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STRATEGIZING AS MULTI-MODAL AND
RHETORICAL DISCURSIVE PRACTICE: A CASE
STUDY OF BHP BILLITON'S FAILED ACQUISITION
OF RIO TINTO

A thesis submitted in fulfilment of the requirements for
the degree of Doctor of Philosophy.

| Maurizio Floris

Statement of Originality

This is to certify that to the best of my knowledge, the content of this thesis is my own work. This thesis has not been submitted for any other degree or any other purpose.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

A handwritten signature in black ink, appearing to read 'Maurizio Floris', written over a horizontal line.

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SUMMARY

This thesis took a discourse approach to analyze BHP Billiton's failed acquisition of Rio Tinto in 2007-08 to better understand what happens during strategizing. The research highlighted the structure and dynamics of the discourse, as well as the role of time and context in the social construction of meaning in strategizing. In doing so, the thesis provided new insights into how actors were able to influence such important strategic events.

The thesis adopted a multi-modal discourse analytic framework and analyzed media reports, corporate videos, press releases and communications to shareholders, as well as slides and full transcripts of key presentations by both BHP and Rio leadership. The analysis identified the main internal and external actors as either decision-makers (BHP's leadership, shareholders, competition regulators) or influencers (Rio's leadership, analysts, media, customers). It further identified a range of multi-modal discursive practices and rhetorical strategies that were brought to bear to negotiate the meaning of three key constructs that shaped the discourse, that is, the additional value pool, the fair share exchange ratio, and the impact on competition. Further, the findings showed how time and context were discursively constructed and influenced the meaning of the three key constructs.

These findings enabled a number of contributions to the discourse and M&A literature.

While most research into acquisition discourses has routinely ignored the pre-acquisition discourse, this thesis focused on the period preceding the transaction. An initial contribution was to show that, in a pre-acquisition discourse, external actors were not a passive audience but played a significant role as rhetor and audience. Also, while previous empirical studies of discourse have emphasized the role of language, this thesis considered multi-modal discursive practices, including speech, writing, imagery, location and calculative devices. The

thesis made a further contribution by showing how actors worked to persuade each other through multi-layered rhetorical strategies that were also brought to bear through non-linguistic modes. This contribution was extended by showing how these practices functioned as transgression markers that signaled convergence or divergence of meaning of the key constructs. A detailed analysis of calculative devices enabled further contributions. An initial contribution was that it showed how calculative devices developed as boundary objects over four stages: identification, calculation, negotiation, and objectification. Further, the thesis showed how calculative devices were imbued with logos and ethos through, for example, the calculative logic, accounting standards and data sources that were woven together in the symbolic manipulations of the device. Lastly, the thesis showed how calculative devices acted as boundary objects, and made a contribution to theory by proposing a third criterion, legitimacy, to complement widely acknowledged criteria of adaptability and commonality.

In addition to these dynamics, the thesis outlined a discursive epistemology of strategizing through its analysis of the role of time and context in the social construction of meaning in strategizing. While the role of time and context is widely acknowledged in organizational discourse, it remained unclear what was specific to *strategizing*. The thesis argued that the purpose of strategizing is to construct and negotiate new or improved options for a preferred future and the actions to bring this about, and made a contribution to a discursive epistemology of strategizing by showing how temporal and contextual work in strategizing *extends* the horizon of discourses that relate to the future and discourses that relate to the broader discourse. This reconstructs the tapestry of interwoven discourses that make up the local strategy discourse, and creates new strategic options.

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1 INTRODUCTION

1.1 BACKGROUND

What is strategizing? When I was asked this question, after having been a strategy consultant for nearly four years and having run three businesses over a 12-year period, I was stumped. I could talk about strategizing, give many examples, and even describe it for a particular purpose or position in an organization, but I could not succinctly identify what the similarities were between a CEO, an HR manager or a sales person trying to decide on their next step, all of whom might have been 'strategizing'. One of the difficulties in answering this question is that, contrary to what is sometimes suggested, strategizing is not just about competitive advantage. Further, for each of these organizational roles the situation is so completely different that they may require tailored tools and frameworks. This multitude of practical applications obscures what is, in essence, strategizing.

The desire to better understand strategizing, and not finding a comprehensive and satisfactory answer in the literature, was a major motivator for this PhD research. This thesis is a long response to that original question. A short version of that response, which emerged from an iterative process of analysis and review of the literature, is this:

Strategizing is a multi-modal discourse in which internal and external actors of an organization socially construct and negotiate options for a preferred future and a set of actions to bring about that future. This definition is applicable to different people in different roles. This thesis takes a discourse-based perspective to strategizing and will add additional theoretical and philosophical layers to this response. It does so by

providing a detailed analysis of a particular case study, anchoring it in the literature, and discussing generalized potential theoretical contributions to the literature.

This chapter will discuss how recent strategy literature, discourse literature and other complementary literatures on rhetoric, social semiotics, and the sociology of finance have informed the main purpose of this research. The research is a case study of the failed acquisition of Rio Tinto by BHP Billiton. As will be argued, this case study contributes to theory development in mergers and acquisitions (M&A) strategy as well as discourse theory. At the same time, it explores and theorizes key dimensions of an epistemology of strategizing.

1.2 ISSUES IN STRATEGY THEORY

Getting the strategy of an organization right is often considered key to organizational success. Unsurprisingly, there is a never-ending supply of recommendations on how to do this. In recent years many of these recommendations have been drawn from a range of different concepts, including developing a sustainable competitive advantage (Reed and DeFillippi, 1990); core competence (Prahalad and Hamel, 1990); resource-based strategy (Barney, 1991; Wernerfelt, 1984); SWOT analysis (Ansoff, 1965); business process reengineering (Hammer, 1990); industry structure analysis (Porter, 1980); the learning organization (Senge, 1990); creative thinking (De Bono, 1971; Pink, 2005); and Blue Ocean strategy (Kim and Mauborgne, 2005). While many of these concepts are based on solid theories or insights from practice and may find a permanent place in a manager's toolbox, others may prove to be passing management fads (Birnbaum, 2000; Mintzberg et al., 1998; Perkmann and Spicer, 2008).

In order to bring some structure to this richness, there have been efforts at a number of levels of abstraction to group different approaches to strategy development. For example, Mintzberg et al. (1998) propose ten different schools of strategic thought, and differentiate these in part on their perspective of the external environment (knowable or not) and internal processes (logical or organic). Different schools, Mintzberg and colleagues (1998) suggest, may be appropriate for different organizations, different industries or different stages of development.

More recently, a number of scholars have suggested alternative ways of categorizing different strategy approaches by looking at their theoretical and philosophical foundations. For example, Stacey (2003) groups approaches to strategy according to a variety of different system perspectives (system dynamics, open systems, cybernetic perspectives and critical systems thinking) that seem to underpin these approaches, and suggests that we should develop approaches to strategy based on complex responsive process thinking. Snowden (2007) also provides a high-level description of approaches to strategy development, differentiating between simple, complicated, complex and chaotic contexts. Others have proposed a discursive approach (Chia, 2000; Fairclough, 1992; Grant et al., 2004; Grant et al., 2001; Grant and Marshak, 2011; Hardy et al., 2000; Hardy and Phillips, 2004) or a practice approach (Chia and MacKay, 2007; Golsorkhi et al., 2010; Jarzabkowski, 2005; Jarzabkowski et al., 2007; Johnson et al., 2007; Rasche and Chia, 2009; Regner, 2003; Vaara and Whittington, 2012; Whittington, 2007) to understand what we do when we strategize. These different approaches have made significant contributions to a more critical understanding of – amongst other fields – strategizing.

While discussions about the philosophical foundations of organizational theory in general are not uncommon (Fairclough, 2005; Holt and Mueller, 2011; Miller and Tsang, 2010; Morgan, 1988; Peters et al., 2013; Reiss et al., 2008), these are much scarcer in the strategy literature, with only a handful of exceptions (see e.g. Durand, 2002 ; Kwan and Tsang, 2001; Mir and Watson, 2000, 2001; Powell, 2002). Developing an understanding of the foundations of strategy or strategizing is further hindered by an inconsistent or even confused use of philosophical concepts like ontology, epistemology, realism, constructionism and constructivism (Al-Amoudi and Willmott, 2011; Crotty, 1998; Fleetwood, 2005). This thesis will define how these terms will be used and what position is taken. Also, while each of these theorizations has some merit, something frequently appears to be lost in the process of generalization. To some extent this is implicit in a process of abstraction or generalization. However, what is not always made explicit is what is specific to *strategizing* as opposed to other organizational activities.

This thesis draws on insights into the philosophical and theoretical foundations of discourse analysis in order to explore epistemological foundations of strategizing, that is, how knowledge is created when we strategize. Before doing that, it will discuss strategy theory and practice to define what appears to be the essence of strategizing as opposed to other organizational activities. It then develops a theoretical framework for investigating a particular M&A case study in a way that keeps the essence of strategizing in focus. The resulting insights from the case study offer a number of theoretical contributions to discourse theory and M&A strategy. In addition, they enable theorizing critical dimensions of a discursive epistemology of strategizing.

It will be argued that the purpose of strategizing is to socially construct options for a preferred future, and the actions to bring about that future. Critically, as the analysis demonstrates, the number and quality of strategic options can be increased by moving in the direction of two 'horizons': looking further ahead in time and considering a broader context.

1.3 THEORETICAL FRAMEWORK AND CASE STUDY

From the outset this research was intended to be a broader research program. Its greater objective is to contribute to the development of an epistemology of strategizing. There was no assumption that this could be comprehensively realized in the context of a doctoral thesis. What was realistic was, first, to examine from a discursive analytic perspective selected elements of the dynamic of socially constructing strategic options, and second, to consider what this dynamic tells us about how we construct and negotiate meaning in strategizing. In order to do this a discursive theoretical framework was devised that draws on discourse theory as well as a range of complementary bodies of literature, including social semiotics (Iedema, 2003, 2007; Kress, 2010; Royce and Bowcher, 2006), critical perspectives on finance and accounting (Callon and Muniesa, 2005; Chua, 1995; Macintosh and Shearer, 2000; Macintosh et al., 2000; McGoun, 1997; Morgan, 1988), strategy-as-practice (Jarzabkowski, 2003, 2004; Johnson et al., 2007; Kaplan, 2007; Whittington, 1996) and rhetoric (Aristotle, 1991; Erkama and Vaara, 2010; Perelman and Olbrechts-Tyteca, 1969; Suddaby and Greenwood, 2005). A detailed analysis of selected elements of a strategy discourse has enabled this research to make

a number of contributions to areas identified in these particular literatures and to make an initial contribution towards an epistemology of *strategizing*.

A case study approach was adopted, involving a detailed examination of the failed acquisition attempt by BHP Billiton (BHP) of Rio Tinto (Rio) during 2007/08. Had the acquisition gone ahead it would have created the largest mining company in the world. Instead, BHP abandoned its attempt. The fact that BHP abandoned its acquisition of Rio makes its attempt to do so no less significant or interesting as a focus of study. Rather, the attempted acquisition can be seen as a 'snapshot' in a continuum of strategic activity, which, in recent years, has seen these two mining giants compete and, in some ventures, collaborate. The strategizing under scrutiny in this study spanned 12 months, beginning with the announcement by BHP of its intent to acquire Rio in November 2007, and ending with the announcement in November 2008 that it had abandoned the attempt. The term 'acquisition discourse' is used to refer to all actions and interactions between actors that relate to BHP's intended acquisition transaction.

The case study focuses on the acquisition discourse prior to an actual decision by shareholders and competition regulators to proceed or reject the proposed transaction. This pre-acquisition stage is of significant interest and warrants research as it may culminate in a high stakes decision that is likely to transform an acquired business, and potentially also the acquirer itself. Also, the majority of acquisitions do not create shareholder value (Vaara and Whittington, 2012), making any acquisition a high risk strategy. Consequently, once the decision is made, actors with a stake in the transaction may be locked into a path that leads to major financial consequences, with a limited ability to influence how it unfolds. This does not just include shareholders, but also for

example investment bankers, fund managers, employees (managerial or otherwise) and customers. This may create a dynamic during the pre-acquisition discourse where a broad range of actors with no formal power may try to influence and persuade decision makers to act in a way that protects their interests. Discourse analysis is well suited to offer insights into such dynamics as it takes note of the social construction of meaning in the lead up to a decision while taking account of the how actors draw on different sources of power to negotiate meaning and influence the outcome.

The theoretical framework for the case study contributes to discourse theory, studies of mergers and acquisitions (M&A), and the development of a discursive epistemology of strategizing. These contributions are discussed next.

1.4 CONTRIBUTIONS TO DISCOURSE AND M&A THEORY

Previous research has established that the performance targets and the motivation for M&A have increasingly been aligned with shareholder value (Ryan, 2012; Stewart, 1991), and coincide with the increased influence of capital market actors (Lok, 2010; Ryan, 2012). Studies of M&A that have used a discursive lens have identified how internal actors of the combined organization aim to influence the discourse in order to shape the strategy of the organization following a merger or acquisition (e.g. Halsall, 2008; Hellgren et al., 2002; Kuronen et al., 2005; Risberg et al., 2003; Vaara, 2002; Vaara and Tienari, 2011). This research shows how these transactions were justified or legitimized by actors (Halsall, 2008; Leonardi and Jackson, 2004; Vaara and Monin, 2010; Vaara and Tienari, 2002), or how success may have been discursively constructed (Hellgren et al., 2002; Vaara, 2002). Some of these studies have also sought to examine

the important role of rhetoric in this process (Halsall, 2008; Kuronen et al., 2005; Suddaby and Greenwood, 2005).

This study of BHP's attempted acquisition of Rio contributes to discursive studies of M&A by showing how key actors external to BHP, as well as actors internal to the company, influenced the pre-acquisition discourse. The study shows that external actors are not simply a passive audience, but instead play an active role in influencing the structure, meaning and outcome of discourse during the pre-acquisition stage.

The thesis makes a second contribution to discursive M&A studies by showing how both internal and external actors employed a range of multi-modal discursive practices in order to influence the meanings attached to constructs that were central to the pre-acquisition discourse. The study contributes to studies of rhetoric (Aristotle, 1991; Cheney et al., 2004; Perelman and Olbrechts-Tyteca, 1969; Suddaby and Greenwood, 2005) more broadly by showing how appeals to logos, ethos and pathos (Aristotle, 1991) were embedded in non-linguistic modes such as imagery, location and calculative devices, which emerged from the data as distinct modes used by actors during the pre-acquisition discourse.

The pervasive presence of calculative devices led to an in-depth analysis and enabled a third contribution to the literature on boundary objects. Boundary objects are discursive devices that facilitate the negotiation and collaboration of different sets of actors.

Previous research (Star & Griesemer, 1989) had identified two criteria for such objects, that is, they must offer commonality and robustness across different groups of actors, as well as the ability to localize a situation to the particular circumstances of those actors. Extending Oswick and Robertson (2009), who show that they can also enact

barricades and mazes, this research demonstrates that this suggests an additional criterion. An analysis of the role of calculative devices showed that they had to be legitimate and acceptable to key actors to be able to take on a role as boundary object. This emphasizes that these objects are not neutral but enables actors to protect their interests by structuring the discourse in line with these interests. Further, the study demonstrates how calculative devices develop as boundary objects over four stages: identification, calculation, negotiation and objectification. The effect of objectification is that the interests of key actors are increasingly obscured behind other, generally accepted discourses that are embedded in the calculative device.

This study makes a separate and fourth contribution in developing the concept of transgression markers. Transgression markers are discursively constituted and multi-modal cues from one actor that signal disagreement with another actor, who has overstepped acceptable limits for a practice or assertion. As such, transgression markers bring power to bear on the strategy of an organization and play a role in the social construction and negotiation of strategy by actors.

It is argued that paying attention to both internal and external actors, their use of multi-modal discursive practices, rhetorical strategies, boundary objects and transgression markers is critical if we are to appreciate how meaning in a local strategy discourse is constructed and negotiated. In addition to these dynamics, prior research also analyzes how meaning results from interweaving (Fairclough and Wodak, 1997) and intertextuality (Grant et al., 2005; Hardy and Phillips, 1999; Keenoy and Oswick, 2004; Oswick and Robertson, 2009; Riad et al., 2012; Vaara et al., 2006) of the local strategy discourse with discourses that relate to other times and broader contexts. As described

in the next section, this thesis argues that the specific role in strategizing of these fundamental epistemological dimensions of time and context is not well understood.

1.5 A DISCURSIVE EPISTEMOLOGY OF STRATEGIZING

This study makes a number of contributions by outlining a discursive epistemology of *strategizing*. The discursive analysis of the failed acquisition identifies how actors drew on two critical dimensions of an epistemology of strategizing: time and context. While these dimensions are well recognized in the discourse literature (e.g. Keenoy and Oswick, 2004; Sabelis et al., 2005), the thesis explores what is specific about strategizing as discourse in relation to these dimensions. These dimensions are developed as ‘horizons’. Taschdjian (1977) defines a ‘horizon [as] a boundary which moves back as we move towards it’ (in Das, 1991, p.53), implying that we can keep moving in that direction *ad infinitum*. As will be argued, epistemologically strategizing is the social construction of options for a preferred future and actions to bring about that future while moving in the direction of these horizons, namely, a time horizon and a context horizon.

Moving towards a time horizon suggests extending how far ahead we try to look when determining a preferred future and necessary actions. This does justice to strategizing as a future-oriented activity (Baghai et al., 1999; Das, 1987; Johnson et al., 2011; Mintzberg, 1994; Mintzberg et al., 1998; Mosakowski and Earley, 2000; Taschdjian, 1977; Wright et al., 1996). As the case study will show, the proposed acquisition only appears to be a potential strategic option if the time horizon is set out far enough into

the future to include accounts of projected synergies over the coming years, and far enough to include a discourse of emerging competitors.

Strategizing by expanding the contextual horizon suggests taking into account broader discourses, variously described as 'macro', 'meta', 'grand', 'capital D' or 'mega' discourses (Alvesson and Kärreman, 2000; Boje, 2001; Keenoy and Oswick, 2004; Phillips et al., 2008; Robichaud et al., 2004). The case study in this thesis illustrates an increasingly strategic perspective when comparing the perspective of a shipping manager who discusses the bottleneck of a port in exporting iron ore; the Division Head for iron ore who draws on the global iron ore market discourse; and the CEO who relates the company's overall performance in terms of a shareholder value discourse. These expansions are not necessarily sequential or linear, and while it is sometimes suggested that actors have some ability to cherry pick what other broader sets of texts they want to draw on (Fairhurst, 2011; Vaara et al., 2004), this thesis will argue that this ability is restricted by the need to cohere with the worldview of other actors (Perelman and Olbrechts-Tyteca, 1969; Suddaby and Greenwood, 2005). The case study also identifies how such a contextual horizon, if conceptualized as an actor network (Briers and Chua, 2001; Law and Hassard, 1999; Steen et al., 2006; Whittle and Spicer, 2008), can be extended by taking into account, first, external decision-makers, then influencers of these external decision-makers, and finally influencers of these influencers.

A progressive change of the discourses that are woven into a local strategy discourse by extending the time and context horizon may question taken-for-granted truths and meanings and create a fluidity that will enable subsequent recombining of that which was bracketed (Weick, 1979; Weick et al., 2005) in a different way. The more these two

horizons are extended, the greater the potential for reconstructing a very different and potentially preferable future for particular actors. While infinite regress is possible for strategizing on each of these horizons, an appropriate horizon must be tailored to the task at hand to enable convergence by actors on strategy. This conceptualization of strategizing appears to take full account of what is specific to strategizing, and can be generalized irrespective of the role or seniority of a particular actor.

In addition to these main aims, the study also shows how the acquisition discourse shaped opinions and influenced behaviours that led to material outcomes, including the failure of the acquisition attempt. In this way this study responds to Chia and Mackay's (2007) call for studies that demonstrate that strategizing as discourse can have significant material outcomes.

Table 1-1 summarizes the structure of the thesis. It lists the two questions that guided the research; the opportunities for contributions that were identified in the literature; and the contributions that this thesis offers based on the analysis of the case study.

1.6 STRUCTURE OF THIS MANUSCRIPT

The next chapter provides a review of the different bodies of literature, develops the theoretical framework and formulates the research questions. Following that, the research methods and approach are described, and the different stages are discussed in detail. The findings are discussed and theoretical implications are presented in chapter 5. The final chapter summarizes the contributions, limitations and suggests future directions for research.

Table 1-1: Structure of the Thesis

Questions	What the literature tells us	Contributions
<p>In the structure and dynamics of a pre-acquisition strategy discourse, what is the role of:</p> <ul style="list-style-type: none"> - external actors; - multi-modal discursive practices, in particular calculative devices; and - rhetorical strategies? 	<p>Research into acquisition discourse routinely ignores the structure and dynamics of <i>pre-acquisition</i> discourse (Teerikangas and Joseph, 2012; Vaara, 2002).</p> <p>Previous research has focused on internal instead of external actors in strategy discourse (Hellgren et al., 2002; Kuronen et al., 2005; Teerikangas et al., 2012).</p> <p>Empirical studies of discourse should consider multi-modal discursive practices (Grant et al., 2004b; Iedema, 2007; Jacobs & Heracleous, 2007; Royce et al., 2006).</p> <p>Previous research of organizational discourse has focused on rhetorical strategies of language (Erkama and Vaara, 2010; Sillince, 2005; Suddaby and Greenwood, 2005).</p> <p>While previous studies show how actors use calculative devices to legitimize decisions (e.g. Baxter et al., 2003; Briers et al., 2001; Denis, Langley, & Rouleau, 2006), most ignore the calculative aspect (Callon et al., 2005), and do not pertain to pre-acquisition discourse.</p> <p>Research has shown how boundary objects build bridges between groups because they are adaptable to, and robust across, groups (Bechky, 2003; Spee and Jarzabkowski, 2009; Star and Griesemer, 1989), but few studies show how they may reinforce existing power structures (Oswick and Robertson, 2009).</p>	<p>This thesis shows that external actors are not a passive audience but play a significant role in a pre-acquisition discourse and swap roles as rhetor and audience on an ongoing basis. They determine key constructs, persuade other actors and decide on the acquisition outcome.</p> <p>In contrast to previous research, the thesis shows how this role is enacted through a broad range of multi-modal discursive practices (including speech, writing, imagery, location and calculative devices), and that multi-layered rhetorical strategies are brought to bear not only through linguistic but also non-linguistic modes.</p> <p>The thesis develops the concept of transgression markers as multi-modal cues that signal convergence or divergence during the negotiation of meaning of key constructs and may shape strategy.</p> <p>The thesis identifies calculative devices as a distinct and critical mode. They act as boundary objects through which much of the acquisition discourse is enacted. This thesis proposes a third criterion – legitimacy – for boundary objects, which explicitly acknowledges how they reinforce power structures (Oswick and Robertson, 2009), and shows how they develop over four stages (identification, calculation, negotiation and objectification).</p>
<p>What is the role of time and context in the social construction of meaning in <i>strategizing</i>?</p>	<p>Temporal work (Kaplan et al., 2013; Keenoy et al., 2004) and contextual work (Grant et al., 2005; Hardy et al., 1999b; Keenoy et al., 2004; Riad et al., 2012) must construct coherent, plausible and acceptable connections between local and broader discourses, as well as discourses of the past, present and the future to enable agreement on strategic choices (Kaplan & Orlikowski, 2013)</p> <p>Few studies explore how local and broader discourses interact (Erkama et al., 2010; Hardy, 2004). Also, previous studies on time and local discourse focus on how they change over time (Bushe and Marshak, 2009; Ford and Ford, 2008; Grant and Marshak, 2011; Huy, 2001), which is backward looking.</p> <p>Further, while the importance of time and context are acknowledged in organizational discourse, it remains unclear what is specific to strategizing.</p>	<p>The purpose of strategizing is to construct and negotiate new or improved options for a preferred future and the actions to bring these about. This thesis shows how temporal and contextual work in strategizing extends the horizon of discourses that relate to the future and to the broader context, which creates new strategic options by reconstructing the tapestry of interwoven discourses that make up a local strategy discourse.</p>

2 LITERATURE REVIEW

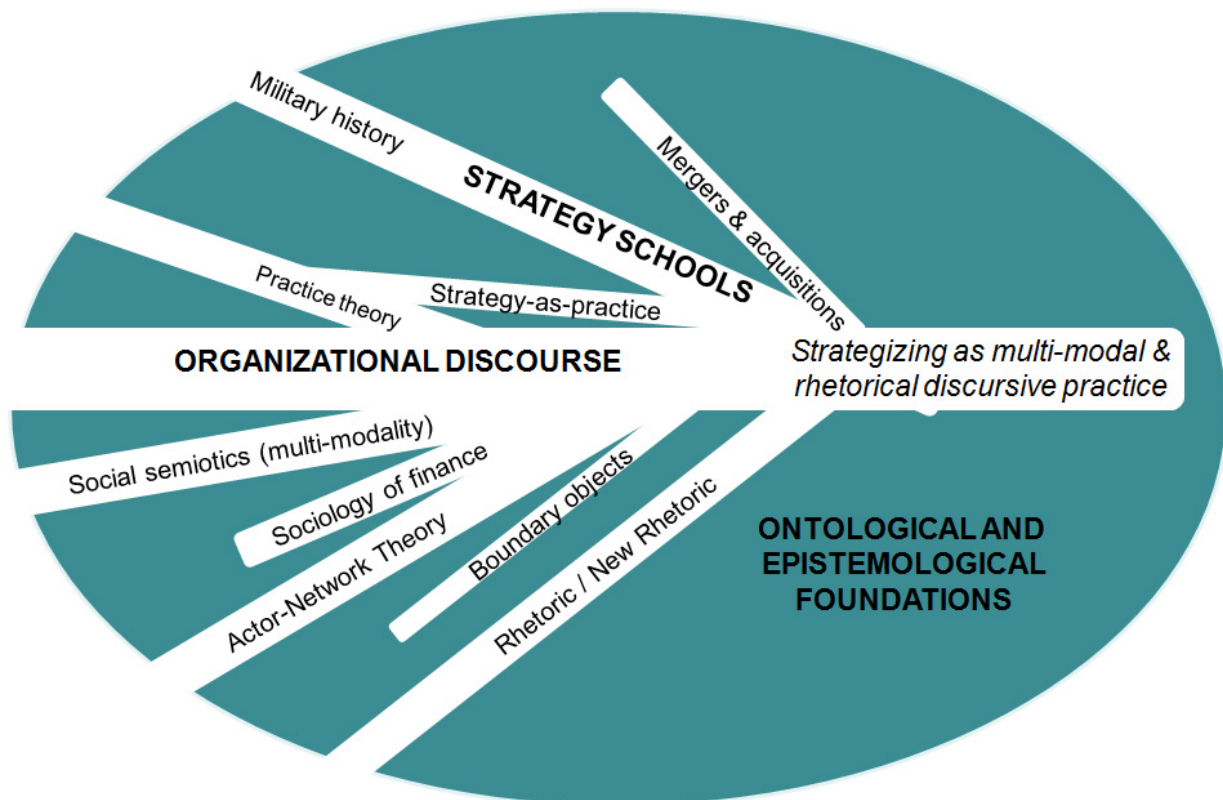
2.1 INTRODUCTION

This chapter develops a perspective on organizational strategy, which emerged from an iterative process of analysis and literature review and underpins the analytical framework for the case study. According to this perspective:

Strategizing is a multi-modal discourse in which internal and external actors of an organization socially construct and negotiate options for a preferred future and a set of actions to bring about that future, while looking further ahead in time and considering a broader context.

The term 'strategizing' is used to emphasize the discursive practices that constitute the development of a strategy (i.e. a preferred future and a set of actions to bring it about). The development of this perspective traces strategy theory from its military origins, reviews different schools of thought that have emerged over the last 50 or so years in the field of business strategy formation, and connects these with practitioner references to strategizing. Further, in order to establish a solid philosophical foundation, the thesis proceeds with a review of different foundations that may underpin strategizing theory and clarifies the philosophical position taken in this research. This is followed by a review of the literature on discourse theory, mergers and acquisitions (M&As), practice theory, multi-modality, sociology of finance and rhetorical strategies. Figure 2-1 maps the different bodies of literature that are brought together in this thesis.

Figure 2-1: Bodies of Literature



This literature is combined into a framework that has enabled a discursive analysis of strategizing of the case study. Lastly, the literature review also identifies the areas in which this research aims to make a contribution and summarizes opportunities for theoretical contributions into two overarching research questions that have guided this research.

2.2 RECENT STRATEGY THEORY

ORIGINS AND DEFINITIONS OF STRATEGY

Strategy as we know it today has its origins in warfare and the military. This is embedded in the term 'strategy', which comes from the Greek *στρατηγία*, meaning 'the art of planning and directing overall military operations and movements in a war

or battle' (Oxford Dictionaries Online, 2013). Two frequently mentioned sources on military strategy are *On War* (Clausewitz, 1832) and *The Art of War* (Tzu, 1988).

According to von Clausewitz strategy is:

'the employment of the battle to gain the end of the War ... Strategy forms the plan of the War, and to this end it links together the series of acts which are to lead to the final decision, that is to say, it makes the plans for the separate campaigns and regulates the combats to be fought in each.' (Clausewitz, 1832, Book III. Of Strategy in General; Chapter I. Strategy)

These military origins still have an impact on strategy practice (Ansoff, 1965; Whittington, 2001) and, according to Ohmae, '[t]here is important common ground between the task of the military strategist on the one hand and the key strategic activities of middle and top management on the other' (Ohmae, 1982).

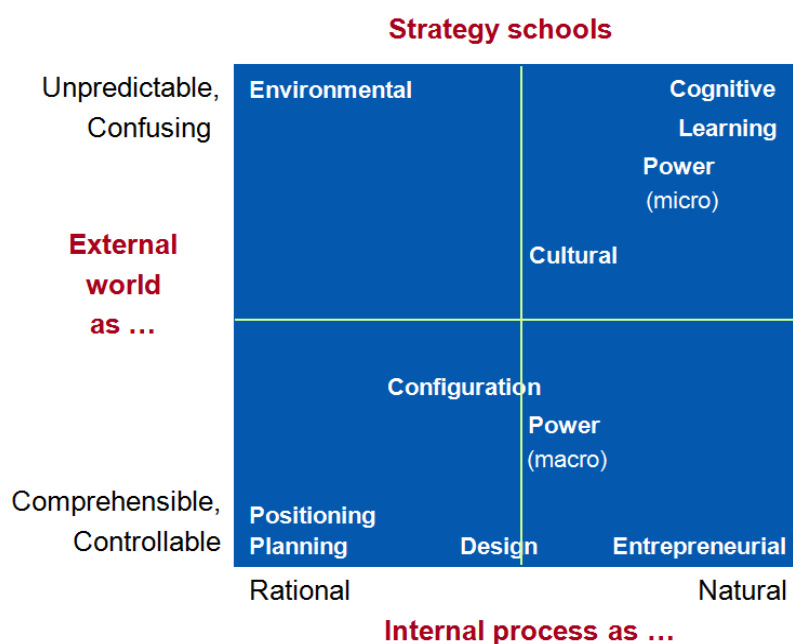
In the context of organizations, strategy has many different definitions. For example, Johnson et al. define strategy as the long-term direction of an organization (2011, p.3). For Wright et al. strategy refers to the plans of, specifically, top management 'to attain outcomes consistent with the organization's mission and goals' (1996, p.4). A more comprehensive definition from Mintzberg et al. (1998) sees strategy as, variously, a plan, a pattern of consistent behaviour, a position of particular products in particular markets, a perspective (i.e. a fundamental way of doing things), and a ploy (i.e. a manoeuvre to outwit a competitor). The next section will draw on and build on Mintzberg et al.'s (1998) structure for differentiating schools of strategy.

SCHOOLS OF STRATEGY

Over the last 40 to 50 years, there have been many different approaches to strategy and strategizing. Mintzberg et al. categorize these as different ‘schools of strategy’ (Mintzberg et al., 1998), based on the schools’ respective perspectives on the external world and the internal workings of an organization (see Figure 2-2). Whittington uses a similar horizontal axis (i.e. a deliberate or accidental strategy development process), but differentiates approaches to strategy vertically according to their focus on profit maximization outcomes (Whittington, 2001).

These different schools can be seen as different approaches that have merit in particular contexts or during different stages of a business’ lifecycle, but they may not be appropriate in all situations. This categorization of the landscape will be used to review some of the main schools, key ideas and literature that have shaped recent mainstream strategizing.

Figure 2-2: Schools of Strategy



Source: Based on Mintzberg et al., 1998, p.369.

According to Mintzberg et al. (1998), the design school is the most influential school in recent times. It introduced some fundamental notions of strategic management, including that of distinctive competence (Selznick, 1957) and the connection between the strategy and the structure of an organization (Chandler, 1962). The key message of strategists within this school is that of a 'fit' (see Table 2-1), that is, the internal capability of an organization must fit with the opportunities and threats in the external environment. Similarly, there must be a fit between an organization's strategy and structure, with the CEO being seen as the person to 'architect' a strategy that will deliver organizational success. The best strategy is selected from a range of options that are evaluated on consistency, consonance, advantage and feasibility. This means there should be no inconsistent or conflicting goals, the strategy should align with the external environment, create or maintain a competitive advantage, and be feasible with available resources. Further, the strategy should be deliberate, simple and explicitly formulated prior to implementation. Importantly, it should preclude 'external actors from the process [of strategizing] altogether' (Mintzberg et al., 1998, p.31).

Since the publication of *Corporate Strategy* (Ansoff, 1965), many different formal strategic planning models have been developed, each with their own sets of precise steps, checklists, templates and flow diagrams that create inflexible blueprints for strategizing. Ansoff acknowledges that accelerating change and environmental turbulence requires a different approach to strategizing than that adopted by mature and stable industries (Carden, 2002). However, overall, the planning school overreached its potential and saw formal planning as strategizing, rather than as a support to strategizing, ignoring the complex cognitive and social processes that form

part of organizational strategy making (Carden, 2002; Johnson et al., 2011; Mintzberg et al., 1998). While the design school has an ongoing influence on the practice and theory development of strategizing, the planning school lost much of its popularity during the 1980s, when overly formalized, large-scale and sometimes mechanistic planning lost its credibility.

While the positioning school rejected an overly mechanistic approach to strategizing, it retained a focus on analysis. This analysis, it posited, must drive the selection of the best strategy from a limited set of generic strategies (Porter, 1980). According to Mintzberg, the positioning school remains the closest to the military origins of strategy with its emphasis on winning over the competition, and employing military terms like attack, overwhelm, counterattack, flanking, defensive positions and fallback (1998, p.93). The emphasis of this school on quantitative analysis like margins, market shares and production costs remains part of mainstream strategy theory and practice. The design, planning and positioning schools fall into what Whittington (2001) calls the 'classic' approach to strategy, which is characterized by a focus on rational analysis, a separation of strategy formulation and execution, and a commitment to profit maximization. This emphasis on profit maximization echoes Adams' 18th-century free market economics (Whittington, 2001).

Table 2-1: Descriptions of Schools of Strategy

	Planning	Positioning	Design	Environmental	Entrepreneurial	Power	Learning	Culture	Cognitive
Base discipline	None	Economics, military	Architectural metaphor	Biology, political sociology	None	Political science	Learning theory / Chaos theory	Anthropology	Psychology (cognitive)
Message*	Formalize / Program	Analyze / Calculate	Fit / Think	Cope / Capitulate	Envision / Centralize (then hope)	Grab / Hoard	Learn / Play	Coalesce / Perpetuate	Frame / Worry or imagine
Central actor	Planners	Analysts	CEO (as architect)	'Environment'	Leader	Anyone with power (micro); whole organization (macro)	Learners (anyone who can)	Collectivity	Mind
Situation	Simple and stable (and so predictable), ideally controllable	Simple, stable and mature (therefore structured and so quantifiable)	Delineable (into social, economic, technical, etc.) and stable	Competitive, delineated	Dynamic but simple (so comprehensible by leader)	Divisive, malevolent (micro); controllable or cooperative (macro)	Complex, dynamic, novel	Ideally passive, can become exigent	Incomprehensible
Leadership	Responsive to procedure	Responsive to analysis	Dominant, judgmental	Powerless	Dominant, intuitive	Weak (micro); unspecified (macro)	Responsive to learning (of self and others)	Symbolic	Source of cognition, passive or creative
Environment	Acquiescent (checklist of factors to be forecast or controlled)	Competitively demanding but economically analyzable; ultimately acquiescent when understood	Expedient (whether source of threats or opportunities)	Exigent	Manoeuvrable, full of niches	Contentious (micro); acquiescent or negotiable (macro)	Elaborate, unpredictable	Incidental	Any of columns to the left, so long as categorical
Organization	Structured, decomposed, acquiescent (for programming)	Source of competitive advantage, otherwise incidental	Ordered, acquiescent (for 'implementation'), font of given strengths and weaknesses	Acquiescent, simple	Malleable, simple	Conflictive, disjointed, uncontrollable (micro); aggressive, controlling or cooperative (macro)	Eclectic, flexible	Normative / Cohesive	Incidental
Key words	Programming, budgeting, scheduling, scenarios	Generic strategy, strategic group, competitive analysis, portfolio, experience curve	Distinctive competence, strategic fit, SWOT, formulation / implementation	Adaptation, evolution, contingency, selection, complexity	Bold stroke, vision, insight	Bargaining, conflict, coalition, stakeholders, political game, alliance	Emergent strategy, sense making, venturing, core competence	Values, beliefs, myths, culture, ideology, symbolism	Map, frame, concept, schema, perception, bounded rationality

Source: Based on (Mintzberg et al., 1998, pp.354-359)

Note: *Intended / Realized message

The schools in the bottom left-hand quadrant of Figure 2-2 differ from those in the bottom right-hand quadrant. While there is still a fair sense that the external environment can be known, an organization's internal processes are driven less by rationality and more by either an entrepreneur or by power games played by anyone with power. According to Mintzberg (1998), the entrepreneurial school sees organizational success as dependent on the bold actions and bright insights of the entrepreneur, guided by an unrelenting focus on potential opportunities. Strategy formation is therefore opportunity driven, rather than process or analysis driven, and is often not even documented. Whittington marks this as a shift from the discipline of the market to a Darwinian 'law of the jungle' and a survival of the fittest approach to strategizing (Whittington, 2001).

For the power school success is driven by the accumulation and use of power. Mintzberg's (1998) differentiation between the use of power within an organization (micro) and the exercise of power by the organization as a whole (macro) can be seen in Figure 2-2. Both are equated to political behaviour and may involve the use 'illegitimate and legitimate' means, even though the political ends can be legitimate (Mintzberg et al., 1998, pp.235, 243). Micro power includes conflicts of interest between individuals or departments, for example, the re-allocation of profitable market segments or new customers in a new strategy, which may affect the profitability of a division and hence the bonus payments of individuals who head up those divisions. An example of power on a macro level in organizational strategy development may include the lobbying of government regarding particular legislation, for example, feed-in-tariffs for electricity generated by private solar panels, or the

Australian 'open air' policy that forbids international airlines to pick up passengers for domestic legs within Australia. These examples also illustrate why a macro perspective of power appears to provide ways to know and control the external environment more, while the micro school – in its highlighting of internal organizational politics – is more skeptical of the rationality of internal organizational processes. While power and politics have always been part of organizations, the literature is, according to Mintzberg et al. (1998, p.235) 'rather small, hardly more than a trickle since the early 1970s'. In their discussion of this body of literature, they discuss power as directly exercised by individuals. What is excluded from this analysis is how power can play out without conscious decisions on the part of particular actors or groups of actors. This form of power is analyzed under the cultural school (see below). Critical discourse theory and practice theory have established a large body of literature that describes these power dynamics in terms of, for example, individual, episodic actions and characteristics of systems (Lawrence et al., 2001). While this thesis does not take a critical discourse perspective, it will consider some of these power dynamics where they are enacted through rhetorical strategies. These strategies will be reviewed later in this chapter.

The cognitive school broke new ground by asking questions about what happens in the minds of strategists, and how that influences the processes and outcomes of strategizing. It drew on research that came from cognitive psychology, decision theory, intercultural research or organizational behaviour. Mintzberg et al. (1998) identify two distinct wings of the cognitive school. One wing, closer to the design, planning and positioning schools, takes an objectivist view of the world. According to this

perspective, it is important to take note of distortions and cognitive biases, which get in the way of an accurate and objective view of the organization and its environment. These may come from, for example, different judgmental biases, cognitive preferences, cultural background or decision-making processes (Greenfield, 2005; Herrmann, 1991; Myers et al., 1985; Nisbett, 2004; Russo et al., 1990; Tversky and Kahneman, 1981). The other wing of the cognitive school sees cognition as a social construction. This school of thought is more closely connected to the learning and culture schools, which are discussed next. However, a more in-depth discussion of constructionist approaches to strategy will follow in section 2.4 of this thesis.

The concept of a learning organization was first introduced by Argyris but was popularized by Senge (1990). In the area of organizational strategy, the learning school inverts some of the most fundamental assumptions of the design, positioning and planning schools. As the external environment is seen as too complex to comprehend or control, strategists proceed through a messy 'trial and error' process in which strategy formulation and implementation go hand in hand, instead of formulation (including analysis, strategic choices and planning) preceding and being separate from implementation. Over time a pattern of behaviour is learned and established. A major strategy shift would thus be the incremental consequence of many small steps across the organization by many people (see e.g. Tan and Heracleous, 2001), and not the outcome of a new strategy centrally designed by a CEO, planner or analyst, and simply implemented by others. The underlying logic of the many small steps would follow from a consensus among the executive team (Mintzberg et al., 1998). Such an interpretation of incrementalism enables the CEO and top team to remain the central

architects of strategy. Other concepts or variations of the learning school include strategic venturing (e.g. Burgelman, 1996; Gore, 1993; Pinchot, 1985) and sense making (retrospective or emergent) (Weick, 1979). These different learning schools largely share: an appreciation of the complexity of organizational environments; a suspicion of our ability to deliberately control organizations in great detail; an acknowledgement that strategizing is carried out by many people in the organization and that strategy emerges from organizational learning; and the belief that the role of leadership is to manage a process of learning (Mintzberg et al., 1998, p.208).

While the dynamic and social perspectives of the learning school and cultural school are quite similar, there are some important differences. These differences appear to emanate partly from the idea that learning leads to change, while culture dynamics are mainly about coalescing around and perpetuating existing dynamics (see, e.g. Spicer, 2011). This implies that strategic change is difficult, and suggests that the role of a leader is largely symbolic, with little real influence over the achievements of the organization. Strategy is seen as a perspective that is deeply 'rooted in collective intentions' (Mintzberg et al., 1998, p.268), which are embedded in its culture, (i.e. patterns of sanctioned behaviours, tacit assumptions, espoused values and artefacts) (Schein, 1985). Also, in contrast to the term 'learning', 'culture' has a connotation of ideology and organizational beliefs or myths. The difficulty of changing an organization's deeply embedded culture also means that a strong culture can offer a source of sustainable competitive advantage (Barney, 1986) as other organizations would struggle to emulate its culture.

The cognitive, learning and cultural schools link to Whittington's (2001) processual school, and echo its two fundamental themes. First, actors can only consider a handful of factors at any one time, instead of conducting a rational, unbiased and unlimited search for information. Second, strategy involves bargaining and compromise and is better characterized as a political rather than a profit-maximizing calculation.

STRATEGY IN PRACTICE

The objective of the literature review is to develop a discursive perspective on strategizing, grounded in theory, which takes note of other strategy schools. However, in order to ensure that such a discursive perspective also resonates with and can be translated into tools and frameworks for practitioners, it is worthwhile to explicitly formulate the fundamental purpose of strategizing by identifying key metaphors (Cornelissen and Kafouros, 2008; Lakoff and Johnson, 2003; Morgan, 2006; Oswick et al., 2002) that express this purpose in the language used by practitioners.

First, in order to understand what strategy is, it can be useful to understand what it is contrasted with. In the case of its military origins, strategy is contrasted with tactics (Ansoff, 1965). The latter can be defined as the 'the art of disposing armed forces in order of battle and of organizing operations, especially during contact with an enemy' (Oxford Dictionaries Online, 2013). In a business context, the contrast is similar but cast in terms of operations management and the employment of allocated resources (Ansoff, 1965). This suggests that, while the emphasis of tactics is on dealing with the here and now, strategy takes into account a broader context, looks further ahead, and develops a new perspective on a familiar situation before committing to the allocation of resources. Practitioner references to strategic thinking or strategizing reflect the

perceived importance of these particular aspects of strategizing in at least three metaphors (see Table 2-2).

Table 2-2: Metaphors of Strategizing in Practitioner Language

Look ahead in time	Scan the environment	Consider alternative perspectives
<ul style="list-style-type: none"> • Foresight • The art of the long view 	<ul style="list-style-type: none"> • Big-picture thinking • Helicopter or bird's-eye view 	<ul style="list-style-type: none"> • Creative thinking • Reframing

The critical reason for looking ahead in time (i.e. being able to respond earlier), scanning the environment (i.e. having a more comprehensive understanding of a given situation) and changing perspective (i.e. being able to see things differently) is to expand the number and quality of strategic options and hence increase the likelihood of success. It is about making sure that the time, arena and perspective are carefully chosen to create advantage and proactively shape the competitive situation, rather than responding to a situation after it has already emerged.

