

## STRATEGIC MANAGEMENT AND THE PHILOSOPHY OF SCIENCE: THE CASE FOR A CONSTRUCTIVIST METHODOLOGY

RAZA MIR<sup>1</sup>\* and ANDREW WATSON<sup>2</sup>

<sup>1</sup>*School of Business Administration, Monmouth University, West Long Branch, New Jersey, U.S.A.*

<sup>2</sup>*College of Business Administration, Northeastern University, Boston, Massachusetts, U.S.A.*

*In this paper, we suggest that constructivism has the potential to inform research in strategic management. The realist paradigm currently dominates strategy research, and constructivism, a well-established tradition in the philosophy of science, is often ignored. However, a study of strategy literature and research reveals that it is drawn upon more frequently than is explicitly acknowledged. Constructivism occupies a methodological space characterized by ontological realism and epistemological relativism. Ontological realism is an important cornerstone of a field as applied as strategy, while epistemological relativism helps us explore the constructed nature of the field, where the researcher is an active participant rather than a reactor or information processor. In this paper, we demonstrate the precedents and possibilities for constructivist research in strategic management. We examine some of the existent constructivist works in the strategy literature, and point to specific techniques, including historical analysis, to demonstrate how this perspective may advance the boundaries of strategy research. Copyright © 2000 John Wiley & Sons, Ltd.*

Discussions on the philosophical underpinnings of strategy research have always found great prominence in the field (Nonaka, 1998; Schendel, 1994; Spender, 1996). Specifically, many theorists have used premises derived from the philosophy of science to examine the inherent assumptions that guide strategy research. For instance, they have discussed the tension between inductive and deductive logic (Montgomery, Wernerfelt, and Balakrishnan, 1989), the role played by Karl Popper's theory of falsification in designing and testing hypotheses (Seth and Zinkhan, 1991) and the textual nature of strategy research (Bauerschmidt, 1996).

It is self-evident that all research is premised upon a variety of assumptions, which good researchers make transparent in their work. In

this paper, we are specifically concerned with the constructivist perspective on these assumptions. Over the last few years, more and more strategy researchers have argued for the potential of constructivism as a methodology for strategy research (Spender, 1996; Scherer and Dowling, 1995). Constructivism is a philosophical school of thought arguing that research is fundamentally theory-dependent. According to constructivists, the theoretical position held by researchers not only guides their basic position, but also determines what gets construed as a research problem, what theoretical procedures are used, and what constitutes observations and evidence (Boyd, 1991: 202). Thus, constructivists challenge the notion that research is conducted by impartial, detached, value-neutral *subjects*, who seek to uncover clearly discernable *objects* or phenomena. Rather, they view researchers as craftsmen, as toolmakers (Spivey, 1995: 314) who are part of a network that creates knowledge (Law, 1992: 381) and ultimately guides practice.

Key words: philosophy; constructivism; strategy

\*Correspondence to: Professor Raza Mir, School of Business Administration, Monmouth University, West Long Branch, NJ 07764-1898, U.S.A.

In this paper, we investigate how constructivism provides us with insights into the fundamentally context-driven nature of strategic management research. Constructivism brings to the foreground that strategy researchers are actors rather than mere information processors or reactors. They do not merely observe organizational structures and report their findings. They also play a role in the process determining which structures are more or less likely to be adopted. They are part of a community of practice, which institutionally generates knowledge about strategy through a series of rule-based conversations. By defining the shared assumptions of these conversations, communities, and institutions, we can have a more fine-grained understanding of the theories and stories in our field.

The rest of this paper comprises four sections. In the next section, we review some of the core assumptions underlying constructivism. In the following section, we argue how constructivism forms an improvement over realism (Godfrey and Hill, 1995) to the extent that constructivism explicitly pays attention to the context-driven nature of theory creation. We introduce the argument by making a distinction between ontological and epistemological realism and relativism. In the third section, we illustrate the value of a constructivist research viewpoint. We suggest some specific research techniques that are amenable to analysis from a constructivist perspective. Using the research on the M-form corporation as an example, we demonstrate how a constructivist perspective helps us illuminate a different aspect of this issue than the realist perspective. We end with implications for future research.

## CONSTRUCTIVISM AS A METHODOLOGICAL TRADITION

We must not imagine that the world turns towards us a legible face, which we would have only to decipher; the world is not the accomplice of our knowledge; there is no prediscursive providence which disposes the world in our favor. We must conceive analysis as a violence we do to things, or in any case as a practice which we impose upon them. (Foucault, 1983: 127)

Constructivism has been described as 'a theory of knowledge with roots in philosophy, psychology, and cybernetics' (Von Glaserfeld, 1995:

8). Its epistemological assumptions are nonpositivist; according to constructivists, rules and principles do not exist independently of our theorizing about them. Indeed, they suggest that it is our theory that drives all aspects of our empirical inquiry, including what counts as observation, what research designs and experiments will be acceptable, what measurement techniques are legitimate, and indeed, what problems are worthy of attention. As Von Glaserfeld (1995: 7) asserts, 'to the constructivist, concepts, models, theories and so on are viable if they prove adequate within the context they were created.'

While the concepts that drive constructivism are as old as Socrates, who taught his students that knowledge was merely perception (Murphy and Rhaume, 1997), much of the theoretical impetus to modern constructivist research came from Thomas Kuhn, who reported that research in the physical sciences proceeded not through immanent laws, but rather through the facilitating powers of paradigms, which he defined as a 'characteristic set of beliefs and perceptions' held by a discipline (Kuhn 1970: 12).

Constructivism does not question the existence of phenomena, but rather our ability to understand them without a specific theory of knowledge. As Nelson (1994: 535) argues, 'we are not to think of the phenomena studied by scientists as the inevitable manifestation of objectively existing entities and processes; instead *theoretical entities and practices* are constituted and constructed by scientists post hoc' (emphasis added). Clearly, the attempt here is to subject our theorizing of phenomena to inquiry, not the phenomena themselves.

