networks.

KIC had to deal primarily with the various stakeholders and their different interests. As the networking proceeded the other two processes were also attended to, but the bottom line was that the continuous networking was the process that governed the others. This is also because KIC has a more stable relationship and more direct access to active stakeholders (for example as associate members) than Aflvaki, for instance. MEI is very dependent on the commitment of stakeholders who mobilize the organization as an arena for mutual action. MEI has limited access only to its stakeholders by way of networking. In this case, instead, the action-mobilizing process governs the other two strategic processes. In Aflvaki, the strategic process centres mainly on task creation, and in this case, the manifestation of the content process has a considerable impact on the other two processes.

The intermediate organization's grounds for existence then, is, acquired as the organization explores the different strategic processes, rather than being provided at
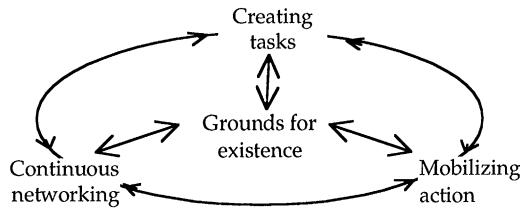
Fig. 2. Key concepts to understand embeddedness of strategic management.

the outset by the founders or stakeholders. This greatly affects the strategic issues that are dealt with in intermediate organizations. The creation of tasks, the building of networks and the mobilization of action all precede formal strategy or policy-making. But this is not always recognized by the managers of such organizations, which thus tend to work by the textbook, only to realize that strategies cannot be implemented unless they are written according to the conditions given by the processes concerned with creating tasks, continuous networking and mobilizing action.

5. Concluding remarks

In this paper, we have shown that strategic management in intermediate organizations is a more distinctive phenomenon than is normally assumed in strategic management theory. From a sensemaking and embeddedness perspective, weak grounds for existence seems to be functional insofar as it provides acceptance in a multi-contextual setting, and promotes the necessary reciprocity and sensemaking activities. Our analysis offers some new insights into this field, emphasizing once again that as well as looking at the multitude of internal and external characteristics, strategic management studies also need to supplement the traditional perspectives with a greater awareness of the underlying organizational processes. Our research has made a contribution here by describing three essential concepts and highlighting three processes that should be considered in the study and practice of strategic management in intermediate organizations in an embeddedness perspective.

The process of task creation, continuous networking, and the mobilization of action have been examined to show how embeddedness actually affects the strategic situation. Strategists (i.e. managers and stakeholders) make sense of their situation with the help of these processes, which thus seem to represent processes essential to strategic management in intermediate organizations and distinctive of their nature. We also suggest that the three processes — task creation, continuous networking and the mobilization of action — could provide an interesting topic for studies focusing on strategic management in commercial firms from an embeddedness perspective.

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