These considerations suggest that a discursive perspective of strategizing, in order to be meaningful to a practitioner's needs, may need to consider time, context and perspectives. Existing schools of strategy have done this in different ways. Schools that presume we can know the external environment, and that the internal processes of an organization can be understood rationally, expect to be able to look further ahead in time, or observe a broader context. This is because their stance implicitly presumes that the current perspective is not inherently flawed. However, other schools of

thought, for example, the cognitive or learning school, have less confidence that our perspective on the here (narrow context) and now (immediate future) provides a singular basis for strategic decisions. These schools are more likely to ask critical questions about knowledge and how it is created. As such questions are central to this research, the next section will review relevant debates and develop a philosophical foundation for the thesis. This is followed by a review of the literature that has shaped the discursive approach to strategizing taken here.

2.3 PHILOSOPHICAL FOUNDATIONS OF STRATEGY THEORY

The above analysis of schools of strategy offers a broad overview of the different approaches to strategy. However, there is more to be said about the foundations of how different schools make sense of the internal processes of an organization and its external worlds. This requires an exploration of the philosophical foundations of strategizing, as different schools are based on fundamentally different perspectives of how we know the world in which we operate. In order to understand the opportunities and limitations of these different perspectives, we must unearth and explore them. While more common within organization studies, such an exploration of foundations is largely absent from the mainstream strategy literature.

THE NEED FOR A FOUNDATION OF STRATEGY

The design, planning and positioning schools of thought assume that the external environment can be known as a result of a rigorous analysis of facts, and that an organization's response can be managed and controlled because organizations are predominantly rational. This notion perhaps aligns best with large, slow-moving

corporations in mature industries as these appear to be more conducive to systematic, long-term strategies that are embedded in numerous organizational layers. These three schools have their roots in the study of major US corporations in the 1960s and 1970s (see e.g. Chandler, 1962; Sloan, 1964). The relative stability of these corporations encouraged the perception that phenomena in the external and internal environments can be objectively studied and manipulated. The Cynefin framework calls this an ordered universe (Snowden and Boone, 2007). Strategizing in an ordered environment starts with 'sensing' (i.e. information gathering) in order to determine an appropriate response, and is considered the domain of fact-based management. The problems that a leader would have to resolve in an ordered universe are 'tame' (Grint, 2005). An ordered universe is not necessarily simple, and can be complicated. However, through an expert analysis of solid evidence it is possible to determine an effective strategic response. Within the schools that operate predominantly from the presumption of an ordered context, problems with analysis or quantification are seen as issues of accuracy or availability of data. Many professional managers predominantly see themselves in this space, where delivering organizational success appears possible as long as they have accurate data and follow a rational process. In contrast, unsuccessful managers 'are left with little option but to conclude that they have been incompetent ... [or] ... that other people have been incompetent in some way' (Stacey, 2003, p.79). Stacey argues that this perspective is underpinned by a cybernetic systems view of the actors, interactions and causality within the organization. Such a view sees organizations as goal-seeking systems that are regulated by negative feedback from the environment, with a clear boundary between the organization (system) and its environment; events and outcomes are predictable

in a probabilistic (not deterministic) sense; and no attention is paid to the richness and importance of relationships between people, or to an organization's historical and behavioural patterns that may create a propensity to move in a particular direction in spite of external feedback for change (Stacey, 2003, pp.44, 81).

In contrast, the learning, culture and constructionist wings of the cognitive school operate in an unpredictable universe, in which connections between cause and effect are not immediately apparent (Snowden and Boone, 2007). In this universe strategizing is more appropriately conceptualized as pattern-based management or processual (Whittington, 2001): through trial and error patterns that emerge after certain actions can be identified. The complexity of context means that these emerging patterns cannot be predicted deterministically, and problems in this space are often 'wicked', that is, they are:

'complex, rather than just complicated, it is often intractable, there is no unilinear solution, moreover, there is no 'stopping' point, it is novel, any apparent 'solution' often generates other 'problems', and there is no 'right' or 'wrong' answer, but there are better or worse alternatives.' (Grint, 2005, p.1473).

A strategist operating from the assumption of an unordered context also acknowledges issues with accuracy and quantification, but is likely to see these as inescapable and not a simple matter of accuracy or availability.

In order to understand strategizing in an unpredictable context, it is critical to see it as an eminently social activity, where success depends on developing shared knowledge,

meanings and truths across often large and diverse groups of actors. This means that a strategist must develop an appreciation of the complexity of the human dynamics that constitute the patterns of activities and meaning making that a strategist is trying to influence. Part of this is about developing an understanding of ‘the phenomena that are being talked about when the terms “strategy” and “organisational change” are used ... [and how] ... human beings make sense of phenomena’ (Stacey, 2003, p.2).

Another aspect of this is that strategizing itself is a complex human dynamic.

While Stacey (2003) categorizes schools of strategy in a somewhat different way, the schools of strategic thought in the upper right-hand quadrant of Figure 2-2 (Mintzberg et al.’s Schools of Strategy) can be interpreted as being based on a variety of different system perspectives. Such a meta approach to understanding the people and organizations that do the strategizing can enable a deeper probing into the nature of strategizing, whether it is conceptualized as a type of system, as a complex responsive process (Stacey, 2003), as a ‘complexity-reducing and reality-constituting activity’ (Chia, 1998, p.363), or – as argued in this thesis – as a discursive activity.

In its analysis of the epistemological and philosophical foundations of strategy, the next section will draw on some of the philosophical debates in strategy and, more broadly, organization studies in order to develop a rigorous foundation for a discursive perspective on strategizing.

ONTOLOGY AND EPISTEMOLOGY

While an exploration of the foundations of strategy is necessary, such an exploration is hindered by inconsistent use of key concepts to describe these philosophical and theoretical foundations, specifically ‘ontology’ and ‘epistemology’ (Al-Amoudi and

Willmott, 2011; Crotty, 1998; Fleetwood, 2005). Crotty observes that ‘writers in the research literature have trouble keeping ontology and epistemology apart conceptually’ (1998, p.10). As these concepts are critical to positioning the current research, its aspirations and its claims, this section will analyze the use of the terms ‘ontology’ and ‘epistemology’ in the literature, the implications for the philosophical foundations of strategy, and argue and define a consistent use of these concepts in this thesis.

Crotty (1998, p.10) defines ontology as the study of being, which ‘is concerned with “what is”, with the nature of existence, with the structure of reality as such’. It is derived from the Greek *οντος* (‘being’) and *λογία* (‘theory’ or ‘study’). However, the way things are may differ from how they appear to us. Epistemology (*ἐπιστήμη* or ‘knowledge’ or ‘understanding’) is concerned with the latter, and can be defined as ‘a way of understanding and explaining how we know what we know’ (Crotty, 1998, P.3).

A literature review of the ontological or epistemological positions of mainstream strategy research identified a dearth of discussion of its philosophical foundations. When it was mentioned, it was most often in relation to non-mainstream theoretical perspectives like discourse analysis (Fairclough, 2005; Holt and Mueller, 2011), strategy-as-practice (Chia and MacKay, 2007; Golsorkhi et al., 2010), or general attempts to shift research away from the naïve realist approach that has marked traditional mainstream management research (Al-Amoudi and Willmott, 2011; Fleetwood, 2005; Mir and Watson, 2000; Peters et al., 2013; Powell, 2001, 2002).

For example, Fleetwood discusses the importance of ontology and epistemology, insisting on consistency because ‘if we have inconsistent ontological commitments, we

are likely, sooner or later, to make inconsistent ontological statements' (Fleetwood, 2005, p.207). This, Fleetwood (2005) suggests, would undermine a solid foundation for management and organizational theory. Similarly, Thomson cautions researchers to guard against epistemic-ontological movements where ontology and epistemology drift out of alignment (Thompson, 2011). This implies that social researchers need to understand and be true to their philosophical foundations, and indicates the attribution of importance to both ontology and epistemology. However, the importance of epistemology appears to be more generally accepted. As research is concerned with how the world appears to us, this is hardly surprising. However, as will be argued, there is less agreement on the need to commit to, or specify, ontological foundations.

The term 'social reality' may serve to illustrate one of the main debates. Social reality relates to the question of whether there is a real world out there – one that exists outside the human mind, one that can be known, and one that provides a solid basis for knowledge claims. The reference to a 'world as it is', independent of our individual or social manipulations, originates in Immanuel Kant's *Ding an sich* (literally 'the thing in itself') {Kant, 1976 #611', first published in 1781}, though the concept can be traced back to, at least, Plato's 'Allegory of the Cave' (Plato, 2012). A thing or world 'in itself' needs to be understood since Kant as a negative abstraction: it is that which remains once we have stripped away everything we can meaningfully talk about. If we try to describe it, that description constitutes a new conceptual layer that also needs to be stripped away in order to arrive at the *Ding an sich*. As a consequence, we cannot talk

about any *thing* in itself or as it really is (ontology), but only about things as we know them (epistemology). The former Kant calls 'noumenon', and the latter 'phenomenon'.

This raises questions about our ability to generate true or objective knowledge.

Whereas *naïve* realism does not consider this problematic, *critical* realism accepts that there is no one-on-one correspondence between our knowledge of the world and the world as it exists *in itself*. From a critical realist perspective there is no theory neutral or unmediated access to the world as it really is (Fairclough, 2005; Fleetwood, 2005; Reed, 2000). However, there is more to the world than just our thoughts or discourse, and it is this world as it is that provides an anchor and stability of meaning for the world as we know it. Others are not so sure. Coming from a different perspective, Chia (2000) talks about 'social objects', which 'have to be forcibly carved out of the undifferentiated flux of raw experience and conceptually fixed and labeled' in order to construct a 'social reality' (p.513). Chia's 'undifferentiated flux' (2000, p.513) avoids the suggestion that we can conceptualize the pre-conceptual as a thing, entity or object. It is the carving and labeling that creates the objects that make up our social reality. Because of this, Chia calls organizational action 'first and foremost an *ontological* activity' (2000, p.514) because this action would be able to generate, make or construct socially real entities. Fleetwood (2005, p.206), a critical realist himself, disagrees and calls Chia's description of constructionism 'ontological exaggeration'. According to Fleetwood (2005) socially real entities *do* exist, and not just in discourse, but they have extra-discursive or pre-discursive properties that exist even if the entity has never been identified as such. However, Chia (2000) is careful to point out that it would be inappropriate to mistake our socially constructed conceptions of reality for

reality itself, and that 'describing reality as it is in itself must be set aside' (p.515).

Echoing Kant's negative abstraction, he suggests that this lies beyond analysis and words and instead in the domain of art or spirituality.

Weick (2011) demonstrates a similar sentiment in his reflection on change agents as 'poets', who do not describe organizational reality but whose role it is to rework such illusions of organizational concreteness back into an undifferentiated flux that allows people to 'reimagine forms, shapes, locales and names' (p.13). While not uncommon, calling the social construction of reality an *ontological* activity enables ambiguity regarding the meaning of reality (social or 'reality itself') and ambiguity regarding the meaning of ontology (socially constructed or *Ding an sich*). While Chia (2000) himself is explicit and careful to define his use of these terms, others are less clear and contribute to the confusion that exists.

In other cases the confusion stems from conflating terms that should be used more carefully, like 'realism' and 'constructivism' (or 'constructionism') (Al-Amoudi and Willmott, 2011). For example, Mir and Watson state that 'Constructivism occupies a methodological space characterized by ontological realism and epistemological relativism' (Mir and Watson, 2000, p.941). However, Kwan and Tsang (2001) argue that Mir and Watson (2000) erroneously conflate naïve, dogmatic realism and critical realism, as well as moderate and radical constructivism. According to Kwan and Tsang (2001) the space of ontological realism and epistemological relativism is occupied by critical realism. Other leading advocates of critical realism also stress the centrality of epistemological relativism (Al-Amoudi and Willmott, 2011) as part of critical realism, rather than as a contrast to constructivism. Further, Crotty (1998) argues that it is

possible to be a realist in ontology and a constructionist in epistemology. So, while Mir and Watson (2000) seem to suggest that constructionism implies an ontological realism, Kwan and Tsang (2001) deny this. Also, Al-Amoudi and Willmott (2011) appear to use constructionism as an ontological notion, while Crotty sees constructionism as an epistemological notion. Again, the inconsistent use of terms confuses the debate.

The aim of the discussion above is not to suggest a superior position in the argument, but to demonstrate the confusion and ambiguity that surrounds the debate regarding ontology and epistemology, in order to prevent the same ambiguity from arising in this thesis. Some of the confusion may result from the different ways in which the term 'ontology' is used in the philosophy literature versus the ways it is used in some of the discipline-specific literature. According to Crotty (1998), philosophically the term refers narrowly to a pre-conceptual reality in itself. In contrast, the research literature often talks about 'ontology' to refer to a reality that is the subject of research. Crotty (1998) would prefer to call this a theoretical perspective as it is about *knowledge* of the subject, that is, epistemology.

COMBINATIONS OF PHILOSOPHICAL POSITIONS

As the aim of this thesis is to explore and extend some of the boundaries of current strategy research, it seems appropriate and necessary to clarify the ontological and epistemological positions taken in this thesis. In order to prevent ambiguity, some key concepts and philosophical positions are defined here. The intention is to present a reasonable overview that is able to provide a conceptual anchor for this thesis.

Following on from the discussion above, there is no suggestion (or possibility, due to inconsistency) that all the literature reviewed aligns with the definitions presented

here. The matrix below provides an overview of combinations of ontological and epistemological positions. The matrix does not mean to suggest that all these combinations can be found in equal measure in the literature, or that all combinations fit together comfortably. For example, it is not logical to combine ontological idealism with epistemological objectivism: the latter requires objects to reside outside the human mind, whereas the former denies that possibility. Similarly, it appears inappropriate to combine naïve realism with social constructionism, as it could be argued that if the reality is clear to see, there is not much left to socially construct.

In the context of this thesis, the term 'ontology' is narrowly reserved to denote a philosophical position, which relates to the acceptance or denouncement of a reality or world that exists independently of us. Ontology has been divided into realism (i.e. the presumption that reality exists outside our minds) and idealism (i.e. there is no reality independent of us). To be clear, this means that *ontologically* there is no difference between naïve realism and critical realism. However, the epistemological differences are significant, as will be elaborated below.

The term 'epistemology' denotes the location where meaning originates. The main positions as defined here are that meaning originates from social interactions (social constructionism), individual interpretations (subjectivism), or from objects themselves (objectivism). These definitions establish a matrix in which we can locate a number of other concepts that are frequently used or misused.

Following Phillips et al. (2006), the term 'constructionism' (as opposed to 'constructivism') is used to differentiate between a social construction and an individual construction of meaning. However, it is recognized that some of the

literature uses constructivism to indicate a social process, or it is not clear whether it refers to either a process of meaning making that is social, individual or both. In this thesis constructivism will only be used if the original reference is not specific or does not differentiate between social and individual meaning making. To avoid confusion, this thesis will generally use the term ‘subjectivism’ to denote that knowledge and meaning is rooted in an individual’s mind.

Table 2-3: Ontological and Epistemological Positions

		ONTOLOGICAL POSITIONS		
		Realism		Idealism
		<i>Reality exists outside the mind</i>		<i>There is no reality independent of us</i>
		(Naïve) realism	Critical realism	
EPISTEMOLOGICAL POSITIONS	Constructionism	<p><i>Meaning is socially constructed</i></p> <p>(1.1) Problematic position: there is a ‘world always already there’. We build our knowledge of this world by combining and integrating our observations and reasoning with others. Through social interaction we can, over time, increase the accuracy and completeness of our knowledge of the world as it really is.</p>	<p>(1.2) There is a ‘world always already there’. However, we can only approach that world with our socially constructed concepts and theories, so objective knowledge is not possible. Nevertheless, the pre-conceptual world anchors and structures what we can call knowledge.</p>	<p>(1.3) There is no world already there. Therefore all knowledge is relative and socially constructed.</p>
	Subjectivism	<p><i>Meaning is created in an individual’s mind and depends on individual concepts/theories</i></p> <p>(2.1) Problematic position: there is a ‘world always already there’. We know the world through our individual, unique observations and theories. This makes it difficult to develop generally accepted and accurate knowledge that corresponds with the world as it really is.</p>	<p>(2.2) There is a ‘world always already there’. However, we can only approach that world with mental (individual) concepts and theories, so objective knowledge is not possible. Nevertheless, the pre-conceptual world anchors and structures what we can call knowledge.</p>	<p>(2.3) There is no world already there. Therefore all knowledge is relative and a construct of our (individual) minds.</p>
	Objectivism	<p><i>Meaning exists in objects, and accurate & objective knowledge is possible</i></p> <p>(3.1) There is a ‘world always already there’. We can know that world in increasing detail through reasoning, observing and accumulating objective and accurate knowledge that corresponds with the world as it really is.</p>	<p>(3.2) Problematic position: there is a ‘world always already there’. Although we can only approach the world with our (individual or social) theories and concepts, we can work towards an increasingly closer (though never fully attained) correspondence with the world as it really is.</p>	<p>(3.3) Untenable position: if you do not accept that a world exists outside the human mind, then you cannot strive to develop objective knowledge of that world.</p>

The matrix shows that the difference between naïve or dogmatic realism and critical realism is a difference of epistemology. Whereas the former assumes meaning as something unproblematic that we can observe or discover through proper research design, critical realism states that the world as we know it is different from the world as it is of itself. The term 'positivism', that is, a combination of a realist ontology with a naïve, objectivist epistemology will be equated to the position (3,1) in Table 2-3, that is, a combination of a realist ontology with an naïve, objectivist epistemology.

It could be argued that the positions defined in (1,1), (2,1) and (3,2) in the table above are not tenable. However, a naïve realist might want to argue that subjective (2,1) or socially constructed (1,1) knowledge is possible or even unavoidable on the path to achieving objective knowledge. Also, a critical realist might argue that, while purely objective knowledge is not possible, over time we can describe the real world with a high degree of accuracy, even if that description is not perfectly objective (3,2). While these three positions are considered problematic, they do not play a role in this research, and will not be explored further.

Kwan and Tsang's (2001) definition of a moderate constructivist epistemology is reflected in position (1.2), and their definition of a radical constructivist epistemology is represented in position (1.3). The broader term 'epistemic relativism' (Al-Amoudi and Willmott, 2011) might cover rows 1 and 2, as meaning can be considered relative due to either individual interpretation or social construction.

The matrix, as drawn here, allows proponents of both critical realism and idealism to claim a social constructionist epistemology, accept that all knowledge is socially constructed, and that we have no access to an unmediated, preconceptual reality,

either because all knowledge is socially mediated (critical realism) or because such a reality simply does not exist (idealism). This position enables a constructionist epistemology of strategy that is consistent with both a critical realist as well as idealist ontology. What is essential for such an epistemology of strategizing is to avoid any ontological claims, and use the term constructionism only to denote an epistemological position (Alvesson and Deetz, 1999; Crotty, 1998). According to Holt et al. (2011, p.71), 'For Gergen (1994, p.72) constructionism does not want to engage in ontological debate about what is more real or less real: indeed, constructionism is ontologically mute. Whatever "is" simply is'.

This discussion of philosophical positions is necessary to define terms like constructionism and epistemology and avoid misinterpretations of how these are used in this thesis. In line with the position discussed above, this research is ontologically mute, that is, it does not make any claim as to whether the fixing of meaning is due to or helped by an independent world that exists in itself. In this way it avoids the assumption of an objective world that exists independently of our descriptions. However, this position is only feasible if the term ontology is reserved narrowly to denote a pre-conceptual reality, and is not allowed to encroach on descriptions of any socially constructed reality. While it is acknowledged that in social research the term 'ontology' is, at times, used to indicate a reality that is social rather than pre-conceptual, this thesis will therefore avoid such usage. Consequently, this research is limited to constructionist *epistemological* claims about how meaning can be seen to be negotiated and fixed socially, in the interactions between humans during strategizing, and how that leads to material outcomes.

Strategizing is seen as the development of an organization's strategy that emerges from its daily practices or as a vision of the future. A constructionist epistemology of strategy is therefore centered on how meaning is constructed in the social interactions (i.e. strategizing) of actors. However, the current literature does not provide an explicit discursive perspective on an epistemology of strategizing and how this may differ from organizational studies more generally. This thesis will therefore consider how meaning is discursively constructed in *strategizing*. In order to identify how we socially construct meaning in strategizing, we need to consider what is specific about strategizing in both strategy theory and practice. In order to do that, this review of the existing literature will proceed with a review of constructionist approaches to strategy or strategizing to create a theoretical framework and develop the research questions for the case study.

2.4 STRATEGIZING AS MULTI-MODAL DISCURSIVE PRACTICE

Constructionist perspectives on strategy go hand in hand with an appreciation of the role that language plays in how we understand ourselves and the world in which we live, and has influenced much of the humanities and critical business studies over the last 30 to 40 years (Alvesson, 2000; Derrida, 1998; Fairhurst, 2009; Foucault, 1977; Rorty, 1991; Rorty et al., 1980; Rorty, 1992; Wittgenstein, 1967). This linguistic turn became a fertile ground for the emergence of approaches, including discourse analysis, which questions how people perceive the external world and why it appears the way it does (Alvesson, 2000; Grant et al., 1999; Mumby, 2011).

A discourse approach to strategy is firmly based on a social constructionist epistemology and fights a 'two front war' (Alvesson and Deetz, 1999, p.199). On the one front discourse analysis faces an objectivist epistemology of much of traditional, mainstream strategy theory, which locates knowledge in accurate observations of the external environment or organization. On the other front it must deal with subjectivism, which locates such knowledge in unique observations of phenomena by individuals. In contrast, a discourse approach to strategy sees organizational phenomena as neither independent of human experience, nor as the exclusive domain of individual subjective experiences. Instead, they are the outcomes of ongoing social negotiations, and as such are *intersubjective* (Hardy and Phillips, 2004).

Discourse analysis is not simply a method but a methodology of how we know and give meaning to the world around us, and includes a broad set of different methods (Phillips and Hardy, 2002). There is an extensive body of work that explores organizations through discourse. This body of work may be a general exploration of discourse analysis in relation to organizational change (Alvesson and Karreman, 2000; Clegg and Hardy, 1999; Grant et al., 2001; Grant et al., 2002; Oswick et al., 2005); or may focus on power relations or resistance (Phillips et al., 2004; Putnam et al., 2005), organizational identity (Hardy et al., 2005b; Phillips et al., 2004), gender in the workplace (Ainsworth, 2002), accounting practices (Chua, 1995; Ezzamel and Willmott, 2008; Macintosh et al., 2000; MacKenzie, 2006), technology implementation (Grant et al., 2006; Heracleous and Barrett, 2001; Shepherd, 2006), micro/macro discourses (Alvesson and Karreman, 2000), sense making (Clegg and Hardy, 1999), or leadership (Fairhurst and Grant, 2010; Grint, 2005; Harrison and Young, 2005). The breadth of this

research on discourse and organization suggests that a discursive perspective can be meaningfully applied to many aspects of organizational activity. Going only one step further, the combined research suggests that organizations only exist ‘insofar as their members create them through discourse’ (Mumby & Clair, 1997, p.181; in Grant et al., 1999). Similarly, the ‘Methods and Approach’ chapter shows how the case can be seen to emerge from the data as broader discourses, key constructs, actors, and discursive practices are constructed through recurring themes and patterns in the acquisition discourse.

STRATEGIZING AS DISCOURSE

As will be argued, a discursive approach to strategy maps across the top right quadrant of Mintzberg et al.’s (1998) schools of strategy thought (see Figure 2-2: Schools of Strategy, p.17), cutting across the (social constructionist wings of the) learning, power, cognitive and cultural schools of strategy. The review of the discourse literature below commences with a discussion of some of the main concepts of discourse analysis and how they are applied to strategizing. These concepts include discourse, text, context, meaning, (discursive) practices, power and agency.

DISCOURSE

Potter and Wetherell (1987, p.7) define discourse as ‘all forms of spoken interaction, formal and informal, and written texts of all kinds’. Following Grant and Marshak (2011) discourse is defined as ‘instantiated in the daily communicative practices that are integral to social interaction and thus social structure. It is a set of interrelated texts that, along with its production, dissemination and consumption, brings an object or idea into being (Fairclough, 1992; Hardy et al., 2005b; Parker, 1992). Discourses,

therefore, do not simply reflect but constitute reality; they produce rules, identity, context, values and procedures (Fairclough, 1992; Hall, 2001; Taylor et al., 1996) and these shape what can be said and who can say it (Deetz, 1992).

Discourse analysis takes a critical look at how, through discourse, particular ways of framing organizational phenomena become broadly accepted. This acceptance influences what is highlighted or hidden, and thus influences what meaning is attributed to an organizational phenomenon. Framing is not neutral, as all ways of seeing de-emphasize or hide other ways (Fairhurst, 2011; Phillips and Hardy, 2002). For example, 'shareholder value' has become such a dominant frame to evaluate corporate performance (Lok, 2010) that other frames, which may highlight the interests of other actors, are often considered secondary.

TEXT

Potter and Wetherell's (1987) earlier definition (see above) identifies text as spoken or written. While discourse scholars have since expanded this definition to include other forms of communication (Fairhurst, 2007; Hardy et al., 2005b), most empirical research has remained limited to either speech or writing. The recent emergence of social semiotics in organizational studies (Iedema, 2003, 2007; Kress, 2010; Kress and Van Leeuwen, 2001) has led to an increase in research that also involves non-linguistic modes to address this omission in strategic research (see the section on Social semiotics: Multi-modality, p.66). Nevertheless, multi-modal analysis of strategizing discourse is still scarce and has shaped the research here (the literature on social semiotics and multi-modality is reviewed in detail further on).

Owing to the social nature of meaning making, discourse analysis looks at *bodies* of interrelated texts, rather than individual texts (Phillips and Hardy, 2002). While an individual text can provide an example or material manifestation of a discourse, it cannot be extrapolated beyond its particular instance. The absence of an objective, invariable reality that is reflected in the text means that in a different context the meaning of the text is not anchored in 'reality' but depends on somewhat different interpretations by different actors with potentially different frames and interests.

This distinguishes discourse analysis from, for example, narrative analysis (Barry and Elmes, 1997), in that it puts more emphasis on analyzing accumulated bodies of text (Phillips & Hardy, 2002) than individual texts. As a result it allows negotiations to be observed across different iterations, interpretations or contexts. The discourses in which we partake at different points in time also shape each other in ongoing dynamic patterns of interaction and meaning making. This means that, when analyzing an organization's strategic discourse, it is essential to understand the context in which strategic texts come into existence.

CONTEXT

A discourse of strategy within an organization does not occur in isolation but is embedded within a context of broader discourses (Grant and Hardy, 2004). However, few discursive studies of strategy explore how a particular organization's local strategy discourse interacts with that 'broader' context (Erkama and Vaara, 2010; Hardy, 2004).

A broader discourse can be defined as a discourse that is shaped predominantly by actors beyond the organization, and has been variously described as 'macro', 'meta', 'grand', 'capital D' or 'mega' discourses (Alvesson and Karreman, 2000; Boje, 2001;

Keenoy and Oswick, 2004; Phillips et al., 2008; Robichaud et al., 2004). Rather than look at such broader discourses as operating on a different level, this thesis views them as interwoven. This avoids a suggestion of hierarchy while still acknowledging the dependency and influence of different discourses on each other.

One example that does analyze such interactions is Vaara et al.'s (2004) study of strategy-related discourses in the airline industry. This study illustrates how a discourse regarding the necessity of airline alliances can be understood as a particular instance of a broader societal discourse on 'corporatization' and 'globalization'.

Specifically, the study provides an example of an early 'revolutionary' protagonist, Jan Carlzon, who drew on broader societal discourses in order to challenge traditional views in his own airline, SAS. As these broader discourses came to dominate in the airline industry by the late 1990s they compelled other actors in the industry to view them in similar terms (Vaara et al., 2004). The analysis suggests a transition from a judicious drawing on broader societal discourses by an early protagonist to a situation where these broader discourses were taken for granted industry-wide. Such a position of dominance of a broader contextual discourse does not occur from one day to the next but emerges from ongoing changes in the daily interactions between key actors.

The discussion of broader discourses does not imply that they are a given for organizational leadership. While one actor or group of organizational actors generally may not be able to significantly change a broader discourse in which they are not one of the main or dominant actors, they do have some control over the context of their local strategic discourse by choosing or shaping what is seen as the most relevant broader discourses (Fairhurst, 2009). In the example above, Jan Carlzon was an early

protagonist who chose to make the broader societal discourse on ‘corporatization’ and ‘globalization’ part of the context for SAS’ local strategic discourse. This construction of a context for a local strategic discourse is not neutral. Actors bring their own interests to the discourse, and these interests may shape the discursive practices of actors, including which broader discourses are made relevant, and ultimately what meaning is assigned to organizational phenomena. In order to show this dynamic, the broader discourses that were essential to the acquisition discourse were not taken for granted, but their emergence is shown from the patterns of discursive practices that were brought to bear by actors (see stage 2 of the ‘Methods and Approach’ chapter). As mentioned, few studies have examined the dynamic relationship between a particular local strategic discourse and broader discourses (Erkama and Vaara, 2010; Hardy, 2004). This thesis will examine that relationship and identify how broader discourses were brought to bear on particular strategic discourses, and what role they played in shaping the acquisition discourse that is the subject of this research.

In addition to drawing on broader discourses, a particular discourse may also draw on sets of texts that relate to either the past or the future. As this is particularly relevant to strategizing, the next section will explore the notion of time in strategizing generally, as well as how this applies to strategizing as discourse.

TIME

The future orientation of strategizing has been well recognized in strategy theory (Baghai et al., 1999; Das, 1987; Johnson et al., 2011; Mintzberg, 1994; Mintzberg et al., 1998; Mosakowski and Earley, 2000; Taschdjian, 1977; Wright et al., 1996). Time is embedded in all organizational activity, but it is not often explicitly used as a lens for

analyzing those activities (Ancona et al., 2001; Das, 1991; Goodman et al., 2001; Shi et al., 2012). Previous research on time (Ancona et al., 2001; Goodman et al., 2001; Shi et al., 2012) proposes a number of temporal variables, including timing, pace, cycles, rhythms, flow, temporal orientation and the cultural meaning of time. However, these variables typically do not specifically relate to *strategizing* but are drawn from a wide range of management areas.

Attention to the temporal dimension can be seen in all major schools of strategy and is generally positioned as anticipating or forecasting the future and acting accordingly (Baghai et al., 1999; Kaplan and Orlikowski, 2013; Mintzberg et al., 1998). For example, the dominant design and positioning schools of thought for strategizing (Mintzberg et al., 1998) see the future external environment as more knowable and predictable, and the internal environment as more rational in anticipating and acting on future changes relating to that environment. This makes future-oriented strategizing and prescribing effective action more straightforward. Time also plays a role in other strategy thought, which sees the future as less predictable, less rational and more complex and organic, and hence more difficult to anticipate (Mintzberg et al., 1998). Here strategizing is less about a long-term vision and more about trying to shape patterns of organizational practices, which would allow a preferred future to emerge from those patterns. In a complex environment this requires a constant monitoring of, and adaptation to, those patterns (Snowden and Boone, 2007). For example, the cultural school emphasizes the difficulty in deliberately shaping such patterns, while the learning school stresses the possibility of doing so.

The future orientation that defines strategizing is captured in the concept of a time horizon (Baghai et al., 1999; Das, 1987; Taschdjian, 1977). Taschdjian (1977) defines a 'horizon [as] a boundary which moves back as we move towards it' (in Das, 1991, p.53). What constitutes an appropriate time horizon for strategizing is not fixed and may vary with, for example, someone's role or seniority in an organization. Jacques (1979) equates a longer 'time span of discretion' with more senior levels of an organization. This means that while a frontline manager may have to consider the next 3 to 12 months, a Group CEO's time span might extend to 10 to 20 years or beyond. Other temporal research also identifies that appropriate time horizons may vary as time is not necessarily an objective measure. While time is most often considered as clock time, research into strategizing suggests it can also be measured by the passing of particular events, or stages in a cycle (Orlikowski and Yates, 2002; Shi et al., 2012), and has been studied as personal inclination (Das, 1987, 2004), or as a cultural phenomenon (Mosakowski and Earley, 2000; Nisbett, 2004). While Shi and colleagues specifically look at mergers and acquisitions (M&As) and alliances, the same can also be said when comparing industries with inherently different 'speeds'. Such a speed may be expressed in, for example, typical investment cycles or product life cycles in that industry. This emphasis on cycles rather than clock time also shifts the attention away from strategy as a vision for the future, to an emergence of strategy from such patterns of investment or product life cycles. If we see strategy as something we have, then looking further ahead in time, whether in clock time or in (investment or product) cycles, allows opportunities and threats to be anticipated earlier, and as such provides more options for adjusting one's vision (Baghai et al., 1999). If we see strategy as something 'we do', attention to a temporal dimension of strategizing provides more

time to adapt or overcome resistance inherent in the recursive patterns of cognition, power or habit. Therefore, a company may improve its strategic options by either looking further ahead in clock time, or by accelerating its patterned activity to create more time in terms of investment or product cycles.

While the concept of time has been explored in the discourse literature, this has typically been an exploration of how a particular discourse is reiterated or adapted over time as part of organizational change. In contrast, the discussion above suggests that in strategizing the concept of time is used somewhat differently. Instead of emphasizing how a particular discourse changes over time, it now refers to how that discourse at a particular moment in time draws on sets of texts that refer to other (mainly future) moments in time. Keenoy and Oswick (2004) develop the concept of 'textscape' to signify how each instance of discourse is informed by a retrospective, real-time and projective context that is woven through that instance. This concept is of immediate relevance to strategizing, which takes note of context and the future. Strategizing by 'looking forward' in time now becomes a matter of drawing on texts that relate to a future point in time. By becoming part of the current strategy discourse, they play a role in shaping an organization's strategy. While Kaplan and Orlikowski (2013) take a practice instead of a discourse perspective, they describe a similar dynamic. For them, temporal work in strategizing is about constructing coherent, plausible and acceptable connections between the past, present and future. This is needed to create a strategic account that enables actors to agree on a particular strategic choice and action and move forward. Kaplan and Orlikowski (2013) label a failure to negotiate adequate agreement through temporal work a 'breakdown' that

leads to organizational inertia. To explore this dynamic in detail from a discursive perspective in the case of a M&A scenario, this thesis will look at how actors draw on texts that relate to (particularly) the future, and what role these texts play in constructing an organization's strategy (see stage 6 of the 'Methods and Approach' chapter). As will be argued, this can be understood in terms of the convergence or divergence of meaning of key constructs that shape the acquisition discourse. The next section will therefore review meaning making as it has been discussed in the literature.

MEANING

Discourse can be seen as a meaning-making activity (Weick, 1979; Weick, 2004). The meaning that actors attribute to, for example, a concept or text, does not depend on one singular instance in which that concept or text occurs. Rather, its meaning emerges over the course of a series of instances of similar situations where its use has been sanctioned, thus confirming the meaning of the concept; or it emerges from the critique of other actors in particular instances in which the text or concept has been used inappropriately, that is, the limits of appropriate usage have been transgressed.

These instances of meaning making include conversations (Grant and Marshak, 2011) or other interactions. Meaning making may occur through 'borrowing' traits from similar concepts (analogies, similes, metaphors) or contrasting traits with dissimilar concepts (anomaly, paradox, irony). In particular, the study of metaphors has seen a major increase in popularity over the last 25 to 30 years since groundbreaking publications from Lakoff and Johnson (2003, originally published in 1980) and Morgan (2006, originally published in 1986). Similarity and dissimilarity have been explored as meaning-making tools by a number of organizational scholars (Oswick et al., 2002,

2003; Putnam et al., 1999). This research shows that managers are not deterministically locked in by similarities or dissimilarities but that they are active agents who, for example, can (and do) mix their metaphors to understand new situations.

Part of the negotiation of meaning across different groups may involve the use of boundary objects. Boundaries between different social groups can result from different practices, interests or cultures, and may hinder the ability of groups to work together and share knowledge with each other (Orlikowski, 2002). Boundary objects are objects that can help transfer, translate and transform knowledge (Carlile, 2002) between different groups. Examples of boundary objects include: repositories, ideal-type objects, coincident boundaries and standardized forms (Star and Griesemer, 1989); data repositories, visionary objects, ideal-type objects, coincident boundaries and standardized protocols (Briers and Chua, 2001); machines (Bechky, 2003); objects, models and maps (Carlile, 2002); and strategy tools (Spee and Jarzabkowski, 2009). While boundary objects can be abstract or concrete (Star and Griesemer, 1989), two criteria are generally acknowledged as essential: they must be 'plastic enough to adapt to local needs ... yet robust enough to maintain a common identity across sites' (Star and Griesemer, 1989, p.393). This thesis draws on the existing research to identify boundary objects in the case study, and analyzes the process and conditions necessary to construct such objects.

Law and Singleton (2005) describe how the concept of boundary objects was developed as part of research influenced by Actor Network Theory (ANT), which imagines objects as either 'volumes in Euclidean space; stable networks of relations; as

fluids that gently reshape their configurations', or fire, which jumps 'creatively, destructively and more or less unpredictably from location to location' (p.347). ANT finds its genesis in Science and Technology Studies (Callon, 1986; Latour, 1987; Law, 2009), but is contributing increasingly to organizational studies (Baxter and Chua, 2003; Whittle and Spicer, 2008; Woolgar et al., 2009). Key characteristics of ANT include its equal attention to artefacts and actors, which are grouped under the label 'actants'; analysis of the network of relevant actants; and the construction of technological artefacts and scientific 'discoveries'. Such innovations can be defined very broadly and, when applied to business studies, may refer to organizational strategies that are solidified as networks increasingly coalesced around dominant interests (e.g. Skærbæk and Tryggestad, 2010).

While ANT research emphasizes how human and non-human actors stabilize meaning and create such objects, others shows how stability occurs through intertextuality (Oswick and Robertson, 2009) and recursivity, that is, relationships with other texts that are woven through a strategy discourse and patterns of discursive practices that bring the world continuously into being. Although these perspectives of actors or interwoven discourses as stabilizers are connected (Law, 2009), they have a different emphasis. In addition, whereas ANT emphasizes that change is difficult because it requires adjusting the relationships between actants, a discourse analytic perspective highlights how this difficulty originates in the complexity of interrupting recurring patterns of discursive practices or discourses.

However, in spite of this fixing and labeling, some level of potential confusion and ambiguity between actors regarding the meaning of any object or construct remains

(Weick, 2004). In the pragmatic context of strategizing it can be argued that the aim is not to resolve all ambiguity, but merely to negotiate sufficient convergence of interpretation to enable actors to decide what action to take next. Observing this process involves identifying what this point in the negotiation looks like, and how actors know whether it has been reached. Analysis of the discursive practices used to influence one another and the exercise of power to make decisions therefore becomes critical to understanding how strategy is practiced.

POWER

Such an exercise of power can occur in different forms. Power can be defined as ‘the probability that a person can carry out his or her own will despite resistance’ (Weber (1947) in Kim et al., 2005, p.800). Discourse is not neutral and a change in discourse may further the interests of one actor over another. Consequently, an analysis of discourse can be particularly effective in unearthing struggles between actors as the exercise of power to control discourse (Grant and Hardy, 2004). This can be achieved by putting power dynamics at the centre of the overall analysis, as is the case in critical discourse analysis, or by being sensitive to power dynamics without putting it at the centre of the research, as is the case here.

The earlier discussion of schools of strategy included the power schools (micro and macro) and the cultural school. Whereas the micro and macro power schools assume the deliberate exercise of power by an actor, the culture school hints at a systemic power that is embedded in the culture of an organization, which results in resistance to change. According to Mintzberg et al. (1998), an analysis of power is largely absent in mainstream strategy theory, with only a trickle of publications on the topic.

However, extensive analysis does exist in the broader organizational literature and is increasingly connected with strategy theory.

Lawrence et al. (2001) integrate prominent theories of power in an overarching framework of conceptions of power. While initially developed in the context of institutionalization, the framework has also been applied successfully in the context of negotiation (e.g. Kim et al., 2005). The framework differentiates the mode (systemic or episodic) and treatment of the target (as object or subject) to create a 2x2 matrix (see Table 2-4).

Table 2-4: Conceptions of Power

		Treatment of the target as	
		Subject	Object
Mode	Episodic	Influence	Force
	Systemic	Discipline	Domination

Source: Lawrence et al., 2001

Within this framework ‘influence’ specifically refers to episodic attempts by actors to exercise power over a subject in order to further their own interests. A range of rhetorical frameworks were explored (see Table 2-7: Rhetorical Frameworks in Organization Studies, p.82) in order to determine how to analyze rhetoric used by actors to influence BHP’s attempted acquisition of Rio. Episodic attempts can be one off or a pattern of attempts to exercise power. However, these patterns would still be

delineated by time and not naturalized or internalized by the system in which they occur. It presumes either the existence of a conflict of interest that requires the use of power (Lawrence et al., 2001), a manipulation of people's 'perceptions, cognitions, and preferences' (Lukes, 1974, in Lawrence et al., 2001, p.633) or, as this thesis will show, the negotiation of meaning of key constructs. Well-known conceptualizations related to power that include this conception of power include a typology of power bases (French and Raven, 1959), which distinguishes five bases from which an actor can draw power: rewards, expertise, legitimacy (or lawful authority), referent power (or the desire of a person to be accepted by the actor) and coercion. This fifth base (coercion) is part of what Lawrence et al. call 'force'. Others focus on the influence tactics used by managers, for example, pressure, legitimation, exchange, coalition building, rational persuasion, inspirational appeal, consultation or personal appeal (Kipnis et al., 1980; Yukl and Tracey, 1992).

Force relates to a 'direct, overt use of power to overcome another actor's intentions or behaviors' (Lawrence et al., 2001, p.635). It is connected to a particular act or practice (episodic), and objectifies the target by removing the target's choice altogether. As previously noted, French and Raven's coercion falls under this interpretation of force, while lawful authorities can also exercise force. Obvious organizational actors that may use force include the police, the military and prisons. However, other organizations (like competition regulators and foreign investment review boards) can use non-physical force when they exercise power and make actors do something against their will. This research is sensitive to this form of power as it underpins the role of competition regulators in the pre-acquisition discourse.

The exercise of power through discipline provides a systemic, routine signal that sanctions certain meanings or behaviours, and discourages others. Foucault (1977) describes how discipline works through a combination of three mechanisms, that is, hierarchical observation, normalizing judgment and examination: continuous surveillance identifies potential breaches of established rules and, upon examination, may generate punishment. The disciplinary mechanisms may initially reside outside the targeted actor, but 'their power comes from their integration into and effect on the identity of the target' (Lawrence et al., 2001, p.636).

Critical Discourse Analysis (CDA) has been particularly useful in understanding how systemic power can create subtle discursive webs of power in which all actors are situated. For example, Hardy and Phillips (1999) look at how power embedded in refugee systems produces identity in refugees. This perspective on power can help make sense of how power is used to produce alternative meaning, or how objects come into being, and how this leads to material outcomes for actors. In this form power is not something that is possessed by an individual, but is relational and productive (Foucault, 1990). This means that power does not simply emanate from a central or sovereign source, but each actor in a system has varying degrees of local agency and contributes to a continuous dynamic that holds meaning in place or produces alternative meanings.

Power as discipline does not require that an actor is conscious of exerting it or being subjected to it. While actors continue to repeat what they do in line with the dominating patterns in their environment, much of what they do is likely to remain an unconscious dynamic of discipline. To see this dynamic play out, research can focus on

moments of resistance or contestation and analyze discursive practices that are brought to bear by actors, and the material effects of these practices; or research can focus on the disciplinary and punitive responses that incentivize the actor to return to the dominating pattern (Foucault, 1977). As such they shape what can or cannot be said or done in a particular context (Hardy and Clegg, 1999). This does not mean that a target becomes objectified as choice is not necessarily removed, but may come with consequences as the price to pay for that choice. If choice were to be removed entirely, the exercise of power shifts from discipline to domination. The pursuit of shareholder value by company executives is an example of internalized discipline, which is complemented by systemic domination (e.g. through the ability to sue directors who have not acted in the interests of shareholders).

Lawrence et al. define phenomena of domination as phenomena that share the 'ability to support patterns of social action in an ongoing way and without the complicity of those on whom they act' (Lawrence et al., 2001, p.637). Hence, they are systemic and treat the target as object. In an organizational setting this may include an assembly line that imposes particular practices on workers. However, many such phenomena are more subtle. Lawrence et al. call the former 'material technologies', and consider 'actuarial practices' an example of the latter, which transform 'the lives of social actors, not through their own actions but through their placement in a social order abstracted from their lived experiences (Lawrence et al., 2001, p.637). This study is sensitive to the exercise of power through accounting standards. As will be argued, such standards are examples of dominant broader discourses that impose a particular social order and shape meaning, and which individual actors typically have no or

marginal ability to change. This does not just happen on a micro level in how, for example, profit needs to be calculated, but also on a macro level through the accounting perspective of an organization. Morgan (1988, p.483) argues that '[m]uch accounting practice is geared to providing and sustaining a shareholder view of organization'. An organization's accounting perspective therefore privileges the interests of shareholders over those of other actors such as employees or community members.