Over the past two decades, several scholars have deployed constructivism in different manners, so much so that we now can visualize a spectrum of constructivist tradition (Ernest, 1995; Gergen, 1995). An in-depth discussion of their nuances is beyond the scope of this paper. However, it is useful to identify the fundamental assumptions that are shared by all constructivists, as well as those factors that distinguish a few important offshoots of constructivism. In this paper, we identify six important assumptions that are shared by all constructivists. All constructivists believe that:

1. Knowledge is theory-driven. This point may best be illustrated with an example. While

- realists conceive of the research process as *excavation*, where the terrain of phenomena is mined for valuable nuggets of naturally occurring insight, constructivists view the process more as an act of *sculpting*, where the imagination (or the theory-base) of the artist interacts with the medium of phenomena to create a model of reality which we call knowledge. The constructivist view is therefore premised on the belief that a researcher always approaches a problem with a preconceived notion (a default theory) about the nature of the problem, and by implication, a possible solution for it (Fosnot, 1996). Such a perspective is not to be understood as a problem *per se*, but rather as an inevitable artifact of the research process. Constructivists believe that as long as researchers are transparent about their *a priori* theoretical position, the process of research is not impeded. However, they oppose a 'nomothetic' approach to methodology, which assumes that researchers are essentially discoverers of 'natural' phenomena, and that adherence to systematic protocol and technique will eliminate all biases from the research process (Burrell and Morgan, 1979: 6).
2. The separation of the researcher (subject) and the phenomena under investigation (object) is not feasible. According to constructivists, the philosophical positions held by researchers determine their findings. This approach was popularized by the sociological treatises of Berger and Luckman (1966), and further defined as social constructionism (Gergen, 1995). Indeed, many organizational theorists have adopted this approach to suggest that organizational 'reality' (Astley, 1985) or the truth that academic disciplines avow (Canella and Paetzold, 1994) is socially constructed.
  3. The separation between theory and practice is equally unfeasible. This contention by constructivists effectively negates the issue of whether theory drives practice or vice versa. Constructivists believe that theory and practice are fundamentally interlinked. This particular insight is especially important for applied fields like strategy where, often, events in the performative realm of organizations move faster than the theories in the field. According to constructivists, *practice* exists both before and after *theory*. As Butts and Brown (1989) theorize, there exists a phase of pretheoretical

praxis that leads to the formalization of theory, and ultimately guides future praxis.

In one of the few works that explicitly details the potential role of constructivism in strategic management, Scherer and Dowling (1995) deploy constructivism to reconcile theory pluralism in strategic management. The authors study the literature on strategic control systems and demonstrate that many of the suggested theories of strategic control are either empirically inapplicable or may be applicable in multiple ways, which are mutually incompatible (pp. 203–204). They suggest that this problem can only be resolved when (a) researchers cease to derive their authority from being observers and acknowledge that they are participants in the processes they study (p. 230) and (b) abstraction and conflict are encouraged in the decision process.

4. Researchers are never 'objective' or value-neutral. Constructivists subscribe to the view that theory is discursive and power-laden. They suggest that theories are transmitted across space and time through discursive practices. Institutions are the sites where discourses produce communities of agreement (Von Glaserfeld, 1995). In the context of our field, therefore, as teachers of strategy, we need to make explicit the contingent, political, and fragmented character of our theories, if our aim is to produce a community of inquiring subjects (students).

Taking this issue a step further, some constructivists suggest that the institutional process is hegemonically deployed to create theories that suit sectional interests (Burchell, Gordon, and Miller, 1991). To such constructivists, theories are little more than reflections of the dominant power interests of their time.

5. Research occurs within a 'community' of scholarship where mutually held assumptions are deployed to create 'conversations.' One of the most striking examples of empirical research from the constructivist perspective comes from Latour and Woolgar (1989), who in their book *Laboratory Life: The Construction of Scientific Facts* examine the manner in which scientific research in laboratories, often accorded a high 'objective' status, is socially constructed. Latour and Woolgar demonstrate that 'the construction of scientific facts, in

particular, is a process of generating texts whose fate depends on their subsequent interpretation' (p. 273). Similar analyses of the philosophical assumptions of scientific research have led to a variety of scholars advocating a more constructivist interpretation of science (Bloor, 1976; Knorr-Cetina, 1983).

6. Constructivism constitutes a 'methodology.' Constructivism has been conceptualized as a *methodology*, which is distinct from a *method*. A method is a tool or a technique that is used in the process of inquiry. In contrast, a methodology may be regarded as an 'intricate set of ontological and epistemological assumptions that a researcher brings to his or her work' (Prasad, 1997: 2). The distinction between methodology and method is not a trivial one. As Machlup (1978) suggests, methodology represents the doctrine of systematic forms of thought, and in order to be clear researchers need to be explicit about their choice of methodology. Thus, a researcher who is anchored in constructivist methodology may employ a variety of methods including statistical analysis (e.g., Fligstein, 1991) just as a researcher employing a realist methodology may use qualitative research (e.g., Eisenhardt and Bourgeois, 1988).

While the above represent shared traditions of constructivism, there are many subfields within constructivism, based on the subjects chosen for analysis.<sup>1</sup> They share most of the general assumptions of constructivism, but choose to focus on different aspects of the problem. Murphy and Rhaume (1997) identify a number of traditions within constructivism, including the radical, the physical, the evolutionary, the postmodern, the social, and the information processing (see Pravat, 1996, for a detailed taxonomy).

The basic assumptions of constructivism are laid out in Table 1. As the table shows, the constructivist perspective has found empirical and theoretical support in the strategy field as well.

<sup>1</sup> For instance, Bas van Fraassen (1984) has posited an alternative to realism, which he calls 'constructivist empiricism.' He suggests that the aims of science can be well served without having to declare research as 'true.' He argues that 'the language of science should be literally construed, but its theories need not be true to be good' (p. 251). In saying this, van Fraassen is taking a position that the realist perspective is a useful contingency but does not apply universally.

For instance, Elsing, Jensen, and Money (1996) identify the theory-laden elements of strategy research, Scherer and Dowling (1995) comment on the spuriousness of the distinction between theory and practice, and Shrivastava (1985) explores the discursive, institutional, and ideological basis of strategy research.

In the natural sciences, constructivist perspectives have found advocates in mathematics (Steffe, 1991), physics (De Marchi, 1993), chemistry (Woolf, 1981), and biology (Myers, 1990). In the social sciences, constructivist approaches to economics (Resnick and Wolff, 1987), anthropology (Weiss and Haber, 1999), sociology (Unger, 1987), political science (Gibson-Graham, 1996), psychology (Neimeyer and Mahoney, 1995), and education (Fosnot, 1996) form important conversations in these respective fields.