While this research does not put power dynamics at the centre of its analysis, it is sensitive to such dynamics and the findings highlight, for example, the power (force) of shareholders and regulators to decide on the outcome of an acquisition; the systemic power (domination) of accounting standards; and the role of rhetoric in influencing strategy during the acquisition discourse. Research into power during M&As has been fairly limited. Tienari and Vaara (2012) review the M&A literature on power-related issues but, in order to do that, they revisit seminal M&A studies where power is often only treated implicitly. Some of the research they identify is discussed in the next section, which reviews studies into M&A strategy discourse more widely. The literature review will then explore discursive practices and multi-modality before proceeding with an analysis of rhetoric in organizational research.

MERGERS AND ACQUISITIONS STRATEGY DISCOURSE

M&As have remained an important strategy for organizations (Kolev et al., 2012). The motives for a merger or acquisition can be traced back to distinct motivation theories, including efficiency and monopoly theories (Trautwein, 1990). Efficiency theories view these transactions as sources of potential financial, operational or managerial

synergies. Monopoly theories focus on the potential increase of market power of these transactions, which may enable the combined organization to extract higher prices for its products or lower prices from its suppliers. However, while the potential for synergies or market power is acknowledged, research has consistently confirmed the difficulty in delivering sought-after performance targets through M&A (King et al., 2004). Since the 1980s these performance targets have increasingly been aligned with shareholder value (Ryan, 2012; Stewart, 1991), coinciding with the increased influence of capital market actors (Lok, 2010; Ryan, 2012). Research into M&A has traditionally been 'founded on an objective approach to the scientific endeavor, a realist ontology, and a non-critical perspective' (Teerikangas et al., 2012, p.662). Only since the late 1990s or early 2000s has M&A research that takes an interpretive, constructionist approach to M&A emerged (Teerikangas et al., 2012). While small in number these studies demonstrate that there is a clear case for the potential of a discursive lens to help our understanding of strategy, including M&A strategy (Tienari and Vaara, 2012; Vaara et al., 2004).

A number of these studies have looked at how these transactions are justified or legitimized by actors (Halsall, 2008; Leonardi and Jackson, 2004; Vaara and Monin, 2010; Vaara and Tienari, 2002), or how success may have been discursively constructed (Hellgren et al., 2002; Vaara, 2002). This research shows that the discourse surrounding a merger or acquisition draws mostly on rational arguments (Hellgren et al., 2002; Tienari et al., 2003; Vaara and Tienari, 2002) and, in the case of cross-border transactions, arguments related to national culture and identity (Halsall, 2008; Hellgren et al., 2002; Mitra, 2006; Riad and Vaara, 2011; Sarala and Vaara,

2010; Tienari et al., 2005; Tienari et al., 2003). Further on the literature review identifies studies of rhetoric during major organizational changes and discusses the rhetorical strategies used during M&A transactions in detail.

Some studies that take a discursive lens to M&As connect a particular M&A discourse with broader discourses of globalization, global capitalism or industry consolidation (Leonardi and Jackson, 2004; Mitra, 2006; Tienari et al., 2003). For example, Leonardi and Jackson (2004) discuss the mergers of US West with Qwest and AOL with TimeWarner, and show how actors connected these mergers to broader discourses of technological change. The merger of pharmaceutical companies Sanofi-Synthelabo and Aventis was connected to broader discourses on global innovation, industry consolidation, regional capabilities and French national interests. A similar connection to a discourse of national interests is identified by Tienari et al. (2003) in the acquisition of Norwegian Christiania Bank og Kreditkasse by Merita-Nordbanken, consisting of a Swedish and a Finnish bank.

Other studies look at language during a take-over. For example, Hirsch (1986) identifies a range of genres and image clusters (e.g. golden parachutes, cyanide pill) in his study of the normative framing of hostile take-overs (Hirsch, 1986). A previous study by Hirsch and Andrews (1983) identifies metaphors like ambushes, shoot-outs and knights of the roundtable in the language of corporate take-overs.

This thesis contributes to that growing but still small body of research that analyzes elements of the discourse surrounding M&As in a few ways. First, the above-mentioned discourse-focused literature on M&A predominantly looks at what happens *following* an M&A transaction but we know little of the discourse that may *precede* a

transaction. Therefore, this thesis will analyze the structure and dynamics of a *pre-acquisition* discourse. Further, the existing research is mostly limited to an analysis of the linguistic practices that shape the discourse. However, organizational scholars increasingly suggest we need to look beyond linguistic practices (Grant et al., 2004; Iedema, 2007; Jacobs and Heracleous, 2007; Royce and Bowcher, 2006). Consequently this study looks at both the linguistic and non-linguistic modes that constitute a pre-acquisition discourse. Lastly, most studies examine the role of internal actors or, in some cases, the role of the media (Hellgren et al., 2002; Kuronen et al., 2005; Vaara and Tienari, 2002). Previous research has not told us much about how, for example, customers, suppliers or competitors react to M&A (Teerikangas et al., 2012). In contrast, this thesis will consider the role of internal and external actors during the pre-acquisition discourse. To do this, the remainder of this chapter will review other bodies of research to develop a broader discourse analytical framework. Specifically, it reviews strategy-as-practice, social semiotics, the sociology of finance and rhetoric to develop a detailed analytical framework. This framework will enable the analysis of strategizing during the pre-acquisition discourse as a multi-modal discursive practice.

DISCURSIVE PRACTICE AS MULTI-MODAL RHETORICAL STRATEGY

DISCURSIVE PRACTICES

Genuinely extending a discursive analysis beyond written and spoken texts requires fundamentally integrating non-linguistic practices, their modalities and how they bring to bear power into the analytical framework. While the discourse literature acknowledges that text goes beyond language, the primary association of 'text' remains rooted in the spoken and written word. In order to avoid such an association

and extend this analysis further, this research develops the notion of multi-modal rhetorical strategies as a unit of analysis. As will be argued, these rhetorical strategies are enacted through discursive practices. Strategy-as-practice explicitly focuses on how practices shape strategizing and provides some useful insights that have helped shape the analytical framework for this research.

A focus on practices means that, rather than trying to identify organizational characteristics or strategic formulas for success, strategy-as-practice aims to understand what strategists actually do when they strategize, and the flow of activity in which strategy is created (Jarzabkowski, 2005). The strategy-as-practice literature suggests that practitioner strategists may include anyone involved in strategizing, whether they work in the corporate office or on the periphery of an organization (Regner, 2003). One of the critiques of strategy-as-practice scholars has been that all too often the research traditionally has been limited to the role of top management (Golsorkhi et al., 2010). In contrast, strategy-as-practice considers, for example, top management (Jarzabkowski, 2002), middle management (Balogun and Johnson, 2005), strategy specialists (Paroutis and Pettigrew, 2007) or strategy champions (Mantere, 2005). Despite drawing attention to a range of strategic practitioners, in many cases strategy is implicitly treated as something that is created by practitioners within an organization and then communicated to external parties. Most studies that adopt a strategy-as-practice perspective focus on the practices of actors internal to the organization. As mentioned in the review of the (dominant) design school of thought, that conceptualization of strategizing 'precludes external actors from the process [of strategizing] altogether' (Mintzberg et al., 1998, p.31). In contrast to some other

methodological approaches, relatively little practice research has been published about the role of external actors in shaping a firm's strategy, causing Jarzabkowski and Spee (2009, p.81) to call it 'a matter of concern'.

Some studies do consider the role of external actors, though they may not take a strategy-as-practice perspective. For example, the media was seen to have played a central role in the legitimation (and delegitimation) of the merger of two French pharmaceutical companies (Vaara and Monin, 2010) and the merger of two paper and pulp companies from Finland and Sweden (Vaara et al., 2006). Others have looked at how analysts influence fund managers (Beunza and Garud, 2007; Imam et al., 2008), or how fund managers influence company executives (Roberts et al., 2006). These studies show that external actors do play a role in strategy development in organizations and that this is an area that we are only just beginning to understand. Accordingly, the current research aims to make a contribution by analyzing the role of external actors in shaping the pre-acquisition discourse of the case study.

Strategy-as-practice research approaches strategy as something that managers do – *strategizing* – rather than something organizations have (Johnson et al., 2007). While the process school of research had already started to explore what strategists do, their approach has been criticized by strategy-as-practice scholars for lacking sufficient fine-grained detail due to a focus on firm level, and ignoring the daily grind from which strategy emerges (Jarzabkowski, 2005; Johnson et al., 2007; Whittington, 2007). In contrast, strategy-as-practice research is concerned with studying micro phenomena, without losing sight of how they shape and are shaped by more macro phenomena (Jarzabkowski and Spee, 2009).

Examples of practices that have been the subject of empirical research to date include strategy meetings or episodes (Hendry and Seidl, 2003; Jarzabkowski and Seidl, 2008), the use of objects or tools (Spee and Jarzabkowski, 2009), talking up or down expectations (Sillince and Mueller, 2007), the establishment of strategy teams (Paroutis and Pettigrew, 2007) and decision making (Hendry, 2000). These practices can be grouped in different ways. For example, Johnson et al. (2007) identify norms or scripted behaviour, strategy episodes and routines. Jarzabkowski (2005) differentiates between administrative practices (planning mechanisms, control systems, performance indicators), episodic practices (like meetings, workshops) and discursive practices for interacting about strategy. In contrast to Jarzabkowski (2005), this thesis will argue that, to some extent, a discursive component can be found in all practices. For example, a CEO visit to important customers communicates to those customers that they are important. Therefore, although the visit is an episodic practice, it can be considered to also have discursive qualities, which are additional to the actual conversation during the visits. Finally, as the case study will demonstrate, what may appear as a singular attempt by companies to persuade external actors of the merits or drawbacks of the acquisition strategy may just be a snapshot of a pattern of activities over time where persuasion or influence flow in many directions. Strategy-as-practice takes notice of such patterns across practices through its notion of praxis.

Chia (Chia and MacKay, 2007) offers a post-processual strategy perspective that is helpful to understand praxis. By building on Wittgenstein's language games, Bourdieu's habitus and Giddens' structuration, Chia proposes that the emphasis of strategy-as-practice should be on the practice complexes. This shifts attention away

from a single practice to the *patterns* of what strategists do, and makes actions and objects instantiations of practice complexes. This emphasis on patterns may go some way in avoiding the confusion that sometimes exists in distinguishing practice from praxis (Carter et al., 2008).

Praxis can be understood as ‘a stream of activity that interconnects the micro actions of individuals and groups with the wider institutions in which those actions are located and to which they contribute’ (Jarzabkowski and Spee, 2009, p.73). Considering this definition in combination with Chia’s, praxis is not about one-off practices, but about the pattern of practice at these three levels. Jarzabkowski and Spee (2008) identify a range of studies at the micro or meso level, but few at the macro level, calling this gap in research an equal concern to the absence of studies on the practices of external actors. The case study of BHP’s attempted acquisition presents an analysis that includes the macro level: it looks at individual practices at all three levels and connects these in a pattern of influencing activities that actors bring to bear on other actors during the acquisition attempt to either further or hinder the attempted acquisition. For example, the case identified a pattern of cues from BHP that the acquisition constitutes good strategy. On a micro level this may include the presentation of synergies for one particular site; on a meso level it may be the combination of analyst briefings, press statements and customer visits; and on a macro level it may be about the connection of the merger to industry-wide consolidation trends. The pattern of practices *within* and *across* these levels can be seen as the praxis of building support for major acquisitions.

The concept of patterns in strategy formation, or the emergence of strategy from what happens in an organization, is not new (Mintzberg, 1978), and has contributed to the process perspective of strategy. The distancing of practice from process is not unproblematic: one can always see a practice as a bundle of smaller practices, or a process as a bundle of smaller processes. This raises the issue of determining the appropriate level of aggregation or disaggregation of practices, which needs to be resolved for each research project and research question. The Methods and Approach chapter in this thesis (stage 4) discusses how this issue was resolved for this research.

SOCIAL SEMIOTICS: MULTI-MODALITY

As noted, this study acknowledges that what internal and external actors do in terms of 'discursive practice' includes, but is not limited to, linguistic activity. Scholars of semiotics have developed our understanding of other, non-linguistic modes of communication that may play a role in discourse (Constantinou, 2005; Cooren et al., 2011; Iedema, 2003, 2007; Kress, 2010; Kress and Van Leeuwen, 2001). These can be embodied in a wide variety of visual representations, cultural artefacts and other modes of meaning making that are used in the realization of social goals and purposes (Grant et al., 2004; Iedema, 2007; Jacobs and Heracleous, 2007; Kress and Van Leeuwen, 2001; Royce and Bowcher, 2006). Indeed, Roberts et al. (2006) suggest that even the tone, gestures or mood of a messenger are in themselves modes of discursive practice that can convey meaning. This study not only examines speech and writing, but also other modes like imagery, financial and numerical indicators, and the use of location, and in this respect answers calls by Kress (2010), Iedema (2003, 2007) and Fairhurst and Grant (2010) to consider the broad range of modalities that form

part of discursive practice. One challenge of multi-modal research is that it may not always be evident what constitutes a distinct mode. Stage 3 of the 'Methods and Approach' discusses why this may be a challenge and how different modes were identified in the case study.

The displacement of language as the sole or primary focus of study 'amounts to a profound reorientation' (Kress, 2010, p.79) of our understanding of what discourse is, how it is used to express, negotiate and influence meaning and how we should approach its study. It means that under this definition of discourse, no mode is excluded *a priori* from research into strategy and discourse, since all modes have the potential to influence the meanings attached to strategy and thus how it is practiced.

Drawing on the social semiotic framework developed by Kress and van Leeuwen (2001) and Kress (2010), mode is seen as a technology of transcription. Each mode has a different set of features that determines how it configures the world and creates meaning. Social semiotics approaches this process of configuration and meaning making by asking 'Whose interest and agency is at work here in the making of meaning?' (Kress, 2010, p.57). According to Kress, who builds on the semiotic approach of Michael Halliday, what may count as a mode is influenced by the 'affordances', that is, the potentials and limitations of the mode. These affordances differentiate it from other modes and impact the media that can be used to express the mode (see Table 2-5).

As a result language should not be treated as a singular mode, but creates meaning through modes such as speech and writing. These need to be treated as distinct (Kress, 2010) because they have different affordances like intonation and durability.

Table 2-5: Examples of Modes, Affordances and Media

Mode	Affordances of mode (based on Kress, 2010)	Associated media (examples)
Speech	Rhythm, pace, volume, intonation, accent, silence	Sound, digital recording
Writing	Permanence, blank space, punctuation marks, bolding, font (type, size, colour)	Paper, light (e.g. data projector), screen
Imagery	Positioning of elements, depictions/icons, framed space	Paper, light, screen
Gesture	Ephemeral (temporary, imprecise), generally carries less weight than, e.g. writing or speech	Body
Object	Hardness, size, placement, shape, colour	Wood, rock, plastic, etc.

Whether something actually counts as a mode also depends on social and formal criteria. Socially, what counts as a separate mode for influencing meaning in one community may not matter in another community. Related to this, communities have modal preferences. For example, while imagery (e.g. graphs, schemata) is used extensively by natural scientists, it is used much less by lawyers. This implies that to shape meaning, actors need to adjust the modes of their discursive practices to the modes that shape meaning in the community they try to influence (Kress, 2010).

Further, following Halliday's formal criteria, Kress defines (2010, p.87) something as a distinct mode based on whether it has an ideational function ('to represent meanings about actions, states, events in the world'), textual function ('have the capacity to form texts, that is, complex semiotic entities which can project a complete (social) world, which can function as complete message-entities which cohere internally and with their environment'), and an interpersonal function ('to represent meanings about the social relations of those engaged in communication'). Table 2-6 shows how these formal criteria can be applied to determine whether a particular semiotic constitutes a distinct mode, or whether it is just an affordance of another mode. This is critical in

order to critically analyze the acquisition discourse through the modes in which the discourse is enacted.

The table below suggests that while font can be a distinct mode for one community it plays an insignificant role for another. For example, font types, sizes or colours largely do not impact the meaning of a legal text, but they are critical in a marketing context. This means that a mode is a heuristic concept (Constantinou, 2005) and that there is no given or straightforward taxonomy of modes that the analysis can fall back on. Instead, as applied in this research, the identification of modes in the context of an acquisition attempt needs to follow from the analysis itself through a continuous awareness of what actors do and how that contributes to meaning making in the particular community an actor tries to influence.

Table 2-6: Is 'Font' a Mode?

Formal criteria (based on Halliday)	Evaluation of a marketing brochure	Evaluation of a legal text
Does it have a <i>textual</i> function?	The choice of font provides a message that is internally coherent and coheres with the environment (e.g. font is expected to follow coherent conventions that may follow from its use in the internal or external environment of the brochure)	The choice of font is largely irrelevant, that is, it does not typically impact significantly on the meaning of the text (consistent font use does not impact the meaning of legislation)
Does it have an <i>interpersonal</i> function?	The choice of font can represent meanings about the social relations of those engaging in communication (e.g. a vendor must make it easy and pleasant to read the brochure, as a potential customer has the ability to reject the relationship)	The choice of font does not necessarily reflect the social relationship (i.e. the receiver of the communication must accept legislation, and the author does not choose a font based on this)
Does it have an <i>ideational</i> function?	The choice of font can provide a particular representation of selected aspects of the world (e.g. the combination of font type, size, colour can express importance, conservatism, etc.)	The choice of font is not intended to express ideas about states, actions and events in the world (e.g. font can be changed without changing the ideas the text communicates)

Source: Based on Kress (2010).

The awareness of the semiotics used by actors should not just be limited to those that are used consciously or foregrounded purposefully by actors. For example, a range of semiotics that play a role in an analyst briefing may never be consciously noted: the venue, dress code, adherence to particular protocols, use of particular props (e.g. data projector) and the layout of the room. These semiotics may all convey an underlying message of professionalism, adherence to expectations, a 'we are like you' message from management to analysts. Their contribution operates in the background (Iedema, 2003) and would likely only be noted if they deviate significantly from expectations.

Based on this review of the literature on social semiotics and multi-modality, this thesis will consider how actors draw on linguistic and non-linguistic modes during the pre-acquisition discourse.

Whereas some modalities may not be noted consciously, others cannot be missed. As this research will argue, calculative devices are some of the most important modalities for meaning making in this case study. Such devices have, to date, not received extensive attention in social semiotics or the organizational discourse literature. However, useful insights were drawn from another complementary body of literature, that is, critical research in accounting and finance, and particularly the sociology of finance.

SOCIOLOGY OF FINANCE: CALCULATIVE DEVICES

Extant relevant literature in critical accounting and the sociology of finance contains a number of related concepts that are relevant for our purposes here, for example,

calculative frame (Beunza and Garud, 2007), accounting sign (Macintosh et al., 2000), financial statement elements (Rutherford, 2003), accounting numbers (Robson, 1992) and financial models (MacKenzie, 2006). In the absence of a broadly accepted definition, this paper uses the term 'calculative device' to denote a set of practices, texts and artefacts that enable and apply mathematical operations as part of meaning making in a discourse, and bring a construct or object into being. This enablement involves bringing them into a single space (Callon and Muniesa, 2005, p.1231) – a piece of paper, spreadsheet or someone's mind – as a necessary precursor to counting. Under this definition calculative devices can include financial and other numerical indicators, spreadsheet models, heuristics, calculative protocols (e.g. accounting standards), etc. The different concepts, while related, have been described from a range of theoretical perspectives. For example, drawing on Baudrillard, accounting signs have been described as simulacrum or hyperreality (Macintosh et al., 2000); echoing Bourdieu's theory of habitus, financial statements are seen as constructions of the rites and rituals of the profession (Hamilton and Hogartaigh, 2009); and, more broadly, accounting has been described as fabrication (Chua, 1995; Preston, 1992) and as a codified discourse (Llewellyn and Milne, 2007).

What is particularly relevant for this case study is how this applies to establishing the value of a company. Sociological studies of calculative devices or systems often ignore the actual calculative aspect or lose it in the detail of ethnographic description (Callon and Muniesa, 2005). Part of this omission, at least in the literature on analysts, is the result of looking at analysts as 'lemmings' who follow each other in their valuations, rendering the actual calculation largely irrelevant (Beunza and Garud, 2007). In

contrast, the current study explicitly pays attention to the calculative aspect to better understand how the social construction of a company's value is played out through calculative devices. Analysts and funds managers must express their judgment of an organization in a share price, and do this based on an in-depth understanding of a broad range of metrics, and how these metrics are created and interpreted. For example, analysts prefer discounted cash flow metrics over profit-based models as these rely less on accounting profit metrics, which are seen as easier to manipulate by actors within a company (Imam et al., 2008). In addition, they also derive assumptions from reference points of other similar companies as the company to be modelled (Beunza and Garud, 2007). Beunza and Garud (2007) show how securities analysts value internet companies with new business models, unclear information and a broad range of available interpretations. However, others had already demonstrated that ambiguity does not disappear as a new industry becomes more familiar and its evaluation more codified. Even in that situation the calculations are still based on concepts of financial accounting that are socially constructed and, as a result, construct what is perceived as financial reality (Hines, 1988; Morgan, 1988). Further, while sophisticated discounted cash flow calculations are used to convey a market price, in practice analysts still rely on unsophisticated models and subjective, intuitive judgment of the markets. Indeed, how an analyst 'feels' about the price appears to be the primary step, and the price is then reverse engineered through a valuation model (Imam et al., 2008).

This suggests that the role of financial calculative devices is to triangulate or window dress a valuation to give it the appearance of objectivity and inoculate the valuation

against criticism of a lack of rigour. This seems far removed from any claims about accurate estimations of fundamental value. Issues of accuracy and uncertainty of a calculative device for company valuation could be interpreted as an epistemological issue, that is, 'a partial and incomplete representation of the reality' (Morgan, 1988, p.480) due to complications that stand in the way of accurate calculations of the real, fundamental value of a company. Others argue that it is an ontological issue and that there is no such thing as fundamental value because 'there is no such thing as fundamental' (McGoun, 1997 in Macintosh 2003, p.462). In either case, disagreements about value between different groups of actors may need to be bridged in order to progress a merger or acquisition transaction.

This research will explore the use of calculative devices as boundary objects. As discussed earlier, two criteria are generally acknowledged as essential for boundary objects: they must be 'plastic enough to adapt to local needs ... yet robust enough to maintain a common identity across sites'. (Star et al., 1989, p.393). Robustness and commonality are key concerns for accounting and finance to enable a comparison of different organizations, and have created a highly codified discourse that relies primarily on numerical representations. Previous research has shown how codification, including for finance and accounting professionals, influences what professionals learn, how they calculate, and through what filters or paradigms they look at the world (e.g. Ferguson et al., 2009; Fox, 2000; Imam et al., 2008; Llewellyn and Milne, 2007; Morgan, 1988; Roberts et al., 2006). Previous research has shown that a high level of codification makes discourse highly technical and obscures to a lay public the exercise of power that is played out in accounting and finance numbers.

This thesis will show how this codification can be seen as broader discourses for accounting and finance professionals, which provide robustness and a common identity, and enable the role of calculative devices as boundary objects. The concept of plasticity also applies to calculative devices. For example, management accounting and (balanced) scorecards (Briers and Chua, 2001; Kaplan and Norton, 1992; Power, 2004) are useful because they can change shape and localize company-wide performance measures for different groups.

A small but growing number of case studies drawing on concepts derived from ANT shows how powerful actors use management accounting numbers to translate their interests into 'facts' by integrating actors in a network of support and thus stabilize their dominant position while using the perceived objectivity of such models to legitimize the decision (e.g. Baxter and Chua, 2003; Briers and Chua, 2001; Callon and Muniesa, 2005; Denis et al., 2006; Miller, 1991; Skærbæk and Tryggestad, 2010). Indeed, alternative management accounting research suggests that accounting and financial calculations 'cannot be separated from the formation and exercise of power' (Baxter and Chua, 2003, p.104). This makes calculative devices (e.g. metrics, models, calculations and accounting standards) prominent vehicles that align with dominant interests and exercise power.

The ambiguity of a calculation of value does not mean that dominant actors have unfettered discretion in selecting or constructing calculative devices and the resulting financial 'reality', as previous calculative practices have established patterns that have gained their own agency and resist change. For example, extant research on professionals, including financial professionals, shows how such patterns influence

what professionals learn, how they calculate and how they look at the world (Ferguson et al., 2009; Imam et al., 2008; Llewellyn and Milne, 2007; Morgan, 1988; Roberts et al., 2006). Professionals must calculate a value as codified by the rules of their profession, which creates a web of power based on discipline and domination (see Table 2-4: Conceptions of Power, p.54). This dependency on highly codified accounting standards means that only those actors who can draw on recognized expertise are likely to be able to influence these valuations. Non-professional actors who stray from that codification are likely to be ignored (Llewellyn and Milne, 2007).

According to Tienari et al. (2003) the media often presents calculations as factual future projections, which are rarely contested. Other researchers have noticed similar processes in detailed case studies where the perceived objectivity of calculative devices is used to legitimize strategic decisions (Denis et al., 2006; Skærbæk and Tryggestad, 2010). That this is not a new phenomenon and not limited to financial analysis *per se* is illustrated by Devons' experience of wartime aircraft production planning in Britain: 'once a figure was put forward ... it soon became accepted as the "agreed figure", since no one was able by rational argument to demonstrate that it was wrong ... And once the figures were called "statistics", they acquire the authority and sanctity of Holy Writ' (p.155) (Devons, 1950, in Mintzberg et al. 1998, p.71). This raises questions about the role of calculative devices in negotiating value as perceived by disparate groups. This thesis combines insights from critical research in accounting and finance with other bodies of literature and analyzes how actors construct and draw on calculative devices during the pre-acquisition case study.

This chapter on strategizing as multi-modal discursive practice has reviewed a number of perspectives from the literature on how actors draw on a wide range of modalities (including text, practices, non-linguistic modalities and calculative devices) when strategizing. Next, rhetorical theory will be reviewed to identify ways to analyze how actors have used discursive practices and different modalities to bring power to bear on the acquisition discourse.

RHETORIC

Aristotle (1991) defines rhetoric as the ability to discern the available means of persuasion in every given situation. The sorts (*species*) of situations included in his theory refer to public speech in an assembly ('deliberative'), before a court ('judicial'), or when describing a person's actions as honourable or shameful ('epideictic'). One characteristic these situations have in common is that speech is a matter of persuasion regarding a *particular* instance, not about the development of exact or generalized knowledge. In the past this may have contributed to rhetoric's reputation of being merely decorative or, worse, manipulative and concealing the truth.

'In management studies, this position is found in work that portrays rhetoric versus reality (e.g., Zbaracki, 1998). Here, rhetoric is allocated a peripheral and/or superficial role—as suggested by the phrase “mere rhetoric”—and it is assumed to be inherently empty, artificial, and ephemeral. (In contrast, we follow Burke and Billig and the social constructionist tradition more generally by questioning this dualism between talk and action. ' (Whittle et al., 2008, p.2)

From a discourse perspective, rhetoric is part and parcel of the social negotiation and construction of meaning and cannot be separated from an 'objective fact'. Rhetorical strategies are part of the construction of both 'identities and the world' (Green, 2004, p.654). For example, meaning in a discourse results partly from our emotional response to a discursive practice or from the perceived authority of the rhetor. As long as actors participate in discourse deliberately, they will use discursive practices to persuade others. Rhetoric permeates discourse, not as something that is separate to discourse, but as a particular form of discourse.

Developments in the humanities, social sciences and business studies, which have increasingly questioned the possibility of exact or objective knowledge, offer fertile ground and likely have contributed to a resurgence of interest in rhetoric in recent decades in, for example, philosophy, jurisprudence, communication studies and, more recently, organizational studies (Frank, 2008).

This resurgence of interest was accompanied by the emergence of a manifesto, a 'New Rhetoric', provided by Perelman and Olbrechts-Tyteca in 1958 in their *Traité de l'argumentation: la nouvelle rhétorique*, which was translated in 1969 into English (Perelman and Olbrechts-Tyteca, 1969). Although Perelman and Tyteca explicitly limit their analysis to persuasion techniques based on language, this 'by no means implies that the technique in question is the most efficacious way of affecting minds'. (1969, p.8). While they acknowledge the existence of 'numerous and varied techniques that utilize anything capable of influencing behavior' (1969, p.8), these are outside the scope of their New Rhetoric although they do recognize the role that social semiotics can play.

In a number of areas Perelman and Olbrechts-Tyteca's New Rhetoric went well beyond classical rhetoric theory. First, they did not limit their analysis to oratory but were more broadly interested in mechanisms of thought, rather than eloquence. Further, the audience of New Rhetoric was no longer perceived as a fairly unsophisticated 'crowd gathered in a square' (p.6) but could include 'ignoramus' and 'philosophers', and extended to debate from 'the family table' to that of a 'highly specialized environment' (p.8), and might even be limited to oneself.

This broadening of the possible range of the audience meant that adjusting to an audience became much more critical than it was for classical rhetoric. The likelihood of a particular argumentation appealing to very diverse audiences is low. Necessary adjustments to an audience may include alignment with their preferred mode, their underlying belief systems and the suitable rhetorical strategy. These adjustments make for a much more dynamic perspective of persuasion. Persuasion is not largely a one-way communication from the orator to the audience, but an interactive negotiation over time between actors, where instances of sending out a message are punctuated by instances of reading the impact on the other actor, before adjusting the communication again. Erkama and Vaara (2010, pp. 817-8) demonstrate such patterns of rhetorical strategizing in the context of shutdown negotiations, where instances of legitimation of the shutdown by management were punctuated by delegitimation by employees or the media, and followed by re-legitimation by managers.

One area of such adjustment is the need to frame the argument as consistent with established beliefs or *enthymemes* (Aristotle, 1991), or taken for granted 'truths' of the audience (Cheney et al., 2004; Hartelius and Browning, 2008; Perelman and

Olbrechts-Tyteca, 1969), which are often reflected in, and the result of, the broader discourses discussed earlier. As these beliefs are taken for granted, they may be unconscious, and people may not necessarily understand why an argument, which aligns with these often unconscious beliefs, appeals (Marshak et al., 2000).

Jarzabkowski and Sillince (2007) talk about the need for a rhetor to anticipate and encompass the audience's position, while Suddaby and Greenwood (2005) refer to this as making strategic use of underlying world views. Similarly, Erkama and Vaara (2010, p.817) state that 'successful framing requires that the audience can link the message to other discourses'. This may involve weaving organizational discourses with broader discourses that are only just emerging for audiences in a particular industry. For example, Vaara et al. (2004) describe how a judicious drawing on more general societal discourses by an early protagonist positioned them as visionaries as these discourses came to dominate and were taken for granted industry-wide. Others have shown how media texts typically confirm rather than surprise the beliefs of their readers, and how this recursively constructs and legitimizes world views (Herman and Chomski, 2002; Kuronen et al., 2005; Vaara and Monin, 2010).

Of course, these broader discourses and dominant perspectives did not simply appear from one day to the next. They were the cumulative outcome of many *particular* instances where actions were legitimated by actors who argued their case and both drew on and reiterated these perspectives.

The adjustment by a rhetor to the belief systems of the audience is linked to legitimacy. Suchman (1995, p.574) defines legitimacy as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within

some socially constructed system of norms, values, beliefs, and definitions'. This definition links legitimation to the rhetoric used to defend the particular actions of an entity, as well as links to socially constructed broader discourses. Organizational actions, like acquisitions, require legitimation (Erkama and Vaara, 2010), and organizational legitimacy depends on successfully arguing the actions in the context of established beliefs and broader discourses (Tienari et al., 2003).

Success also depends on the power of the different actors (Rojo and Van Dijk, 1997; Van Leeuwen and Wodak, 1999), though power is restricted by a number of practical limitations. Vaara and Monin identify three such limitations, what they call legitimation dynamics in mergers or acquisitions (Vaara and Monin, 2010, p.6). First, justifications to merge two organisations will feed into integration efforts, which are expected to follow the same logic laid out during the acquisition or merger process. Second, if and when these justifications become institutionalized, they affect the identity and the success or failure evaluations of the organization. And third, the power of different actors can particularly be reinforced or weakened by these evaluations of success or failure, and the role of the actor in the merger.

Actors have used many different strategies to persuade others and legitimate their actions. Table 2-7 offers an overview of studies of major organizational restructures, mergers or acquisitions of a wide range of different frameworks used to categorize these rhetorical strategies. As the table illustrates, there is a bewildering array of possible frameworks associated with rhetoric available from this literature. This is in part illustrated by the sheer variability of the collective nouns used to describe the different categories of rhetorical activities: impression management techniques,

rhetorical legitimation strategies, discursive (de)legitimation strategies, discursive devices, persuasive appeals, theorizations of change, rhetorical processes, justifications, discursive practices, discourse types, categories of legitimation, techniques of argumentation, means of persuasion. Even if studies use the same collective noun, they may refer to completely different activities. For example, the collective noun 'rhetorical strategies' appears to have very different meanings for different authors (Cheney et al., 2004; Erkama and Vaara, 2010; Tienari et al., 2003; Vaara and Monin, 2010; Vaara and Tienari, 2008; Vaara et al., 2006). This is further confused by inconsistent use and ambiguity in the combination of the terms 'discursive', 'rhetorical' or 'legitimation' and 'strategy'.

Of these frameworks for rhetorical analysis, most attention has focused on Aristotle's (1991) classification of rhetorical strategies: *logos*, *pathos* and *ethos* (Erkama and Vaara, 2010; Green, 2004; Hartelius and Browning, 2008; Nohria and Haarrington, 1994; Sillince and Suddaby, 2008). Following Green (2004) logos appeals are defined as emphasizing logic and associated with rational and methodical calculations of means and ends. Such appeals also address the audience's desires for effective and efficient action. Further, they may confer pragmatic and cognitive legitimacy by playing to the audience's self-interests and by providing them with plausible explanations and arguments based on evidence and fact. Appeals based on pathos work to construct pragmatic legitimacy by prompting emotional responses. They excite the imagination and grab the audience's attention. Ethos appeals connect actions and institutions to cultural norms and expectations and encourage judgments regarding 'character', that is, on the basis of whether someone or something is 'right', 'proper' or 'appropriate'.

Table 2-7: Rhetorical Frameworks in Organization Studies

Article	Subject	Framework
(Brown et al., 2012)	Aust. Senate committee report argued that young disabled should be cared for separately from the elderly	Rhetorical justification: logos, pathos, ethos
(Brennan et al., 2010) <i>Content analysis</i>	Rhetoric, argument and impression management in formal defence documents of 10 hostile take-overs on LSX	Impression management techniques: thematic manipulation (i.e. attack, defence or neutral), visual emphasis (e.g. headline, subheading, etc.) and rhetorical manipulation (using rhetorical devices: repetition, reinforcement, engagement)
(Erkama and Vaara, 2010) <i>Discourse analysis?</i>	Rhetorical strategies to legitimate globalization-driven organizational restructuring decisions (case of shutdown of the bus body unit of Volvo)	Rhetorical legitimation strategies: Logos, pathos (emotional moral arguments), ethos, autopoiesis and cosmos
(Vaara and Monin, 2010) <i>Critical multi-method approach</i>	Postmerger discursive legitimation and org. action, and risks of legitimation in pharmaceutical companies BioMérieux & Pierre Fabre.	Discursive (de)legitimation strategies (started with Vaara et al 2006 categories, but then modified them): (de)naturalization, rationalization, exemplification, authorization, moralization.
(Whittle et al., 2008)	Training session to drive quality improvement initiative in the UK	Discursive devices (seems conflated with 'rhetorical moves'): empathy, disclaimer, corroboration, script formulations, stake inoculation, hedging, stake confession, bracketing, frame transformation, justification, excusing, reassuring
(Green et al., 2008)	Shift of corporate control rhetoric 1978–1996 of corporate board members during corporate takeovers and takeover defences	Persuasive appeals: logos, pathos, ethos Corporate control preference: pro-managerial capitalism, pro-investor capitalism
(Vaara and Tienari, 2008) <i>Critical discourse analysis</i>	Legitimation of a shutdown of a marine-engine factory is legitimated in the media ...	Discursive legitimation strategies/ semantic-functional strategies: normalization, authorization, rationalization, moralization and narrativization
(Hirsch and De Soucey, 2006)	Legitimation of causes and consequences of restructuring over time (1970s–2000s)	Does not offer a categorization of the examples of 'rhetorical descriptives' identified for the period of 1970s – 2000s
(Vaara et al., 2006)	Discursive legitimation of global restructuring in pulp and paper industry	Legitimation strategies: normalization, authorization, rationalization, moralization and narrativization
(Suddaby and Greenwood, 2005) <i>Institutional theory</i>	Discursive struggle between proponents and opponents of multidisciplinary firms (i.e. combine legal and audit firms)	2 nd stage analysis – ' persuasive appeals ': logos, ethos, pathos 2 nd stage analysis – ' encompassing terms ' or ' branches ' of rhetoric: kairos (timing), audience/context, decorum (i.e. kairos and audience) 3 rd stage (subcategories of kairos) – Theorizations of change: ontological, historical, teleological, cosmological, and value-based theorizations
(Cheney et al., 2004)	Overview of how rhetoric is deployed in organizations and the	Categories of rhetorical and discursive strategies: responding, anticipating, shaping or framing of rhetorical

Article	Subject	Framework
	reasons behind its use	situations, shaping of organizational images and identities <u>Specific rhetorical and discursive strategies:</u> identification, differentiation, juxtapositioning, strategic ambiguity, denial, containment, reification, enhancement, substitution or diversion, bolstering or self-promotion, dismissal, partial reporting, totalizing, apology, misrepresentation, concealment of identity, self-expansion, reframing and reversal, non-response, propaganda
(Mueller et al., 2004)	Rhetorical strategies used during the introduction of New Public Management within a UK Hospital Trust	<u>Rhetorical strategies:</u> national comparisons, political context, improving the clinical process as a whole
(Sillince, 2005)	The need for rhetorical congruence with org. structure ('structural contingency theory')	<u>Rhetorical process:</u> emphasizing context (differentiate), switching perspective (differentiate), creating consistency, (integrate), creating purpose (integrate) (for each process Sillince identifies, amongst others, a range of practices)
(Green, 2004)	The role of rhetoric in the diffusion of managerial practices	<u>Appeals or justifications:</u> logos, pathos, ethos
(Tienari et al., 2003)	Foreign acquisition of state-owned Norwegian bank	<u>Discursive strategies:</u> rationalistic discourse, nationalistic discourse (also labelled as e.g. 'rationalistic arguments' or 'argument within the rationalistic discursive framework')
(Risberg et al., 2003) <i>CDA</i>	(Re)construction of national identities in Swedish–Finnish merger of banks	<u>Commonplace/stereotypes of discursive constructs/frames of national identities</u>
(Hellgren et al., 2002)	Reconstruction of issues related to the AstraZeneca merger in the media	<u>Discursive practices in the media:</u> factualizing, rationalizing and emotionalizing <u>Discourse types:</u> Discourse based on economic and financial rationale; discourse promoting nationalistic sentiments
(Vaara and Tienari, 2002) <i>CDA</i>	Discursive construction of mergers and acquisitions in the Finnish media	<u>Discourse types:</u> 'rationalistic', 'cultural', 'societal' and 'individualistic'
(Van Leeuwen and Wodak, 1999) <i>Discourse – historical & systemic – functional methods</i>	Strategies of legitimation and justification of immigration rejection letters in Austria	<u>Categories of legitimation:</u> authorization (reference to authority), rationalization (utility of action), moral evaluation (value systems) and mythopoesis (legitimation conveyed through narratives)
(Perelman and Olbrechts-Tyteca, 1969)	<i>The New Rhetoric: A Treatise on Argumentation</i>	<u>Starting point:</u> agreement, choice and adaptation of data, presentation of data and form of discourse <u>Techniques of argumentation:</u> quasi-logical arguments, arguments based on the structure of reality, arguments establishing the structure of reality, dissociation of concepts
Aristotle	On rhetoric	<u>Means of persuasion ('pisteis'):</u> logos, pathos, ethos

Such appeals build moral legitimacy by bringing attention to supportive sources that carry authority and are respected by the audience.

The frameworks in the table cannot be easily integrated, even if the categories appear to be the same. For example, both Erkama and Vaara (2010) and Suddaby and Greenwood (2005) talk about 'cosmological' arguments to indicate arguments that refer to an inevitability of the change that is the subject of their respective case studies. However, in Erkama and Vaara's framework cosmological arguments complement logos, pathos, ethos and autopoiesis, while in Suddaby and Greenwood's framework cosmological arguments are one of five 'theorizations of change', which are distinct from the classical logos, pathos and ethos means of persuasion. As Suddaby and Greenwood identify that 81% of their initially coded text segments are coded 'logos', it is reasonable to assume that all five theorizations of change occur *within* the category of logos, making 'cosmos' a subcategorization of logos rather than a complementary category as it is for Erkama and Vaara. Further, Erkama and Vaara (2010) indicate that autopoiesis is, amongst others, 'linked with' (p.829) Suddaby and Greenwood's (2005) notion of a historical reconstruction. Whether this is meant to suggest a full or partial overlap of these categories, or altogether something different, is not clear. Similar complexities and ambiguities exist when trying to integrate other frameworks mentioned in Table 2-7.

There is too much variability in terminology and too much ambiguity in how these different rhetorical frameworks complement or contradict each other to confidently combine them in a way that does justice to their individual merits. Each framework might provide somewhat different insights. Further, the *primary* purpose of the

analysis here is not to extend our understanding of different rhetorical categorizations as such, but to identify how rhetoric is connected to the *multi-modal* discursive practices of actors. While all of the frameworks in the table have been successfully applied in the analysis of linguistic data sources, not all are equally suited to categorize multi-modal discursive practices. As will be argued in the methods section of this thesis, while different frameworks were trialed, in the end this determined how rhetorical strategies were analyzed in this research.

The review of the literature on rhetoric identified a number of the key issues that theories of rhetoric are trying to address. These include the variation in audiences (for example sophisticated or non-sophisticated; varying interests; different belief systems), the purpose of persuasion (gain strategic support for an initiative; impression management), the means of persuasion (techniques; practices; strategies; appeals), or the particular situation it is aimed at (oratory; mechanisms of thought; a single event or protracted negotiations). This study emphasizes an analytical rhetorical framework that draws on Aristotle's classical theory, New Rhetoric, and recent studies of legitimation and includes: Aristotle's means of persuasion, that is, logos, ethos and pathos; appreciation of heterogeneous audiences; the alignment of the argument with accepted broader beliefs of the audience; and a more sophisticated rhetorical dynamic of negotiation over time, where rhetor and audience exchange roles, instead of oratory being one-way. This enables the framework to address the key specifics as they apply to the case study, i.e. the actors (shareholders, regulators, company leadership, and others), purpose (the proposed acquisition), the means (multi-modal discursive practices), and the particular situation (i.e. a 12 month episode).

MATERIAL OUTCOMES

In this thesis, the outcomes of discursive practice include not only meaning making, but also material effects (Ashcraft et al., 2009; Iedema, 2007). In short, the thesis seeks to demonstrate how multi-modal discursive practice and rhetorical style that are in use during strategizing impact on organizational behaviour and performance in tangible ways. This relationship has not, however, received a great deal of attention in the strategy- and discourse-related literature. Indeed, as Suddaby and Greenwood (2005, p.62) observe, 'there are few empirical studies that examine the causal relationship between symbolic action (speeches, public appearances, responses to media questions) and material outcomes (currency values, stock prices, labor disputes)'. Green calls this a 'a critical area for future research' (2004, p.663). However, studies of how the practices of actors in a network cause an outcome are problematic. According to Öberg:

'the very concept includes that several companies are involved and ongoing business activities between them mean that they affect one another in a complex pattern of cause and effect (Gadde & Mattsson, 1987); accordingly the contextual embeddedness of companies and activities makes it difficult to actually predict reactions.' (Öberg, 2012, p.138)

A rhetorical analysis of the multi-modal discursive practices that constitute the acquisition discourse does not aspire to provide evidence of causality, or what and how particular practices unavoidably cause an outcome to eventuate. Such lofty ambitions are the domain of research that is founded on objectivistic foundations. From a constructionist perspective such ambitions are illusory, and not just practically

but fundamentally unachievable. This study accepts that the 'domain of argumentation is that of the credible, the plausible, the probable, to the degree that the latter eludes the certainty of calculations' (Perelman and Olbrechts-Tyteca, 1969, p.1). Therefore, the more modest ambition here is to identify the discursive practices and dynamics of the acquisition that, through their influence on particular audiences, 'credibly, plausibly and probably' contributed to material outcomes.

2.5 ANALYTICAL FRAME AND RESEARCH QUESTIONS

The literature review and the positions taken above form a particular social constructionist and discursive perspective on strategizing that will function as the theoretical framework for this research. It is also appropriate to integrate it with a definition of strategizing. Following this definition, the opportunities for theoretical contributions raised throughout the literature review are brought together and combined into two research questions.

According to Chia et al., 'strategy-making must be construed as a collective, culturally shaped accomplishment attained through historically and culturally transmitted social practices and involving dispositions, propensities and tendencies' (Chia and MacKay, 2007, p.236). Although this fits with the constructionist perspectives of strategy discussed above, it does not identify what is specific to *strategizing*, and 'strategy-making' in this definition could be replaced with 'cooking', 'driving' or 'parenting'. As discussed earlier, Mintzberg et al. (1998) offer five definitions of strategy: strategy is a plan; a pattern of consistent organizational behaviour over time; a (market) position; a perspective on how to do things in a fundamental way; and a ploy or manoeuvre to

outwit a competitor. Taking an overarching discursive approach, and integrating elements of both of these definitions together with other insights that emerged from the literature review led to the following definition, which opened this chapter:

Strategizing is a multi-modal discourse in which internal and external actors of an organization socially construct and negotiate options for a preferred future and a set of actions to bring about that future, while looking further ahead in time and considering a broader context.