## THE VALUE OF CONSTRUCTIVISM IN STRATEGY RESEARCH

In order to clarify the utility of a constructivist methodology in strategic management, perhaps it would be easiest to contrast it with another significant methodology in order to determine whether the adoption of a constructivist methodology helps add to our understanding of important strategic issues. As suggested by Godfrey and Hill (1995), the *realist* paradigm has been prominent in the field of strategy.

The realist tradition suggests that things exist independently of their being theorized or experienced, and that unobservable phenomena may be considered valid as long as they explain the existence or continuation of observable phenomena (Tooley, 1987). For example, the notion of gravitation, by definition an unobservable entity, could be sustainable as long as it explained various natural phenomena such as the perpetual falling of objects earthward.

The realist tradition has many antecedents, but its ancestry may be traced back to the works of Kant, who posited the existence of an *a priori* reality, which existed independently of our comprehension of it. The following assertions characterize some of the important underlying principles of realism (for a comprehensive list, see Leplin, 1984: 1–2):

- the best theories are those that are close to the truth;

Table 1. Theoretical and empirical traditions of constructivism

Type of constructivism	Main theoretical point	Main theorists	Theorists in strategy/OT
Phenomenological	The distinction between epistemological relativism (acceptable) and ontological relativism (unacceptable)	Berger and Luckman (1966) Gergen (1995)	Elfing, Jensen, and Money (1996) Astley (1985)
Erlangen	The mutually constitutive character of theory and practice	Butts and Brown (1989)	Scherer and Dowling (1995)
Discursive	The notion of 'truth' as a power-laden construct	Foucault (1983) Von Glaserfeld (1995)	Shrivastava, (1985)

- the truth of a theory explains (and is the only explanation of) its predictive validity;
- we are moving progressively towards a true account of phenomena;
- the claims made by any theory are either true or false; and
- only through the deployment of 'reason' can a theory be proven or refuted.

Realist perspectives have added substantially to our understanding of the fundamental issues in strategic management. Within strategy research, Montgomery *et al.* (1989: 189) invoke realism in their critique of strategy content research. Their assertions are based on the assumption that 'the research process is a continuous expansion of knowledge involving the generation, refutation and application of theories.' Making the position even more explicit, Godfrey and Hill (1995: 531–532) try 'to build a case for taking a realist position, for we believe that doing so offers the *only* way forward for a field such as strategic management' (emphasis added).

These explicit positions apart, many of the more recent theories of the firm that have significantly influenced strategic management research are based on realist assumptions. The most prominent among them are transaction cost economics, where unobservable constructs such as opportunism are used to explain the existence of firms, and agency theory, which is predicated upon the unobservability of the choices made by agents as well as the unobservability of the utility functions of the principals and agents. The resource-based view of the firm, which has contributed significantly to our understanding of interfirm performance heterogeneities in markets where factors of production are relatively mobile, is also depen-

dent on the premise that the firm is able to keep its resource configurations unobservable (Godfrey and Hill, 1995). Typologies of strategic action such as those developed by Miles and Snow (1978) and Porter (1980) are based on realist premises; the various strategic positions taken by firms may be operationalized in a variety of ways, but are themselves unobservable.

In a constructivist tradition, where rules and principles are seen as socially generated and articulated through symbols, the strategic manager may be seen more as an *actor* than as a processor or a reactor. The manager is an active participant in the construction of his/her own environment. The actors generate elements of this environment through organizational routines, rhetorical devices, shared values and ceremonies. Sometimes, they manage to create a variety of organization-sustaining routines and ceremonies that lead to success (Meyer and Rowan, 1977). At other times, they only end up fostering a sense of crisis in their organization (Nystrom and Starbuck, 1984). In all these cases, there are multiple realities at work within organizations, all of them the product of social exchange between organizational actors (Gergen and Thatchenkery, 1996). Indeed, managers who recognize multiple realities at work within the organizational setup have been known to deploy them simultaneously to organizational advantage (Burgelman, 1983).

How can the principles of constructivism be applied to a field as 'applied' as strategic management? In order to answer this question, we must first make a key differentiation between ontological and epistemological relativism—a distinction that was made explicit by Donald Campbell, who dealt with this issue in *Methodology and Epistemology for Social Science*

(1988). In his analysis of the act of theory building, Campbell (1988: 507) goes so far as to state that 'any theory of how science could produce beliefs of improved "truth" or competence in reference, will have to be sociological in considerable part and will have to be epistemologically relativistic.' At the same time, Campbell draws very strict boundaries around his relativism. In another section of the book, he declares, 'while I am a thoroughgoing epistemological relativist, I reject ontological relativity ... evolutionary epistemology has in it an unproven assumption of a(n external) real world'.

Drawing on this discussion by Campbell, we may resolve this tension between ontological and epistemological issues by a  $2 \times 2$  matrix as depicted in Figure 1.<sup>2</sup> As seen here, constructivism is not a binary opposite of realism, but a condition where some of the precepts of realism are adhered to, while others are not.

In strategy research, as in most fields, it makes obvious sense to hold on to a notion of ontological realism—one where the *existence* of phenomena themselves is taken for granted. For instance, one does not need to argue that people working together produce tangible things like cars and insurance policies. The problem comes when theorists begin to extend this realism into the epistemological realm, assuming that the theories we use to explain phenomena are themselves nothing more than mirrors of reality (Rorty, 1979). In other words, while the existence of a car is no social construction, its utility is socially produced. There is nothing immanent or permanent about

the utility function of a car, nor is there anything permanent about a concept in strategic management like the experience curve or the differentiation strategy.

Realists extend their premises of universality into the epistemological realm. They thus make a variety of assumptions that are rarely justified or even made explicit. For example, many realist theories of strategic management assume the existence of an overt organizational identity. They view the organization as an entity which is efficiency-oriented, maximizes its potential, and is governed by a single organizational reality (Zey-Ferrell, 1981). Such a view implicitly denies the possibility of the existence of multiple realities (Weick, 1976) in organizations. Thus, when realists treat organizations as singular entities, their research encounters three major problems:

- Researchers treat theories as a measure of 'the reality out there,' rather than as a product of their authors' imaginations. For instance, a construct like 'differentiation strategy,' which is essentially a product of Michael Porter's ideas (which he in turn appropriated from the works of Edward Chamberlain and Joan Robinson), begins to gain the status of an intrinsic concept, like a 'truth' that was 'discovered' by Porter, rather than as a formalization of Porter's thoughts.
- The points of view of certain subgroups in organizations get totalized as organizational 'reality.' For example, agency theorists represent the interests of principals as organizational interests. Strategy content researchers use ROE as a measure of performance, thereby representing capital market stakeholders as the sole stakeholders of the firm.
- Finally, researchers write their presence completely out of the research, in an attempt to give an objective character to their accounts. Readers rarely get any glimpses into the 'messy' part of the research, the motivations of the researcher, the compromises that were made during the research process, or the specific circumstances that drove it in unique directions.

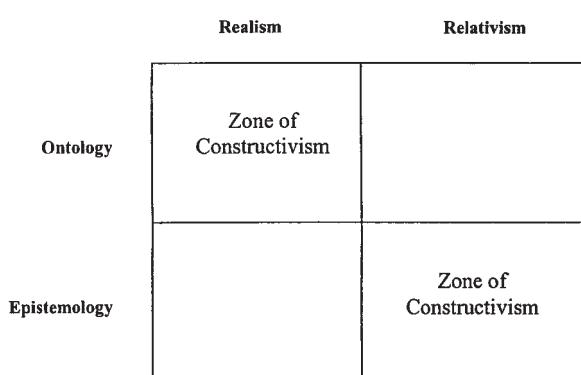


Figure 1. The zone of constructivist methodology

<sup>2</sup> We are indebted to an anonymous reviewer for this framework.

Thus, while realist premises have helped us illuminate the various facets of strategy research, when deployed inflexibly, they have also obfuscated many aspects of strategy by not considering the socially constructed aspects of strategy.

However, this identification of some of the inadequacies of the realist paradigm must not be seen as a critique of realism itself. Nor must it be seen as an assumption that strategy research is devoid of constructivism. There have been several instances in the field where the conclusions of researchers paint a constructivist picture of organizations and their environments. For instance, research in crisis management suggests that crises are often created not by the external environments, but by important organizational actors who choose to define certain events as moments of crisis (Nystrom and Starbuck, 1984). Similarly, research in environmental turbulence (Cameron, Kim, and Whetten, 1987) suggests that actions of top management teams send powerful signals to organizational constituents, and may precipitate employee action that contributes to environmental turbulence. Similar kernels of constructivism can be found in the work of Doz (1996), who studied the evolution of cooperation in strategic alliances. Likewise, Simons (1994) studied the process by which control systems were innovatively used by new top managers as levers of strategic renewal, while Manknight (1995) offered a constructivist focus in his case study of the transformation of an ethnocentric firm. In all these studies, we find that organizational policies, strategies, and cultures are constructed through social interaction—and not by the discovery of some immanent or intrinsic theory.

Constructivist arguments have also been used to contest existing and established theories of firm actions. For instance, one of Hamel and Prahalad's (1989) arguments against the industry structure paradigm is that it has been tried (in the form of business unit strategies, etc.) and failed (in the form of low performance). In critiquing the industry structure paradigm, they acknowledge that it has achieved legitimacy among managers. They hence acknowledge that a practice of management based on the industry structure paradigm has been *constructed*, and is perhaps now ripe for replacement by another similarly constructed practice.

## TOWARD A CONSTRUCTIVIST AGENDA FOR STRATEGY

Since our intent is to be constructive as well as constructivist, we conclude by identifying tech-

niques that may lay the foundation for a constructivist agenda for strategic management research. There are several research techniques that are explicitly suitable for constructivist inquiry. These include ethnography (e.g., Barley, 1988; Garsten, 1994), institutional analysis (e.g., Fligstein, 1991; Swaminathan, 1996), textual analysis (e.g., Calás and Smircich, 1991), appreciative inquiry (e.g., Cooperrider and Srivastva, 1987), and historical analysis (e.g., Pettigrew, 1985; Stone, 1974).

The above techniques have specifically been used by constructivists, but as we have stated before, constructivism is more about methodology than method. The choice of methods and techniques is an issue that is not related to the methodological discussion we undertake. In particular, as demonstrated earlier, quantitative methods (e.g., statistical analysis) may be deployed within a constructivist methodology. Similarly, qualitative methods may be deployed within a realist methodology. The key point of departure for the constructivist perspective is at the level of assumption, rather than at the level of technique.

In order to demonstrate the 'doing' of constructivist research, we focus on one technique, historical analysis, and discuss how it throws up different findings when deployed from a constructivist perspective.

### Historical analysis

Realist research in strategy often portrays a linear and singular view of organizational history. Hurst (1986: 15) suggested that in its static assumptions the field has been guilty of 'imposing a historical pattern of reality such that unless the world stays very stable, this pattern may not be appropriate in the future.' In arguing for history to be used as a predominant mode of inquiry into organizational life, Barrett and Srivastva (1991: 240) suggest that all organizational activity contains the stamp of past events, not as mere artifacts, but as vibrant and penetrating influences on the organization's present and future.

Historical analysis has had distinguished precedents in strategy research, especially in some of the works of Alfred Chandler, who has shown that institutions and the innovations produced by them are products of their own peculiar histories. Chandler sounds explicitly constructivist when he

critiques business research, claiming that it has 'viewed big business as static and has only rarely considered the questions of why and how the modern business enterprise developed' (Chandler, 1980: 2).

In order to clarify the distinction between realism and constructivism, and to identify the way in which constructivist research sheds light on the areas that realism ignores, let us consider an example of research done on a particular topic—that of the M-form corporation. Its emergence into prominence in the U.S. industrial landscape was recorded primarily through constructivist historical analysis (Chandler, 1962). In this initial research, Chandler was careful to record the various historical twists and turns that led to the emergence of the M-form corporation. In particular, he documented the transformation of world markets after World War I and the emergence of stock markets as some of the key events that led to the emergence of this industrial form. Subsequently, researchers have used the issue of historical context to theorize the limits of growth of diversified firms (Ollinger, 1994), or its emergence from its general origins into specific formations such as a network-based (n-form) structure (Hedlund, 1994).