This definition summarizes the theoretical framework that guides this research. In summary, strategizing in this thesis is not just about what is said or written but may include any mode that contributes to meaning making. Further, both internal and external actors are presumed to engage in strategizing. External actors may actively and visibly engage in the discourse or they may be part of it indirectly, in that internal actors expect certain responses by external actors and adapt their practices and decisions in anticipation of such responses. The framework also sees strategizing as a creative, constructionist practice that involves interests and the exercise of power and, as such, requires negotiation of meaning rather than the identification of objective facts. As was argued in the literature review, strategizing is about increasing options, that is, alternatives to a future that would otherwise unfold. In order to change an unfolding future, it is necessary to bring about a change in the patterns of actions from which this future will emerge. From a discourse perspective we can change patterns of actions by changing the discourse. The analytical framework that emerged from the review suggests two distinct ways of changing how we construct and negotiate meaning that are specific and essential to strategy discourse. Attempting to look

further ahead in time is about trying to increase the perceived time available to create a preferred future or set of responses to bring it about. Similarly, considering a broader context is to try and extend the visibility of opportunities or threats in the creation of a preferred future or set of responses. Lastly, what is 'seen' is the outcome of habituated practices and frames that are used to construct the world in which we live: by deconstructing that world and reconstructing alternative futures and contexts, new options may emerge to guide the actions of organizational actors. In varying ways, actors already look ahead and consider context as part of their daily organizational practices, and this thesis will look at what is specific to strategizing practices.

This analytical framework is solidly grounded in theory, and the literature review identified a range of opportunities to make further contributions to theory. These opportunities are combined below in two integrated research questions that guide the research.

The first question raises issues about the structure and dynamics of a pre-acquisition discourse. The literature review identified that, while there is a fairly limited body of research that has looked at M&A discourse, there are few studies that have taken a discursive approach to look at what happens during the lead up to an intended acquisition. The specific issues that this research will look at during the pre-acquisition stage include broader discourses, external actors, multi-modal discursive practices, calculative devices and rhetorical strategies. The literature review identified that, in these issues, this research would be able to develop a number of theoretical contributions. For instance, while there is extensive attention in current research given to the role of internal actors in strategy discourse, not much is known about the role of

Table 2-8: Research Questions

Research questions	Review of the literature
<p>In the structure and dynamics of a pre-acquisition strategy discourse, what is the role of:</p> <ul style="list-style-type: none"> - external actors; - multi-modal discursive practices, in particular calculative devices; and - rhetorical strategies? 	<p>Research into acquisition discourse routinely ignores the structure and dynamics of pre-acquisition discourse (Teerikangas and Joseph, 2012; Vaara, 2002).</p> <p>Previous research has focused on internal instead of external actors in strategy discourse (Hellgren et al., 2002; Kuronen et al., 2005; Teerikangas et al., 2012).</p> <p>Empirical studies of discourse should consider multi-modal discursive practices (Grant et al., 2004b; Iedema, 2007; Jacobs & Heracleous, 2007; Royce et al., 2006).</p> <p>Previous research of organizational discourse has focused on rhetorical strategies of language (Erkama and Vaara, 2010; Sillince, 2005; Suddaby and Greenwood, 2005).</p> <p>While previous studies show how actors use calculative devices to legitimize decisions (e.g. Baxter et al., 2003; Briers et al. 2001; Denis, Langley, & Rouleau, 2006), most ignore the calculative aspect (Callon et al., 2005), and do not pertain to pre-acquisition discourse.</p> <p>Research has shown how boundary objects build bridges between groups because they are adaptable to and robust across groups (Bechky, 2003; Spee and Jarzabkowski, 2009; Star and Griesemer, 1989), but few studies show how they may reinforce existing power structures (Oswick and Robertson, 2009).</p>
<p>What is the role of time and context in the social construction of meaning in strategizing?</p>	<p>Temporal work (Kaplan et al., 2013; Keenoy et al., 2004) and contextual work (Grant et al., 2005; Hardy et al., 1999b; Keenoy et al., 2004; Riad et al., 2012) must construct coherent, plausible, and acceptable connections between local and broader discourses, as well as discourses of the past, present, and (particularly) future to enable agreement on strategic choices (Kaplan and Orlikowski, 2013)</p> <p>Few studies explore how local and broader discourses interact (Erkama et al., 2010; Hardy, 2004). Also, previous studies on time and local discourse focus on how they change over time (Bushe & Marshak, 2009; Ford & Ford, 2008; Grant et al., 2011; Huy, 2001), instead of how they draw on texts about (mainly) the future.</p> <p>Further, while the importance of time and context are acknowledged in organizational discourse, it remains unclear what is specific to strategizing.</p>

external actors. Further, the review also showed that, while most discourse research acknowledges that discourse goes beyond speech and writing, there are few studies that have empirically analyzed the role of other modalities in strategizing. In contrast, this research will look at a broad range of discursive practices and the modes used in the enactment of these practices. In particular, it takes a discursive approach to the use of calculative devices as a distinct mode. In doing so, this research is able to analyze rhetorical strategies brought to bear by actors during the pre-acquisition discourse, not only through speech and writing, but also through other modes.

The second research question takes a discourse approach to how we construct and negotiate meaning when strategizing. Much of that may be similar to other organizational activities, but the emphasis is on what is particular and fundamental to strategizing. The theoretical framework for strategizing above encapsulates how actors consider time and context, and how this shapes their perspectives when strategizing. It could be argued that, to varying degrees, all organizational discourse includes these dimensions. However, while the theory review provides a solid foundation for each of these dimensions, there appears to be a limited understanding as to their particular role in *strategizing as discourse* as opposed to organizational discourse in general.

The insights that emerge in this research extend our understanding of how meaning is socially constructed as part of a strategy discourse, as well as what is particular and fundamental to strategizing discourse. In this way it makes a contribution towards the development of a discursive and constructionist epistemology of strategizing.

2.6 SUMMARY OF CHAPTER

The purpose of strategizing is to develop better options for success, and different schools of strategy approach this in different ways. Schools that assume a higher predictability and controllability of the external environment are more likely to emphasize a longer term planning focus. Others emphasize the ability of an organization to continuously adapt and craft new strategies. Previous and current dominant schools largely assume that the external environment can be known, and pay less attention to the internal processes of an organization, which are presumed to be rational. This establishes an ordered universe with simple or complicated problems that can fundamentally be resolved by professional and capable managers. Other schools of strategy are more likely to ask critical questions about the complex internal dynamics of organizations, or the status and creation of knowledge when strategizing. As a result, managers may see themselves more as operating in an unordered universe that presents them with complex problems, which cannot be resolved by more information or better analysis.

In order to understand the opportunities and limitations offered by differing perspectives of strategizing, this thesis explores the philosophical foundations on which they are based. A challenge in doing this is that the debate on the philosophical foundations of strategizing is based on inconsistent and ambiguous use of some key terminology. To prevent that confusion in this thesis, critical terms are defined and the philosophical position for this research is made explicit. This research remains 'ontologically mute' but is focused on developing contributions to an epistemology of strategy by taking a constructionist, discursive perspective to strategizing. In doing this,

the research also draws on literatures of strategy-as-practice, social semiotics and multi-modality, the sociology of finance, rhetoric during major organizational restructures and M&As.

Taken together the literature provides a framework that enables the analysis of strategizing as a multi-modal discourse, in which the internal and external actors of an organization socially construct and negotiate options for a preferred future (including plans, positions and perspectives) and a set of actions (including patterns and ploys) to bring about that future, while looking further ahead in time and considering a broader context.

This research is guided by two core research questions:

- In the structure and dynamics of a pre-acquisition strategy discourse, what is the role of: external actors; multi-modal discursive practices, in particular calculative devices; and rhetorical strategies?
- What is the role of time and context in the social construction of meaning in strategizing?

3 METHODS AND APPROACH

3.1 INTRODUCTION

This study aims to show how the meaning of key constructs, which structure the world that emerges from the pre-acquisition discourse, is negotiated. In doing this, it shows that the world we see is not inevitable but a particular combination of texts and practices. Discourse analysis is considered a highly suitable methodology as its interpretive and reflexive stance questions taken for granted concepts. While other social constructionist methodologies were also considered, including a practice perspective and Actor Network Theory, the thesis takes a discursive perspective to practices and to the role of actors. Discourse analysis offers a number of advantages, for example: it takes note of the “Linguistic Turn”; it considers the connection between power and meaning; it enables the study of more ephemeral aspects of organisations; and it can flexibly draw on a range of qualitative techniques like narrative analysis and content analysis {Phillips, 2002 #138}. This study is exploratory and aims to build theory (e.g. Eisenhardt, 1989; Yin, 2003) in relation to discourse, M&A strategy, and a discursive epistemology of strategizing. To meet these objectives the study involved a detailed investigation of a case study acquisition strategy. The discourse analytic approach is well suited to examining and improving our understanding of the complex dynamics surrounding such an event (Gibbert et al., 2008), including the discursive conduct of a range of actors involved in the acquisition discourse.

The selection of this particular case was influenced by a number of factors. First, the organizations that are central in the case are global companies that are listed not just at the Australian Stock Exchange, but also the London Stock Exchange. This brings the

combined benefit of good local information and a potential broader appeal of the case study. Second, the case was attractive because it provided the opportunity to determine to what extent a discursive approach, with its historic focus on language, remains useful and effective in an area that appears dominated by financials and economic rationalism. Third, during 2007 and 2008 I spent some 80% of my time setting up and running a global Graduate Development Program for BHP Billiton as Program Director for Melbourne Business School. While this provided no inside information, it sensitised me to the dynamics of the proposed transaction.

This chapter begins by providing a brief overview of the case study, namely BHP's attempt to acquire and merge with Rio. This is followed by an overview of the data collection and the units of analysis that the research focused on. Finally, the six stages of analysis are described that provided the basis for this thesis.

3.2 BACKGROUND TO THE STUDY

This section provides a brief historic overview of BHP Billiton and Rio Tinto, the two companies at the center of the acquisition attempt. This is followed by an overview of previous occasions when they strategized options for bringing the organizations closer together. The final part of this section frames BHP's intended acquisition strategy during 2007-08 in a temporal and discursive context.

HISTORY OF BHP BILLITON

Throughout this manuscript 'BHP' commonly refers to 'BHP Billiton'. However, until 2001 BHP and Billiton had been separate companies. BHP's history began when,

according to BHP's own chronicles (BHP Billiton, n.d.-a, sighted February 2012), Charles Rasp in 1883, believing that he had found black oxide of tin on the 'broken hill' in Western New South Wales (Australia), established the Broken Hill Mining Company with a syndicate of 6 others from the Mt Gipps sheep station. Two years later, The Broken Hill Proprietary Company Limited was established and the company listed on the stock exchange. By 1891 the company started to export, selling lead to Fuzhou in China. In addition to mining itself, BHP - throughout most of the 20th century - also operated further downstream in processing some of the commodities it mined, for example, through the establishment of steelworks in Newcastle in 1915 and Port Kembla from 1935, and manufacturing products like nails and wire (BHP Billiton, n.d.-a, sighted February 2012).

From the early sixties, when corporate diversification was popular, BHP got involved in the exploration and production of oil and gas in the Bass Strait, that is, the waters that separate Tasmania from the mainland of Australia. Ian McLennan, BHP's CEO through the sixties who became BHP Chairman in 1971, stated in an interview in 1978-79 that the decision to become involved in oil was one of the three major dates of the company's history as it enabled BHP's development in all sorts of ways and kept it as the largest company in Australia (Thompson and Macklin, 2009). During the eighties, BHP further commissioned the exploration of gas on the North West Shelf of Australia. Its interests in oil and gas were expanded internationally with the acquisition of a number of US and Canadian oil companies (or substantial interests in these companies) during that period (BHP Billiton, n.d.-a). By now the popularity of diversification had waned somewhat, and the leadership of companies was urged by

financial markets to stick to its knitting and limit the number of markets they tried to operate in. If investors wanted to diversify, they could do so by buying shares in two separate companies, one in oil and the other in mining, which were increasingly seen as very different businesses. BHP had considered floating its oil business as a separate entity in 1996 (Thompson and Macklin, 2009), but continued its involvement in oil and gas production and invested in gas production in Argentina and oil in the Irish Sea (BHP Billiton, n.d.-a, sighted February 2012).

During the 1990s BHP came into significant problems. Its strategy had created what was perceived as an overly complex company structure and myopic culture. This was exacerbated when many of its markets went through a slump simultaneously. To resolve this, in 1998 a new external (and non-Australian) CEO was brought in to reorganize the company, simplify its structure, and open up its culture. Although the company maintained its diversification across mining and oil and gas, it substantially limited how far downstream it would get involved in processing and manufacturing. In particular, the production of steel and steel-based products, which had been an integral part of the organization throughout much of its history, had fallen behind technically, despite extensive investment and numerous reorganizations. According to Lance Hockridge, one of the executives tasked with the exit, *'More than anything else, the closure was technology-driven'* (Thompson and Macklin, 2009, p.190), and between 1999 and 2002, BHP exited the steel-production industry by shutting down part of the operations and spinning out other parts. By this time, and in spite of its exit from steel production, BHP's role in the Australian psyche was reflected in the nickname it had developed over the preceding decades as 'the Big Australian', or sometimes more

colloquially 'the Big Fella' (Thompson and Macklin, 2009). The company was one of the few truly globally operating Australian companies and became the first Australian company, in 1986, to declare a A\$1 billion profit (BHP Billiton, n.d.-a, sighted February 2012).

The history of Billiton has some parallels with BHP's history. Here also the company started with the find of tin in a colony of a European country. According to BHP Billiton's chronicles, in 1851 Vincent Gildemeester Baron van Tuyll van Serooskerken and John Francis discovered tin on Billiton Island in the Netherlands Indies (BHP Billiton, n.d.-b, sighted February 2012), now Indonesia. The NV Billiton Maatschappij was subsequently established in 1860 in The Hague, the Netherlands (Gruythuysen and Kramer, 1990). According to the Dutch National Archives, Billiton's initial activities were limited to the exploitation of tin on the island of Billiton, but during the 1920-30s Billiton expanded beyond the Netherlands Indies into Africa, Suriname and the United States, and into other commodities like bauxite, iron ore, nickel, gold and silver (Gruythuysen and Kramer, 1990). Its expansion temporarily stagnated when Japan invaded the Netherlands Indies, followed by the end of Dutch colonial rule and subsequent nationalization of Dutch companies in Indonesia. However, by the 1960s the company had expanded into mining, metallurgy, chemicals, and a number of other downstream businesses (Gruythuysen and Kramer, 1990) across a broad geographical area.

In 1970 Shell acquired Billiton, according to Shell, as part of its strategy to diversify the company into other natural resources following increasing instability in oil producing countries (Shell, sighted February 2012: Shell, n.d.; Thompson and Macklin, 2009). By

1994 Shell, following a broader industry trend, retreated to its core business of oil and accepted a bid for Billiton from Gencor, a South African precious metals company. According to the New York Times, at the time of the sale Billiton's mining and mineral business operated in 15 countries across bauxite, alumina, aluminium, nickel, zinc, copper and gold (27 July, 1994). To improve access to capital, Gencor 'cleaved off' Billiton three years later, based the company's headoffice in London, and listed Billiton Plc on the London Stock Exchange (BHP Billiton, n.d.-b; Walker, 1997).

A close relationship between BHP and Billiton can be traced back to a joint venture in 1985 in a new zinc/ lead mine at Cadjebut in Western Australia (Thompson and Macklin, 2009). A first attempt to merge BHP and Billiton occurred in 1998, when Billiton approached BHP. Although BHP had world-class assets, it had been struggling for some years due to some poor investment decisions and falling prices in key commodities. According to then Billiton Finance Director Mick Davis, they could bring world-class management to a merged company (Thompson and Macklin, 2009). However, the approach occurred just as the BHP board had decided that it needed a new Chairman and new CEO to bring its house back in order. Initially the CEO position was offered to Brian Gilbertson, at that time CEO of Billiton, but he rejected the offer when the BHP Board did not accept that it would be the precursor to a merger of the two companies (Thompson and Macklin, 2009). It took less than three years for BHP to recover sufficiently and be willing to seriously consider a merger with Billiton.

In 2001 BHP and Billiton agreed to merge. Following approval by their respective shareholders, the Australian Foreign Investment Review Board, and the European Commission, BHP Billiton was dual listed on the London Stock Exchange and the

Australian Stock Exchange on 29 June 2001 (BHP Billiton, n.d.-a, sighted February 2012). At the time of the announcement, the aggregate market capitalization was approximately US\$28 billion (GBP20 billion; A\$57 billion), according to a statement by BHP to the ASX on March 19, 2001. Further, the combined company had 58,000 employees; operated in more than 30 countries; and had interests across aluminium, energy coal and metallurgical coal, copper, manganese, iron ore, uranium, nickel, silver and titanium minerals, and substantial interests in oil, gas, liquefied natural gas and diamonds.

HISTORY OF RIO TINTO

Like BHP Billiton, Rio Tinto was a company that emerged from a string of mergers, acquisitions, and joint ventures with other companies. A main one that Rio Tinto saw as fundamental to its history, was the 1962 merger of the parents of the Rio Tinto Company and the Consolidated Zinc Corporation to form Rio Tinto Zinc, or RTZ Corporation as it was known for many years; the combined *Australian* interests of the two companies operated under the name of Conzinc Riotinto of Australia, better known as CRA Limited (Rio Tinto, n.d., sighted February 2012). The Rio Tinto Company had been registered as a public company since 1873, when the Spanish government accepted an offer from a British-European syndicate for the Rio Tinto mines. The company began expanding its geographic reach after an initial focus on the original mines in Spain, which had been the world's leading source of copper, with investments in copper mines in Rhodesia, now Zimbabwe. The Consolidated Zinc Corporation itself had been the product of a major merger between two mining companies in 1949. After this merger, the company developed interests in mining other commodities in

Australia, including bauxite in 1956, and iron ore in the Pilbarra region of Western Australia in 1966.

On a global level the company acquired borates mines in 1968 in the US, and all the mining assets of BP Minerals when the oil company exited the mining industry in 1989, as Shell would do a few years later when it sold of Billiton. Billiton itself also reduced its diversification and exited a string of non-mining related businesses between 1987 and 1993, which it had build up over the years, including cement, chemicals, industrial products, and its own oil and gas business. In 1995, to simplify some of the complicated structures and crossholdings that had proliferated over the years, RTZ and CRA reorganized their ownership structures and established a dual listed company RTZ-CRA with listings at the London Stock Exchange and the Australian Stock Exchange. In 1997 the company was renamed Rio Tinto Group, simplifying the '*Rio Tinto Zinc - Conzinc Riotinto of Australia*' that was encapsulated in its name, and reflecting its mining interests beyond zinc.

Further expansions and acquisitions occurred since then, in particular the \$38Bn acquisition of Alcan Inc., an aluminium powerhouse, to form Rio Tinto Alcan in 2007. The acquisition was ill-timed at the peak of the cycle and, less than five years later, lead to a US\$8.9Bn write-down and the foregoing of bonuses by the CEO and CFO of Rio Tinto Alcan, who had played major roles in the acquisition decision (AAP, 2012). The resulting debt level contributed to Rio's vulnerability to an acquisition by another mining major, and BHP Billiton decided to try and capitalize on what it saw as an attractive opportunity.

BRINGING TOGETHER BHP BILLITON AND RIO TINTO

The background of both companies showed that mergers, acquisitions, and their inverse, that is, demergers and divestments, have been a common part of strategizing throughout the history of BHP Billiton and Rio Tinto. This research focuses on the acquisition discourse between November 2007 and November 2008 when BHP Billiton attempted to bring together the two companies. However, the acquisition discourse needs to be put in the context of strategizing about this over at least some ten years prior to the very public acquisition attempt. Rio had been considered a potential acquisition (or merger) target on a number of prior occasions. Thomson and Macklin tracked this in their history of BHP Billiton, which was based in part on interviews with *'dozens of past and present BHP Billiton staffers, including three BHP chairmen and six chief executives'* (2009, p.4). One staffer stated that BHP always thought about Rio, but could never work out how to make it happen (p.297). Specific occasions of strategizing about a potential merger or acquisition of Rio by BHP that Thomson and Macklin identified included:

Table 3-1: Prior Approaches between BHP Billiton and Rio Tinto

Year	Approach Details
1998	(3 years before the merger between BHP and Billiton): Billiton CEO Gilbertson envisioned that Billiton will merge with BHP, and once that is sorted, take over Rio Tinto (p.265).
2000	BHP and Rio had conversations to merge their iron ore divisions, but BHP's steel divisions and petroleum business were some of the key stumbling blocks (p.303).
2002	Gilbertson, now CEO of BHP Billiton, commenced discussions with Rio Tinto, although these did not lead to a merger. Key concerns raised by Rio during these initial approaches, which came back in the 2007-08 attempt, included petroleum, anti-trust, synergies, and people. (p.346-352).
2006	BHP Billiton's Chairman has an 'informal chat' with Rio Tinto's Chairman, which was followed up in early 2007 by a written merger proposal (p.434). This also went nowhere.

Source: (Thompson and Macklin, 2009).

Rio's Board rejected the 2006 approach, supposedly believing that the company would be better off on its own. At that point BHP decided not to proceed with a potentially hostile acquisition, which would involve bypassing Rio's Board and seeking approval directly from Rio's shareholders.

An opportunity presented itself when in the middle of 2007 Rio acquired Alcan for \$38Bn. The market had been fairly critical of the price paid for the acquisition of Alcan, exposing the leadership of Rio to criticism. The acquisition was financed in part by raising debt, resulting in a high debt level and made Rio more vulnerable to the aspirations of BHP, which had a much lower debt ratio and extensive cash reserves to draw on and manage such a debt if it acquired Rio.

The strategic episode that is the focus of the analysis here was initiated on November 12th, 2007, when BHP announced that it had approached Rio with a proposal to acquire it. Both companies had a dual listing at the London and Sydney stock exchanges with a combined market capitalization in excess of US\$350Bn. At the time of the announcement, this would have created the world's largest mining company. As before, Rio's Board did not agree to engage in discussions regarding a combination, and Rio's leadership argued extensively and publicly that it considered the 'all share proposal' of three BHP shares for every Rio share too low.

On February 6th, 2008 BHP formalized its proposal and made an offer of 3.4 BHP shares for every Rio share. The offer was conditional on the acceptance of the acquisition by relevant competition regulators in its major markets. From the initial announcement and throughout 2008, Rio's Board rejected the valuation and refused to engage with

BHP. Undeterred, BHP made its submissions to regulators and appealed directly to Rio's shareholders, who frequently were also BHP shareholders. Rio's refusal forced BHP to conduct the acquisition attempt in the public domain and brought in a range of other actors.

BHP successfully obtained clearance from US and Australian competition regulators, and was engaging with the European regulator when, on November 25, 2008, it suddenly abandoned its pursuit of Rio. BHP purported that the undertakings sought by the European regulator were unacceptable in the context of a rapid deterioration of near term global economic conditions, and the associated fall in commodity prices. These undertakings included the sale of some of the assets of the combined company to satisfy the concern of the European regulator that its combined market share would be excessive. The combination of a forced sale of assets against a timeline set by the regulator, and the difficulty for potential acquirers to raise the necessary capital during a global financial crisis, presented an unacceptable risk to BHP's leadership.

As the detailed analysis of the focal period shows, BHP had been successful in arguing that the combination of BHP and Rio would generate substantial additional value, in large part through combining iron ore mines and infrastructure in West Australia's Pilbarra region. BHP continued to strategize how it could unlock this additional value without acquiring Rio. Now *with* the support of Rio's leadership, BHP developed a joint venture strategy that sought to combine their mining and transport assets in the Pilbarra region, but not the marketing of the iron ore. This strategy had the advantage that it would still unlock much of the additional value pursued during the acquisition, that it was supported by the leadership of both organizations, and that it might be

more palatable to the European competition regulator who had been unconvinced by BHP's initial attempt.

TEMPORAL AND DISCURSIVE CONTEXT

The brief review of BHP Billiton's and Rio Tinto's histories and some of the aftermath enabled to put some context around the acquisition of Rio Tinto by BHP Billiton during 2007-08. The intent was not to be comprehensive but to provide enough examples to avoid framing the case study as an episode isolated from its temporal and discursive context.

Table 3-2 summarizes that context. Vertically - by column - the table shows how, during any period, the discourse regarding Rio sat within the context of an overall BHP strategy, as well as a context of a range of broader discourses. These broader discourses are discussed in detail in the next chapter, which will show how these broader discourses shaped the acquisition discourse in 2007-08.

Horizontally the first row shows how strategizing in relation to BHP joining forces with Rio developed over time. As described earlier, it included possible joint ventures (J.V.), a take-over, and a merger of equals. The temporal context in the table demonstrates that the acquisition attempt needs to be interpreted as just one snapshot of many years of strategizing during which actors tried to bring these organizations closer. The negotiation of BHP with external actors becomes particularly evident when seeing how BHP is trying to address market share concerns of the European competition regulator that were raised during the acquisition discourse (see chapter 4 for details) in its next iteration of trying to bring BHP and Rio together. The joint venture in the Pilbarra region that was proposed following the failed acquisition would only combine the

production assets, not the marketing of iron ore! This was interpreted by analysts and the media as a direct concession by BHP and Rio leadership to the European competition regulator. This temporal context also enables to position the attempted acquisition of Rio Tinto appropriately: each approach can be seen as a next step in ongoing negotiations between a number of internal and external actors in regards to bringing BHP and Rio together. The acquisition attempt in 2007-08 should not be seen as failed strategizing by the leadership of BHP; the episode and all that occurred within it, is part and parcel of a long-term and ongoing strategizing process during which different actors negotiated a range of options.

Table 3-2: Examples of Discursive and Temporal Context

		Temporal context			
		Before	Nov. 2007 to Nov. 2008	After	
Discursive context	Local BHP strategy discourse	Discourse of joining forces with Rio	Numerous approaches, incl. JV, merging	<i>Case study of attempted acquisition</i>	JV of Rio and BHP iron ore assets in Western Australia (Pilbarra)
		Discourse of other BHP strategies	Up- and downstream; incl. mining, oil & gas	Large, low cost and expandable upstream mining, oil & gas assets	Upstream; incl. mining, oil & gas
	Broader discourses	Political, economic, environmental, social, technical etc.	← Diversify pre-80s; Specialize post-80s → ← Primacy of shareholders → ← Organizational value drivers → ← Emergence of mining super-majors → ← Importance of competition in markets → ← Long-term demand from China and India →		

The table illustrates how BHP’s overall strategy was shaped over time by a number of broader discourses. As will be shown in the findings, the broader discourses listed in the table could be seen to form part of the fabric of the acquisition discourse under study here. Most of these discourses were long running and commenced well before

2007-08 and continued beyond. One exception discussed earlier in this chapter is the broader discourse around the superiority of diversification or specialization as a corporate strategy. In line with this discourse, BHP was already a downstream producer of steel and steel products for most of the 20th century. The company diversified further into oil and gas during the early sixties, as did many resources companies. However, as that broader discourse changed since the eighties, resources companies specialized back to either mining or oil & gas. BHP resisted pressure to spin off oil and gas in spite of major problems in the nineties, when BHP was considered too complex to manage and forced to simplify its business. It did this by spinning off a number of other activities, particularly its downstream activities - most notably the production of steel and steel products.

As the analysis in the next chapters will show, this historic background found its way into the acquisition discourse in at least two ways. First, throughout the acquisition discourse BHP CEO Kloppers repeatedly assured other actors that the acquisition would not recreate the overly complicated and unprofitable BHP of the nineties, but that the company would maintain a focus on simplicity.

"... Our strategy has been to own upstream, long-life, low-cost, expandable, export-oriented assets ... The recurring themes are about simplicity and scale .. This strategy reduces risk and increases speed. It also gives us a more manageable business. BHP Billiton is a simpler, more upstream, yet much larger and more valuable company than Rio Tinto."

Source: Kloppers, December 12, 2007.

Second, the ongoing diversification of BHP in oil & gas and mining assets was presented as a risk by Rio's leadership by drawing on the broader discourse that rejected diversification. In contrast, it was presented as a strength by BHP's leadership, by pointing to rising oil prices.

At the tail end of the acquisition discourse the global financial crisis struck, which provided a new broader discourse that dramatically changed the context for the acquisition discourse.

A long-term perspective of strategy is, of course, nothing new. However, such a long-term perspective seems much less common when a practice approach is taken to strategy. The analysis of micro practices in strategizing may be necessary to do justice to the richness of what occurs in a particular interaction, but it may crowd out a long-term perspective of what happens during strategizing activities that take many years. Similarly, the analysis of micro practices may crowd out a bigger picture context that considers all strategizing in relation to an acquisition attempt as a single practice in the context of a company's overall strategy or – an even broader context – that of a consolidating industry.

This overview frames the case study of the 2007-08 attempted acquisition in its temporal and discursive context. This framing showed that this historic background is relevant for a number of reasons. First, the 12 month strategic episode that is analyzed in detail contains many references to the history of the companies that would otherwise be difficult to interpret. Secondly, the description framed the acquisition attempt as merely one snapshot during many years of strategizing during which actors tried to bring these organizations closer. Further, the description also positions the

acquisition attempt as merely one practice in the broader context of other strategizing activities by BHP during the same period. Lastly, past connections between the strategy of both these companies and broader contextual discourses support the detailed analysis in the next chapter that will demonstrate the influence of such broader discourses and external actors on strategizing. However, before proceeding to this detailed analysis, the research methods will be discussed next.

3.3 RESEARCH METHOD

DATA COLLECTION

The process was started by a familiarization with the background to the case study. This involved assembling and reviewing a range of information about both BHP and Rio. Some of this information dated back as far as the formation of both companies, but was mostly focused on about one year prior to the acquisition announcement. Having reviewed this information, further data collection was started to collect data spanning the 12 month period (November 2007 to November 2008) during which the acquisition attempt took place.

The sources of data from the organizations included annual reports, company newsletters, corporate videos, press releases and communications to shareholders. The data also included slides and full transcripts of key presentations to analysts and the media (including transcripts of 'question and answer' sessions following the formal presentations) throughout the 12 months that were the subject of this study. Other non-organizational sources include a wide range of journalists' accounts, stock analysts' comments, and statements by regulators. The approach to analysing these

sources of data was consistent with interpretive methods that have been established by other studies of M&A (See for example: Maguire and Phillips, 2008; Vaara et al., 2005).

Table 3-3: Data Set

Sources	Type	Text (pages)	Transcripts (pages)	Slides (#)	Video (minutes)
BHP	Briefings	22	125	918	6
	Press releases/briefings	82	31		
	Letters to shareholders	12			
Rio	Briefings		65	389	
	Press releases	77			
	Letters to shareholders	34			
Analysts	Analyst reports	44			
Regulators	Statements/ rulings	32			
Media	Articles	4,980			31
Other	Historical/ background	444			
TOTAL		5,724	221	1,307	37

UNITS OF ANALYSIS

The key units of analysis for the case study follow from the research question regarding the role of (multi-modal) discursive practices, external actors, broader discourse in the structure and dynamics of the pre-acquisition discourse. Further, the structure and dynamics of the acquisition discourse are shaped by the key constructs that emerged in the discourse, and rhetorical strategies that were used by actors to negotiate the meaning of these constructs.

Discursive practices are what actors do that shapes the discourse. A discursive practice is not necessarily intentional, conscious, or skillful, that is, the outcome may be the opposite of what an actor may want. A number of characteristics of a discursive practice are particularly relevant to the questions that guide this research. These

include its modality (or modalities); the magnitude and direction of power it brings to bear on a discourse (e.g. by bringing rhetorical strategies to bear on particular constructs); and the actor who enacts the practice. A complication of a discursive practice as a unit of analysis is that the practice can typically be disaggregated into sub-practices while also being part of another more aggregated practice. As discussed later, discursive practices were disaggregated into sub-practices and modalities as much as required by the analysis, but no further (for example see 'Data analysis, stage 4).

A discursive practice can be seen as an instantiation of a pattern of practices (Chia and MacKay, 2007). It may require a pattern of practices, rather than an individual instance, to bring sufficient power to bear on a meaning-making process, shape a discourse and bring about material outcomes. Such a pattern may not consist of similar discursive practices, but instead consist of a similar direction of power across very different discursive practices. A pattern may only be accessible by analyzing particular instantiations of practices and a 'sympathetic grasping of the internal logic of this practice' (Chia and MacKay, 2007, p.234). Also, what may appear as a singular attempt by companies to persuade external actors of the merits or drawbacks of a particular strategy may just be a snapshot of a pattern of activities over time where persuasion or influence, in fact, flow in many directions. This adds up to the need for an interpretative approach that does not presume simple cause-effect relations between a single discursive practice and particular outcomes, but sees a particular discursive practice as part of a pattern that credibly, plausibly and probably contributed to such outcomes (Perelman and Olbrechts-Tyteca, 1969, p.1).

The research also specifically aims to analyze who acts. Where individuals are identified, they will generally be analyzed as a member of a – for the purposes here – fairly homogenous group like BHP leadership, analysts, customers, regulators. Such grouping is accepted practice in organization studies (Jarzabkowski and Spee, 2009). Where such grouping is inappropriate, the actors will be considered separately. For example, for parts of the case study the analysis distinguished between the European and Australian competition regulator (already groupings of employees). However, in some instances their interests and discursive practices differ significantly and they have been discussed separately.

The data analysis identified a few groups of themes. These themes are recurring in the discourse and form key concepts around which the discourse was structured. The term ‘construct’ is used to emphasize the negotiations and social construction of specific meanings for particular concepts. The discussion of stage 2 in the Data Analysis section discusses this unit of analysis further

The data analysis also identified some groups of themes in the acquisition discourse that were manifestations of broader discourses. Whereas the meaning of the constructs is negotiated by actors engaged in the acquisition discourse, the broader discourses are largely shaped by actors who have no particular interest in the acquisition discourse. Nevertheless, a constructionist epistemology does not, of course, grant broader discourse any objectivity. The research here does not analyze these broader discourses separately, but is only interested in on how key actors of the acquisition discourse are limited by or draw on the broader discourses in the

negotiation of meaning of the key constructs. The discussion of stage 2 in the Data Analysis section will also discuss this unit of analysis further.

DATA ANALYSIS

Data analysis comprised five main stages. Ambiguity during the coding that took place over these five stages was resolved through discussion with supervisors (Ezzamel and Willmot, 2008; Fendt and Sachs, 2008).

STAGE 1: EVENT HISTORY

At the first stage of analysis, and in line with the approach taken by Maguire and Hardy (2009) and Maguire and Phillips (2008), an 'event history database' (Ven and Poole, 1990) was constructed. This involved reviewing all data in order to establish a chronological order of the key practices of actors throughout the attempted acquisition. The review did not just include language used by actors, but also other modes, activities and the physical context that contributed to how actors sought to give meaning to the attempted acquisition (e.g. site visits, analyst briefings, customer meetings, press releases and share purchases). From this process it was possible to develop an account of how the attempted acquisition played out (Eisenhardt and Bourgeois III, 1988; Langley, 1999).

STAGE 2: KEY CONSTRUCTS AND BROADER DISCOURSES

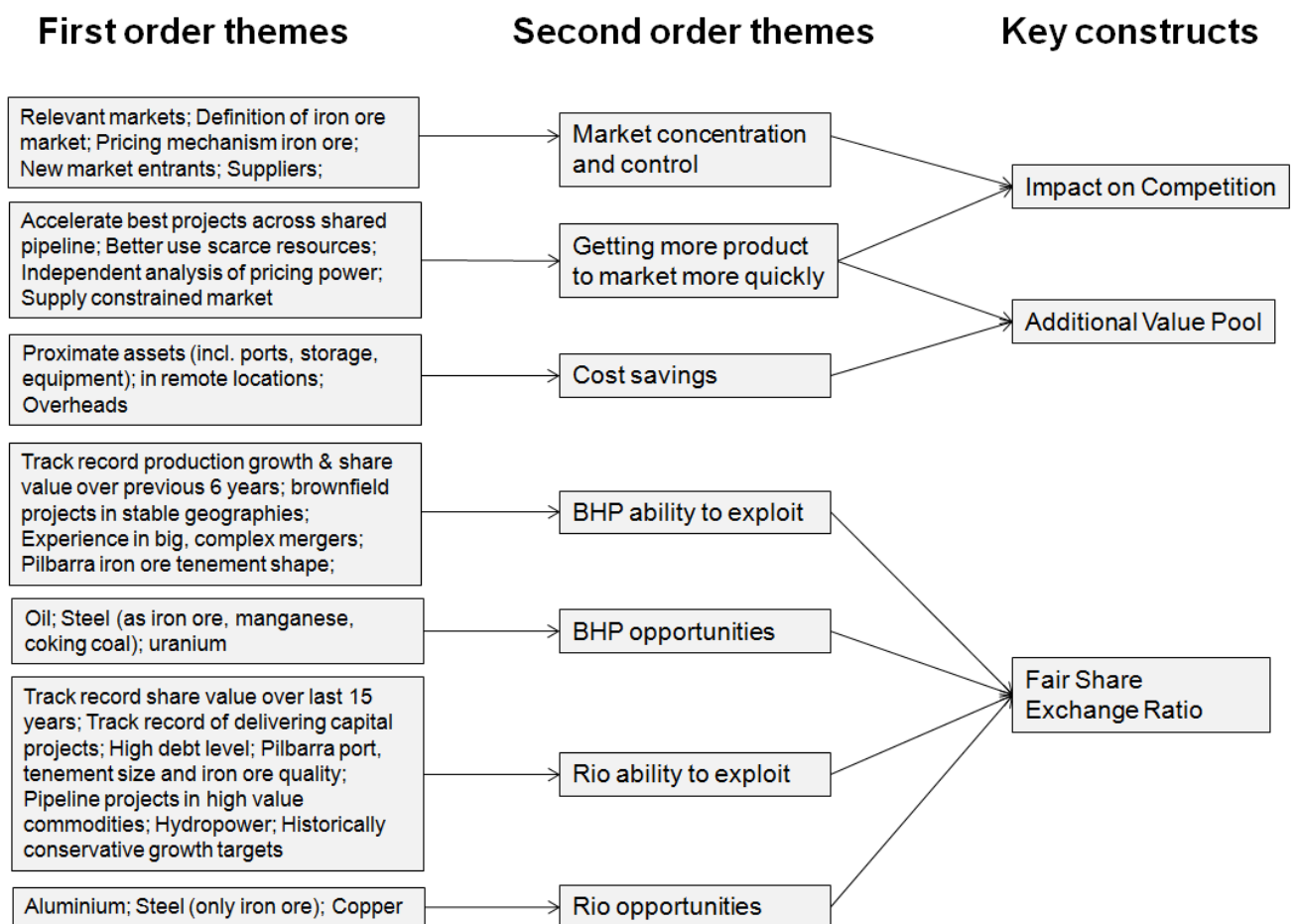
Second, coded themes were identified that recurred throughout the data. In first instance the data was scanned, and recurring issues or issues that were identified by actors as significant were extracted (Hellgren et al., 2002), for example as quotes, indicators, imagery, etc.. These were then grouped in first order themes and analysed

in more depth. The main themes that emerged from this process were explored further and either discarded or refined (Glaser and Strauss, 1967; Miles and Huberman, 1994). Those that remained were then aggregated into a small number of categories (Glaser and Strauss, 1967; Miles and Huberman, 1994; Yin, 2003). These aggregated second order themes emerged over a number of iterations. Any process of interpretation of the data and identification of themes is unavoidably influenced by the preconceptions of the researcher (Vaara and Tienari, 2011). Further, different strategy theories that were brought to bear on this study may also privilege somewhat different thematic groupings of the data. However, a conscious effort was made to remain faithful to the way that actors typically appeared to conceptualise the acquisition discourse (Hellgren et al., 2002). As part of this analysis second order themes were differentiated in themes that pertained either more narrowly to actors involved in the acquisition discourse, or to its broader context. The former themes were grouped into three third order themes and called key constructs, while the latter were grouped in third order themes that were considered broader discourses. First, second and third order themes were subsequently refined throughout the research process and writing process, as new insights emerged from either analysis, feedback or discussions. These themes were consistently used by actors to frame the pre-acquisition discourse in ways that represented their particular interests. Salient examples of themes were included in tables or selected imagery, and are shown and discussed throughout the findings.

KEY CONSTRUCTS

As the attempts at acquisition proceeded, the meaning of three key constructs was the subject of continued negotiation. Key constructs through which meaning was negotiated in this case concerned the *additional value pool*, the *fair share exchange ratio*, and the proposed acquisition’s *impact on competition*.

Figure 3-1: Coding of Key Constructs



The *additional value pool* refers to the shareholder value that would result from the creation of a mining giant that could capitalise on the demand growth of China and India and reduce costs through operational synergies. The *fair share exchange ratio* refers to the number of BHP shares that would be paid in exchange for each Rio share.

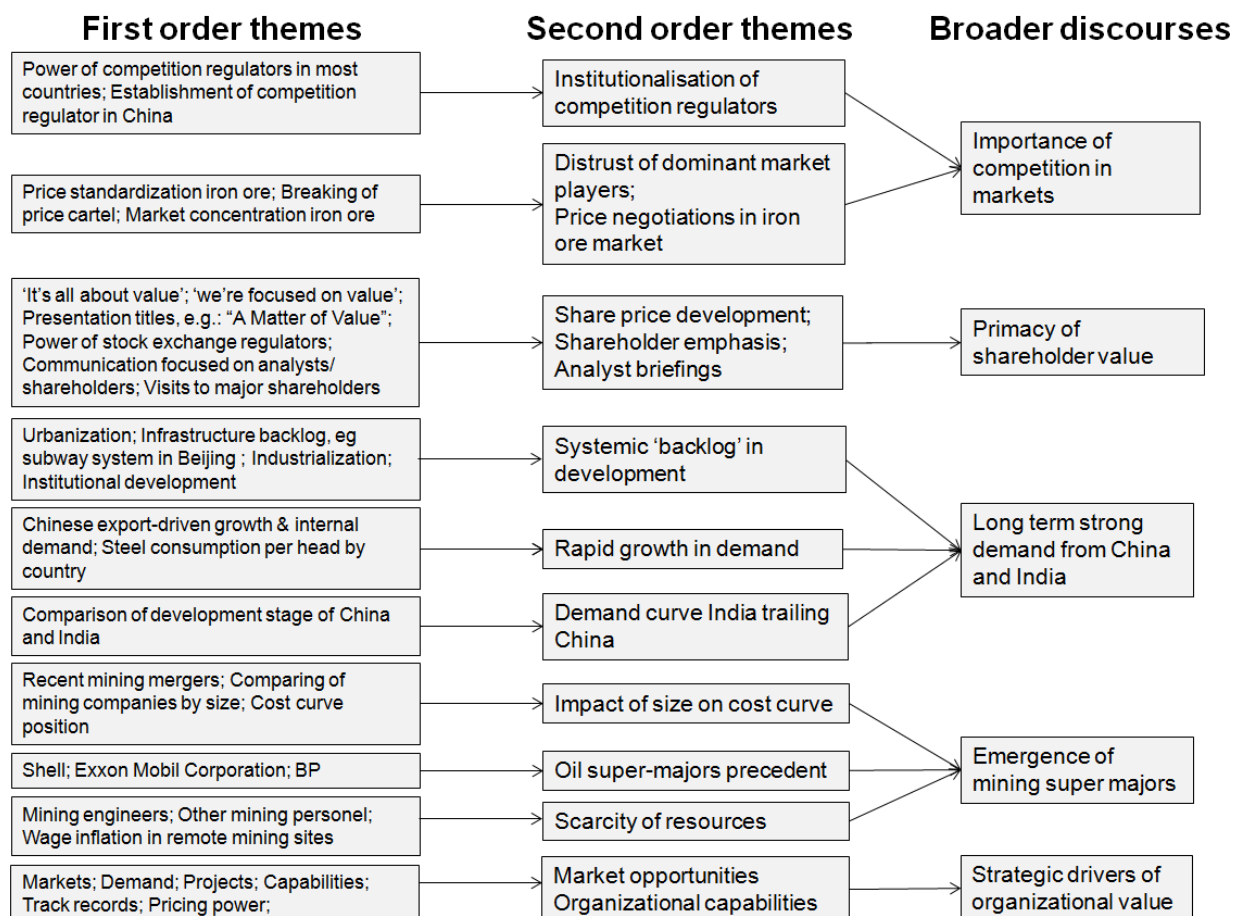
This needed to be seen as ‘fair’ to gain acceptance from both BHP and Rio

shareholders. The *impact on competition* is about whether the combined entity would gain excessive market power, and depended on two key factors: the market share of the combined organization and how the proposed acquisition served customer interests by bringing more product to market faster, as opposed to pushing prices up.

BROADER DISCOURSES

Other categories of themes constituted broader discourses that were woven into the acquisition discourse by actors. Some of the more obvious broader discourses that shaped the acquisition discourse included the primacy of shareholder value, long-term demand from China and India, the emergence of mining super-majors, and the importance of competition in markets.

Figure 3-2: Coding of Broader Discourses



The primacy of shareholder value referred to the requirement imposed on the leadership of commercial companies to prioritise the creation of value for shareholders over other stakeholders. The long-term demand from China and India reflected an expected multi-decade growth cycle for the two main export destinations for BHP and Rio product, hence underpinning their profit potential. The broader discourse related to the emergence of super-majors in the mining industry suggests that there are significant scale advantages to very large resources companies, and that this was driving industry consolidation in the resources industry. Finally, the broader discourse on the importance of competition in markets has shaped economic discourse at least since Adam Smith's invisible hand and David Ricardo's theory on comparative advantage. While these broader discourses were fundamental to the acquisition discourse, key actors of the acquisition discourse could draw on selected parts of these broader discourses, but were not able to significantly alter them.

Stage 1 and 2 of the analysis provided a partial response to research question 2, in that these stages provided a way to represent an initial structure for the pre-acquisition discourse through the differentiation and identification of actors, key constructs and broader discourses. The next stages of the analysis aimed to determine the role of these broader discourses, external actors, as well as multi-modal discursive practices, calculative devices, and rhetorical strategies in the negotiation of meaning of the key constructs.

STAGE 3: ACTORS AND MULTI-MODAL DISCURSIVE PRACTICES

For the third stage of analysis coded instances were identified where discursive practices were brought to bear by BHP and its senior leadership on the three key

constructs as part of this negotiation. From this, two primary external actors were identified or the acquisition discourse who were central to deciding the outcome of the attempted acquisition, in addition to BHP leadership itself. These were shareholders and competition regulators, and BHP therefore sought to obtain support for its acquisition strategy from both these groups. Shareholders included both Rio and BHP shareholders: 60% owned shares in both organizations. The key constructs of the acquisition discourse pertaining to shareholders were *additional value pool*, and *fair share exchange ratio*. For competition regulators the key construct of the acquisition discourse was *impact on competition*. In addition, there were a number of other actors who could potentially influence the decision-makers, including Rio's leadership, mining analysts, BHP and Rio customers and suppliers, and journalists. For each of the different actors a variety of multi-modal discursive practices were identified and coded that were used to contest or support the interpretation of the key constructs associated with the acquisition discourse. The purpose of this stage was to develop an appreciation of the breadth of discursive practices (e.g. holding seminars; visits to shareholders; submissions to regulators; interviews with media; site visits of analysts and/or media; buying/ selling of shares) and associated modes (e.g. speech, writing, imagery, location) that different actors brought to bear on particular constructs.

During this stage the prevalence and importance particularly of indicators or calculative devices in the acquisition discourse emerged, and lead to an in-depth analysis of these in the subsequent stages.

As discussed in the literature review, what constitutes a mode in one context may not function as such in a different context (Constantinou, 2005; Kress, 2010). Indicators

have not been identified as a separate mode in the literature on social semiotics before. However, Table 3-4 shows how indicators, which were used by actors in the case study, meet the criteria suggested by Kress (2010) and discussed in the literature review, and were therefore treated as a distinct mode to appreciate their semiotic function more fully.

Table 3-4: Indicators as a Distinct Mode

Criteria	Criteria for financial/ numerical indicator
Affordances	
Are affordances distinct, that is, do they enable something that other modes do not?	Indicators/ calculative devices give an impression of <i>potential</i> precision and objectivity; enables symbolic numerical manipulation;
Social	
Does it meet a need of the community in this case study, that is, is it used with relative regularity, consistency and with shared assumptions?	The indicators in the case study are constructed around the needs of the community of financial professionals and shareholders who form a 'financial community'. The main indicators are used frequently, and their consistency and underlying assumptions are often governed by a high level of standardization, which may be codified in compulsory accounting standards.
Formal	
Has 'textual function', that is, can indicators form message-entities which are internally coherent and which cohere with their environment?	<ul style="list-style-type: none"> Indicators (eg share exchange ratio) cohere with their <i>external</i> environment as presented in broader contextual discourse (e.g. indicators for <i>Additional Value Pool</i> and <i>Fair Share Exchange Ratio</i> fit within an acquisition discourse) An indicator must also be <i>internally</i> coherent, that is, the calculation follows a strict logic, typically following explicit conventions (e.g. accounting standards) and elements of an indicator cannot be modified without changing its meaning.
Has 'interpersonal function', that is, can indicators represent meanings about the social relations of those engaged in communication?	<ul style="list-style-type: none"> Indicators can and do imply social relations between the user of the indicator and the audience. For example, the <i>Fair Share Exchange Ratio</i> implies that BHP management must add share value for current BHP shareholders and create an attractive offer for current Rio shareholders. Therefore it reflects a communicational relationship and as well as a social relationship between 'maker and receiver of the message' (Kress, 2010, p.92)
Has 'ideational function', that is, Can indicators represent meanings about the world of states, actions and events?	<ul style="list-style-type: none"> Indicators have strong ideational aspects as they represent or construct aspects of the world as seen by the user of the indicator. It suggests an epistemological commitment to how the world appears to the user of an indicator. A rearrangement is likely to lead to incoherence for the audience.

STAGE 4: RHETORICAL STRATEGIES

The fourth stage of analysis involved identifying and coding the rhetorical strategies that were connected to actors' particular practices and associated modes. These rhetorical strategies were coded as appeals to logos, ethos, and pathos (Aristotle, 1991). The decision to do so followed an analysis of some 20 recent articles (see Table 2-7, p.82), which specifically look at rhetoric or legitimation during M&A or major organizational restructures (e.g. Brennan et al., 2010; Brown et al., 2012; Cheney et al., 2004; Erkama and Vaara, 2010; Green et al., 2008; Hellgren et al., 2002; Suddaby and Greenwood, 2005; Vaara and Monin, 2010; Vaara and Tienari, 2008; Vaara et al., 2006). As discussed in the literature review, nearly every article used a different categorization to group rhetorical strategies. However, several acknowledged or drew on the logos, pathos, ethos categorization (Erkama and Vaara, 2010; Suddaby and Greenwood, 2005) or used this categorization exclusively (Brown et al., 2012; Green et al., 2008; Green, 2004), making it the most common categorization across relevant studies. Alternative and more recently developed ways to categorize rhetorical strategies were also explored. Specifically, this included 'theorizations of change' from Suddaby and Greenwood (2005), 'discursive strategies' (Tienari et al 2003), and the 'legitimation strategies' developed by Erkama and Vaara (2010), Vaara and Monin (2010), Vaara and Tienari (2008), and Vaara et al (2006). While examples were found of rhetorical strategies that could be said to fit each of these categories in the data, they were only found in linguistic modes (speech and writing) and not in non-linguistic modes. The classical categories of logos, ethos and pathos were the only strategies that could consistently be connected to non-linguistic modes and were coded accordingly. Indeed, confining coding of rhetorical strategies to these categories was both

necessary and appropriate since the aim of this study was to identify the significance of non-linguistic modes of discourse to rhetoric rather than to specifically test an existing categorization of rhetoric or to create any new categorizations.

In some cases coding into logos, ethos and pathos initially required a disaggregation of a practice into 'sub'-practices or into separate modes that made up the initially identified and coded practice. For example, BHP released short videos to seek support for the acquisition. By disaggregating the modes used in this practice into speech, moving image and music prevalent rhetorical strategies were then identified and coded, which were embedded in each of the modes, for example, pathos in music, speech and moving images; ethos in moving images, indicators and speech; logos in speech and moving images (detailed disaggregation is provided in Table 4-13 and Table 4-14). This disaggregation also involved separating out the use of the modes of indicators and location in order to be able to connect these modes with particular rhetorical strategies.

In this stage of analysis instances where 'transgression markers' came into play were identified and analyzed. These instances could be seen as a collision of alternative interpretations of the same events by different actors. Here multi-modal cues from key actors were identified and listed, which indicated that they did not accept an interpretation that was offered by another actor, but expressed that the other actor had overstepped a limit of acceptable meaning.

STAGE 5: AXIAL CODING

During stage 5 of the analysis involved a process of axial coding (Maguire and Phillips, (2008) for each of the three key constructs of the acquisition discourse. Specifically, it

involved a systematic and iterative process in which the analysis moved among the already chronologically ordered and coded data seeking to identify relationships and emerging patterns between the actors, key constructs, broader discourses, the multi-modal discursive practices, and the rhetorical strategies used to support or challenge these. These relationships and patterns were then refined in ways that created adequate conceptual categories, which allowed to provide an analysis that was grounded both empirically in the data and theoretically in the literature (Eisenhardt, 1989). The process identified and showed the variety of modes used under each construct, the combinations of rhetorical strategies used under each mode, and the significance and impact of modes and rhetorical strategies. For example, the analysis showed the role that calculative devices played as boundary objects in the negotiation of meaning in the acquisition discourse: actors organised field visits and analyst briefings to shape the narrative of an organisation's capability to bring products to particular commodity markets. Calculative devices rendered this narrative of capability calculable, which enabled its summation with other narratives that had also been rendered calculable and construct a single number for the relative value of both companies. Mining the data in this way allowed seeing how the use of calculative devices in the acquisition discourse was connected to the development of both local narratives (e.g. BHP's ability to export iron ore from the Pilbarra region to China) and broader discourses (e.g. economic development in China, global demand for iron ore, and currency exchange rates).

STAGE 6: TIME AND CONTEXT HORIZONS

The final stage involved analyzing what the insights from the analysis during the previous stages might contribute to a discursive epistemology of strategizing. From the literature review two key dimensions had emerged as fundamental to how meaning is created when strategizing, that is, looking ahead and scanning the environment.

During stage 6 these dimensions were conceptualized as a time and context horizon.

The previous stages had provided detailed insights into the context horizon (in the form of broader discourses) in the negotiation of key constructs. Further analysis of the case study was conducted to better understand how as part of the pre-acquisition discourse actors also drew on time and temporal variables while strategizing. In order to do this, the negotiation of meaning of the three key constructs was reviewed specifically for the use of discursive practices that either implicitly or explicitly drew on time in the negotiation of meaning. For each construct a number of these were identified and analyzed. For example, the *additional value pool* was calculated based on future cost savings and future revenue increases; the *fair share exchange ratio* was determined, in part, by project pipelines, future demand, and the calculation of the net present value of future profits of BHP and Rio; and the *impact on competition* was influenced by expectations regarding an acceleration of getting products to market in the future, the emergence of new iron ore producers, and a 15 year supply contract between BHP and its major iron ore customer in Australia.

The findings demonstrated that each of these horizons could be seen to be thoroughly anchored in the case data. Together these horizons enabled this thesis to differentiate strategizing discourse from other managerial activities as they highlight what is *specific* about strategy as discourse. This differentiation of how we create meaning when

strategizing, therefore answers the second research question regarding fundamental dimensions of a discursive epistemology of strategizing.

3.4 SUMMARY OF CHAPTER

The case study is of BHP Billiton's (BHP) attempt to acquire and merge its operations with Rio Tinto (Rio), which would have created a company with a combined market capitalization of US\$350Bn at the time of the announcement. In spite of the refusal of Rio's leadership to support it, BHP pursued the proposed transaction from its announcement in November 2007 until its abandonment in November 2008.

A multi-modal discourse analytic framework (Iedema, 2007; Kress, 2010; Kress and Van Leeuwen, 2001) was adopted. Extensive data was collected pertaining to the period between November 2007 and 2008, including annual reports, newsletters, corporate videos, press releases and communications to shareholders, as well as slides and full transcripts of key presentations.

The data collected enabled the identification of a broad range of discursive practices, actors, constructs and broader discourses that were apparent during the acquisition attempt. Patterns and relationships among these units of analysis were analyzed over six stages. This allowed the identification of the variety of modes used under each construct, the combinations of rhetorical strategies used under each mode, and the significance and impact of modes and rhetorical strategies. It also enabled the identification of the role of external actors and broader discourses in the acquisition

discourse. Lastly, the insights of the case were used to develop a discursive perspective on the epistemology of strategizing.

The next chapter shows the findings from the case study. It commences with developing a structure of the pre-acquisition discourse based on the actors, key constructs and discursive practices. This is followed by showing how actors constructed discourses of the future and the context in the pre-acquisition discourse. It then proceeds with a detailed analysis of the negotiation of meaning of the key constructs.

4 ANALYSIS OF THE ACQUISITION DISCOURSE

4.1 INTRODUCTION

This chapter presents the findings of pre-acquisition discourse analysis. As Table 4.1 suggests, the pre-acquisition discourse can be subdivided in two distinct but connected parts. The first part centers on the interests of shareholders and BHP leadership, which are reflected in the constructs of *additional value pool* and *fair share exchange ratio*. The second part centers on competition regulators and their role of managing the *impact on competition*.

Table 4-1: Structure of the Acquisition Discourse

Actors	Key constructs
<ul style="list-style-type: none"> • <i>Decision makers:</i> <u>Shareholders</u> <u>BHP leadership</u> • <i>Main influencers:</i> <ul style="list-style-type: none"> ○ Rio leadership ○ Mining analysts ○ Media 	<ul style="list-style-type: none"> • Additional value pool <i>(resulting from formation of a super-major that can capitalize on demand trends)</i> • Fair share exchange ratio <i>(to distribute the additional value pool).</i>
<ul style="list-style-type: none"> • <i>Decision makers:</i> <u>Competition regulators</u> • <i>Main influencers:</i> <ul style="list-style-type: none"> ○ Customers ○ Media 	<ul style="list-style-type: none"> • Impact on competition <i>(based on market share, and the ability to get more product to market more quickly)</i>

First, the findings will identify and discuss the key actors and discursive practices they brought to bear as they enacted the acquisition discourse. Then the chapter provides an overview of how actors discursively constructed the future and key broader discourses as part of the pre-acquisition discourse. This is followed by a detailed analysis of how actors negotiated meaning for each of three key constructs, and shows

how actors drew on multi-modal discursive practices, rhetorical strategies, and transgression markers in order to shape outcomes that aligned with their own interests.

4.2 KEY ACTORS

The key actors and their interests emerged from stage 2 and 3 of the analysis of the acquisition discourse as it became clear how actors engaged in and influenced the structure of the discourse. The most powerful groups of actors enacting the acquisition discourse included BHP's leadership, BHP and Rio shareholders (including holders of both Rio *and* BHP stock: 60% owned shares in both organizations), and competition regulators in, for example, the European Community, the US, and Australia (see Table 4-1). They derived their power from their ability to decide on the proposed acquisition. Although individual shareholders had no such power, a sufficiently large group could enable or block the proposed acquisition from proceeding. If regulators in important domiciles felt that competition would be undermined by the transaction, they could block the proposed combination or impose such onerous conditions that BHP would have to withdraw from the intended acquisition.

Other actors may be able to influence the decision, but could not decide the transaction. For example, as many Rio shareholders could be expected to consider the recommendation of Rio's leadership, they were an important influencer. However, Rio Tinto's leadership did not support the proposed acquisition and refused to engage with BHP's leadership. Consequently BHP approached Rio's shareholders directly,

many of whom were also shareholder of BHP itself, and sought their support for the proposed transaction. Similarly, suppliers and customers had no direct decision power over the potential acquisition but could (and some did) seek to influence the competition regulators to avoid excessive influence of the combined organization in markets that supply goods or services to the mining industry, or in markets where the combined organization would sell its product. Other actors, like analysts and journalists, could also impact the discourse and influence decision makers, particularly retail investors who sourced much of their information about BHP or Rio from analyst or media reports.

The most important interests of the decision makers (shareholders, BHP leadership, and competition regulators) included the impact of the transaction on shareholder value, and the impact on competition. In the public acquisition discourse BHP's leadership needed to be seen to act in the interests of BHP shareholders. At the same time, they could not be seen to act against the interests of Rio shareholders as these could stop the transaction, and because many shareholders held shares in both companies. The importance of the interests of all shareholders was reflected in and reiterated by the titles of press releases and briefings early in the process. BHP and Rio's main announcements and briefings had titles like *'Unlocking Value'* (BHP Analyst Briefing 12th Nov 2007); *'BHP Billiton's Proposed Combination With Rio Tinto To Unlock Value'* (BHP Press release 12th Nov 2007); *'A Matter of Value'* (Analyst Briefing 12th Dec 2007); and *'Delivering Exceptional Growth'* (Rio Investor Seminar 26th Nov 2007). These themes were consistently reiterated in public communications. However, while

BHP's leadership emphasized the shareholder value that the acquisition could deliver, Rio emphasized that it could deliver similar value without being taken over by BHP.

The importance of shareholders was further reflected in and reiterated by a slew of authorities and rules that shaped how the discourse took place. Some of these had formal authority and could enforce adherence to their rules. For example, Rio applied to the UK Takeover Panel to impose a 'put up or shut up' clause on BHP. This imposed a deadline on BHP to progress their intention to acquire Rio to a formal offer within two months, or abandon its pursuit of Rio for at least six months. This clause protected Rio shareholders from being under a cloud of a potential acquisition for an extended period. Other examples included the disclosure rules that were imposed on leadership of BHP and Rio, to prevent (or at least minimise) disparate levels of access to knowledge. This translated in BHP CEO Kloppers being accompanied by a legal advisor when visiting major institutional investors to discuss the acquisition of Rio.

Stakeholders who played no obvious role in this particular acquisition discourse included employees, politicians, and community or environmental groups. This was likely due to the absence of nationalistic concerns as both companies were dual listed in the UK and in Australia. Also, no significant operational changes were identified publicly by these stakeholder groups that would negatively impact employment or the environment.

4.3 DISCURSIVE PRACTICES OF KEY ACTORS

The analysis identified a range of discursive practices that these external actors brought to bear on the shareholder and regulatory constructs within the acquisition discourse as they sought to express support or disagreement with what BHP was proposing. These discursive practices acted as cues from the audience to BHP indicating whether its presentation of the acquisition discourse had struck a chord or would require adaptation. In this way external actors played an active role in constructing the acquisition discourse.

This section identifies the main discursive practices of the decision makers and the influencers that were observed in the public acquisition discourse. The next chapter will analyze the different modalities and show in great detail *how* these discursive practices were actually brought to bear on the different constructs that formed the structure of the public acquisition discourse, and to what effect.

DECISION-MAKERS: BHP BILLITON LEADERSHIP

BHP leadership, as the instigators of the acquisition discourse, had many discursive practices they could bring to bear. The list (see table 4.2) illustrates that the choice of what constitutes a discursive practice is to some extent arbitrary. As discussed in the methodology (see stage 4), what is identified as a practice can be disaggregated into sub-practices, or aggregated into a larger practice. Also, the level of (dis-) aggregation into practices is based on a combination of how practices were identified in the raw data set and how much aggregation or disaggregation was required for a detailed analysis.

Table 4-2: Discursive Practices of BHP Leadership

BHP leadership
<ul style="list-style-type: none"> ● Approach Rio Leadership ● Announce intent to acquire publicly to stock exchanges ● Issue press releases ● Make formal offer ● Hold analyst briefings ● Hold briefings for retail stockbrokers ● Educate analysts ● Answer or decline questions ● Reframe issues (e.g. oil valuation) ● Publish slides and transcripts of briefings ● Build credibility with presence and/or credentials of Board and executives ● Draw on track record ● Give/ deny presence to selected information ● Use slide presentations ● Create promotional videos ● Talk up own relative value ● Meet customers, major shareholders, and regulators ● Draw on independent experts' legitimacy ● Draw on share price history ● Offer premium ● Write to shareholders ● Brief journalists ● Silence analysts ● Put share buy-back in place ● Seek shareholder vote

Chapter 6 will explore how these discursive practices were brought to bear on the negotiation of meaning in the acquisition discourse.

DECISION-MAKERS: SHAREHOLDERS

Share ownership of both Rio and BHP was widely distributed amongst many institutional and retail shareholders. The discursive practices they could employ

appeared fairly limited in number: the analysis only identified requesting meetings and trading shares as discursive practices of shareholders in the public acquisition discourse. Large shareholders might have been able to request meetings with BHP or other actors, but for the vast majority this was not an option. Nevertheless, the analysis showed that the buying or selling of shares at a particular price was one discursive practice that was brought to bear by shareholders on the acquisition discourse. Within the context of the primacy of shareholder value, the resulting Rio and BHP share prices during the episode became a powerful symbol for the acceptance or rejection of the proposed acquisition strategy by shareholders.

DECISION-MAKERS: REGULATORS

After BHP had made a formal offer to Rio shareholders, the regulatory processes got underway and at this point the discursive practices of regulators took on added significance. These practices included: the publication of selected information on their websites; issuing press releases; requesting submissions on the perceived impact of the proposed acquisition on competition in relevant markets; the publication of statements of the key issues based on analysis of submissions and a regulators' own inquiries; the publication of their conclusions and reasoning; and the imposition of undertakings on the combined organization.

Moreover, the role of competition regulators was different to that of any of the other actors, in that an individual regulator could prevent the acquisition. Not even the largest institutional shareholder wielded this sort of influence. Nevertheless, regulatory power was constrained by the need to deliver a credible construction of the likely impact of the acquisition on competition. This required a regulator to speak to

the submissions from actors and weave these into their own analysis of the impact of the acquisition on competition in key markets. These submissions from other actors therefore shaped the regulators' discursive practices.

Table 4-3: Discursive Practices of Regulators

Regulators
<ul style="list-style-type: none"> • Seek submissions • Conduct own analysis and investigation • Release statement of issues • Publish findings and reasoning • Seek undertakings • Set timeline

INFLUENCERS: RIO TINTO LEADERSHIP

Rio's most obvious discursive activity was to develop a rhetorical strategy to support its assertion that BHP's offer significantly undervalued its own assets and prospects.

According to Rio's leadership, BHP overestimated its own market opportunities and capabilities, while underestimating the opportunities and capabilities of Rio. Rio CEO Albanese emphasized its market opportunities predominantly as opportunities in aluminium, copper and iron ore where it had an advantage over BHP. Like BHP, Rio held analyst seminars, journalist briefings, and organized meetings with major shareholders throughout the episode.

Table 4-4: Discursive Practices of Rio Tinto Leadership

Rio leadership
<ul style="list-style-type: none"> • Do not endorse BHP offer • Refuse to engage • Issue press releases • Request 'put up or shut up' • Hold investor seminar • Publish slides and transcripts of briefings • Brief journalists • Build credibility with presence and/or credentials of Board and executives • Meet major shareholders • Draw on track record • Draw on independent experts' legitimacy • Give/ deny presence to selected information • Use suggestive visuals • Talk up own relative value • Collaborate with competing capital providers • Contest/ support key constructs • Organize site visits for journalists • Helicopter flight over BHP port with former BHP shipping manager • Answer or decline questions • Reframe issues (e.g. weak balance sheet as bigger opportunity to improve)

INFLUENCERS: ANALYSTS

Analysis of analyst seminars and briefings during the episode showed that assertions from BHP about both its own and Rio's opportunities and capabilities, and how these were of significance to the proposed acquisition, had to be carefully presented. To deviate from analysts' existing understandings about either company's opportunities or capabilities resulted in an immediate question or rebuke. These took the shape of subtle questions seeking more information about an assertion that the analyst was not yet willing to accept, or they could be explicit and blunt disagreement. Ongoing

disagreement could have resulted in a loss of interpretative legitimacy or credibility of BHP leadership and had to be avoided. In addition, analysts also frequently commented to journalists, sometimes anonymously.

Over the course of the first few weeks after the initial announcement by BHP, and reflecting the size and complexity of the possible transaction, the top 15 or so major global investment banks were hired as advisors to either BHP or Rio. As a consequence the discursive practices of analysts working for these banks were significantly restricted. They could no longer express any opinions about the proposed acquisition due to the potential for a conflict of interest. This removed many highly regarded mining analysts from an active role in the acquisition discourse and would have reduced the influence that analysts in general would have had on the discourse.

Table 4-5: Discursive Practices of Analysts

Mining Analysts
<ul style="list-style-type: none">• Publish research (limited by potential conflict of interest)• Criticize Rio's refusal to engage in media• Brief journalists• Report that BHP could increase bid• Comment on fairness of bid• Confirm or contest key constructs• Ask questions to BHP or Rio• Suggest relative values• Meet fund managers

INFLUENCERS: CUSTOMERS

The analysis identified a number of discursive practices of customers. The obvious ones included press statements and submissions to regulators, either individually or collectively. Some of the largest customers had meetings with BHP, during which they expressed their concerns. To journalists, customers indicated that they might nurture their relationships with smaller or new miners to increase their future options.

By far the strongest symbolic action was the ‘dawn raid’ of 12% of Rio’s London-listed shares lead by Chinese government-owned company Chinalco (discussed in some more detail later on). Although this would not necessarily prevent the acquisition of Rio by BHP altogether, it was generally interpreted as a strong signal that steel customers did not accept BHP’s assertion that the acquisition of Rio would benefit customers.

Table 4-6: Discursive Practices of Customers

Customers
<ul style="list-style-type: none"> • Make submissions to regulators • Brief journalists • Threaten support of smaller miners • Buy block of shares to vote against bid • Boycott BHP iron ore on spot market • Delay issuing import permit for iron ore

INFLUENCERS: MEDIA

The media offered a shared stage for all main actors. Examples include the publication by the media of comments from other actors, the attendance at briefings or site visits

organized by other actors, or the use of press statements or reports. These practices are not a neutral reflection of 'the acquisition discourse' but involved selecting, evaluating, commenting, and positioning of actors and data. There was no obvious attempt by the media to either persuade a particular audience or convince a universal audience. Nonetheless, by extensively drawing on a range of widely recognized and accepted key actors, the media's reporting on the acquisition sought to assume a sense of authority.

Table 4-7: Discursive Practices of Media

Media
<ul style="list-style-type: none">• Select information to publish or ignore• Confirm or contest key constructs• Publish profiles of BHP and Rio CEOs

This overview of discursive practices demonstrates that actors do more than simply use language when they enacted the pre-acquisition discourse. Later the findings will show in great detail how these discursive practices were used in the negotiation of meaning of the three key constructs, and what modalities and rhetorical strategies were brought to bear through them. However, before doing so the findings will provide an overview of how actors discursively constructed the future and the broader discourses in the pre-acquisition discourse.

4.4 TIME

As argued in the literature review, strategizing is often identified as a fundamentally future oriented activity. The implication of the theoretical framework developed for this research is that the meaning of the three key constructs is, amongst others, dependent on how the future is discursively constructed in the pre-acquisition discourse. Some key examples of how this future-orientation was enacted will be discussed here in some detail. This section is therefore structured to provide examples for each of the three key constructs. Additional examples can be found later in the detailed discussion of how meaning was negotiated for each of the three key constructs.

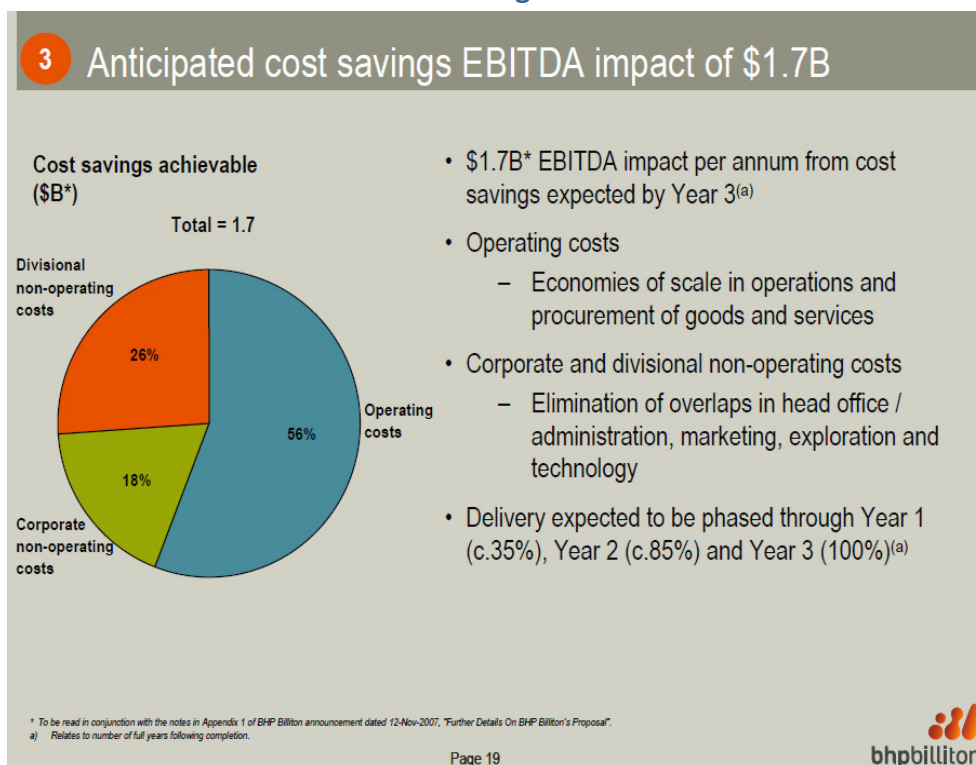
Table 4-8: Key Constructs and Time

Key constructs	Discursive construction of the future
<i>Additional value pool</i>	Future cost savings (synergies) Future revenue increase (synergies)
<i>Fair share exchange ratio</i>	Comparative pipelines Future demand in own markets Net Present Value
<i>Impact on competition</i>	Vision of more product to market quicker Emergence of new iron ore producers 15 year supply contract with BlueScope

TIME AND THE MEANING OF *ADDITIONAL VALUE POOL*

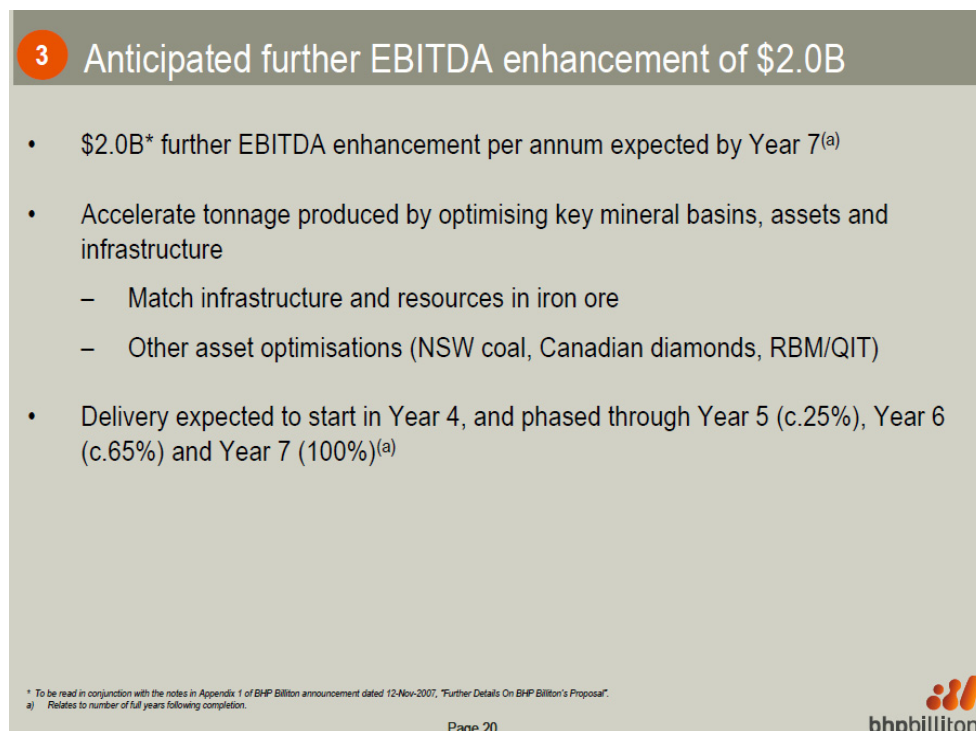
The analysis found that time could not be separated from the negotiation of meaning of the *additional value pool*. The discursive construction of the future cost and revenue synergies targeted by the acquisition attempt permeated the calculations of the *additional value pool*. The role of time was straightforward in that it was about *future savings and revenue increases* (see figures below).

Figure 4-1: Additional Value from Cost Savings



Source: BHP Billiton, 'BHP Billiton and Rio Tinto: Unlocking Value', 12th Nov. 2007

Figure 4-2: Additional Value from Revenue Enhancement



Source: BHP Billiton, 'BHP Billiton and Rio Tinto: Unlocking Value', 12th Nov. 2007

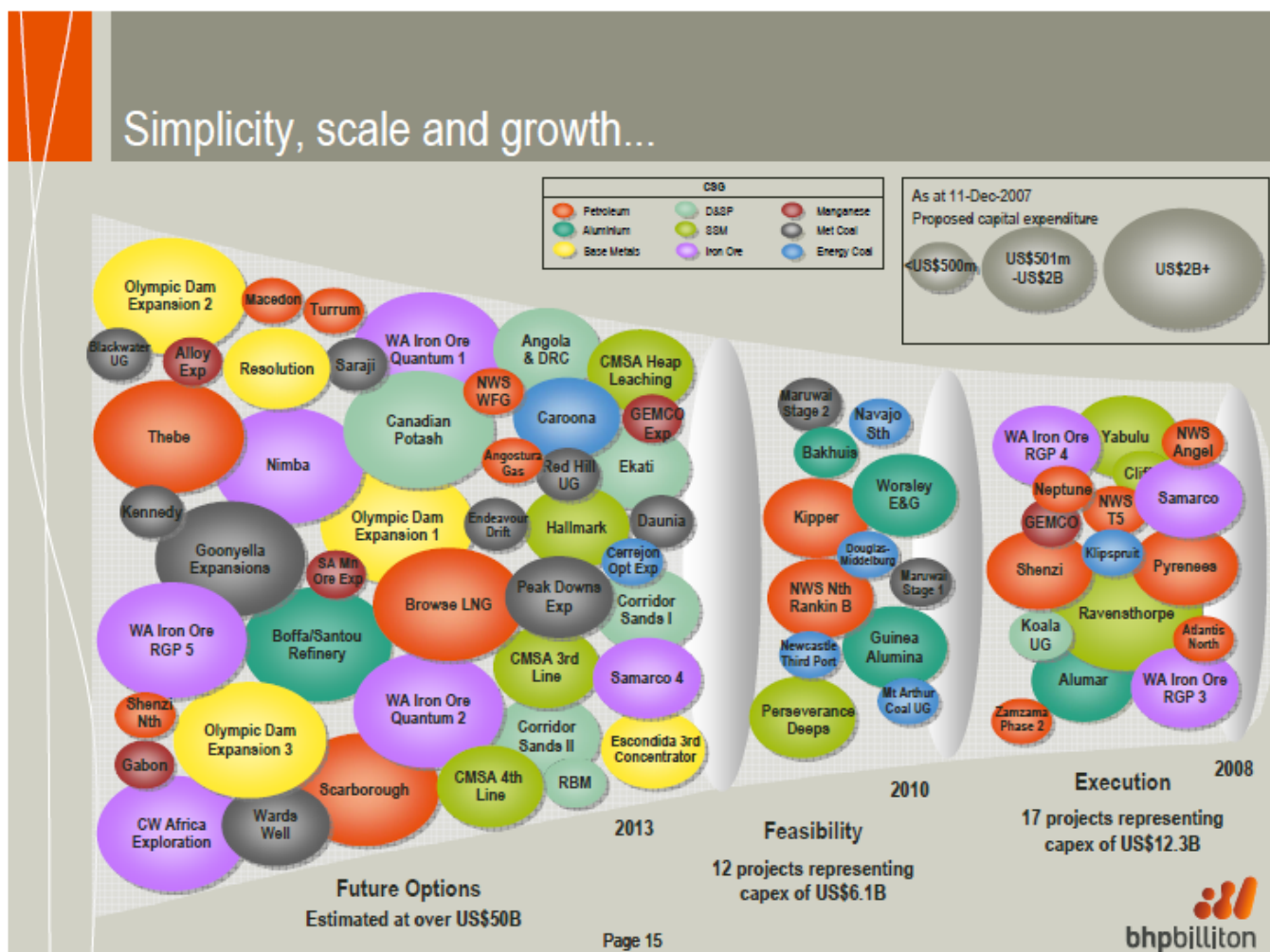
The figures explicitly talked about time horizons and indicate actual years when these savings and revenue increases are expected. Figure 4-1 summarizes the targeted annual cost savings of \$1.7B as they build up from year 1 to 3, and continue beyond year 3 at the same level. Figure 4-2 summarizes the annual revenue enhancements of \$2.0B, which would build up from year 4 to year 7. The construct of the *additional value pool* resulted from calculating these cost and revenue synergies and discounting their future value in order to determine their present value. The valuation of this pool depended not only on the size of cost savings and additional revenues, but also on how much these synergies could be brought forward in the discursive construction of the future.

TIME AND THE MEANING OF *FAIR SHARE EXCHANGE RATIO*

Time also permeated the construction and negotiation of meaning of the *fair share exchange ratio*. An example during the acquisition discourse was based on their project pipelines, which influenced what was seen as the relative value of each company. BHP Billiton presented an iconic image of this pipeline (see Fig. 4-3). Each bubble represented a separate project in their pipeline, where the size reflected the value and the colour the division (which were structured around commodities) that owned the project.

The pipeline is in the shape of a funnel where projects enter on the left and then move to the right from future options, to feasibility stage, to execution. These future projects of both companies were of critical value to the discursive construction of relative value of each company, as they represented an indication of future profit streams.

Figure 4-3: BHP Project Pipeline



Source: BHP Billiton briefing, 12th December 2007

Of further importance in the acquisition discourse were the risks involved in the realization of these projects. A proximate of this risk was whether it was a greenfield (i.e. new) site or a brownfield expansion of an existing asset. The latter was seen to present far less risk of delays in delivering the project.

The importance of pipeline was also emphasized by Rio’s CEO Albanese:

‘ At a time of strong, sustained demand, the quality of a company’s resource is critically important, and there has never been a time when a development pipeline like ours has been so important to the valuation of a company. So

we believe the value of Rio Tinto is not reflected in our share price, nor in BHP Billiton's proposal'

Rio CEO Albanese, Investment Seminar, 26 November 2007

A second example of how time played a major role in the negotiation of meaning of the *fair share exchange ratio* was through expectations of demand and price trends in commodity markets of each company. Due to Rio's purchase of Alcan earlier in 2007, it was now the global leader in aluminium, and was much more sensitive to the discursive construction of future trends in that market than BHP. This provided Rio the opportunity to influence the negotiation of what was considered a fair exchange ratio by emphasising positive trends in that market:

' In summary, I'm very excited by the prospects and opportunities for Rio Tinto Alcan. Global aluminium demand is growing strongly, currently about 7% per year and forecast to remain so, given the expected double-digit growth rate in China. The price outlook, as I outlined, is structurally favourable and supported by fundamentals'

Source: Dick Evans - Rio Tinto - Chief Executive Rio Tinto Alcan, Investment Seminar, 26 November 2007

The third example relates to the calculation of the net present values. These sorts of calculations can be seen to apply to all discussions of monetary value, including that of the *additional value pool*. Such calculations translated expected future value into today's dollars and, as such, enabled to compare not just today's profits of each company, but all expected future profit streams. This connects with, for example, the

issue of BHP's bottleneck in Port Hedland, and the time required to expand its infrastructure. Every year longer that this would be perceived to take would impact today's valuation of BHP, and hence what would be seen as a *fair share exchange ratio*.

TIME AND THE MEANING OF *IMPACT ON COMPETITION*

Time also impacted the meaning of the third key construct, that is, the *impact on competition*. Much of the additional value pool depended on an acceleration of tonnage by optimising key mineral basins, assets and infrastructure in the discursive construction of the future. Importantly, an accelerated tonnage suggested that the acquisition would have a positive effect on supply and hence the future competition in, for example, iron ore, coal and diamond markets.

In addition, the emergence of new iron ore producers also played a role in the discursive construction of the future. BHP had argued that emerging iron ore producers would erode its future market share and therefore provided a further argument that the *impact on competition* of the acquisition was acceptable. The Australian competition regulator acknowledged that demand trends of China and India had triggered investment by new iron ore suppliers. However, it was questioned whether 'alternative suppliers would have the ability and incentive to counteract any attempt by the merged firm to achieve higher prices':

'it is uncertain whether the threat of new entry is an enduring and effective competitive constraint .. few alternative suppliers capable of supplying significant quantities of iron ore lump and iron ore fines at a cost that would be likely to impose an effective competitive constraint on the merged firm'

Source: ACCC, Statement of Issues — BHP Billiton Ltd's proposed acquisition of Rio Tinto Ltd and Rio Tinto plc, 22nd August 2007

This conclusion signalled that the ACCC was hesitant to allow the acquisition to proceed. About a month later BHP committed to a 15 year supply contract with BlueScope Steel, the only major steel-maker in the Australian market who did not have its own iron ore supply. In doing this BHP removed the risk of a negative impact on competition in the Australian iron ore market for the next 15 years, and paved the way for the ACCC to accept the proposed acquisition.

The findings above demonstrated that the discursive construction of the future in the pre-acquisition discourse was a critical element in the meaning of each of the three key constructs of the acquisition discourse. So much so, that the attempted acquisition could not realistically be conceived as a strategic option without this temporal dimension.

TIME HORIZON

The examples that related to the *additional value pool* and the *fair share exchange ratio* show how strategizing in regards to combining both companies created more and better opportunities. In the first 1-3 years the combined organization was expected to achieve a number of annual cost savings. This would be followed by revenue enhancements from year 4-7. After that benefits would continue to result from combining the project pipelines of the two companies, and optimising the allocation resources across the combined pipeline. A time horizon that would only have included the immediate cost and revenue synergies, or even the synergies over the initial three years, may not have offered adequate additional value to justify the upfront cost of

the transaction. Similarly, a more limited time horizon could influence the perceived *fair share exchange ratio*, if the expected future profits of both companies would develop at a different pace. Lastly, the examples above also show how the time horizon had an impact on the pre-acquisition discourse. In the case of Australia the competition regulator signalled that they were hesitant to allow the transaction to proceed. However, once BHP signed a supply contract that would ensure competitive prices were guaranteed for the next 15 years, the regulator acquiesced and approved the transaction. In doing this, the extension of the time horizon made the acquisition a strategic option.

The next section will show how actors discursively constructed and drew on broader discourses that provided a context for the acquisition discourse.

4.5 BROADER DISCOURSES

When BHP CEO Kloppers first presented the case for acquiring Rio Tinto in November 2007, a number of broader discourses (see Table 4-9) appeared woven into his statement. In order to persuade both shareholders and regulators of the merits of the acquisition BHP had to present its acquisition discourse in ways that did not contradict with its audiences' 'world-views' (Suddaby and Greenwood, 2005). Thus, none of these broader discourses was controversial with BHP's key audiences. They included the primacy of shareholder value; the strategic drivers of organizational value; long-term demand from China and India; the emergence of mining super-majors; and the importance of competition in markets.

The first four discourses were of particular importance to the negotiation of meaning of the *additional value pool* and the *fair share exchange ratio*. A variation on the broader strategic drivers discourse, and the broader discourse on the importance of competition were of particular interest to the meaning of the *impact on competition*.

Table 4-9: Key Constructs and Broader Discourses

Key constructs	Broader discourses
<i>Additional value pool</i>	<ul style="list-style-type: none"> • Primacy of shareholder value
<i>Fair share exchange ratio</i>	<ul style="list-style-type: none"> • Strategic drivers of organizational value (<i>design/ positioning /power schools</i>) • Long-term demand from China and India • Emergence of mining super-majors
<i>Impact on competition</i>	<ul style="list-style-type: none"> • Importance of competition in markets • Strategic drivers of organizational value (<i>power school</i>)

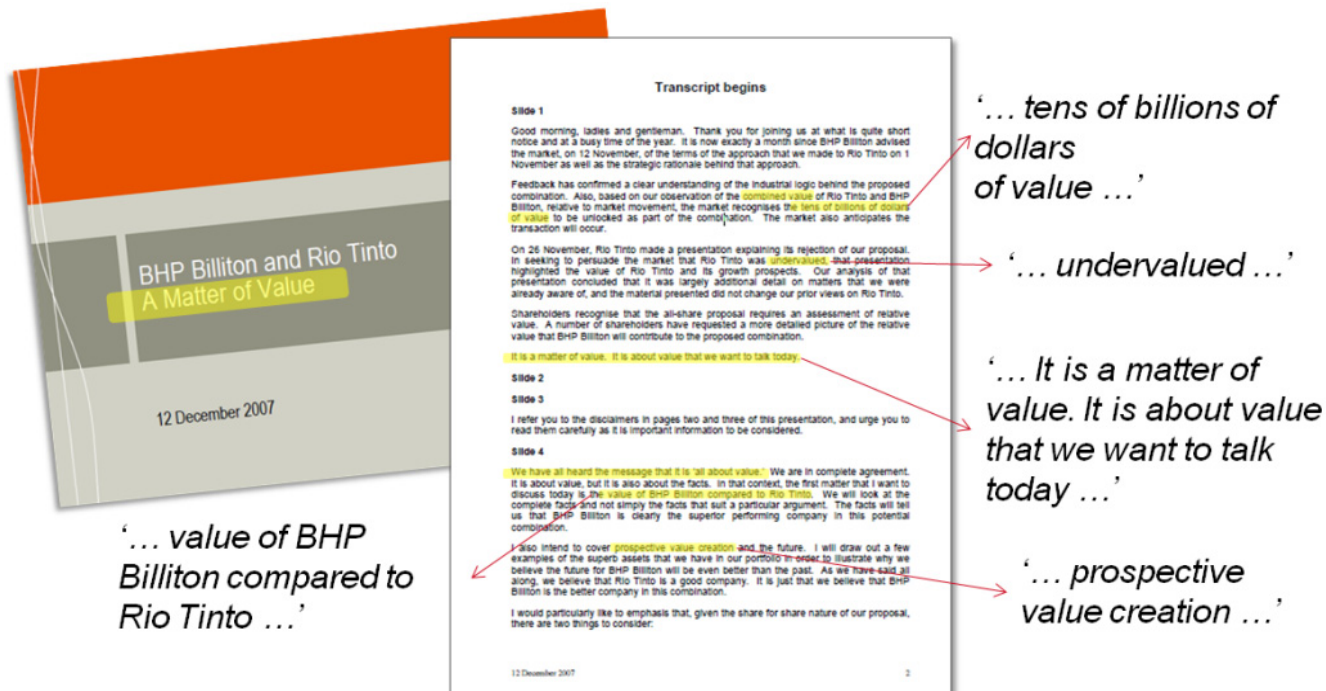
PRIMACY OF SHAREHOLDER VALUE

The ‘primacy of shareholder value’ discourse implies that managers are agents of shareholders, and that a company’s strategy - above all else – must maximize value to shareholders (Green et al., 2008; Lok, 2010).