As the M-form organization began to take root in the United States, researchers found it to be more efficient as a resource-allocating device than other organizational forms (Hitt, Hoskisson, and Ireland, 1990). At the level of practice, firms across the country began to adopt the multidivisional structure. Subsequently (and perhaps as a consequence), researchers attempted a generalized theory of the M-form organization as an efficient organizational structure (Williamson, 1975; Bartlett and Ghoshal, 1993). However, over the past two decades, research on the multidivisional corporation has tended to get disembedded from its context. Researchers now routinely proceed on the assumption that M-form organizations are inherently efficient because they provide some intrinsic value to the firm (Liedtka, 1996; see Hoskisson, Hill, and Kim, 1993, for a counterpoint). The default theory of the intrinsic superiority of the M-form corporation became an implicit assumption in mainstream strategy research. Subsequent researchers (e.g., Nohria and Ghoshal, 1994) did not even bother to assert this in their extrapolations on how the M-form could be made more efficient in a variety of contexts.

Historical research on the M-form organization from a realist perspective has tended to suggest that the emergence of the multidivisional corporation was a historical inevitability, necessitated by the emergence of efficient stock markets (Sloane, 1980), the failure of contractual mechanisms, and the efficiencies associated with the division of managerial labor (see Kristensen, 1996, for a critique). Moreover, researchers predicted that the M-form corporation would supplant all other corporate styles, be it the European holding company, the Japanese keiretsu or the Korean chaebol, and become a universal organizational structure (Pavan, 1976; Scott, 1973). Meticulous studies about the ascendancy of the M-form corporation in the United States (Rumelt, 1974) were indiscriminately applied to other contexts, and even historical theorists like Chandler replaced their earlier circumspection with a universalism (Chandler, 1982), implying that the efficiency of the M-form corporation made it inevitable that it would become the structure of choice in Europe and Asia as well. Thus, the *ontological* reality of the emergence and spread of multidivisional corporations in the United States slowly gave way to an *epistemological* inflexibility that celebrated the M-form corporation as inherently superior to other organizational forms, irrespective of context.

In such a situation, historical analysis from a constructivist perspective has the potential to bring the issue of context back into the picture, and to imbue strategic research with more effectiveness. Constructivist historical analyses of the M-form corporation can be done in two ways. The first way would be to uncover the specific historical and discursive circumstances in which the M-form corporation emerged in the United States. This would have the effect of 'localizing' the phenomenon within the context of time, space, and history. The second would be to examine the survival of non-M-form organizations in other parts of the world, and examine the historical reasons as to why they persist and outperform M-form corporations in their regions.

In an example of the first perspective, Kaufman, Zacharias, and Karson (1995) historicize the story of corporate control in the United States through an examination of several contextual factors. These researchers have chosen to focus on the way the M-form corporation emerged into U.S. history as a consequence of several unique

internal factors. For example, they study how the movement from state to federal regulation in the late nineteenth century led to the constitutional acceptance of the corporation in a manner that was peculiar to the United States (and different, say, from European firms). They analyze legal documents from the period to demonstrate how through a series of precedent setting court rulings the social liability of the firm was limited, which speeded up the separation between ownership and control in the United States. From this analysis, they conclude that the ascendancy of the Jeffersonian idea of functional administration over Hamilton's more ideological conception of administration led to the emergence of corporate law that emphasized contractual relations over matters of trust. They theorize that these factors in combination set the stage for the emergence of 'a dynamic model of a flexible set of labor, consumer, creditor and investor transactions coordinated by managers and adjusted by public institutions ... generating the corporate system's wealth' (p. 47). In their historical analysis, Kaufman *et al.* use archival information, texts (predominantly legal material), and public documents to tell a comprehensive story of how the M-form corporation was historically linked to events that were specific to the United States. As can be observed from this, the constructivist perspective represents a way of conducting *research* into the phenomena (in this case, the M-form corporation), rather than a definitive perspective on the phenomena themselves. In other words, the rise and emergence of the M-form corporation in the United States has nothing to do with realism or constructivism. However, there are substantial differences in the way this phenomenon can be studied from the realist and constructivist perspectives. This leads to a substantially different set of results being foregrounded by these perspectives.

Similarly, there are several constructivist examples of research on the M-form corporation from the second perspective. For instance, there have been several historical studies that have analyzed the structure of Asian organizations. Many of these theorists have concluded that the phenomenon of networked firms is extremely efficient for Japanese and Korean societies, because their structure and functioning are closely linked to the larger systems of Japanese and Korean societies (see Shiba and Shimotani, 1997,

for a comprehensive analysis of Asian business forms, including a detailed case study of Samsung, the large Korean chaebol, and Miyashita and Russell, 1994, for a detailed historical analysis of a keiretsu). This tradition of linking a relatively micro phenomenon (corporate governance) to a more macro phenomenon (social structure) is an important element of constructivist methodology.

In a similar vein, constructivists could study the M-form corporation by examining the survival and persistence of the holding company in Europe (Mayer and Whittington, 1996). A conglomerate structure which is essentially a loosely held group of independently operating companies, the holding company, has persisted in the European context, and continues to do so even in the face of the tremendous industrial restructuring that is going on across the continent in anticipation of the EU. In their analysis, Mayer and Whittington (1996) provide a critique of what they call the 'Harvard accounts' of European industry structure, citing U.S. scholars who had predicted the ascendancy of the M-form structure all over Europe (Pavan, 1976; Scott, 1973). These researchers were so impressed by the success of the M-form corporation in the United States that they confidently predicted the dominance of the M-form corporation (and the consequent demise of the holding company) as a historical inevitability. Constructivists like Mayer and Whittington (1996) take the persistence of the holding company in Europe as the starting point of their research. They then proceed to examine specific examples of this phenomenon. In this case, the authors undertake case studies of successful European companies such as Röchling of Germany and Elf Aquitaine of France. They find that specific contingencies of national history have led to the survival and success of these firms. In a typical constructivist turn, they clearly describe the theoretical lens through which they examine their data, in this case, social-choice models of institution theory. Thus, they come to a theory-guided conclusion that the dictates of economic efficiency can be subverted by actors such as the state, entrepreneurs, and family structures. Such findings are not unique. In a similar analysis, Piore and Sabel (1984) had found that familial governance structures in 'Third Italy' were far more effective as governance mechanisms than traditional ones such as the market for corporate

control. As the researchers found, familial relationships persisted and were effective not only in traditional industries such as footwear, but also in sophisticated and high-tech industries across the region. These relationships ensured that firms collaborated with each other based on trust and emotional relatedness, thereby totally altering the formal concept of firm boundaries that the transaction cost perspective suggests.

Taken together, research conducted from constructivist perspectives has been able to illuminate a different aspect of the M-form corporations. It suggests that despite the phenomenal success in the United States, the M-form corporation is perhaps not the default template for efficient organizational structure. In different contexts, different structures work better for organizations. This is a good example of how a problem that is inadvertently created by the misapplication of realist research can be resolved by recourse to constructivist methods.

Historical analysis has been the basis for the emergence of many of the critical insights in strategy research, and has profound potential to add validity to the process of strategic inquiry. However, our purpose in highlighting this technique has been to point to its deployment *from a constructivist perspective*. Constructivist historical analysis helps us place theories in context, rather than turn them into axioms that transcend the confines of time and space.

## CONCLUSION

To conclude, constructivist methodologies work at the level of assumptions, rather than at the level of technique. They bring those assumptions made by the researcher into the foreground that other methodologies are silent on. They are thus able to provincialize their results—thereby leading to a more focused applicability, as well as helping the researcher and practitioner avoid the perils of overgeneralization.

We have made the case that research, and in particular strategic management research, is a public, social practice, and hence that knowledge is the product, not of isolated individuals, but of intersubjective relations between members of research communities. We have argued that constructivism is a useful methodological frame of reference to make sense of strategy. We compare

the constructivist perspective with the realist perspective, whose importance to the field of strategic management has already been emphasized (Godfrey and Hill, 1995). We argue that a healthy mix of realist and constructivist perspectives will help strategy researchers address issues that a purely realist perspective misses. In particular, constructivism will help us understand the context-driven nature of strategy, and the active role of the researcher in shaping a theoretical perspective. As a way to demonstrate that, we have discussed how historical analysis from a constructivist perspective can help us utilize a useful concept like the M-form corporation in context, and prevent us from turning it into an unworkable universalism.

In an earlier work, Smircich and Stubbart (1985) had identified three models of environments available to strategic management scholars and practitioners: an *objective* environment which is sustained on the premise of a sharp organization–environment dichotomy, a *perceived* environment which is based on a notion that research needs to identify the environment from a variety of fuzzy perceptions, and an *enacted* environment which suggests that organizational–environmental dichotomies are experienced in organizational settings, not through an act of *perception*, but through an act of *construction*. Constructivist theories of strategy research focus on this third type of environment. They offer excellent opportunities to strategy theorists to make linkages between organizational realities and larger social systems and to study the contingent conditions under which strategy research may be transferred across time and space. Constructivist methodology can be used to examine past theories, and to prevent their findings from being overgeneralized and universalized. Constructivist theories decenter the concept of a ‘natural’ organizational science, but do not blindly embrace a philosophy of relativism. They formulate a middle path, which is consistent with other formulations such as a ‘quasi-natural’ organization science (McKelvey, 1997)—one which recognizes the contingent nature of organizational systems without refuting them.

Future research in strategic management, if conducted from a constructivist perspective, could offer several innovative insights for theorists as well as practicing managers. Principally, it would have the effect of linking theory to context, and

answer important questions about the applicability of past theories to present situations. For example, a constructivist analysis of the concept of strategic groups—a concept that emerged into prominence in the late 1970s and early 1980s, could help us understand how the research findings on strategic groups may be deployed in the volatile industrial landscape of the twenty-first century. It would help us rethink strategic issues such as barriers to entry, economies of scale and the merits of competition *vis-à-vis* cooperation. Similarly, a constructivist analysis of the theory of the firm—one which takes larger social phenomena such as globalization into account—may provide valuable insight for corporations which operate in several countries, and suggest maintaining their boundaries in an atmosphere of myriad networks, alliances, and other heterogeneities.

Research on all these important research questions needs to be sought, keeping issues of methodology at the forefront. Clearly, there is a lot of future theoretical and empirical work that we need to conduct from the constructivist perspective. Strategy research has always been blessed with a constructivist tradition, but perhaps it is time this tradition moved into the mainstream and displaced ahistorical cross-sectional research.