This perspective was deeply embedded in the communications of BHP’s leadership related to the proposed acquisition of Rio. For example, the title of BHP’s press release was ‘*BHP Billiton’s proposed combination with Rio Tinto to unlock value*’ (BHP Billiton, 2007d). This document, and the subsequent analyst presentations (BHP Billiton, c) made it clear that value in this context means shareholder value, and suggests that the driver behind the acquisition was the creation of such value. The title page of the

presentation and the first page of the transcript (see Figure 4-4) illustrate the primacy of this broader discourse.

Figure 4-4: Primacy of Shareholder Value



Source: BHP Billiton, Analyst Presentation 12th Dec 2007

Similarly, Rio Tinto's leadership had to appeal to the same audience and weave in the same broader contextual discourses. Its response to BHP came in the form of an investor seminar entitled *'Delivering Exceptional Growth'* (Rio Tinto, 2007). The title of the first slide, which had an overview of the presentation, stated that for Rio's leadership *'It is all about value'*.

Both the arguments in favor and against the proposed acquisition were cast consistently by BHP's and Rio's leadership (and others who aimed to influence shareholders) in terms of superiority in shareholder value delivery.

STRATEGIC DRIVERS OF ORGANIZATIONAL VALUE

The broader discourse on strategic drivers of organizational value relates to what is seen to constitute an effective strategy for companies. As the literature review of strategy theory showed, the 'Classic' (Whittington, 2001) or dominant design and positioning schools of strategy see strategizing as creating a fit or alignment between (external) market opportunities, and an organization's (internal) capabilities (Mintzberg et al., 1998). To maximize the perception of value, both BHP and Rio had to argue that their strategies are 'better' than those of the other company. This meant that they argued that their organizational capabilities were stronger, and the market opportunities more attractive. Hence, Kloppers asserted that BHP was more capable than Rio in exploiting such market opportunities. In addition, the perception of the relative opportunities available to BHP versus Rio, or their relative organizational capability, was important as these influenced the perception of how much potential future value each would bring to a combined organization. This in turn impacted what was perceived as a fair value. Therefore, to create a perception of superiority during the attempted acquisition, BHP leadership would benefit from emphasizing opportunities in those markets where BHP was perceived to have an advantage over Rio. The detailed analysis of the negotiation of meaning later in the chapter includes a number of specific examples of how actors tried to influence the perception of the relative market opportunities and organizational capabilities.

From the perspective of the power school of strategy, the key strategic driver of organizational value is the result of accumulating and using power (Mintzberg et al., 1998), including pricing power. This part of the broader discourse of drivers of organizational value was brought up by customers and analysts, but was denied by

BHP CEO Kloppers, as it would create a conflict with the discourse on the importance of competition (discussed later).

Another part of the broader discourse of what drives strategic value includes the debate on diversification versus specialization. As discussed in the previous chapter, this played out in the acquisition discourse through different perceptions of the suitability of combining mining and oil & gas resources assets in one company. Actors drew on this particular broader discourse when negotiating the meaning of key constructs as BHP did while Rio did not have oil & gas assets.

LONG-TERM DEMAND FROM CHINA AND INDIA

At the time of the announcement, there was a general expectation and consensus that there would be a multi-decade high economic growth of two of the largest countries in the world, China and India, which would generate a strong demand for mining products. BHP CEO Kloppers emphasized that 'In order to understand the most fundamental reason why we are interested in this combination [of BHP and Rio] we have to start with the demand for our products.' (BHP Billiton, 2007b). Other actors throughout the episode corroborate that they also accepted the broader discourse of extensive future economic growth in China and India.

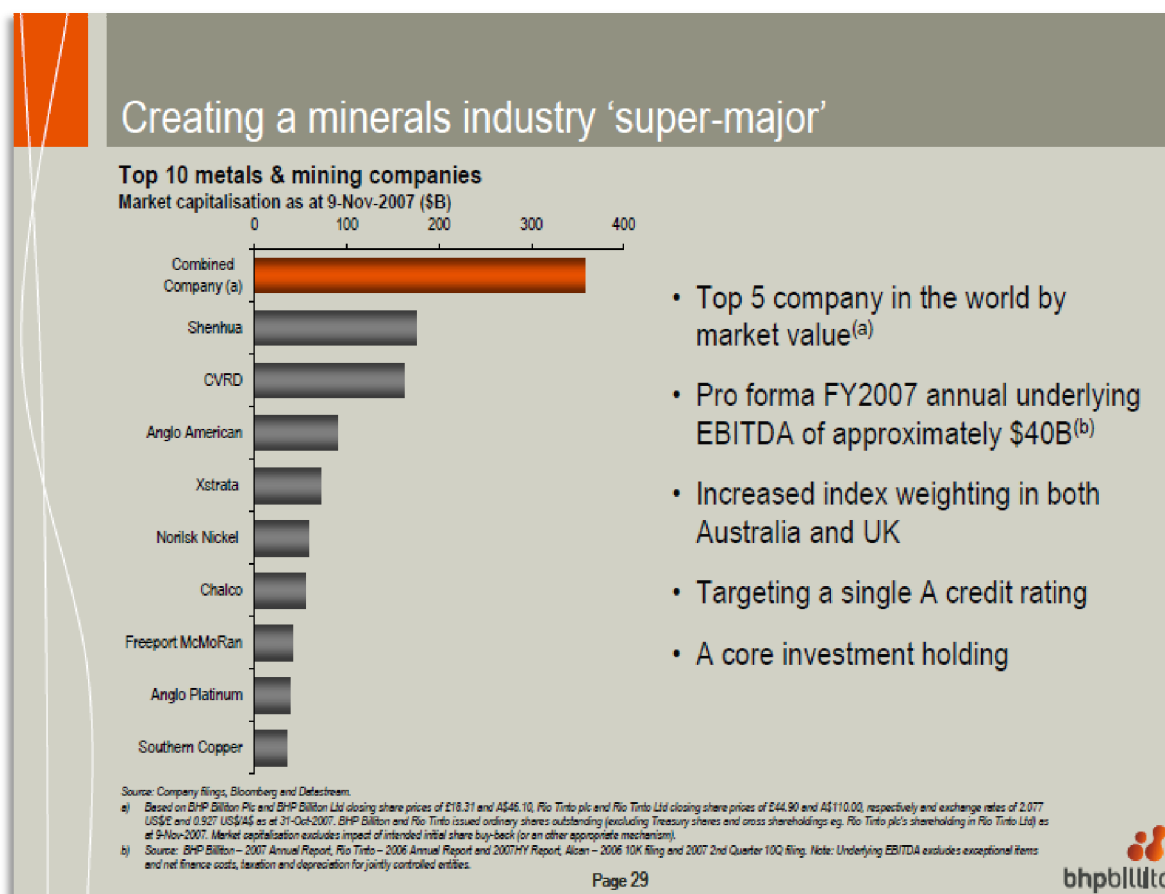
EMERGENCE OF MINING SUPER-MAJORS

A fourth broader discourse that was woven into the acquisition discourse was the emergence of mining super majors. This emergence would be the result of a mining industry consolidation and lead to fewer, larger and more influential mining companies. According to PriceWaterhouseCoopers:

‘The mining industry is experiencing an unprecedented period of change driven by M&A activity that is running at record highs at all levels of the sector. The very biggest companies are positioning themselves to achieve superconsolidated global scale.’ (PriceWaterhouseCoopers, 2008, p.3).

This perception was echoed by BHP’s Kloppers. The fourth section of his presentation to explain BHP’s pursuit of Rio was labeled *‘Creating a minerals industry ‘super-major’*. In it Kloppers described what a combined BHP-Rio would look like, how this would make the company stronger, how it would rank in the top five in the world in terms of market value, and how it would become the largest metals and mining company (BHP Billiton, 2007b, see figure below).

Figure 4-5: Becoming a Mining-Super-Major



Source: BHP Billiton, Analyst Presentation 12th Nov 2007

IMPORTANCE OF COMPETITION

The importance of competition has been the bedrock principle of western free market economies since Adam Smith (Smith, 1776). His metaphor of the invisible hand provided the central device that enabled bridging the gap from individuals pursuing their self interest to achieving societal benefits. This, so the theory goes, is due to competition. The institutionalization of the importance of competition in, amongst others, powerful competition regulators, reflects the ongoing currency and importance of this broader contextual discourse.

From the initial announcement of its intent to acquire Rio, BHP's leadership acknowledged the need to satisfy key competition regulators by referring to its *'thorough analysis of the anti-trust implications of this combination and [BHP] is confident that anti-trust issues present no significant barriers to completing the proposed transaction, and that any possible regulatory concerns can be readily addressed'* (BHP Billiton, 2007c) .

BHP wove the importance of competition and the other broader discourses into the fabric of the acquisition discourse. They had a direct impact in that they provided the basis for the key constructs that were specifically used to persuade shareholders and regulators that BHP's acquisition of Rio should go ahead (see Table 4-9).

CONTEXT HORIZONS

The broader discourses that were identified above show how the pre-acquisition discourse was extensively shaped by discourses that also existed beyond BHP, Rio or

their proposed combination. Some of these broader discourses permeated societal discourse extensively. In particular, discourses of shareholder value and the importance of competition are broader societal discourses that have been institutionalised and are enacted in many different ways. Actors discursively constructed these broader discourses in the pre-acquisition discourse in a way that aligned with their interest. However, as these discourses are institutionalised and enacted extensively, their construction within the pre-acquisition discourse had to cohere with the world view of important actors in order to be accepted. This reduced the ability of actors in the pre-acquisition discourse to deviate significantly from established patterns of enactments. Some of the other broader discourses identified above are not as broad. For example, the discourse on the emergence of mining supermajors pertains more narrowly to mining, rather than society at large. This created fewer restrictions for actors to discursively construct that broader discourse in novel ways in the pre-acquisition discourse. Also, as the acquisition of Rio by BHP would have created the largest mining company in the world, it would have had a significant influence on how that broader discourse is enacted and constructed beyond the limits of this particular pre-acquisition discourse.

In addition to the examples above, other actors at lower levels in BHP and Rio, were also brought into the pre-acquisition discourse, but only drew on narrower contextual discourses. For example, Mike Yeager, BHP's Chief Executive Petroleum, presented on the market opportunities in petroleum (BHP Billiton, 2008), while Sam Walsh, Chief Executive Rio Tinto Iron Ore, drew on iron ore market discourses (Rio Tinto, 2007). Rio also brought in Mike Spreadborough, its General Manager for Coastal Operations in its

main iron ore production region in Western Australia. Spreadborough presented on expected iron ore production growth in that region (Rio Tinto, 2008). These examples illustrate that lower level managers drew on narrower contexts and assessed whether the acquisition appeared to make sense in that narrow context or not. The narrower contexts could only partially evaluate the merit of the proposed acquisition. In contrast, CEOs discursively constructed the broadest contexts and drew on those contexts to argue whether the acquisition would make sense or not. Combining BHP and Rio in full could only emerge as a strategic option if the context was extended enough to include the broader discourses described earlier.

How actors argued the merit (or lack thereof) of the acquisition is shown in the next section. That section will show in detail how the meaning of the three key constructs was negotiated, with an emphasis on the use of multimodal discursive practices and rhetorical strategies by the different actors.

4.6 CONSTRUCTS

The three constructs that emerged from the analysis foregrounded the interests of decision makers, and formed the structure of the pre-acquisition discourse. This next part of the findings will show how meaning across the three constructs of the pre-acquisition discourse was negotiated by showing how actors drew on linguistic and non-linguistic modes in order to bring to bear rhetorical strategies and exert influence. In doing so, the analysis illustrates how the meaning of the three key constructs either converged or diverged over the twelve month period. This involves showing how, in the case of the *additional value pool*, external actors accepted from the beginning of

the attempted acquisition the assertions made in regards to the creation of value, and converged with internal actors. The analysis then shows how in the case of the *fair share exchange ratio* it took some time before the internal actors converged with the external actors, by increasing the offer for Rio shares. Finally the analysis outlines how internal and external actors continued to diverge on the acquisition's likely *impact on competition*.

ADDITIONAL VALUE POOL: EXTERNAL ACTORS ACCEPT PROPOSED MEANING

An initial construct to persuade shareholders that the acquisition should proceed was the construct of an *additional value pool* and reflected the interests of shareholders.

On November 12, 2007 BHP leadership issued an 18 page statement, which explained their intent to acquire Rio (Table 4-10). This practice combined the mode of writing and non-linguistic mode of financial and numeric indicators. Specifically, the statement included a financial indicator for the *additional value pool* that would result from bringing the organizations together, estimated to be US\$3.7 billion per annum.

Rhetorically, the document went into great detail to explain the logic of the transaction (logos) and invoked the authority (ethos) of independent financial advisers, that is, KPMG and Goldman Sachs, who wrote that the statement by BHP was made with due care and consideration.

BHP leadership held an initial analyst briefing straight after issuing its written statement. The briefing encapsulated a large number of practices including conducting a presentation, distributing slides, using teleconference technology, and inviting and responding to questions. These practices drew on a range of modes, in particular writing, speech, imagery, location, and financial and numerical indicators. BHP

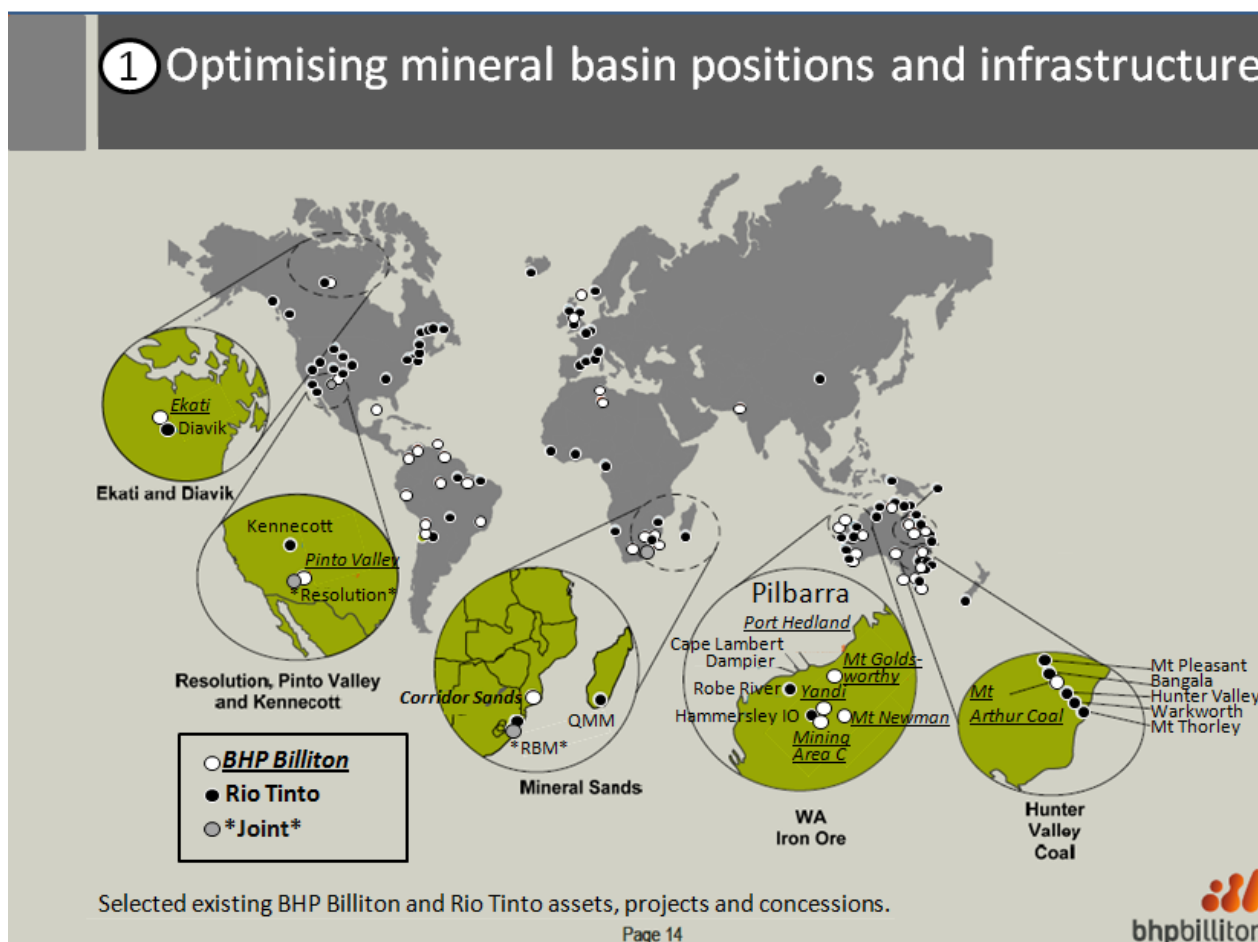
leadership had titled the presentation ‘BHP Billiton and Rio Tinto: Unlocking Value’.

This title captured the key point of the briefing accurately, that is, a combination of the two organizations would create substantial synergies and hence ‘unlock’ an *additional value pool* for shareholders. BHP leadership continuously reinforced this construct and the underlying logic of the acquisition throughout the presentation (logos): 15 of the 31 content slides used in the briefing referred back to the construct of *additional value pool*. Figure 4-6 showed an example where the proximity of BHP and Rio mining or infrastructure assets was visually represented using a map to suggest potential synergies across assets. This visual representation also drew on ethos: what the map

Table 4-10: Influencing the Meaning of *Additional Value Pool*

Timing	Actor	Examples of discursive practices (in approximate temporal order)	Modes	Convergence/ divergence of meaning
Nov 07	BHP leaders	Announce intent to acquire Rio to stock exchange	Writing, indicators	Significant additional value pool expected (US\$3.7 billion per annum in quantified synergies)
Nov 07	BHP leaders	Draw on report of independent advisors who estimated additional value pool	Speech, writing, indicators	
Nov 07	BHP leaders	Hold initial analyst briefing entitled ‘ <i>BHP Billiton and Rio Tinto: Unlocking Value</i> ’	Speech, writing, indicators, imagery, location	
Nov 07	Analysts	Ask questions at BHP’s briefing	Speech, indicators,	Value pool larger than BHP indicated
Nov 07	BHP leaders	Release short videos with BHP leaders	Speech, moving imagery, music	Significant additional value pool from ‘exciting’ combination of companies
Nov07- Nov08	Media	Select information to publish or ignore	Writing, imagery, speech, indicators, video	Significant additional value pool confirmed by reliable sources
Nov 07	Rio leaders	Hold an investor seminar (i.e. analyst briefing)	Speech, writing, indicators, imagery, location	Most of claimed value not additional, but already present in Rio
Nov- Dec 07	BHP leaders	Visit major shareholders	Location, speech; (other modes unknown)	Acceptance of additional value pool
Nov07- Feb08	Shareholders	Buy/ sell shares at higher absolute value	Indicator	Significant additional value pool likely

Figure 4-6: Additional Value from Combining Assets



Source: BHP Billiton, Analyst Presentation 12th Nov 2007

with small circles implied was that the audience did not have to rely on the authority of BHP (or even KPMG or Goldman Sachs), but could ‘see’ the potential for synergies with their own eyes.

The presentation by the then CEO of BHP, Marius Kloppers, during the analyst briefing included a range of other authorities in footnotes as sources for data that underpinned assumptions like market growth, including the IMF, World Bank, and the OECD. This suggested that BHP’s underlying analysis was trustworthy (ethos) and supported claims of future demand levels. On occasion, Kloppers did refer verbally to BHP’s own authority. For example, he mentioned BHP’s success with the integration of a previous

acquisition and claimed authority (ethos) for BHP's ability to manage large, complex acquisitions. Further, in his opening remarks for the analyst briefing, BHP's Chairman made a point of expressing the highest regard for Rio and its people, describing it as a 'fine organisation with excellent assets'. BHP CEO Kloppers equally praised Rio in his presentation. These compliments were more effusive in speech than in writing. The compliments used the rhetorical strategy of pathos, in that they acknowledged people associated with Rio, and as a consequence might make them more accepting of a potentially hostile acquisition. Overall however, the most prevalent rhetorical strategy for this initial presentation was logos, stemming from the modes of speech, writing, imagery, and indicators.

Other discursive practices that were brought to bear on the construct of *additional value pool* included questions from analysts at the end of the initial analyst briefing. For example, one unidentified analyst commenced his question by stating: 'I certainly agree with you about the uplift to shareholder value for both sets of shareholders. I would probably describe it as obscene'. The comment illustrated an immediate acceptance by the analyst of the proclaimed *additional value pool*, and used pathos. The analyst's position of authority (ethos) derived from his connection with a reputable investment bank or share broking firm (a condition of entry to the briefing).

As mentioned earlier, the meaning of constructs resulted from the discursive practices brought to bear by all key actors, not just BHP leadership. For example, Rio's leadership held an investor seminar, using the same modes as BHP had used in its analyst briefing. The then CEO of Rio, Tom Albanese, argued that the supposed *additional value pool* was value that was already present within Rio, and would be

delivered regardless of an acquisition. This value, according to Albanese, had not been reflected fairly in Rio's share price before. As evidence, he presented slides (using speech, writing, imagery and indicators) that employed logos and ethos to argue his point.

Like BHP's briefing, Rio's seminar also included the practice of analysts asking questions. At the seminar a UBS mining analyst prefaced his question on synergies stating; 'Just wondering, clearly, if you put BHP and Rio side by side, which you've done and they have, it looks like they understate the cost savings and the benefits of bringing [BHP and Rio] together'. Albanese responded that, 'prior experiences of putting together these types of businesses .. [showed] that as you get into it more, you can find more opportunities. And I wouldn't doubt that that's the case'. In contrast to the writing and speech of Albanese's carefully scripted (formal) presentation, the response showed that he, like the analyst, agreed that further opportunities for synergies existed.

Location also featured as a mode in the acquisition discourse. For example, after the initial announcement, BHP CEO Kloppers visited a number of major shareholders. These people were in a range of different geographic locations, and making the effort to afford them a face-to-face meeting communicated that they were important to BHP (pathos), and that their opinion was highly regarded and worth significant effort on behalf of Kloppers. According to Kloppers, confirmed by statements in the media, these shareholders agreed that a combined organization could unlock significant additional value. In an illustrative statement in the Australian BT Financial Group's resources portfolio manager said, 'there are clearly synergies involved, not the least of

which are two companies trying to expand as quickly as possible in a market without enough engineers and everything else' (the Australian Financial Review, 10th November 2007).

Evidenced by the London and Sydney stock exchanges, shareholders expressed their acceptance of the construct of *additional value pool* through the trading that occurred. Additional value was obvious and immediate for Rio shareholders, as they would receive a premium for their shares if the transaction were to proceed, and pricing shot up after BHP's announcement. Just how much BHP shareholders would receive of this additional value, depended on the price paid for Rio shares. Consequently, the second key construct that shaped the acquisition discourse related to the issue of price.

FAIR SHARE EXCHANGE RATIO: INTERNAL ACTORS CONVERGE WITH EXTERNAL ACTORS

A second construct aimed at shareholders was that of a *fair share exchange ratio*. This construct determined how the anticipated *additional value pool* would be divided between BHP and Rio shareholders. The idea of fairness did not mean to suggest that, for example, a holder of BHP shares would have any concern for a Rio shareholder getting a fair share, or vice versa. It only referred to the balance that needed to be achieved to be able to gain the support of each set of shareholders. For example, BHP leadership could not publicly tell its own shareholders that they made a 'low ball' offer for Rio, as Rio shareholder would then know they should hold out for more. Also, BHP leadership could not tell Rio shareholders that they were getting all the additional value generated by the transaction, as BHP shareholders would then reject the transaction. Shareholders who held a comparable volume of share of both companies

would be less sensitive to any agreed price: what they would lose as a vendor of shares, they would gain as a buyer, or vice versa.

For this particular acquisition BHP only proposed to exchange BHP shares for the Rio shares, and not pay cash. What was considered a *fair share exchange ratio* depended on how shareholders perceived the relative market value of each of the two companies. Stage 2 of the data analysis identified how the construct resulted from each company's opportunities and ability to exploit those opportunities (second order themes). No single actor could dictate how a company needed to be valued, and actors had to align their arguments with the broader discourse on strategic drivers of organizational value. Consequently the acquisition discourse was permeated by references to market opportunities and organizational capabilities. As Rio and BHP had a significant overlap of markets that they served, the emphasis of the acquisition discourse was not on their absolute exposure to different market opportunities but on where their exposure differed.

Whereas other external actors agreed with BHP leaders on the meaning of the *additional value pool*, they did not do so regarding *fair share exchange ratio*. BHP leaders accepted that if the M&A was to move forward it would have to meet the expectations of these other actors – particularly shareholders – regarding what they saw as a fair price. Three months into the period covered by this study, they therefore raised the offer price.

To appreciate those parts of the acquisition discourse that relate to the acquisition price, it is important to note that BHP proposed an all-scrip transaction. This meant that no cash was to change hands and only shares were to be exchanged. If BHP

leaders could lift the perceived value of BHP compared to the perceived value of Rio, then BHP would have to offer less BHP shares for each Rio share. Both BHP and Rio operated in many of the same commodity markets. If these markets were expected to go up or down, this would impact on the perceived value of both organizations. The extent to which the relative value would be impacted depended on the relative exposure of the companies to the different markets, and their perceived ability to exploit these markets. Therefore, to create a perception of superiority during the attempted acquisition, BHP leadership would benefit from giving most presence to the discussion of opportunities where BHP had an advantage.

A broad range of discursive practices shaped the acquisition discourse where it pertained to the exchange ratio of BHP and Rio shares (see Table 4-11). One key discursive practice that influenced the share exchange ratio offered by BHP was the buying and selling of shares by shareholders. In the months prior to the acquisition announcement in November 2007, share prices fluctuated around a relative value of about 2.4 BHP shares for each Rio share. Using the mode of indicator, BHP's leadership referred to this baseline when they announced BHP's intent to acquire Rio: 'based on the 30-day figures prior to when the approach was made, [our proposed ratio of 3.0] values Rio Tinto at \$153 billion; that is a 28% uplift to the volume weighted average closing price.' (Kloppers, Analyst Briefing 12th November 2007). From a rhetorical perspective this means that Kloppers drew on the authority (ethos) of the share market, which set the ratio at 2.4, to provide evidence that an offer of 3.0 provided a significant premium to Rio shareholders.

A further discursive practice pertains to an analyst briefing organized by BHP in December, 2007. Here BHP's leadership argued its case by pointing out the relative opportunities of BHP and Rio, and their respective track records in delivering shareholder value. For example, when discussing the relative value of BHP versus Rio, Kloppers used speech to communicate sarcastically that, 'the way that Rio Tinto presented the results counts all of the joint venture tonnage, ignoring ownership. We prefer, conventionally, to count only the things we own' (Analyst Briefing 12th December 2007). The implication was that Rio had exaggerated its own value and the market should recognize that in the relative valuation of both companies. In this instance then, Kloppers was drawing on the apparent logic of only counting what you own (logos), while using sarcastic speech that undermined the authority (ethos) of Rio's leadership.

The practices that were brought to bear on the discourse by Rio's leadership included a refusal to engage with BHP, and an investor seminar in which they rejected a share exchange ratio of 3.0. This refusal to engage with BHP drew its authority (ethos) and thus influence from Rio leadership as the major protector of the value of Rio's shares. In the seminar Rio's leadership argued that its market opportunities and capabilities justified a more advantageous ratio for Rio shareholders. For example, using the mode of speech while avoiding a precise indicator, Rio CEO Albanese stated that the offer from BHP was 'two ballparks down the road', suggesting that he felt that the offer was highly inadequate. This may well have been a deliberate attempt to appear 'genuinely' offended by the offer, but even if this were the case, it reflected the use of pathos (manufactured or not) by Albanese.

Table 4-11: Influencing the Meaning of Fair Share Exchange Ratio

Timing	Actor	Examples of discursive practices (in approximate temporal order)	Modes	Convergence/ divergence of meaning
Nov 07	BHP leaders	Announce intent to acquire Rio at 3.0 BHP shares per Rio share (based on 2.4 pre-approach ratio)	Writing, indicators	Suggest ratio of 3.0 BHP shares per Rio share present a premium
Nov-Dec 07	BHP leaders	Hold initial analyst briefings	Speech, writing, indicators, imagery, location	
Nov07-Nov08	Rio leaders	Refuse to engage directly with BHP leaders	No modes used in direct engagement	Ratio of 3.0 is not in the 'ballpark'
Nov 07	Rio leaders	Hold an investor seminar (i.e. analyst briefing)	Speech, writing, indicators, imagery, location	
Nov-Dec 07	Analysts	Ask questions at briefings	Speech, indicators	Ratio should be around 3.4 - 3.5
Nov07	Analysts	Suggest fair share exchange ratio through media	Indicators, speech	
Nov07-Nov08	Media	Select information to publish or ignore	Writing, imagery, speech, indicators	
Nov07-Feb08	Shareholders	Buy/ sell shares of BHP and Rio at particular ratio	Indicator	Shares traded at about 3.4
Nov-Dec 07	BHP leaders	Visit major shareholders	Speech, location (other modes unknown)	Still suggesting ratio of 3.0
Dec07-July08	BHP and Rio leaders	Letters to shareholders	Writing, indicators	BHP suggests 3.4 is generous; Rio suggests 3.4 is inadequate
Jan08-Nov08	BHP and Rio leaders	Organise site visits	Speech, writing, indicators, imagery, location	BHP pushes ratio down Rio pushes ratio up
Jan08	Rio leaders	Fly journalists over BHP port with former BHP shipping manager who points out BHP bottleneck	Location, imagery, speech, indicators	Ratio should be above 3.4, at which the shares are currently traded
Feb08	BHP leaders	Make formal offer of 3.4	Speech, writing, indicators, imagery	Align with ratio of 3.4
May08	BHP leaders	Hold oil education seminar	Speech, writing, indicators, imagery, location	BHP suggests 3.4 is generous as its oil business is undervalued by market

Analysts and journalists had no obvious shared interest in persuading actors one way or another in the outcome of the acquisition discourse. Questions from analysts at the briefings of both BHP and Rio indicated that they agreed that a share exchange ratio of 3.0 might not be adequate and would need to be revised upwards. This is confirmed afterwards by comments from analysts and selected by the media that indicated that a

fair exchange could be around the 3.4 or 3.5 of BHP shares for each Rio share. For example, according to Stock Resource mining analyst Steve Bartrop:

There is an expectation that [BHP] will have to lift it ... and 3.5 looks a reasonable limit, but above that and [they] give away too much to Rio (Dow Jones Chinese Financial Wire, 15th January 2008).

For both analysts and journalists the potential influence of comments like these resulted foremost from the level of authority (ethos) that their audiences assigned to them.

Other discursive practices included letters to shareholders from the respective Chairmen of BHP and Rio. From a content perspective these letters contained no new information beyond what was publicly already available. Also, the letters were fairly short and did not repeat the argument for (in the case of BHP's letters) or against (Rio's letters) in great detail. The purpose of the letters therefore seemed to be, at least in part, to pay attention to the individual relationship with all shareholders by providing a personalised communication, rather than only speaking through mass media. Writing the letters can be seen as attempts by both BHP and Rio leadership to draw on the rhetorical strategy of pathos and nurture their relationship with shareholders, as only the largest shareholders could be visited in person.

Also in evidence were discursive practices that used location as a mode, notably site visits that allowed either journalists or analysts to learn more about company operations, while offering the company an opportunity to espouse its own views and

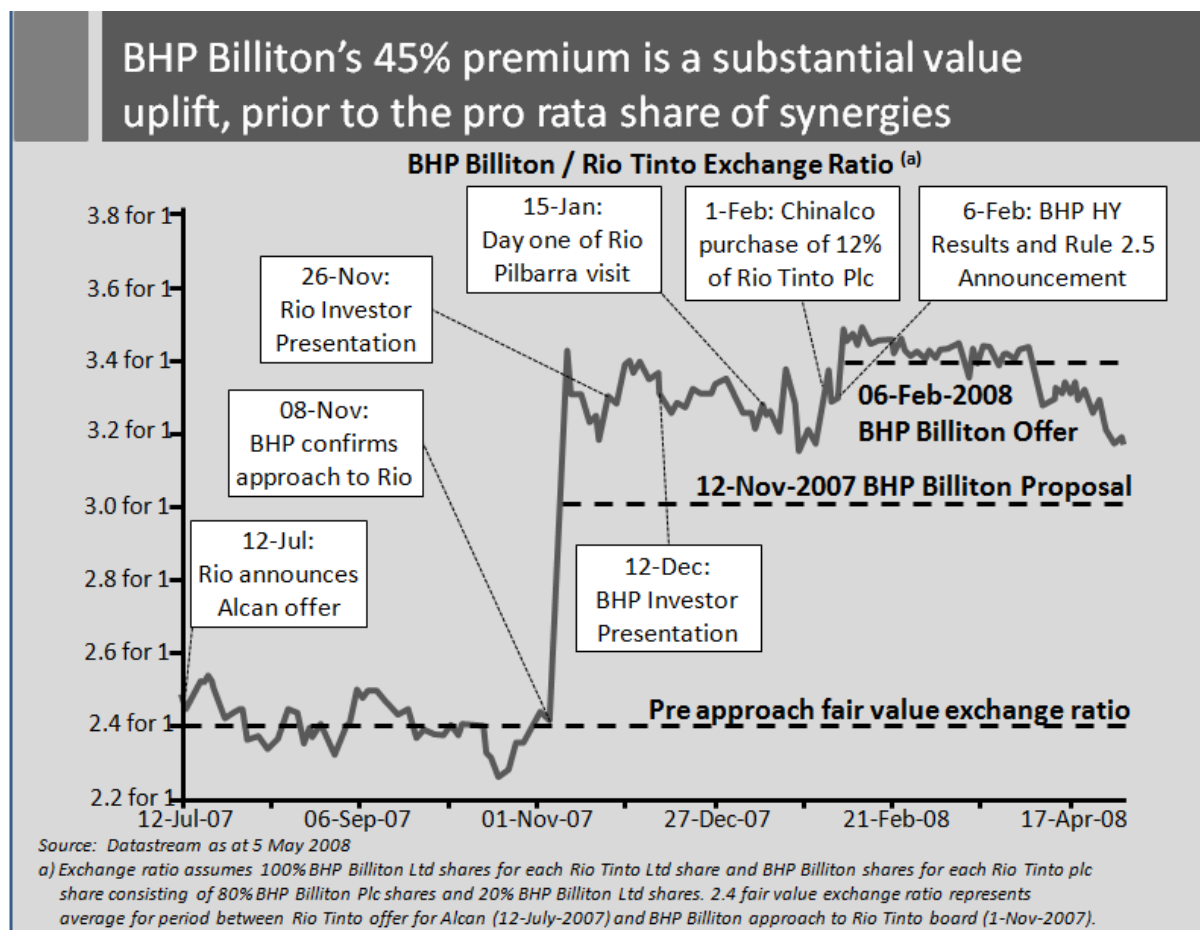
perspectives to a captive audience, demonstrate some of its capabilities in situ, and develop relationships.

Overall, what shareholders had been communicating since BHP's announcement in November 2007 through share transactions was that the initial offer of 3 BHP shares for each Rio share was too low. BHP leadership clearly took note of this response. For example, BHP's CEO Kloppers interpreted the resulting share price ratio explicitly as a judgment of the success or failure of discursive practices to persuade investors. He repeatedly used a graph that plotted the share price ratio over time, a combination of the modes of imagery and indicators, to explain shifts in the ratio (see Figure 4-7). As the share price was, in effect, a proxy for shareholder views, and these actors would, in the end, decide on the proposed transaction, it can be seen as embodying an ultimate authority (ethos) whose signals could not be ignored. Once it became clear that the market was unlikely to accept the proposed 3.0 BHP shares per Rio share, BHP leadership could either choose to increase its offer or abandon the acquisition attempt, and in February 2008 Kloppers announced BHP's formal offer of 3.4 shares for every Rio share.

Following this formal offer, BHP kept up the pressure on the share exchange ratio by reinforcing its alleged superior exposure to opportunities and capabilities through various discursive practices. This included a briefing on its oil business in May 2008. During the briefing BHP tried to reframe how its oil business should be valued. Specifically, BHP's CEO Kloppers argued that current reporting practices undervalued the reserves of his petroleum business, and tried to change how analysts valued BHP

Petroleum (this will be discussed in detail later on when discussing the use of calculative devices).

Figure 4-7: Discursive Practices and Share Price Development



Note: this image has been adapted to enable (black and white) print

The formal offer in February 2008 appears to have brought BHP close to, or within the range of, the share exchange ratio needed to reach support from shareholders. In contrast to the initial construct, where actors had accepted BHP's reasoning on what the acquisition would mean for an *additional value pool*, now BHP leadership had aligned itself with the share exchange ratio that shareholders had communicated as fair. The meaning of what constitutes a *fair share exchange ratio* appeared quite fixed, and discursive practices after February 2008 did not appear to shift this significantly.

Although there was a slow drift downwards of the ratio after April, rather than signify change in the perceived *fair share exchange ratio*, this drift was interpreted by actors quoted in the media to signify increasing concern that the regulators may stop the acquisition based on concerns of its impact on competition.

IMPACT ON COMPETITION: INTERNAL AND EXTERNAL ACTORS' MEANINGS DIVERGE

The second group of actors with decision making powers that had to be persuaded that the acquisition should go ahead was competition regulators. For these regulators the key construct that reflected their interests was the acquisition's potential *impact on competition* in the markets that BHP and Rio operated in, within their regulatory area of responsibility. These regulators derived their existence and authority in free market economies from a broad contextual discourse that accepts the importance of competition as a main requirement for a thriving economy. In line with their objective to ensure that an acquisition would not significantly reduce competition, they had the authority to either reject or impose conditions on proposed mergers or acquisitions.

The main regulators that BHP had to persuade were the Australian Consumer and Competition Commissioner (ACCC), and the European Competition Regulator. China, one of the main countries that would be affected by the acquisition, did not have a competition regulator at the time of the announcement in November 2007.

In the case of BHP's proposed acquisition of Rio, the *impact on competition* depended on two key factors, which emerged as second order themes from the analysis (see stage 2, Chapter 2): first, the market share of the combined organization (particularly in iron ore), and second, how the proposed acquisition served customer interests by

bringing more product to market faster, as opposed to pushing prices up. As both BHP and Rio had substantial iron ore operations, much of the discourse on competition focused on their combined market strength in iron ore.

BHP and the regulators failed to reach agreement on what the acquisition would mean for competition, leading the European competition regulator to seek undertakings that were, in the end, unacceptable to BHP. The analysis showed significant concerns about competition related to the iron ore market that were framed by two factors. These factors were, first, the iron ore market share that the combined organization would have, and second, the assertion that the combined organization would bring more iron ore to market faster. In this section the study will describe how BHP's leadership, analysts, media, regulators and customers brought a range of discursive practices to bear to define the market share of the merged entity. The study also shows how these actors supported or contested the claim that the acquisition would lead to an increase and acceleration of the iron ore supply, rather than price gauging.

Table 4-12: Influencing the Meaning of *Impact on Competition*

Timing	Actor	Examples of discursive practices (in approximate temporal order)	Modes	Convergence/ divergence of meaning
Nov07	BHP leaders	Announce intent to acquire Rio through statement that defines iron ore market widely	Writing, indicators	Market share in iron ore 27%, ie too small to impact competition
Nov 07	BHP leaders	Hold initial analyst briefings	Speech, writing, indicators, imagery, location	More product to market faster
Nov-Dec 07	Analysts	Ask questions at briefings	Speech, indicators	Acquisition will reduce competition
Nov07	Analysts	Suggest different ways to define the iron ore market through the media	Speech, indicators	BHP market share in iron ore 39.5% of seaborne trade
Nov07-Nov08	Media	Select information to publish or ignore	Writing, imagery, speech, indicators	Acquisition likely to reduce competition
Nov07-Nov08	Customers Suppliers	Make public statements through the media	Speech	Acquisition would definitely reduce competition
Jan08	Customers (China)	Buy Rio shares to influence acquisition outcome	Writing, indicators	
Mar-Jun08	Customers	Make confidential submissions to the regulators	Writing, indicators, images, speech	
Aug08	BHP leaders	Provide independent analysis as evidence that price gouging would not advantage BHP	Writing, indicators, images	More product to market faster
Nov07-Nov08	Customers	Support emerging miners with contracts	Writing, indicators	Confirms that acquisition would reduce competition
March08 onwards	Customers (China)	Avoid buying iron ore from BHP on spot market	Writing, indicators	
After March08	Customers (China)	Delay issuing customs papers to hinder BHP export to China	Location, writing	
Jun-Jul08	Regulator	Issue statement of facts	Writing	Acquisition would reduce competition
Sep08	BHP leaders	Secure long-term iron ore supply for key customer in Australia	Writing, indicators	Competition in Australian iron ore market secure
Oct08	Regulator (Australia)	Accept request for acquisition	Writing, indicators	Competition sufficiently secure
Jul-Nov08	Regulator (EU)	Seek undertakings to safeguard competition	Writing, indicators	Competition sufficiently secure only if undertakings are accepted

In the written announcement and the initial analyst briefing, BHP was very precise in its wording and relied on indicators to convey the possible *impact on competition* that the acquisition would have. Iron ore was immediately identified as the likely focus of

regulatory concerns. BHP asserted that the combined organization would have a market share of contestable iron ore sales of approximately 27%, which would decline as new players entered the market. A footnote stated that this included domestic production in China, which was also contestable. The implication of this number was that the market share would be too small for the combined company to have a negative *impact on competition*. BHP implicitly asked its audience to accept the asserted market share on BHP's own authority as it did not offer external confirming authoritative sources. An unidentified analyst questioned BHP CEO Kloppers on this, stating during the analyst presentation that, 'It seems that if you control almost all the Western Australia iron ore production, you would have the [Chinese] steel industry over a barrel'. This was in effect a challenge by the analyst about the veracity of BHP's claims regarding the impact of the proposed M&A on competition. Coming as it did from an alternative source of authority (ethos), it immediately threatened Kloppers' persuasive power.

A range of statements from analysts in the media continued to weaken the 27% market share asserted by BHP. For example, a Dow Jones Newswires report quoted an unidentified analyst from an investment bank, 'They've included Chinese production to dilute their control of the market. ... It's very clever of them but I don't think it will fool anybody.' (12 November 2007). The report also quoted another analyst who argued that the relevant market should include only iron ore that was shipped:

'Using the seaborne trade as a benchmark, BHP and Rio together held a 39.5% share in 2006 ... Together with the other giant, Brazil's CVRD ... the three control about 85% of the seaborne iron ore trade' (Dow Jones Newswires, 12 November 2007).

In this instance, the implied logic (logos) was that the acquisition would reduce this to only two mining companies who would control nearly all iron ore in the relevant market, which would have a significant negative *impact on competition*.

The analysis identified how actors with different interests brought to bear discursive practices such that the meaning attached to market share was the subject of ongoing negotiation. BHP's leadership preferred a definition that was as broad as possible, as this would reduce its perceived market share and therefore its perceived ability to exploit that market. Iron ore buyers, who feared market concentration, needed to have a narrow definition accepted by regulators as that would increase the chance that these regulators would either block the acquisition or impose strict conditions on BHP. Mining analysts had no inherent interest in the outcome of the acquisition and were likely to have the knowledge and skills necessary to argue what market was 'relevant' for competition. This gave them a significant position of authority (ethos) to influence the definition. By drawing on this authority of analysts (ethos), the media exerted influence to reject BHP's attempt to calculate the relevant iron ore market as inclusive of Chinese domestic production.

BHP's second argument to persuade other actors with an interest in the proposed merger that it should go ahead, was that in combination BHP and Rio could bring 'more tonnage to customers more quickly than otherwise would have been possible.' (Kloppers, 12 November 2007). BHP elaborated on this underlying logic (logos) using the modes of writing, speech, images, and indicators, and Kloppers suggested it was the most important advantage of the acquisition.