## REFERENCES

- Astley WG. 1985. Administrative science as socially constructed truth. *Administrative Science Quarterly* **30**: 497–513.
- Barley SR. 1988. The social construction of a machine: ritual, superstition, magical thinking and other paradigmatic responses to running a CT scanner. In *Knowledge and Practice in Medicine: Social, Cultural and Historical Approaches*, Lock M, Gordon D (eds.). Kluwer/Academic Press: Boston, MA; 497–540.
- Barrett FJ, Srivastva S. 1991. History as a mode of inquiry into organizational life: a role for human cosmogony. *Human Relations* **44**: 231–254.
- Bartlett C, Ghoshal S. 1993. Beyond the M-form: toward a managerial theory of the firm. *Strategic Management Journal*, Winter Special Issue **14**: 23–46.
- Bauerschmidt A. 1996. Speaking of strategy. *Strategic Management Journal* **17**(8): 665–667.
- Berger PL, Luckman T. 1966. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. Doubleday: Garden City, NY.
- Bloor D. 1976. *Knowledge and Social Imagery*. Routledge & Paul: Boston, MA.
- Boyd R. 1991. On the current status in scientific realism. In *The Philosophy of Science*, Boyd R, Gasper P, Trout JD (eds.). MIT Press: Cambridge, MA; 195–212.
- Burchell G, Gordon C, Miller P. 1991. *The Foucault Effect: Studies in Governmentality*. University of Chicago Press: Chicago, IL.
- Burgelman RA. 1983. A model for the interaction of strategic behavior, corporate context, and the concept of strategy. *Academy of Management Review* **8**: 61–70.
- Burrell G, Morgan G. 1979. *Sociological Paradigms and Organisational Analysis: Elements of the Sociology of Corporate Life*. Heinemann: London.
- Butts RE, Brown JR. 1989. *Constructivism and Science: Essays in Recent German Philosophy*. Kluwer: Dordrecht, Netherlands.
- Calás MB, Smircich L. 1991. Voicing seduction to silence leadership. *Organization Studies* **12**: 567–603.
- Cameron KS, Kim MU, Whetten DA. 1987. Organizational effects of decline and turbulence. *Administrative Science Quarterly* **32**: 222–240.
- Campbell DT. 1988. *Methodology and Epistemology for Social Science: Selected Papers*. University of Chicago Press: Chicago, IL.
- Canella AA, Paetzold RL. 1994. Pfeffer's barriers to advance of organizational science: a rejoinder. *Academy of Management Review* **19**(2): 331–341.
- Chandler AD. 1962. *Strategy and Structure: Chapters in the History of American Enterprise*. MIT Press: Cambridge, MA.
- Chandler AD. 1980. *Managerial Hierarchies: Comparative Perspectives on the Rise of the Modern Industrial Enterprise*. Harvard University Press: Cambridge, MA.
- Chandler AD. 1982. The M-form: industrial groups, American style. *European Economic Review* **19**: 3–23.
- Cooperrider DL, Srivastva S. 1987. Appreciative inquiry in organizational life. In *Research in Organizational Change and Development*, Woodman RW, Pasmore WA (eds.). JAI Press: Greenwich, CT; 141–161.
- De Marchi N. 1993. *Non-Natural Social Science: Reflecting on the Enterprise of more Heat than Light*. Duke University Press: Durham, NC.
- Doz YL. 1996. The evolution of cooperation in strategic alliances: initial conditions of learning processes?. *Strategic Management Journal*, Summer Special Issue **17**: 55–84.
- Eisenhardt KM, Bourgeois III LJ. 1988. Politics of strategic decision making in high-velocity environments. *Academy of Management Journal* **31**: 737–770.
- Elfing T, Jensen HS, Money A. 1996. *Theory Building in the Business Sciences*. Copenhagen Business School Press: Copenhagen.
- Ernest P. 1995. The one and the many. In *Constructivism in Education*, Steffe L, Gale J (eds.). Erlbaum: Hillsdale, NJ; 459–486.
- Fligstein N. 1991. The structural transformation of American industry: an institutional account of the causes of diversification in the largest firms, 1919–

1979. In *The New Institutionalism in Organizational Analysis*, Powell WW, DiMaggio PJ (eds.). University of Chicago Press: Chicago, IL; 135–161.
- Fosnot CT. 1996. *Constructivism: Theory, Perspectives, and Practice*. Teachers College Press: New York.
- Foucault M. 1983. The order of discourse. In *Language and Politics*, Shapiro MJ (ed.). New York University Press: New York; 112–127.
- Garsten C. 1994. *Apple World: Core and Periphery in a Transnational Organizational Culture*. Department of Social Anthropology, Stockholm University: Stockholm.
- Gergen KJ. 1995. Social construction and the education process. In *Constructivism in Education*, Steffe LP, Gale J (eds.). Erlbaum: Hillsdale, NJ; 17–40.
- Gergen KJ, Thatchenkery TJ. 1996. Organization science as social construction: postmodern potentials. *Journal of Applied Behavioral Science* **32**: 356–377.
- Gibson-Graham JK. 1996. *The End of Capitalism (as we knew it): A Feminist Critique of Political Economy*. Blackwell: Cambridge, MA.
- Godfrey PC, Hill CWL. 1995. The problem of unobservables in strategic management research. *Strategic Management Journal* **16**(7): 519–533.
- Hamel G, Prahalad CK. 1989. Strategic intent. *Harvard Business Review* **67**(3): 63–76.
- Hedlund G. 1994. A model of knowledge management and the N-form corporation. *Strategic Management Journal*, Summer Special Issue **15**: 73–90.
- Hitt MA, Hoskisson R, Ireland D. 1990. Mergers and acquisitions and managerial commitment to innovation in M-Form firms. *Strategic Management Journal*, Summer Special Issue **11**: 29–47.
- Hoskisson RE, Hill CWL, Kim H. 1993. The multidivisional structure: organizational fossil or source of value? *Journal of Management* **19**: 269–298.
- Hurst DK. 1986. Why strategic management is bankrupt. *Organizational Dynamics* Autumn: 4–27.
- Kaufman A, Zacharias L, Karson M. 1995. *Managers vs. Owners: The Struggle for Corporate Control in American Democracy*. Oxford University Press: New York.
- Knorr-Cetina K. 1983. The ethnographic study of scientific work: towards a constructivist interpretation of science. In *Science Observed: Perspectives on the Social Study of Science*, Knorr-Cetina KD, Mulkay M (eds.). Sage: Beverly Hills, CA; 115–140.
- Kristensen P. 1996. Variations in the nature of the firm in Europe. In *The Changing European Firm*, Whitley R, Kristensen P (eds.). Routledge: New York; 1–37.
- Kuhn T. 1970. *The Structure of Scientific Revolutions*. University of Chicago Press: Chicago, IL.
- Latour B, Woolgar S. 1989. *Laboratory Life: The Construction of Scientific Facts*. Princeton University Press: Princeton, NJ.
- Law J. 1992. Notes on the theory of the actor-network: ordering, strategy and heterogeneity. *Systems Practice* **5**: 379–393.
- Leplin J. 1984. Introduction. In *Scientific Realism*, Leplin J (ed.). University of California Press: Los Angeles, CA; 1–7.
- Liedtka JM. 1996. Collaboration across lines of business for competitive advantage. *Academy of Management Executive* **10**(2): 20–37.
- Machlup F. 1978. What is meant by methodology: a selective survey of the literature. In *Methodology of Economics and Other Social Science*, Machlup F (ed.). Academic Press: New York; 1–15.
- Malknight TW. 1995. Globalization of an ethnocentric firm: an evolutionary perspective. *Strategic Management Journal* **16**(2): 119–142.
- Mayer M, Whittington R. 1996. The survival of the European holding company: institutional choice and contingency. In *The Changing European Firm*, Whitley R, Kristensen P (eds.). Routledge: New York; 87–111.
- McKelvey W. 1997. Quasi-natural organization science. *Organization Science* **8**: 352–380.
- Meyer J, Rowan B. 1977. Institutionalized organizations: formal structure as myth and ceremony. *American Journal of Sociology* **83**: 340–363.
- Miles RE, Snow CC. 1978. *Organizational Strategy, Structure, and Process*. McGraw-Hill: New York.
- Miyashita K, Russell DW. 1994. *Keiretsu: Inside the Hidden Japanese Conglomerates*. McGraw-Hill: New York.
- Montgomery CA, Wernerfelt B, Balakrishnan S. 1989. Strategy content and the research process: a critique and a commentary. *Strategic Management Journal* **10**(2): 189–197.
- Murphy E, Rhaume J. 1997. *Constructivism: From Philosophy to Practice*. Internet site: <http://www.stemnet.nf.ca/~elmurphy/emerphy/cle.html>.
- Myers G. 1990. *Writing Biology: Texts in the Social Construction of Scientific Knowledge*. University of Wisconsin Press: Madison, WI.
- Neimeyer RA, Mahoney MJ. 1995. *Constructivism in Psychotherapy*. American Psychological Association: Washington, DC.
- Nelson C. 1994. How could scientific facts be socially constructed? *Studies in History and Philosophy of Science* **25**: 535–548.
- Nohria N, Ghoshal S. 1994. Differentiated fit and shared values: alternatives for managing headquarters–subsidiary relations. *Strategic Management Journal* **15**(6): 491–502.
- Nonaka I. 1998. The concept of ‘ba’: building a foundation for knowledge creation. *California Management Review* **40**(3): 40–54.
- Nystrom PC, Starbuck WH. 1984. To avoid organizational crises, unlearn. *Organizational Dynamics* **4**(12): 53–65.
- Ollinger M. 1994. The limits of growth of the multidivisional firm: a case study of the U.S. oil industry from 1930–90. *Strategic Management Journal* **15**(7): 503–520.
- Pavan RJ. 1976. Strategy and structure: the Italian experience. *Journal of Economics and Business* **28**: 254–260.
- Pettigrew AM. 1985. *The Awakening Giant: Continuity and Change in Imperial Chemical Industries*. Blackwell: New York.
- Piore MJ, Sabel CF. 1984. *The Second Industrial Divide: Possibilities for Prosperity*. Basic Books: New York.