Customers did not accept this logic, with European and Chinese customers actively expressing their rejection using a broad range of discursive practices. Statements to the media were frequent, and one newspaper column concluded that, 'BHP's argument that a mega-miner would be beneficial to customers because of increased volume growth is rather laughable. This deal is about pricing power.' (Lex Column, Financial Times, 12 December 2007). Rhetorically this column combined ethos derived from its reputation, with pathos by calling BHP's argument laughable.

At the time, China did not yet have an active competition regulator that its steel makers could apply to, but this did not render them without influence. Other practices, deployed on behalf of Chinese steel makers, included the support of alternative, emerging iron ore miners, avoiding buying from BHP on iron ore spot markets, and delaying paperwork required to bring iron ore into China. By far the strongest symbolic action was the 'dawn raid' of 12% of Rio's London-listed shares led by Chinese government-owned company Chinalco. Although this would not necessarily prevent the acquisition of Rio by BHP altogether, it was generally interpreted as a signal that steel customers did not accept BHP's assertion that the acquisition of Rio would benefit customers.

The most important regulators for approval were the Australian and European competition regulators. Both had been accepting written submissions from actors to determine the potential *impact on competition* of the acquisition. Although individual submissions were confidential, regulators aggregated and published written statements of issues that summarized the submissions. These statements provided a

detailed account of the reasoning that was likely to underpin its final decision and presented a preliminary view.

The Australian regulator (ACCC) released its written Statement of Issues in August 2008. It did not accept the broader market definition put forward by BHP but emphasized the importance of the seaborne iron ore market for pricing in the domestic market, which reflected the reasoning (logos) of analysts in the media. However, the ACCC had accepted the reasoning (logos) of BHP that it would not be in its interest to restrict supply. Nevertheless, BHP's market power in Australia would enable the company to raise iron ore prices by more than global iron ore prices. Although Australia only had two major steel makers, one of whom had its own iron ore mine, the second steel maker, BlueScope, could suffer from excessive price increases. Consequently the ACCC wanted to investigate some key issues before announcing its decision in October 2008. A few weeks after the Statement of Issues had been released BHP closed a new 10-year supply contract with BlueScope. The contract included new pricing terms that linked price increases to global iron ore prices and would prevent price gauging by BHP in the domestic market. In effect, drawing on the mode of writing and the substantial authority of a legally binding contract (ethos), BHP communicated that it would not be able to unfairly raise prices for BlueScope. This appeared to resolve the key concern of the regulator and two weeks later the ACCC cleared the way for BHP to acquire Rio.

The EC Competition Commissioner had issued its written Statement of Issues in July 2008, earlier than the Australian regulator, but its final decision was not due until January 2009. In contrast to the Australian regulator, the statement mirrored the logic

of European steel-makers that the acquisition could reduce the supply of iron ore and raise prices. To ease these concerns, the EC Competition Commissioner had been in discussions with BHP in order to secure certain undertakings, including a commitment to divesting itself of selected iron ore mines, should the acquisition be allowed to proceed. BHP was required to sign a written contract that would enable the regulator to enforce the undertakings through the courts (ethos) if required. Ultimately, these undertakings were, in the context of an emerging global financial crisis, the key reason offered by BHP for abandoning the acquisition in November 2008, 12 months after the initial announcement.

4.7 MULTI-MODAL RHETORIC

The earlier findings identified a range of discursive practices used by both internal and external actors as they negotiated meanings attached to the *additional value pool*, *fair share exchange ratio*, and *impact on competition*. As indicated above, evidence was found time and time again of how actors – both internal and external - appealed to logos, ethos and pathos. Here two examples are drawn from the detailed analysis of how these discursive practices brought to bear these rhetorical strategies through different modes.

The first example is the use of short videos by BHP leadership, early on in the period under investigation, to promote the merits of the acquisition (see Table 4-13). In the videos BHP leaders argued the logic of bringing the organizations together, stating that synergies would create shareholder value ('cost efficiencies could be enormous'); Rio shareholders would benefit (from a lift in economic asset value); BHP shareholders

would benefit (from cost synergies and faster revenue growth); and further that it would be beneficial to customers (who would receive products faster). The logic was also supported by showing maps that showed the proximity of sites. Throughout the videos it was suggested that this logic was supported by different sources of authority. As argued when discussing Figure 4-6, maps implied that the audience did not have to rely on the authority of BHP but could 'see' the potential for synergies with their own eyes, as the geographic proximity of assets was a proxy for this potential. Chairman Argus drew on the authority of the share market when he suggested that past share prices showed that the share market supported BHP's ability to successfully integrate large companies.

Further, Argus also used an indicator to draw on the authority of the share market and position the BHP offer as '*a 45% premium*' for Rio shareholders, compared to the pre-offer share price of Rio. Imagery of professional looking staff and modern mining technology further drew on ethos through its suggestion of strong organizational capability. Lastly, some of the imagery, as well as the use of music, appeared to aim for evoking an emotional response. The use of collaborating and handshaking staff, appealing sunsets, underpinned by upbeat futuristic music, suggested that BHP was dynamic, forward looking and cared about its people, and that bringing the organizations together was an exciting strategy to be part of, for shareholders, employees and customers.

Table 4-13: Multi-Modal Rhetoric - Create promotional video (BHP)

Modes and examples	Rhetoric	Convergence/ divergence of meaning
<p><u>Speech:</u></p> <ul style="list-style-type: none"> - ‘...[BHP and Rio] ‘... have two operations about 2,000 km from the North Pole [that] .. so you have .. these huge diesel inventories and you have huge processing plants. Everything by duplicate and .. 30 minute apart. If you run together what you could save in terms of cost efficiencies could be enormous ...’ (Chief Commercial Officer Calderon) - ‘...The Rio shareholders lift from around about 36% of the economic asset value to around about 44 and our own shareholders get the benefit from not only the synergies but also the upside that occurs with being able to deliver things quickly ...’ (Chairman Argus) - ‘... North East Asia needs those products and what we got to be able do now is to get the supply chain right so that we can get to their markets quickly ...’ (Chairman Argus) <p><u>Imagery:</u></p> <ul style="list-style-type: none"> - Globe and maps, illustrating close proximity of some Rio and BHP assets 	Logos	<ul style="list-style-type: none"> - Combining the companies creates value from synergies - It is good for both sets of shareholders - It is good for customers - Sites are neighbouring
<p><u>Speech:</u></p> <ul style="list-style-type: none"> - ‘... If you looked at what happened to our share price since we merged with Billiton in 2001, it has just gone through the roof, and that to me is indicative of what can happen in this sort of a merger ...’ (Chairman Argus) <p><u>Indicators:</u></p> <p>‘... We’ve offered a 45% premium ...’ (Chairman Argus)</p> <p><u>Imagery:</u></p> <ul style="list-style-type: none"> - includes footage of modern mining operations (heavy machinery, laboratories), and professional looking staff (executives and mining site staff) - globe and maps, illustrating close proximity of some Rio and BHP assets 	Ethos	<ul style="list-style-type: none"> - The share market agrees we deliver value after a major merger - The pre-offer share price proves our premium - We are a world class, professional company - See for yourself
<p><u>Speech:</u></p> <ul style="list-style-type: none"> - ‘...Both companies are very good companies, and they’ve got very good people and they’ve got very good Boards ...’ (Chairman Argus) - ‘... These are two very good companies, and probably the best two mining companies ...’ (Chief Commercial Officer Calderon) <p><u>Imagery:</u></p> <ul style="list-style-type: none"> - Includes imagery of people of mixed ethnicity and gender shaking hands and collaborating, beautiful weather and sun sets. <p><u>Music:</u></p> <ul style="list-style-type: none"> - Upbeat, futuristic music sets a tone of excitement and underpins imagery 	Pathos	<ul style="list-style-type: none"> - Prevent hostility and perception of BHP arrogance - This will create a high energy, great place to be, full of opportunity

The second example was the use of a helicopter by Rio to fly journalists over BHP's main iron ore port in order to demonstrate that it had a bottleneck and needed Rio's port infrastructure to lift exports (see Table 4-14). Rio drew on logic when describing the bottleneck as caused by, amongst other, '*a tight S-bend*', which BHP could only overcome '*if they had access to our ports*'. They also drew on logic by using the imagery and location above the port to reinforce the idea of a bottleneck, which made '*apparent [that] Rio has the better strategic position*'. This drew on this authority by enabling journalists to see the bottleneck '*firsthand*', rather than rely on others. Further, with a neat sense of the theatrical, the journalists were accompanied by Rio's Head of Shipping who used to be a BHP manager and could claim authority due to his inside knowledge of BHP's 'problems'. In addition, authority was also derived from the use of indicators, which provided seemingly objective measures for the capacity constraints. Lastly, a number of media articles published following the excursion contained some evidence of excitement of journalists about the flight, suggesting that BHP 'may need to start booking helicopters' to match Rio's 'cheeky media coup'.

The analysis of the relationship between linguistic and non-linguistic modes and rhetorical strategies showed how a single mode could bring to bear a broad persuasive appeal by encompassing all three rhetorical strategies. This was evidenced by the use of speech and imagery in the first example, and the use of imagery and location in the second example. Conversely it was found that the use of one rhetorical strategy (pathos or logos or ethos) could be reinforced when brought to bear by multiple modes.

Table 4-14: Multi-Modal Rhetoric - Fly Journalists over Port (Rio)

Modes and examples	Rhetoric	Convergence/ divergence of meaning
<p><u>Speech:</u></p> <ul style="list-style-type: none"> - BHP's port expansion plan '<i>is going to be very expensive</i>' and '<i>when is it going to happen?</i>' (Rio iron ore boss Sam Walsh, in The Australian, in 17 /1/2008) - Rio Tinto's head of shipping '... [pointed out] the "<i>tight S-bend</i>" that the giant iron ore carriers have to negotiate .. the narrow channel .. and the lack of space .. which means a ship has to sail before a new one can enter the port.' (A. Trounson, The Australian, in 17 /1/2008) - '<i>... "If they had access to our ports, they could de-bottleneck the problems they have,"</i> says [Rio CEO] Albanese ...' ((H.Power, 20/1/2008, The Sunday Telegraph) <p><u>Location/ imagery:</u></p> <ul style="list-style-type: none"> - '<i>... in the helicopter .. it becomes apparent Rio has the better strategic position ...</i>' (H.Power, 20/1/2008, The Sunday Telegraph) 	<p>Logos</p>	<p>BHP needs Rio and undervalues Rio's contribution to additional value pool. It should increase the offer</p>
<p><u>Speech:</u></p> <ul style="list-style-type: none"> - The authority of speech of Rio Tinto's head of shipping, Ralph Larby, stems in part from his being a former BHP employee <p><u>Location/ imagery:</u> the location above the port allowed key international journalists to</p> <ul style="list-style-type: none"> - '<i>... get a first-hand look at the limitations of BHP's port facilities ...</i>'(The Financial Times 17/1/2008), rather than rely on someone else's authority. <p><u>Indicators:</u></p> <ul style="list-style-type: none"> - Production capacity and maximum expandable shipping capacity of the BHP's port (in millions of tonnes) describe the capacity needs and port constraints 	<p>Ethos</p>	<p>We have insider knowledge of BHP</p> <p>Trust your own authority (i.e. own eyes)</p> <p>The bottleneck is a major problem for BHP</p>
<p><u>Location:</u> The media appeared excited and impressed by the act:</p> <ul style="list-style-type: none"> - '<i>... Rio Tinto is pulling out all the stops ... BHP chief executive Marius Kloppers may need to start booking helicopters if he wants to win this one ...</i>' (The Financial Times 17/1/2008) - '<i>a cheeky media coup</i>' by Rio (A. Trounson, The Australian, in 17 /1/2008) 	<p>Pathos</p>	<p>You (journalists) are important to us</p>

The examples above show how ethos was reinforced in the first example by speech, indicators and imagery; and in the second example how ethos was reinforced through the use of speech, imagery, location and indicators. Both broadening and reinforcing

particular rhetorical strategies through different modes were visible throughout the acquisition discourse. The analysis shows a rich and multi-layered acquisition discourse in which the meaning of the three constructs is negotiated by both internal and external actors through multiple, overlapping discursive practices that incorporated mixed modes and rhetorical strategies.

4.8 CALCULATIVE DEVICES AS BOUNDARY OBJECTS

This section presents an analysis of the use of calculative devices as boundary objects in the pre-acquisition discourse. Boundary objects, as discussed in the literature review, are objects that can help transfer, translate and transform knowledge (Carlile, 2002) between different groups. These findings are presented as four analytical stages during which a calculative device emerged and functioned as boundary object between different groups. These stages emerged from an iterative process between the data and the literature. In the first stage it was analyzed how the interests of decision makers of the acquisition discourse determined what constructs would shape the acquisition discourse. In the second stage these constructs were translated into calculative devices. Once calculable, in the third stage, the calculative devices became central to the negotiation between actors. In the fourth stage, the calculative devices became increasingly objectified and taken for granted.

IDENTIFICATION

The centrality of calculative devices throughout the discourse was established from the outset. One of the first things that BHP did upon announcing its intent to combine BHP Billiton with Rio Tinto was to organize a briefing for mining analysts. The briefing

was structured as a presentation, using a set of slides, and followed by questions from analysts. During the presentation 58% of the slides or associated transcript explicitly referred to calculative devices, for example, share prices, sales volumes, global demand, production volume, cost savings etc. ('navigational' slides like front page, contents pages etc. were excluded from the analysis). The remaining slides included descriptions of the acquisition process, geographical maps of production sites, or descriptions of strategy. In the subsequent questions from analysts, 75% of the questions related to a calculative device, typically seeking more detail on the underpinning assumptions of calculative devices that were presented. Although the use of 'numbers' was no surprise, the percentages demonstrate that it was all encompassing and that it was a critical modality in the enactment of the acquisition discourse.

The identification of calculative devices followed from the structure of the acquisition discourse. This structure was dictated, as discussed earlier, by the decision makers in the acquisition discourse and the three key constructs that reflected their interests. The negotiation of meaning of these constructs was therefore a negotiation about the interests of these decision makers. For each of these three constructs a calculative device could be identified that rendered the interests of decision makers calculable.

The analysis of calculative devices showed how different actors used calculative devices to shape the discourse that relates to the interests of decision makers. In the case of the competition regulators the calculation of market share for the combined company was a proxy indicator for the impact that the acquisition may have on competition. This calculation of market share was discussed earlier (see section 4.6

and Table 4-12). It showed how different actors tried to influence the calculation of market share by shaping what was seen as the relevant market for, particularly, iron ore.

The interests of shareholders were seen to be reflected by the impact of the acquisition on shareholder value for the different shareholder groups. As the acquisition discourse was enacted, the impact of the transaction on shareholder value depended on two constructs, that is, the *additional value pool* and *fair share exchange ratio*. Each of these two constructs was represented by a calculative device that rendered the impact of the transaction on each different shareholder group calculable.

CALCULATION

The first construct of *additional value pool* (or total additional shareholder value created by the acquisition) was made calculable by adding up the value that would be created from a reduction of costs and the value from being able to sell more product more quickly by focusing scarce resources on the best opportunities across the two organizations, minus the cost of the acquisition. In doing this, the construct became represented by a calculative device that quantified the additional value. In the words of BHP CEO Kloppers:

".. anticipated cost savings of \$1.7 billion ... Firstly, there are operating cost savings, primarily from economies of scale in operations and procurement of goods and services. This would account for approximately half of the total cost savings .. Secondly and thirdly, we are combining companies with substantial overlap and there are substantial possibilities for 'deduplication' at the corporate and divisional levels in areas such as head office

administration, marketing, exploration, technology, business development, and so on, which at approximately one quarter each count for the other half of the cost synergy ..”

Source: Kloppers, Analyst presentation, 12th Nov. 2007

Similarly, Kloppers spelled out the revenue synergies:

“.. When we look at the other half of the synergies of \$2 billion, that is revenue synergies, the most important point to note is that these come from volume, not price. The greatest value would be the acceleration of volumes from the combined iron ore business made possible by the matching of infrastructure, described previously...”

Source: Kloppers, Analyst presentation, 12th Nov. 2007

By doing this, Kloppers put forward a calculative device for the construct of *additional value pool* that represented the interests of shareholders (i.e. shareholder value), and which could now be calculated and used in the negotiations between relevant actors.

However, the calculation device for the additional value pool on its own did not meet the criteria of ‘common identity’ and ‘plasticity’ for boundary objects (Star and Griesemer, 1989). While the expression of the additional value in dollar terms provided a common identity for both BHP and Rio shareholders, the impact for each group of shareholders – that is, what share of the extra value they would receive – depended on the number of BHP shares that would be paid for each Rio share. As the acquisition was not predicated on an exchange of cash but an exchange of shares, the

construct was rendered calculable as a share exchange ratio, that is, the number of BHP shares that would be exchanged for each Rio share.

The 'fairness' of the proposed share exchange ratio was legitimized by drawing on the price of Rio shares versus the price of BHP shares. According to Kloppers, the offer presented Rio shareholders a premium based on the relative valuation of Rio and BHP shares by the stock exchanges in London and Sydney, where the companies were listed. Specifically, an '*overall 28% premium to the combined volume-weighted average market capitalisation over the one month pre-approach*', and an '*overall 15% premium based on BHP Billiton's closing share prices on 9-Nov-2007 and Rio Tinto's combined market capitalisation immediately prior to BHP Billiton's announcement on 8-Nov-2007 in response to speculation of a potential offer*'.

The calculative device of share exchange ratio achieved a couple of outcomes. First, as before, it rendered the construct of price calculable. Second, the ratio was flexible ('plastic') enough to allowed each of the different shareholder groups to localize the impact of the acquisition for itself, that is, 'what does it mean for *me*'. Third, by drawing on share prices for BHP and Rio shares (which provided a 'common identity' across the two sets of shares), it depersonalized the ratio. So instead of Kloppers stating that he would offer as little as possible, the ratio was disconnected from his personal, subjective opinion and valuation, and connected with the valuation of both BHP and Rio shares by 'the market', which was construed as objective. This enabled the acquisition discourse to shift from a discourse about the conflicting interests of BHP and Rio shareholders, to a discourse that was framed as rational and objective. In other words, the calculative device of share exchange ratio (through its connection

with 'real' market prices) was now a boundary object for a discourse that could be positioned as rational and objective.

NEGOTIATION

The third stage is about the negotiation of the calculative device. This negotiation took place on a couple of different fronts, including the different parts that made up each calculative device; the method of calculation of these parts; and the interpretation of the resulting values. Decision makers and influencers enacted the acquisition discourse – and hence the negotiations - through the broad array of discursive practices presented earlier.

Actors had to take into account generally accepted practices or formal codifications for the respective calculative devices. For example, the extra value from cost and revenue synergies was expressed as EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization), a common and tightly prescribed expression of profit. Also, to calculate the Share Exchange Ratio, BHP used the '*volume-weighted average market capitalisation over the one month pre-approach*' (see earlier), equally a common and prescribed calculation method for the ratio. These habituations and codifications therefore reduced the margins of negotiation available to actors.

Calculative devices were multi-layered in that the calculation was predicated on many other calculative devices that underpinned the high level device. For example, the calculation of *additional value pool* required the calculation of (amongst others) additional profit, which required the calculation of (amongst others) lower cost, which required the calculation of (amongst others) reduction of resource inputs etc. etc..

What could be observed in the discourse was that actors 'dug around' in these layers

and emphasized areas that best represented their interests. Proponents of a higher *fair share exchange ratio* emphasized areas where the contribution from Rio appeared stronger than the contribution from BHP. For example, Rio was generally seen as having less infrastructure constraints than BHP in one of the most important regions (i.e. the Pilbarra in Western Australia) for creating synergies between the two companies. This led one of the analysts to preface his question by suggesting BHP CEO Kloppers that he needed Rio more than that Rio needed him, and that consequently Rio shareholders should be entitled to a larger share of the *additional value pool*. Similarly, proponents of a lower *fair share exchange ratio* for Rio clamored for adequate attention to and inclusion of a penalty for the risk that Rio was exposed to due to much higher debt levels. These examples were attempts to change an emphasis in one of the layers that constituted the calculative device.

The analysis showed that the opportunities for bringing new elements into a calculative device to influence calculations were restricted during this acquisition discourse. Both companies had been publicly listed for decades, were highly researched due to their size, operated in one of the most mature industries, which complicated attempts to significantly change perceptions of what elements should be included in a calculative device. Similarly, there were restrictions on how – *within* the calculative devices – calculations were to be executed, as the devices had to adhere to a broader and highly codified accounting and finance discourse. References to this broader discourse permeated the discursive practices of actors. Often these references were implied in the technical terminology used, in the footnotes of slides, in the fine print, or in the appendices. Actors (particularly BHP leadership) referred

explicitly to rules and codifications that circumscribed their actions. Typically referral to these rules and codifications occurred without explaining what a rule or codification specifically contained in any detail. For example, in its initial media release, which contained details of the acquisition proposal, BHP explicitly referred to many different rules it had to adhere to, many of which would have a direct or indirect impact on the calculative devices in the acquisition discourse (Table 4-15):

Table 4-15: Examples of Rules and Codifications

<ul style="list-style-type: none"> - City Code on Takeovers and Mergers ('the City Code') - Note 8(b) to Rule 19.1 ; - Listing Rules of ASX Limited (Australian Stock Exchange) - Rules of the UK Listing Authority - Rules from the London Stock Exchange; - Regulatory Pre-conditions; - Financial Services and Markets Act 2000 - Part VI; - US Securities Act of 1933, as amended from time to time; - Securities laws of any state, district or other jurisdiction of the United States; - US Securities Act registration requirements - provided by Section 3(a)(10); - Interconditional schemes of arrangement with Rio Tinto shareholders; - Regulatory anti-trust regulation; - Tax law in the UK and Australia - capital gains tax rollover relief; - Rio Tinto's funding arrangements - 'Change of control' clauses; - BHP's dividend policy; - Employment rights, including pension rights; - Regulatory rules from the European Union, Australia, the United States, Canada and South Africa;

Source: BHP Billiton Media release 33/07, 12th November 2007

Table 4-15 does not include *implicit* references to codifications. For example, terms used in the same BHP media release like EBITDA (discussed earlier), EBIT, reported revenue, jointly controlled entities' revenue, net profit attributable to shareholders, net operating cash flow, and net assets all refer implicitly to accounting standards that bring these calculative devices into being. Further, the media release included independent audit statements to communicate that the Directors had made the statement about expected cost and revenue synergies with due care and

consideration. Also, this implicitly referred to formal accounting and finance standards, as well as generally accepted practices that were expected to be used to calculate such synergies.

Calculations were further specified by indicating the date when input variables for the key calculative devices were determined, often accompanied by the statement that this was the ‘last practicable date prior to this announcement’. This was done for variables like numbers of shares on issue, share prices, and exchange rates. In this, and in other areas, BHP leadership appeared to have had more leeway in its assumptions and made these assumptions visible. For example:

“ (t) *In arriving at the estimate of cost savings and revenue benefits, the Board of BHP Billiton has assumed the following:*

that there will be no significant impact on the combined group arising from any decisions made by competition authorities;

that there will be no material change to the market dynamics in the combined core markets following completion. In particular, BHP Billiton has based these estimates on its understanding of current and future market supply, demand and pricing levels; and

there will be no material change to the relative exchange rates in the combined core markets and geographies following completion.

(u) *In arriving at the estimate of cost savings and revenue benefits, the Board of BHP Billiton has assumed that there are comparable operations, processes and procedures within Rio Tinto, except where*

*publicly available information clearly indicates otherwise. BHP Billiton's management, through a detailed understanding of BHP Billiton's cost structure, has determined the source and scale of realisable cost savings.
..."*

Source: 'BHP Billiton's proposed combination with Rio Tinto to unlock value', News Release 33/07 (Appendix) 11th November 2007, (p.12)

These examples reinforce that calculative devices were calculated within restrictions imposed by numerous sets of rules. Each of these sets was the result of other broader contextual discourses beyond the acquisition discourse. These were in addition to the most frequently mentioned and most obvious broader contextual discourses mentioned in the description of the structure of the acquisition discourse. The calculation of petroleum reserves provided an example, as its valuation had an impact on BHP's but not Rio's valuation, because Rio did not operate in that market. During a briefing on its oil business in May 2008, BHP tried to influence how analysts would calculate oil reserves and value its oil business. Specifically, BHP's CEO Kloppers argued that current reporting requirements imposed by the Securities and Exchange Commission undervalued the reserves of BHP's Petroleum business:

"... in contrast to the Minerals business, where we often use the term 'resources' to describe the potential of a project and where we can formally report resources, under SEC rules, oil companies can only report proven reserves in its annual results statements...

... proven reserves [with] a high degree of certainty, 80-90% confidence, to be recoverable in the future – and here comes, come, come the next key

words – using existing available technology. And in addition to this, to these two constraints, what you report must be commercially viable .. at prices prevailing at the time of the evaluation.”

Source: BHP Petroleum Briefing, May 2008, (underlining added)

Analysts who covered BHP typically had expertise in mining, but not necessarily in oil. If Kloppers could make a plausible case as to why a generally accepted practice for the mining reserves should also be used for calculating oil reserves, analysts might tweak some of the variables in their spreadsheets, reconstruct the indicator for BHP's oil reserves and increase BHP's relative value: even a minor shift of 1% in the perceived value of BHP Petroleum would have added hundreds of millions of dollars to the market capitalization of BHP. BHP, of course, had to continue to report its reserves in line with SEC rules. However, analysts had more freedom to change their calculations of oil reserves based on their own interpretations.

Other issues where actors appeared to see opportunities for differentiating and influencing the calculations of value included the interpretation of sovereign risk, and reputation for delivering shareholder value. In these instances actors expressed their approval or disapproval, directly or indirectly, with particular ways of calculating value. These instances will be analyzed in more detail in section 4.9 ('Discursive practices as transgression markers').

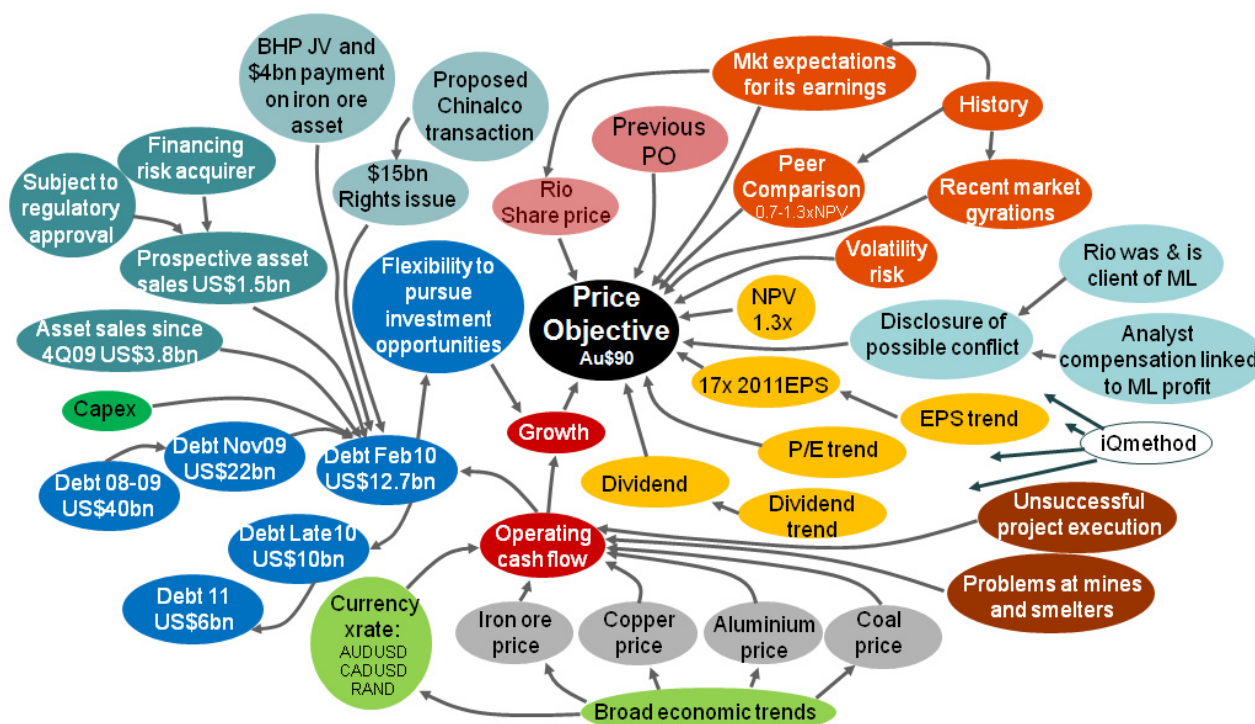
OBJECTIFICATION

The fourth stage is described here as objectification of interests. The interests that were initially identified, made calculable, and then negotiated were increasingly 'objectified'. Along this path, the ability to influence the acquisition discourse through

a calculative device decreased steadily. Once objectified, it was exceedingly difficult for actors to argue against a particular calculative device. This objectification became visible when deconstructing (part of) the *share exchange ratio* in detail, which depended on the perceived value of both Rio and BHP. The deconstruction was based on an analysis of the price objective for Rio Tinto as detailed in an analyst report. The deconstruction provides an overview of many layers that constituted the valuation of Rio, some of which are described below Figure 4-8.

The deconstructed price objective of A\$90 (in the centre) was shaped by broad economic trends that influenced the supply, demand and resulting commodity price expectations in key commodity markets that Rio operated in, that is, iron ore, copper, aluminium, and coal (bottom of the figure). These broader economic trends were also expected to influence exchange rates. Further, the ongoing decrease of initially very high debt levels of Rio (from US\$40bn in 2008 to US\$12.7bn in 2010) was considered a positive development, which influenced its ability to pursue investment opportunities and hence create future growth.

Figure 4-8: Deconstruction of Rio Price Objective



Source: Based on P. O’Conner, J. Fairclough and I. Ye, Company Update Rio Tinto (Merrill Lynch), 2010

Debt level was also helped by US\$1.5bn in prospective asset sales, A\$4bn capital inflows from a BHP joint venture, and A\$15Bn rights issue. Rio’s price objective was further influenced by a group of stock market related issues, for example, peer comparisons, recent market gyrations, and history. The right hand side of the figure identifies a number of issues that relate to the codification of accounting (e.g. iQ method, which is ML’s proprietary method for accounting calculations), and disclosures of possible conflicts of interests due to Rio being a client of Merrill Lynch and the analysts’ compensation being linked to Merrill Lynch profits.

What this deconstruction of price objective demonstrates is how the value of Rio, which is a part of the calculative device for a share exchange ratio, was composed of layer upon layer of other calculative devices. Each of these calculations depended extensively on broader discourses in, for example, accounting, finance, economic

trends and currency exchange rates, including how these discursively construct future value in current discourse. The price objective further included a level of self-reference most obvious in references to its current share price and previous price objectives.

This means that the calculative device for share exchange ratio connected, summarized and (as inextricable consequence of summarizing) hid this multitude of layers.

Objectification in this case meant that it became exceedingly difficult for individual actors to influence the perceived valuation of either BHP or Rio, and hence impact the share price ratio. Even if an actor would have been successful in influencing one of these layers, it may not be sufficient to influence the price objective.

What the findings showed is that once a calculative device reached a level of 'solidity' or convergence of meaning in the acquisition discourse, actors could move on to focus their efforts on other calculative devices as the key boundary objects to translate or transform knowledge between different groups of actors. As shown earlier, this happened in the case of the *additional value pool*. Early on in the acquisition discourse it appeared that most actors accepted BHP's claims in relation to this calculative device, as was illustrated by an unidentified analyst at BHP's briefing who stated that "*I certainly agree with the uplift to shareholder value for both sets of shareholders. I would probably describe it as obscene.*" (12 November 2007). Such perspectives enabled BHP to focus on the calculative device for the *fair share exchange ratio*. This shift was evident in the relative prevalence of the devices during two separate briefing sessions by BHP CEO Kloppers.

Table 4-16: Shift of Calculative Device Focus

Calculative device	Focus of the briefings*	
	Nov 07	Feb 08
Additional value pool	47%	9%
Share exchange ratio	19%	82%

*The focus is calculated as the percentage of slides (or associated transcripts) that refers to the calculative device.

In November 2007 Kloppers referred explicitly to the *additional value pool* during 47% of the slides he presented. This fell back to only 9% during a similar briefing in February 2008. Conversely, the prevalence of *fair share exchange ratio* went up from 19% to 82% of the slides presented. This suggested that it was taken for granted by February 2008 that the acquisition would create shareholder value, and the focus could now shift to the negotiation of the distribution of that value to each group of shareholders.

This transition of emphasis from one calculative device to a next device as the discourse progresses also highlights variations between these devices. As shown, different groups of actors converged early on in regards to the meaning of *additional value pool*, and there was limited subsequent interaction on how to calculate it. In this case the *additional value pool* functions as a boundary object that is in the interest of both groups of shareholders. In contrast, both the *fair share exchange ratio* and the market share (as proxy for the *impact on competition*) played a role between groups of actors that was seen as distributive, that is, the interests of actors were conflicting: different numbers implied a different distribution of the potential loss or gain for actors. This suggests a need to understand the interests of the groups in order to

understand the different roles that boundary objects may play, depending on the alignment or conflict of interests. The discussion will explore potential implications from these findings for existing theory on boundary objects.

The next section analyzes in detail how actors used discursive practices to negotiate the meaning of key constructs. While this also applies to the negotiation of meaning of the calculative devices in their role of boundary objects, it is not necessarily limited to such devices.

4.9 DISCURSIVE PRACTICES AS TRANSGRESSION MARKERS

In 4.7 discursive practices were seen to exert influence on the acquisition discourse through rhetorical strategies that were embedded in the different modalities. Further, 4.8 demonstrated how calculative devices played a role as boundary objects. However, these discursive practices also shaped the acquisition discourse through a role as a ‘transgression marker’. This study develops the concept of transgression marker as cues from actors that signal whether they accept or reject a claim by another actor in relation to a key construct, and consequently whether they converge or diverge on the meaning of that construct.

Here key examples of discursive practices as transgression markers that helped develop the concept will be explored. Transgression markers did not necessarily relate to agreement with one of the key constructs as such, but were used during the negotiations of all layers or elements that made up a key construct – or its equivalent calculative device. For example, the *fair share exchange ratio* is shaped in part by the prices that both Rio and BHP receive for their commodities. So when one of the

analysts at Rio's Investor Seminar asked Rio CEO Albanese a question that signaled that the analyst questioned his commodity price assumptions, and consequently that he did not accept Albanese's meaning of the value of Rio compared to the value of BHP:

'... Hi, it's [Justin Baring] (sic.) from Citigroup .. with using that reference to the ballparks again, how much of that is the commodity price assumption? I mean, the stock market values Rio Tinto every day. It's obviously making a serious error every day to come to the price that it comes to today. Can you just talk about the commodity price assumptions that the market's missing, obviously? ...'

Justin Baring, Rio Investor Seminar, 26th November, 2007

The analyst implied that Rio's commodity price assumptions were too high. Buyers and sellers on the stock markets, who value Rio every day, must have been using different assumptions than Rio's CEO who claimed that BHP's offer was too low and 'two ballparks down the road', compared to the value that Rio's leadership assigned to the company.

A different example draws on BHP customers who were not willing to accept what BHP argued would be the impact of the acquisition for iron ore customers.

'Dieter Ameling, president of the German Steel Federation, said the prospect of such a deal was of great concern .. "The Big Three (BHP, Rio and CVRD [Vale] of Brazil) dominate three quarters of the iron ore market. The merger of BHP and Rio Tinto would result in a duopoly."

The comments were echoed by Sir Brian Moffat, the former British Steel chief executive and head of Eurofer, the European steelmakers organisation'

The Times, 10th November, 2007

What was implied was that BHP additional shareholder value was likely to come from high level of market control (i.e. higher prices), rather than being able to ship more iron ore more quickly.

The initial analyst briefings by Marius Kloppers included many examples of such transgression markers. An earlier mentioned example was when one of the analysts called Kloppers' claim that the acquisition was advantageous for Chinese customers a bluff, and that BHP would have Chinese steel producers 'over a barrel'. In doing so, the analyst implied that Kloppers had overstepped the boundary of what he (the analyst) was willing to believe would be the meaning of the acquisition for customers.

A related example concerns the definition of markets and market share, and refers to BHP's attempt to include China's domestic production in the definition of the iron market, not just the seaborne market, which was discussed earlier. An article on the Dow Jones Newswires quoted an unidentified equity analyst from Sydney who said that nobody will be "fooled" by it (Dow Jones, 12/11/07). The quote signaled that BHP overstepped the boundary of what was an acceptable construct of the relevant "market for iron ore" for regulatory review of competition. This boundary was of critical importance to competition regulators and analysts, as it would determine the perceived level of market control of a merged entity.

Table 4-17: Examples of Transgression Markers

What is implied	Boundary marker	Source
Examples that signal divergence on 'fair share exchange ratio'		
BHP lacks infrastructure and needs Rio for growth	"... Rio Tinto has two railway lines and three ports, and will probably add another port. It seems that the Rio infrastructure will provide the volume uplift [to BHP] ..."	BHP Analyst Briefing 12/11/07 Unidentified analyst
Petroleum does not fit in BHP	"... Analysts say the petroleum division has always sat uncomfortably in the [BHP's] portfolio and a sale would be welcomed by the City. However no decision to sell BHP Petroleum has yet been made.	The Sunday Times, 11/11/07 Armitstead & O'Connell
BHP should consider lifting the ratio to 3.4 (question came when it was still 3.0)	"...your slide .. shows the relative share exchange rate ... Indeed, it was 2.4 before the announcement, then you offered 3. Since the announcement, the ratio has been, pretty much, on average, 3.4 and indeed, subsequent to Rio's presentation it hasn't changed. So, 3.4 would seem the kind of ratio that the market was looking for. How did that factor into your thinking about where to go from here? ..."	BHP Analyst Briefing 12/12/07 Unidentified analyst
Rio will provide more growth, so BHP should pay more	"... Rio Tinto is quite aggressive on its volume tonnes and, arguably, quite some years ahead of BHP. It seems to me that BHP shareholders have more to gain from the Rio growth than vice versa. Where do you think the volume uplift can come from in the medium term? ..."	BHP Analyst Briefing 12/11/07 Unidentified analyst
BHP should pay less	"... You have mentioned that you are offering a significant premium to Rio Tinto shareholders. Given that you have also suggested that the growth is within BHP Billiton, rather than Rio Tinto, why should your shareholders accept a smaller proportion of the business combination than is there due? ..."	BHP Analyst Briefing 12/12/07 Unidentified analyst
Examples that signal divergence on 'impact on market competition'		
Market for iron ore may need further segmentation	"... Finally, just a technical question about the whole deal. A lot of analysis has been done into the concentration of iron ore that arises from the combination. It's starting to get split into .. lump, fines and pellets. On that basis, it looks like you have over 50% of the lump iron ore globally. Do you see that as being tested by any of the anti-trust authorities ..? ..."	BHP Analyst Briefing 12/12/07 Unidentified analyst
China feels threatened by BHP-Rio combination	Just when it appeared that BHP Billiton had settled on a strategy for taking over rival mining group Rio Tinto, its plans have been thrown into disarray by a GBP7.18bn (\$14.1bn) intervention from China. Chinalco, one of China's largest mining companies, and Alcoa of the US revealed on Friday they had bought 12 per cent of Rio Tinto's UK-listed shares in an audacious dawn raid.	Financial Times, 1/2/2008

Further examples of transgression markers are included in Table 4-17. These expressions could, for example, appear to be opinionated (e.g. '*It seems that ...*'),

sarcastic (*'The stock market .. [is] .. obviously making a serious error every day ...'*), suspicious (*'Can you discuss the differences between .. [Orissa] .. and what you are facing in Mongolia ...'*), or suggestive (*'Analysts say ...'*). They permeated the discourse and could be seen as part of an ongoing and dynamic negotiation that involved decision makers and influencers, and that impacted the outcome of the acquisition discourse. The potential impact of individual comments was unlikely to be significant. However, they could contribute to patterns that slowly chipped away at the narrow margins that individual actors had to influence the acquisition discourse.

Transgression markers are a function of discursive practices and as such they are multi-modal cues and not just linguistic. For example, share prices could be seen as a non-linguistic modality for marking boundaries. The graph of the actual share price ratio discussed earlier can be seen as the cumulative result of share transactions, where transactions at a particular price express an acceptance of either BHP's or Rio's constructs: the initial trading at a share price ratio of 3.4 marked the boundary of the ratio at which shareholders might be expected to exchange their Rio shares for BH shares. Kloppers appeared to take note of that cue when BHP stepped within the boundary that the market seemed to have set for 'fair value'. Other examples of non-linguistic discursive practices functioning as transgression markers include the refusal of Rio's leadership to engage directly with BHP's; the acquisition of Rio shares by Chinalco; and the (Chinese) support of emerging miners with contracts.

4.10 SUMMARY OF CHAPTER

This chapter presented the findings from the case study. The main actors were identified as either decision makers (BHP's leadership, shareholders, competition regulators) or influencers (Rio Tinto's leadership, analysts, the media), depending on their formal power to authorize or prevent the acquisition.

Whether the acquisition would proceed depended on, first, whether BHP's leadership and shareholders could agree on the distribution of a presumed *additional value pool* through a mutually acceptable *fair share exchange ratio*, and second, whether key regulators would substantially agree with BHP on what the acquisition would mean for competition, that is, that the *impact on competition* was acceptable in their area of jurisdiction.

The findings identified how time was brought into the pre-acquisition discourse through the discursive construction of the future, and how this influenced the negotiation of meaning of each of the three key constructs. The *additional value pool* was seen to be influenced by the construction of future cost savings and revenue enhancements. Future project pipelines, market demand and the calculation of net present value influenced the meaning of the relative value of Rio and BHP, and hence the construct of *fair share exchange ratio*. Lastly, the *impact on competition* was significantly influenced by acceleration of tonnage, the emergence of new iron ore producers and, for Australia, a long-term supply contract with the main steel customer of BHP.

The analysis also identified the broader contextual discourses that went beyond the particular acquisition discourse, but had a clear influence on it. The *additional value*

pool and *fair share exchange ratio* were mainly influenced by the broader discourses on the primacy of shareholder value, the strategic drivers of organizational value, long-term demand from China and India, and the emergence of mining super-majors. The key construct of *impact on competition* of the acquisition was mainly influenced by the broader discourse on the importance of competition, and part of the broader discourse on the strategic drivers of organizational value.

Further, this chapter described how actors interacted in order to determine what the acquisition would mean. For the acquisition to proceed, actors had to converge sufficiently on the meaning of the three constructs. The negotiation resulted in an immediate convergence by external actors with internal actors on the meaning of the *additional value pool*; a convergence of internal actors with external actors on a *fair share exchange ratio*; and a continued, unresolved divergence on what the acquisition would mean for the *impact on competition*.

The findings demonstrated how both internal and external actors, in these negotiations, brought to bear a wide range of multi-modal discursive practices and rhetorical strategies. Calculative devices were identified as a distinct and particularly pervasive modality, which took on the role of boundary objects. The findings showed how calculative devices develop as boundary objects and demonstrated that boundary objects must be considered legitimate and accepted by key actors, which enables these actors to protect their interests.

Lastly, the findings showed how multi-modal discursive practices take on a role as transgression marker, that is, cues from actors that signal whether they converge or diverge on the meaning of key constructs.

5 DISCUSSION AND THEORETICAL IMPLICATIONS

In this concluding section, the thesis returns to the original research questions in order to offer a response to each and to outline in more detail the contributions of this thesis to theory. The case study of a failed acquisition – a ‘strategic episode’ (Hendry and Seidl, 2003) adds to a growing tranche of literature that shows how discursive practices can both enable and constrain strategizing (Hardy et al., 2000; Jarzabkowski et al., 2007; Mantere & Vaara, 2008; Pälli et al., 2009) and extends our understanding of the link between strategy and discourse, particularly during merger and acquisitions (M&As) (Hellgren et al., 2002; Kuronen et al., 2005; Risberg et al., 2003; Vaara, 2003; Vaara and Monin, 2010; Vaara et al., 2006; Vaara et al., 2003), but also during other strategizing activities.

First, the discussion will highlight how the research contributes to our understanding of the role of external actors during a pre-acquisition discourse, how these actors enact their role through multi-modal discursive practices, and how rhetorical strategies are brought to bear not just by linguistic but also by non-linguistic practices. This first part of the discussion will also develop the concept of transgression marker and discuss how calculative devices act as boundary objects within the pre-acquisition discourse. Second, the discussion contributes to a discursive epistemology of strategizing by showing how temporal and contextual work shapes strategy discourse.

5.1 STRUCTURE AND DYNAMICS OF THE PRE-ACQUISITION DISCOURSE

The research was driven by two research questions. The first is:

In the structure and dynamics of a pre-acquisition strategy discourse, what is the role of: external actors; multi-modal discursive practices, in particular calculative devices; and rhetorical strategies?

This research question aimed to develop contributions to theory by analyzing how, in the case study of a pre-acquisition discourse, internal and external actors used a broad range of multi-modal discursive practices that, through embedded rhetorical styles, influenced the convergence or divergence of meanings of key constructs critical to the acquisition. As a result of the analysis of multi-modal discursive practices, the study developed the concept of transgression marker to indicate how actors signal their acceptance or rejection of meanings. Also, the role of calculative devices as a distinct modality and as boundary objects provides new insights into the dynamics of strategizing as the negotiation of meaning.