- Porter ME. 1980. *Competitive Strategy*. Harvard University Press: Cambridge, MA.
- Prasad P. 1997. Systems of meaning: ethnography as a methodology for the study of information technologies. In *Qualitative Methods and Information Research*, Lee A, Degross J (eds.). Kluwer: Boston, MA; 1–33.
- Prawat R. 1996. Constructivisms, modern and postmodern. *Educational Psychology* **31**: 215–225.
- Resnick S, Wolff R. 1987. *Knowledge and Class*. University of Chicago Press: Chicago, IL.
- Rorty R. 1979. *Philosophy and the Mirror of Nature*. Princeton University Press: Princeton, NJ.
- Rumelt RP. 1974. *Strategy, Structure, and Economic Performance*. Harvard University Press: Cambridge, MA.
- Schendel D. 1994. Introduction to the Summer 1994 special issue on strategy: search for new paradigms. *Strategic Management Journal*, Summer Special Issue **15**: 1–3.
- Scherer AG, Dowling MJ. 1995. Toward a reconciliation of the theory-pluralism in strategic management: incommensurability and the constructivist approach of the Erlangen school. In *Advances in Strategic Management*, Shrivastava P, Stubbart C (eds.). JAI Press: Greenwich, CT; 195–248.
- Scott B. 1973. The new industrial state: old myths and new realities. *Harvard Business Review* **51**(2): 133–148.
- Seth A, Zinkhan G. 1991. Strategy and the research process: a comment. *Strategic Management Journal* **12**(1): 75–82.
- Shiba T, Shimotani M. 1997. *Beyond the Firm: Business Groups in International and Historical Perspective*. Oxford University Press: New York.
- Shrivastava P. 1985. Is strategic management ideological? *Journal of Management* **12**: 363–377.
- Simons R. 1994. How new top managers use control systems as levers of strategic renewal. *Strategic Management Journal* **15**(3): 169–189.
- Sloane L. 1980. *The Anatomy of the Floor: The Trillion-Dollar Market at the New York Stock Exchange*. Doubleday: Garden City, NY.
- Smircich L, Stubbart C. 1985. Strategic management in an enacted world. *Academy of Management Review* **10**: 724–736.
- Spender J-C. 1996. Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal*, Winter Special Issue **15**: 45–62.
- Spivey NN. 1995. Written discourse: a constructivist perspective. In *Constructivism in Education*, Steffe LP, Gale J (eds.). Erlbaum: Hillsdale, NJ; 313–330.
- Steffe P. 1991. *Epistemological Foundations of Mathematical Experience*. Springer: New York.
- Stone K. 1974. The origins of job structures in the steel industry. *Review of Radical Political Economics* **6**: 60–112.
- Swaminathan A. 1996. Environmental conditions at founding and organizational mortality: a trial-by-fire model. *Academy of Management Journal* **39**: 1350–1377.
- Tooley M. 1987. *Causation: A Realist Approach*. Oxford University Press: New York.
- Unger RM. 1987. *False Necessity: Anti-necessitarian Social Theory in the Service of Radical Democracy*. Cambridge University Press: New York.
- Van Fraassen BC. 1984. To save the phenomena. In *Scientific Realism*, Leplin J. (ed.). University of California Press: Los Angeles, CA; 250–260.
- Von Glaserfeld E. 1995. A constructivist approach to teaching. In *Constructivism in Education*, Steffe LP, Gale J (eds.). Erlbaum: Hillsdale, NJ; 3–16.
- Weick KE. 1976. Educational organizations as loosely coupled systems. *Administrative Science Quarterly* **21**: 1–19.
- Weiss G, Haber HF. 1999. *Perspectives on Embodiment: The Intersections of Nature and Culture*. Routledge: New York.
- Williamson OE. 1975. *Markets and Hierarchies, Analysis and Antitrust Implications: A Study in the Economics of Internal Organization*. Free Press: New York.
- Woolf H. 1981. *The Analytic Spirit: Essays in the History of Science in Honor of Henry Guerlac*. Cornell University Press: Ithaca, NY.
- Zey-Ferrell M. 1981. Criticisms of the dominant perspective on organizations. *The Sociological Quarterly* **22**(Spring): 181–205.