THE ROLE OF EXTERNAL ACTORS

The findings above contribute to discourse-based theories of strategizing, in particular strategizing during a pre-acquisition discourse, by providing a deeper understanding of the role of external actors. Although previous research has analyzed the role of the media (Hellgren et al., 2002; Kuronen et al., 2005; Vaara and Tienari, 2002), external actors are largely under-explored in strategizing studies (Cartwright et al., 2012; Jarzabkowski et al., 2007; Jarzabkowski and Spee, 2009). The research identifies that external actors are not simply a passive audience, but play a significant role in the production and dissemination of discourse that precedes a merger or acquisition

transaction. This role is enacted through a range of multi-modal discursive practices and rhetorical strategies. Therefore, in order to understand how organizations develop and implement an M&A strategy, we must first scan the landscape in which an organization operates for relevant external actors, and take note of the modes and rhetorical strategies that they bring to bear on the discourse.

This exploration of the role of external actors led to the identification of three distinct overarching roles for external actors in a pre-acquisition discourse. The research found that external actors may determine the structure of the acquisition discourse, persuade others and decide whether the transaction will proceed.

Turning to the first of these roles, a micro analysis of *how* actors negotiate the meaning of constructs could easily overlook the critical role of decision-makers in determining *what* constructs will be negotiated in the first place. The research suggests that external actors who are also decision-makers determine the structure of an M&A discourse in two ways. First, in line with other studies, it is argued that for actors to be able to influence or persuade others, they have to adapt their message (Erkama and Vaara, 2010; Vaara and Tienari, 2008) and ensure that it aligns with their audiences' 'beliefs' (Jarzabkowski and Sillince, 2007) or 'world-views', for example, what broad economic trends may shape global demand, and what constitutes 'good strategy'. Second, the key constructs that structure the discourse must reflect the specific interests of decision-makers. In the case of an individual shareholder this means that the transaction will increase the value of the shares held. To satisfy shareholders as a group requires additional value to be created and shared through a price that is neither too high (which would alienate shareholders of the acquirer) nor

too low (which would fail to persuade shareholders of the target organization). This price can be expressed in different ways, for example, in dollars, in a share exchange ratio or as a combination of both. In the case of competition regulators this means that the combined entity would not hold an unacceptably large market share that it could exploit.

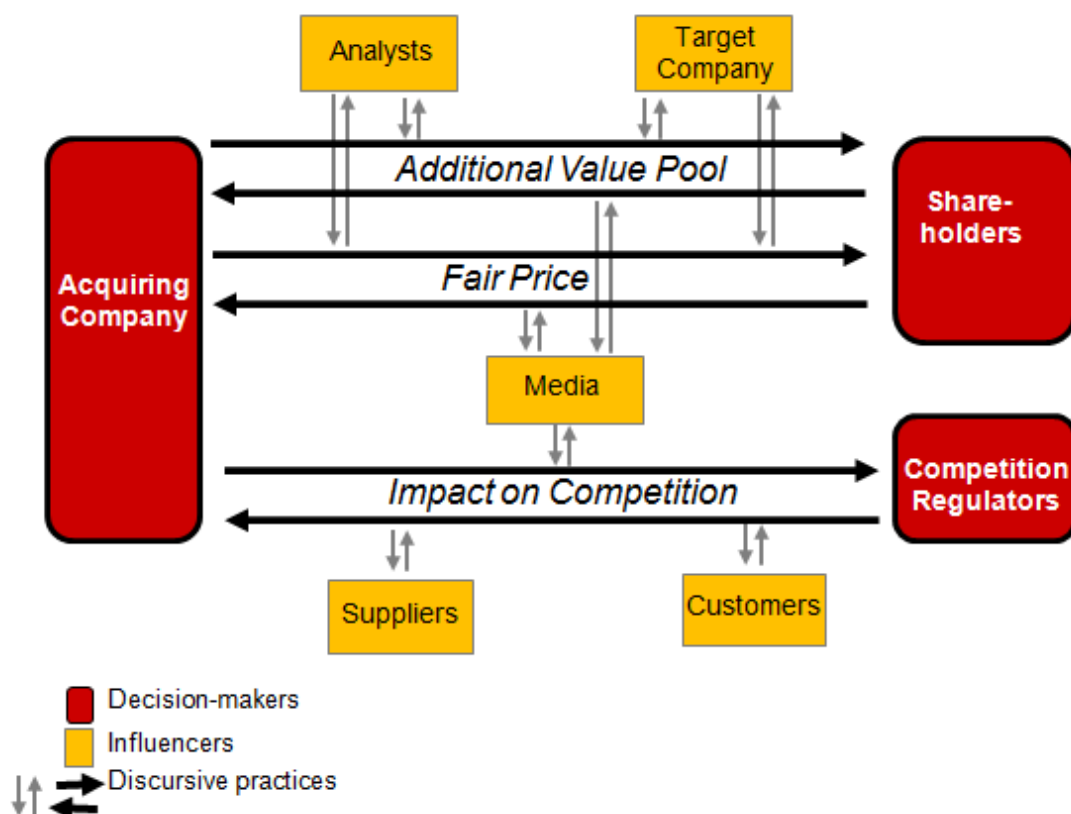
The analysis of the negotiation of meaning related to the attempted acquisition sheds light on the second role of external actors, and extends our understanding of the complexity of this process. Here, the study shows that external actors are not simply an audience to be persuaded by the arguments put forward by the leadership of an acquirer. Rather, the negotiation of meanings in the pre-acquisition discourse is a much more dynamic process. It involves a multi-directional network of internal and external actors who swap roles as rhetor and audience on an ongoing basis, as they try to protect their own interests and persuade each other through discursive exchanges.

The third role for external actors is that of 'decision-maker'. The study was able to identify the crucial role that these decision-makers can play in influencing outcomes because, unlike earlier research into M&A discourse, the study focuses on the pre-acquisition stage when the decision to proceed with the transaction (or not) is still being negotiated. During this stage, external actors have considerably more opportunity to influence convergence or divergence of meanings and ultimately the outcome of the strategizing.

The different roles of actors are reflected in the model in Figure 5-1. The model differentiates between influencers and decision-makers, and locates the key constructs that structure the discourse at its centre. The arrows in the model

represent the influence exerted by key actors as they negotiate the meaning of the key constructs and seek to influence the acquisition process and outcome.

Figure 5-1: The Structure of a Pre-Acquisition Discourse



The model generalizes the external actors and key constructs that shape a pre-acquisition discourse. For each particular merger or acquisition the strategic landscape must be scanned to locate important external actors and key constructs that will shape the discourse. Depending on the particular context of the transaction, particular sets of external actors may choose to play an active role. For example, cross-border transactions where a foreign entity intends to acquire a domestic company may raise concerns about foreign ownership, and see other regulators or political lobby groups take an active role in the acquisition discourse. More generally, when a proposed transaction has the potential to impact their interests, external actors are likely to seek

a greater role in the discourse. If the institutional context grants these actors the power of decision-maker, or if these actors have significant influence over decision-makers, the discourse with external actors becomes an essential part of organizational strategizing. The next section of the paper explores the multi-modal practices and rhetorical strategies used in the public discourse by actors internal and external to the acquiring organization.

THE USE OF MULTI-MODAL DISCURSIVE PRACTICES

Previous studies of M&A and discourse have predominantly focused on the analysis of speech and writing (Brennan et al., 2010; Green et al., 2008; Hellgren et al., 2002; Risberg et al., 2003; Suddaby and Greenwood, 2005; Tienari et al., 2003; Vaara, 2002; Vaara and Monin, 2010). Undoubtedly speech and writing remain critical modes to a comprehensive analysis of M&A discourse. However, other modes, like calculative devices, imagery and location (Fairhurst and Grant, 2010; Iedema, 2003, 2007; Kress, 2010) can also be found in M&A discourse. The current study makes a further contribution to studies of M&A by highlighting the multi-modality of discursive practices that make up an acquisition discourse. The diversity of discursive practices that emerged from the case reminds us that, when considering a merger or acquisition process, we must pay greater attention to modes other than speech and writing.

The study found that imagery was central to the acquisition discourse and included maps, graphs, photos and video. Imagery, including graphs and maps, is an important mediating instrument that helps to anchor the key constructs of an M&A discourse, that is, it summarizes large volumes of data in a single image, which can help individuals to visually integrate different elements of a strategy and facilitate

convergence around cognitions (Jørgensen et al., 2012; Stigliani and Ravasi, 2012). For example, maps can be used to visually suggest either the synergies (through geographical proximity) or market reach (through geographical dispersion) that a combination of organizations may deliver, and thus help mediate the negotiation of additional value, which is a critical construct for any merger or acquisition transaction.

The analysis further shows that the choice of location mattered for meaning making, for example, as part of site visits, access to (analyst or press) group briefings, and visits from senior executives to important external actors. In line with arguments by Kress (2010) for differentiating between modes, actors take account of and adjust the location of their discursive practices to a location preferred by the community they try to influence. Also, location does communicate a priority of social relationships, as actors who are important decision-makers and influencers will receive physical access to a discrete location more readily than other actors. Further, the choice of location does represent a particular idea about the organization to an actor. In these ways location functions as a distinct mode in M&A discourse and can influence meaning making.

Further, although calculative devices have not previously been explicitly identified as such, it is argued that in the context of M&A strategizing they are a distinct non-linguistic mode. What is identified as a suitable device, how it needs to be calculated 'correctly', how this is socially negotiated, and how some of this may become increasingly difficult to question is largely a re-enactment of existing power structures (Oswick and Robertson, 2009). The development of calculative devices could be seen to go through four stages: identification, calculation, negotiation and objectification.

Identification: Earlier in the discussion it was argued that, in order to be persuasive, actors must identify a vehicle for influencing that aligns with the worldviews and interests of the actors they are attempting to influence. The same applies here. The identification of calculative devices that can operate as boundary objects is subject to the same imperatives as the identification of the constructs that shape the structure of the discourse. As a result, key constructs are translated into a calculative device (or small set of devices), which then provides a different modality to negotiate convergence of meaning.

Calculation: Technical experts are those actors who have been trained in a particular discipline (e.g. accounting, finance, mining engineering, international economic development, etc.) and determine the appropriate way to calculate the calculative device. In doing this, they recreate the professional practices, standards and codifications of their discipline in their daily work as experts. If they deviate excessively from these, they may be considered either visionary or incompetent.

Negotiation: This implies narrow margins for actors in negotiating what symbolic numerical manipulations constitute the device. Beunza and Garud's (2007) analysis of the valuation of Amazon.com, during the early days of the Internet, provides an example of different analysts coming up with widely varying valuations for the company as there was then no generally accepted method for valuing this new breed of companies. This created vociferous debate and negotiation among analysts. Similar processes of negotiation were also shown in the findings. For example, BHP CEO Kloppers attempted to shift the valuation method of oil reserves by drawing on alternative professional standards from mining for valuing reserves. This illustrates

how actors had to dig deep in the different layers of a calculative device to find areas where there might be some flexibility to renegotiate meaning.

Objectification: Objectification of calculative devices connects with the earlier discussion on rhetorical strategies, in particular logos and ethos. Logos follows from the logic of the symbolic numerical manipulations of the device, that is, the calculative logic that constitutes the device. As these calculations are not random but typically follow the reasoning behind formal codification and accounting standards, trying to argue against the calculative logic of the device means that one has to argue against the logic of these codifications and standards. Similarly, calculative devices draw extensively on ethos. This authority may stem from, for example, the status and reputation of its source for input data, the authority of widely accepted codification and accounting standards (this is in addition to the logic behind these codifications and standards), or the interpretative legitimacy awarded to the person or institution that presents the calculative device or indicator. This imbues a calculative device with significant potential appeal to logos and ethos, and may present a formidable challenge once the device has become objectified.

Even if different actors use the same label for a calculative device (for example 'company value'), the calculations of actors may vary slightly. This study, therefore, sees calculative devices like company value as an object that behaves like a fire object (Law and Singleton, 2005), in that different people construct a different company in the equations of their calculative device, that is, no two objects are identical. Even if two actors calculate the same outcome, they may calculate it somewhat differently and create marginally different objects. This is important, because in the end the

possibility of pragmatic action in an acquisition depends largely on decision-makers agreeing on a number, and not insisting on identical calculative logic to create that number.

While the term 'indicator' might be more commonly associated with the 'outcome' of a calculation, and the term 'calculative device' with the actual underpinning symbolic numerical manipulations, this differentiation is difficult to maintain. As the findings show, inputs of calculations are typically already the output of prior numerical manipulations, and hence the two terms are inextricably linked and could arguably be used interchangeably. Nevertheless, in this section the term 'calculative device' is used to emphasize the calculating that occurs. As the analysis shows, in the context of the pre-acquisition discourse, the calculative devices met the social and formal criteria for modes identified by Kress (2010). Also, calculative devices suggest a higher measure of precision and objectivity than speech or writing (Denis et al., 2006; Skærbæk and Tryggestad, 2010). As the research shows, actors use calculative devices to discursively construct their interests as 'facts' (Baxter and Chua, 2003; Miller, 1991), which are more difficult to contest. This is because actors must have highly specialized technical skills and knowledge to contest a calculative device. Also, calculative devices may come from habits or mechanisms (e.g. accounting standards) that have led to an acceptance of the device at face value, without full appreciation of the underlying logic and limitations of how that particular device was calculated.

Stigliani and Ravasi (2012) show how non-linguistic modes can be used to create convergence around meanings in collaborative design settings and this study extends their work by showing how these modes can be used in a situation where there is a

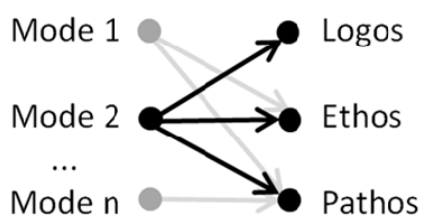
perceived conflict of interest and actors aim to persuade or influence each other. The analysis shows how non-linguistic modes, such as imagery, location and calculative devices, interact with linguistic modes to influence and persuade by enacting rhetorical strategies. It is here that this study makes a contribution to our understanding of the role of discourse and rhetoric in M&A (Green et al., 2008; Hellgren et al., 2002; Suddaby and Greenwood, 2005; Tienari et al., 2003; Vaara and Monin, 2010; Vaara and Tienari, 2002).

MULTI-MODAL RHETORIC

The analysis shows how rhetorical strategies are embedded not just in linguistic modes but also in *all* modes. Further, it shows how a single mode may contain more than one rhetorical appeal, so that a single mode may appeal to a combination of logos, pathos or ethos (see Figure 5-2). As discursive practices often use a number of modes (both linguistic and non-linguistic) simultaneously, they work to persuade through a multi-layered, simultaneous and powerful appeal to reason, emotion and authority.

Figure 5-2: Examples of Modes versus Rhetorical Strategies

Broaden Persuasive Appeal



Reinforce Persuasive Appeal

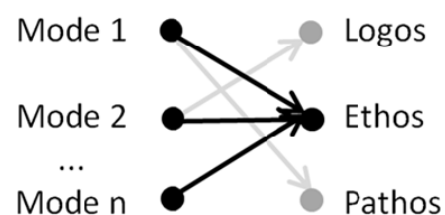
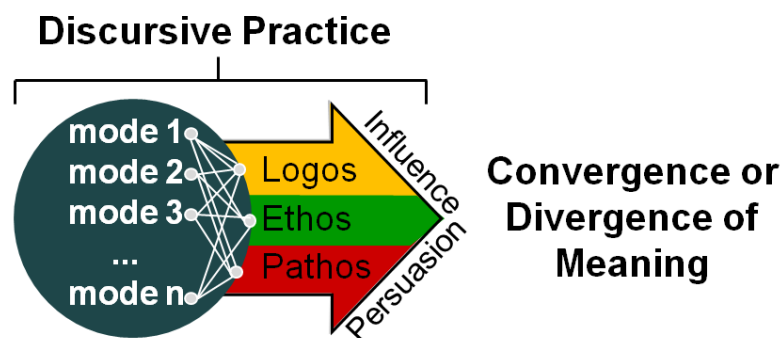


Figure 5-2 summarizes a further contribution this research makes to studies of M&A discourse. It shows how both internal and external actors, through a discursive practice, can draw on multiple linguistic and non-linguistic modes simultaneously in

order to broaden and reinforce their persuasive appeal and influence the meaning of the key constructs. As these key constructs represent the interests of the decision-makers, the outcome of the acquisition discourse depends on this negotiated meaning.

Figure 5-3: Model of a Discursive Practice



A multi-modal perspective is important, as a narrow focus on the use of linguistic modes by actors involved in the production and dissemination of an acquisition discourse runs the risk of overemphasizing the appeals to logic at the expense of other appeals. As it appears that the logic is most likely explicitly spelled out in speech and writing, this may explain why most previous research placed an emphasis on rational discourse (Hellgren et al., 2002; Tienari et al., 2003; Vaara and Tienari, 2002). The current study argues that meetings with important customers, shareholders or journalists contain an appeal to emotion, for example, through a demonstration of willingness to go through the extra effort of a one-on-one meeting, even if the linguistic communication during the meeting would only emphasize rational arguments. Similarly, appeals to authority permeate the discursive practices of an acquisition discourse. These may be embedded in imagery of advanced technology or subtle footnotes to identify authoritative data sources, in the use of independent

consultants or auditors, or in references to the authority of the share markets when they support the point made by an actor. Much of this richness, and hence persuasiveness of the appeals, would be missed if the analysis only considered linguistic modes and rhetorical strategies of logic.

The motivation for focusing the analysis on logos, pathos and ethos (Aristotle, 1991) was to ensure that this case study would not overextend its ambitions but would emphasize the multi-modal discursive practices of actors. It would be straightforward in the model above to adjust the rhetorical styles and, for example, follow Erkama and Vaara (2010) and add autopoiesis and cosmos as rhetorical strategies; or to replace them altogether with the theorizations of change suggested by Suddaby and Greenwood (2005). The key contribution of the model above remains intact: if we want to understand how actors aim to persuade others, we need to look for their means of persuasion amongst all multi-modal discursive practices, not just language.

One function of discursive practices that needs further discussion is that of discursive practices as cues from actors to indicate what that actor is or is not willing to accept as the meaning of a construct. Here these cues are further developed and labeled as ‘transgression markers’, as they demarcate the limits of acceptable meaning. As identified in the findings, this function was observed in many instances and guises during the acquisition discourse.

DISCURSIVE PRACTICES AS TRANSGRESSION MARKERS

Transgression markers are defined as discursively constituted and multi-modal cues from one actor that signal disagreement with another actor who has overstepped acceptable limits for a practice or assertion. The cue may take any form of discursive

practice, that is, it can be spoken, written or enacted through, for example, imagery, practice, symbolism or other modalities of meaning making. Further, it can be explicit or implied, it may follow the assertion immediately or long after, and does not have to be conscious.

As shown in the findings, the function of transgression markers could be most easily observed for constructs where actors disagreed. The evaluation of the acquisition discourse suggests that in the construction of meaning of the key constructs, actors could not deviate much from pre-existing worldviews (Suddaby and Greenwood, 2005). For example, much of the discourse about a *fair share exchange ratio* was about the respective capabilities of the companies to exploit opportunities available to them. As a company itself is a main source for such information, it would be reasonable to assume that a CEO has some measure of influence over the perception of these capabilities. However, as shown in the findings, CEOs have to navigate narrow margins, and straying beyond the established meaning was likely to result in an immediate question or rebuke from, for example, an analyst, journalist or regulator. This can manifest itself in subtle informational questions about a subject where the questioner is not yet willing to accept the asserted meaning of a construct, or it can be an explicit and blunt disagreement. Repeated severe transgressions of acceptable limits to meaning by an actor may result in a loss of legitimacy or credibility on the part of the transgressor thereby reducing their ability to influence or persuade others. Many of the examples of discursive practices in the findings could function as transgression markers. The negotiation of meaning for constructs was described as the convergence or divergence of the meaning that decision-makers were willing to assign

to relevant core constructs. In this context the function of discursive practices to signal convergence or divergence throughout the acquisition discourse is critical to the ability of actors to determine whether or not they have sufficient support to be able to proceed with the proposed strategy. As such, the role of discursive practices as transgression markers complements their role of persuading through appeals to rhetorical strategies, in that they help identify how much 'push back or give' from an audience there is when trying to shift meaning.

The definition of transgression markers enables the description and identification of how strategy or strategic practices are negotiated between actors (Maitlis and Lawrence, 2007) and how, for example, broader discourses or praxis are brought to bear in such negotiations. These may be embodied in, for example, accounting standards (Young, 2003) or strategic tools (Spee and Jarzabkowski, 2009), which are enacted in strategizing. Further, it enables us to understand how actors exert power on strategy by drawing on the subtle or not so subtle power of these cues, and in doing so demonstrates the propensity for strategy to unfold in correspondence with dominant praxis or dominant discourse (Chia and MacKay, 2007; Jullien, 1995). This unfolding may lead to recursivity or adaptation of the strategy (Jarzabkowski, 2004). As Roberts et al. (2006) illustrate, this might happen when a CEO or finance director meets with fund managers, which can be seen as 'an almost ritual subjection ... to the litany of shareholder value' (p.287). Failure to take notice of fund manager comments during the meeting would store up 'a huge amount of trouble' (Roberts et al., 2006, p.289) and might lead to pressure on the share price owing to disaffected fund managers selling off shares.

Roberts and his colleagues' study (2006) draws attention to the dual and interrelated role of, what are called here, transgression markers. First, they provide an indication of the likelihood that key support for a strategy will be forthcoming when needed. Second, they may actively shape strategy: if support from certain actors is particularly important, it will be more likely that an organization's strategy will remain within the limits accepted by key actors as 'good strategy'. Internal and external actors can be influenced by and draw upon, for example, the prevailing broader discourses, which place limits around strategy and shape how it is played out by key actors. These limits may be ill defined or contested such that the actors involved are unable, at least initially, to agree on strategic action. Ultimately, however, as a result of this discursive activity, an acceptable strategy emerges, which is shaped by prevailing power relationships and processes (Hardy and Phillips, 2004; Mumby, 2004). These power relationships and processes are important variables in understanding how strategy unfolds (Phillips et al., 2008).

CALCULATIVE DEVICES AS BOUNDARY OBJECTS

As argued earlier, calculative devices constitute a distinct and critical modality through which an M&A discourse is enacted. The negotiation of the acquisition through calculative devices was helped because the devices allowed to summarize many disparate elements into a single number, that is, they provided a 'single space' (Callon and Muniesa, 2005) for symbolic numerical manipulations, for example, for each company's valuation.

The findings show the preeminence of calculative devices in the pre-acquisition discourse, and their suggestion of precision, objectivity or factuality make their role as

boundary objects particularly interesting for a detailed analysis. Calculative devices met the two criteria for boundary objects and are 'both adaptable to different viewpoints and robust enough to maintain identity across them' (Star & Griesemer, 1989, p.387). Adaptation was achieved by groups of actors through variations in the symbolic numeric manipulations. Robustness and commonality across different groups resulted from extensive and detailed codification in, for example, accounting standards and stock exchange requirements on reporting, which limited the variability of the calculations.

The findings show that calculative devices as boundary objects have two connected but quite different roles. The first role is a cognitive role that emerges as actors socially construct an object that enables communication across different groups. This role is about aligning views across groups and emphasizes boundary objects as a means of knowledge representation or knowledge sharing (Carlile, 2002; Orlikowski, 2002). The second role is to interpret the impact on the interests of a group – in this thesis the impact of the proposed acquisition. Star and Griesemer (1989) recognize both roles in their development of the concept of boundary objects but conflate them by switching frequently between terms like 'views', 'goals', 'visions', 'sentiments', 'sets of concerns' and 'interests'. However, the wording of the criteria for boundary objects they proposed only explicitly emphasizes the cognitive role of boundary objects. As the findings show, much of what happens when two groups try to bridge their differences is a consequence of the second role, and is better understood by focusing on power and interests, than on cognition. This second role of boundary objects can be either generative or distributive. If it is generative then the boundary object suggests

additional benefits for both groups it is trying to connect, that is, the interests of both groups align. If it is distributive then the boundary object allocates a limited amount of benefits across both groups, that is, their interests do not align. The calculative device for the *additional value pool* is an illustration of a generative boundary object as both sets of shareholders recognized the potential of additional shareholder value as being in their interest. In contrast, the *fair share exchange ratio* was distributive as each variation of the ratio had opposite implications for the two sets of shareholders: one would gain more shareholder value at the expense of the other. Similarly, the calculative device for iron ore market share, as a proximate for the impact on competition, was distributive: each variation of calculated market share had opposite implications for how much market power either customers or the combined organization expected to have following the acquisition. These examples highlight the importance of considering the impact of a boundary object on the interests of actors in order to determine their potential effectiveness. Actors who tried to bridge the differences with other groups of actors emphasized generative boundary objects. For example, while the BHP leadership could not avoid talking about the share exchange ratio (which was a distributive), they emphasized the additional value for each group of shareholders (which was generative). Similarly, while iron ore customers emphasized market share (distributive) as a proximate indicator for *impact on competition*, the BHP leadership tried to (unsuccessfully) shift the discourse to the impact the acquisition would have on bringing more product to the market faster (generative).

While the original two criteria of plasticity and commonality (Star and Griesemer, 1989) identify the cognitive role of boundary objects, they ignore the fact that communication and negotiations are not always between actors with similar positions of power or aligned interests. The earlier discussion about the role of powerful actors in the selection of key constructs in the acquisition discourse had already identified that powerful actors impose constructs to structure a discourse in a way that furthers their interests. In doing so, these constructs or the calculative devices that represent the constructs, take on the role of boundary object between groups of actors. For example, shareholders are willing to use a calculative device for *share exchange ratio* as boundary object, exactly because it provides an expression of their interests. This thesis argues that this suggests an additional third criterion for boundary objects: legitimacy. Powerful actors can deny a construct or calculative device legitimacy and prevent it from becoming a boundary object, if they perceive the construct or device as indifferent or a potential threat to their interests, even if it would meet the original criteria of plasticity and commonality.

Previous research has explicitly identified the role of boundary objects related to power and interests (Bechky, 2003; Oswick and Robertson, 2009; Spee and Jarzabkowski, 2009). For example, Bechky (2003) identifies technical drawings as boundary objects that were preferred by engineers and helped protect the status (i.e. interests) of the engineers. Also, Oswick and Robertson (2009) show that there is more to boundary objects than providing bridges and anchors between disparate groups to facilitate a particular strategy. They can also enact barricades and mazes to reinforce existing power structures. However, these previous studies, whilst drawing attention

to power, do not go as far as to suggest as a third criterion for boundary objects - that they must be considered legitimate in order to be accepted as a boundary object. Such a criterion would encourage a critical interpretation of boundary objects as political devices. This criterion of legitimacy proposed here also implies the need for plausibility and generativity, which seem to be required to bring other groups of actors on board. While an all-powerful group of actors might be able to impose a particular calculative device on a discourse, this device would not operate as a *boundary* object between two groups if it is rejected outright by the other group of actors.

The discursive approach taken by this thesis also offers a somewhat different perspective on the sociomateriality of boundary objects. The approach developed by Actor Network Theory (ANT) emphasizes the development of 'objects' as the result of the enrolment of human and non-human actors in a network of relationships (Callon, 1986; Latour and Woolgar, 1986; Law, 2009). This gives the primacy of solidifying to these actors. In contrast, a discursive analysis shows how these 'objects' can be seen to emerge from a network of relationships with other discourses (Oswick and Robertson, 2009). This means that the acquisition discourse can be seen as a crossover of other discourses that are woven through the acquisition discourse and shape what it looks like. Calculative devices used in the acquisition discourse connect many of these discourses, including discourses related to accounting and finance standards, discourses on economic development, commodity demand, commodity prices, exchange rates, sovereign risk, in a single object. Key actors who play a direct role in the acquisition discourse generally play a minimal role in these broader discourses. While they are expected to weave them into the acquisition discourse to provide a

coherent and integrated narrative, they cannot significantly influence these discourses, creating a situation where the resulting objects are difficult to dispute.

To conclude, the analysis of the use of calculative devices in an acquisition discourse contributes to the literature of boundary objects by proposing a third criterion, that of a requirement of legitimacy, in addition to the criteria of plasticity and commonality.

This third criterion emphasizes a critical interpretation of the role of power in communication and negotiation between different groups.

The next section will discuss in greater detail how the interweaving of discourses applies to the negotiation of meaning of the key constructs of the acquisition strategy more broadly, and involves drawing on discourses that relate to the broader context and other times. As such, it will develop a response to the second research question that has guided this thesis by showing how these different discourses interact (Hardy and Phillips, 1999; Leonardi and Jackson, 2004; Mitra, 2006; Tienari et al., 2003).

5.2 TEMPORAL AND CONTEXTUAL WORK IN STRATEGIZING

The second research question that guided the thesis aimed to develop insights regarding the epistemological foundations of strategizing. This question is:

What is the role of time and context in the social construction of meaning in strategizing?

The literature review showed these dimensions to be critical to strategizing. However, the exact role they play in a discursive perspective on strategizing, or how this role defines what is specific to strategizing, remains largely unanswered. This research aims

to contribute to a discursive epistemology that is specific to strategizing. By theorizing the construction of meaning as an epistemological instead of ontological act, this thesis itself remains ontologically mute (Gergen, 1994; Holt and Mueller, 2011). This limits the term to how it is mostly used in philosophical literature (Crotty, 1998; Kant, 1976; Rorty, 1991), and enables researchers to claim they are social constructionists, irrespective of whether they identify ontologically as critical realists or as idealists. For example, in doing so it accommodates Kwan and Tsang's definitions of a moderate and radical epistemology (Kwan and Tsang, 2001), as well as the social constructionist interpretation of Al-Amoudi and Willmott's epistemic relativism (Al-Amoudi and Willmott, 2011). Also, it sits comfortably within epistemological considerations from discursive and social constructionist scholars with a broader perspective of organizational or management studies (Chia, 2000; Fairclough, 2005; Fleetwood, 2005; Holt and Mueller, 2011; Phillips et al., 2006; Reed, 2000), irrespective of whether they would identify themselves as social constructionist, critical realists, idealists or also remain ontologically mute. Importantly, this epistemology clearly emphasizes what is specific and different about *strategizing*.

As set out in the introduction of this thesis, the objective was to determine an initial direction for the development of such an epistemology of strategizing, which may provide a personal research program for many years to come. There is no claim that what is presented here is a comprehensive epistemology of strategizing. The discussion draws interchangeably on the concepts of interweaving (Fairclough and Wodak, 1997) and intertextuality (Grant et al., 2005; Hardy and Phillips, 1999; Keenoy and Oswick, 2004; Oswick and Robertson, 2009; Riad et al., 2012; Vaara et al., 2006).

While the dimensions of time and context are well recognized in the discourse literature (e.g. Keenoy and Oswick, 2004; Sabelis et al., 2005), the aim here is to explore what may be specific about strategizing as discourse in relation to these dimensions. As will be argued, this can be understood by drawing on the concept of horizon, 'a boundary which moves back as we move towards it' (Taschdjian (1977) in Das, 1991, p.53). First, the time horizon and context horizon will be discussed separately, followed by a discussion of the implications of this conceptualization for an epistemology of strategizing.

TIME HORIZON

The findings show how accounts of the future were woven into the pre-acquisition discourse. This included examples such as the expected multi-decade demand for mining commodities; the pipeline of projects; the calculative device of net present value; and the presentation of a vision of becoming a resources super-major. Taken together the examples from the case study demonstrate that strategizing could not realistically be conceived without a temporal dimension, as each of the three key constructs were permeated by and depended on references to the future of the industry, the company's future vision and future profits. Other examples also show that the temporal dimension is not limited to the future but includes the reconstruction of accounts of the past that were woven into the pre-acquisition discourse. This was particularly the case when actors made claims regarding the historic track records of BHP and Rio, which may have impacted perceptions of their respective abilities to deliver shareholder value and, by implication, the *fair share exchange ratio*. While different accounts of track records related to the past, they

were still future-oriented as these accounts were used to suggest future capability.

This confirms previous research that argues that, while temporal work in strategizing involves weaving accounts of the past, current and future into strategic accounts (Kaplan and Orlikowski, 2013; Keenoy and Oswick, 2004), strategizing is foremost a future-oriented activity (Baghai et al., 1999; Das, 1987; Johnson et al., 2011; Kaplan and Orlikowski, 2013; Mintzberg, 1994; Mintzberg et al., 1998; Mosakowski and Earley, 2000; Taschdjian, 1977; Wright et al., 1996).

Attention to this temporal dimension can be seen in most schools of strategy and is generally positioned as anticipating or forecasting the future and acting accordingly (Baghai et al., 1999; Kaplan and Orlikowski, 2013; Mintzberg et al., 1998). However, from a constructionist perspective such statements about the future are interpretive (Gioia et al., 2002; Weick, 1979) as discursive ‘imaginings of what might be possible’ (Kaplan and Orlikowski, 2013, p.966). Accounts of other times that are considered when strategizing can be seen as multi-modal discursive practices that construct a past or future, which we weave into the fabric of the *current* strategy discourse. Keenoy and Oswick (2004) refer to this as ‘temporality-in-the-present’, that is, ‘the past, the present, and future are simultaneously embedded within a discursive event (i.e. the ‘past-in-the-present’, the ‘present-in-the-present’ and the ‘future-in-the-present’)’ (p.138). This means that the temporal work in strategizing constructs how we *now* recall the past or imagine the future (Kaplan and Orlikowski, 2013), in this ‘discursive moment’ (Keenoy & Oswick , p.138). These should not be seen as accurate histories or forecasts of other times but as (re-) constructions of that past or future. Each subsequent instance of reconstructing the past or the future is neither an exact replica

nor completely divorced from previous constructions. It always combines both recursivity *and* adaptation. As such, each instance implies a connection of past, current and future patterns (Fairclough and Wodak, 1997; Giddens, 1986; Phillips and Hardy, 2002).

The findings suggest that the concept of time horizon is critical in the process of the social construction of meaning as it occurs as part of strategizing. The concept of time horizon proposed here has some overlap with the temporal orientation and Shi's temporal role of 'when' (Shi et al., 2012), and connects with the idea of a 'textscape' (Keenoy and Oswick, 2004), which considers how texts that relate to another time are woven into the current strategic discourse of an organization. If we interpret 'text' as discursive practices then many of the temporal dynamics observed by Kaplan and Orlikowski (2013) are the same as the dynamics that were identified in the findings of this case study, albeit described from a practice instead of a discourse perspective. They involve weaving together different discourses to form meanings of key constructs that are 'coherent, plausible, and acceptable' (Kaplan and Orlikowski, 2013, p.965) through persuasion and negotiation. Discursive practices that relate to a more distant future have a greater potential to recast current strategy discourse and explore 'barely conceivable alternatives' (Kaplan and Orlikowski, 2013, p.991). For example, in the BHP case study, the acquisition could only be conceived of as a potential strategic option if the time horizon were set out far enough to include fully realized annual cost and revenue synergies. If they had only included accounts for the next few years, then the additional value that was seen to be generated may not have warranted the effort and risk of this strategic option. While previous studies acknowledge the importance

of time and temporal work (Kaplan and Orlikowski, 2013; Keenoy and Oswick, 2004), this thesis argues that it is not enough to say that strategy discourse draws on discursive practices that relate to time. What is specific and core to the purpose of *strategizing* is to increase or improve strategic options for an organization, and this may require *extending* the time horizon beyond what would be considered in the day-to-day discourse in order to draw on *additional* discursive practices that may help recast the existing discourse in the organization.

The explicit inclusion of a time horizon in the epistemology of strategizing proposed here allows for a consistent definition of strategizing, irrespective of the level of seniority of a particular actor (Jacques, 1979). For example, front-line managers who are told to 'be more strategic' may have to extend their horizon beyond, maybe, three to six months, while CEOs who are told the same may need to extend their horizon to a future that is ten years or more out; for example, BHP CEO Kloppers considered the Olympic Dam mine development in South Australia a 50+ year project. Therefore, the concept of an extending time horizon provides a useful notion that can emphasize what is specific about strategizing.

While the above shows how the future in strategizing is socially constructed, it remains problematic to argue that time *only* emerges as a result of social processes, that is, it is only added by social processes. In all the situations discussed, time remains sequential, and while there may be a perception of cyclicity or cyclical patterning of events, a particular event or discursive moment in time, once passed, cannot be undone or cycled back but – at most – forgotten or reinterpreted. Also, we cannot strategize without at least an implicit notion of time and, more broadly, we are

incapable of perceptions that are not conditioned by time. All our perceptions, that is, all phenomena, are shaped by time as a primary category (Kant, 1976). This is why Kant considered time one of two transcendental forms of perception (Kant, 1976) or primary conditioners of how we know as humans, that is, without which we cannot perceive or think about something. Kant's second transcendental form of perception is space. Space, as will be argued, is echoed in the second strategic horizon: context. Context includes a Euclidian concept of space and a metaphorical projection of space, for example, when envisaging a discourse as a space where multi-modal conversations take place and other discourses are combined and interwoven. To date the term 'horizon' has been used to designate a horizon for time only (Baghai et al., 1999; Das, 1987; Taschdjian, 1977). Here this use is extended further to encompass a context horizon.

CONTEXT HORIZON

The concept of interweaving is used interchangeably with the concept of intertextuality to describe the connection between broader and local discourses (Erkama and Vaara, 2010; Hardy, 2004). The findings demonstrate how key actors in the acquisition discourse discursively constructed a number of broader discourses in the local acquisition discourse throughout the period under investigation. Some of the key broader discourses that were interwoven in the pre-acquisition discourse included the primacy of shareholder value; consolidation of mining companies into super majors; whether or not mining companies should extend into oil and gas; the demand of global markets; and the importance of competition. While the discourse of the global financial crisis also played a significant role, it only emerged at the very end of

the acquisition episode, and was therefore not included as a recurring theme in the findings.

The findings also show how broader discourses, key constructs and actors co-emerge. For example, shareholders had decision-making power *because* a broader discourse of the primacy of shareholder value had been embedded in common practices, institutions and regulations that prioritized the interests of shareholders, like executive stock options, listing rules and the legal responsibilities of company directors, and key actors recursively enacted the resulting dynamics. Also, *additional value pool* and *fair share exchange ratio* emerged as key constructs because they reflected the interests of decision-makers, and reiterated the power of key actors as decision-makers. The same dynamic was highlighted in the findings for the competition regulators as decision-makers.

From a discursive perspective, the context of a particular text or discourse is primarily constituted by other sets of texts. Such 'contexts are not simply a backdrop to text, they are actually embedded within it' (Keenoy & Osrick, 2004, p.140). In this thesis a deliberate differentiation was made between a local strategy discourse and broader discourses. Such broader discourses have been variously described in previous research as 'macro', 'meta', 'grand', 'capital D' or 'mega' (Alvesson and Kärreman, 2000; Boje, 2001; Keenoy and Osrick, 2004; Phillips et al., 2008; Robichaud et al., 2004). To avoid a suggestion of hierarchy, they are described here as interwoven. While it has been acknowledged that such broader discourses may have a critical role in shaping a particular local discourse, few studies have looked at how this occurs (Erkama and Vaara, 2010; Hardy, 2004). The discursive construction of contextual

discourses in the local strategy discourse is fundamental to any organizational activity. Here such contextual work is seen as linking key constructs of the local strategy discourse and broader discourses in a way that converges meaning and enables actors to agree on decisions. However, previous research does not identify what is specific to *strategizing*. This thesis argues that strategizing as discourse involves moving towards a contextual horizon by trying to influence the discursive construction of strategic options in the context of discourses that relate to increasingly distant locales (Keenoy & Osrick, 2004), or that were created by actors increasingly removed from the local strategic discourse (Briers and Chua, 2001; Law and Hassard, 1999; Steen et al., 2006). For example, does the proposed acquisition of Rio by BHP seem sensible in the context of broader discourses of the emergence of mining super majors or long-term demand for mining commodities? What will it mean for shareholder value or competition? If strategizing by extending the contextual horizon is done successfully, then such reinterpretations may create new strategic options that did not seem possible previously.

The contextual horizon of strategizing can be extended or decreased in a number of ways, and can zoom out or in (Latour et al., 2012), or scale up or down (Hardy, 2004) interconnected discourses. While this suggests that actors might have some choice in selecting broader discourses to frame their local strategy discourse, this choice appears limited. This is due to the co-emergence of decision-makers and broader discourses discussed earlier. We saw how decision-makers shape the acquisition discourse and, in order to persuade, actors must frame their arguments to cohere with the worldview and interests of decision-makers. This may influence what is seen as the

appropriate context horizon for a local strategy discourse. The co-emergence of actors and broader discourse discussed earlier suggests that the contextual horizon of strategizing can be described not just in terms of broader discourses, but also in terms of other actors. In an acquisition scenario this is reflected in the differentiation of decision-makers who have an immediate and direct impact on the acquisition discourse, and influencers who have a less immediate impact and can be considered part of a broader context. Beyond that there are actors who play no role in the acquisition as such, but who still shape broader discourses that do influence the influencers and decision-makers indirectly. For example, for the case study this would have included key actors in the global financial crisis.

This horizon of strategizing can also be generalized for different hierarchical levels of an organization. As with time horizons, strategizing by considering a broader contextual horizon is relative, and the highest levels of an organization's hierarchy can be expected to draw on the broadest discourses. For example, in the case study this is illustrated by CEOs Kloppers and Albanese who drew on broad societal discourses of shareholder value to argue for or against the proposed acquisition strategy; division heads for petroleum and iron ore who drew on global market discourses for their respective commodities; and a shipping manager who commented on the inability of one particular port to cope in the context of growing production volumes in the region. While a practitioner in this context may refer to a 'bigger perspective', this notion is not unproblematic. Latour and colleagues (2012) suggest that the differentiation between an individual component and aggregated structure is itself socially constructed. Coming from an ANT perspective, they explain this in terms of actors:

actors are entirely defined by their networks (Law and Hassard, 1999, in Latour et al. 2012) and – importantly – the opposite holds: the network is entirely defined by its actors (Latour et al., 2012). Something similar can be argued from a discursive perspective: the local strategy discourse is a point or space where other discourses overlap and are combined, and vice versa: those other discourses exist in other local discourses. Every individual text or discursive practice may be part of a local strategy discourse and a broader discourse simultaneously. For example, BHP's profit and loss statement is part of its local strategy discourse, but at the same time it enacts a broader discourse on accounting standards. Further, whether a discourse is seen as local or broader is not an objective characteristic, but depends on the perspective of the actors: if they are main actors who shape and decide on the discourse then it is their locale and their local discourse. From the outset it informed the definition and analysis of broader discourse here, and the reason why the terms 'mega' or 'big D' discourses were avoided (Alvesson and Karreman, 2011), as these suggest a hierarchical logic in the relationship between a local and a broader discourse. If external actors predominantly shape a discourse that is woven into the local strategy discourse of numerous organizations, it is, for the purposes of this thesis, by definition a broader discourse.

After the above discussion, it seems self-evident that strategizing by extending the contextual perspective of the local discourse is a social activity. The external environment is not objectively given. It is constructed in the local strategy discourse by drawing on, selecting, connecting and interpreting other socially constructed discourses. Even if a person appears to be strategizing 'alone', this process involves a

continuous drawing on and interweaving of such broader discourses that have been created and disseminated by others.

This extension of horizon, whether imagined as an extension into broader discourses, or as an extension into broader networks of actors, echoes Kant's second transcendental form of perception of space (Kant, 1976). While a discursive space differs from a Euclidian space, these other discourses or other actors appear logically positioned predominantly outside the local strategy discourse. They can be brought into the local discourse, but will largely continue to exist and develop outside the local strategy discourse. Traces or echoes of space as a form of perception also reside in the use of terms like 'into' and 'outside' when talking about the connection between local strategy discourse and broader discourses. Do we use such spatial terms because, as Kant argued, we cannot perceive without imposing space, or does space emerge from the use of the terms? There is no intent or possibility to consider this question at a metaphysical level in the context of this thesis, as Kant did. The aim here is far more modest: whether space (and earlier in the discussion, time) is a transcendental form of perception or simply a category of sense making that we must use when strategizing may not matter for a discursive epistemology of strategizing. In either case they remain essential to better understand how these horizons shape strategizing.

A DISCURSIVE EPISTEMOLOGY OF STRATEGIZING

The discussion of a time and context horizon has shown how meaning in a local strategy discourse is constructed, in part, by interweaving discourses that relate to other times and broader contexts. This thesis argues that, while time and space dimensions are well recognized as fundamental to epistemology, their specific role in

strategizing is not well understood. That role derives from the purpose of strategizing, which was defined as the discursive construction and negotiation of new or improved options for a preferred future. The temporal or contextual work that comes with extending the time and context horizon changes the tapestry of interwoven discourses that make up a local strategy discourse and provide the opportunity to construct strategic options that were previously not considered possible. In the description of a social constructionist and discourse theoretical framework for the case study, it was argued that the world comes into being and is carved from an undifferentiated flux of sensory experience (Chia, 2000). Constructs, objects or concepts emerge from 'bracketing' (Weick, 1979, 2006) those carvings. Strategizing is therefore about looking beyond the bracketing we take for granted on a day-to-day basis. It is about deconstructing taken-for-granted truths and meanings, and questioning conceptual fixedness, in order to create a fluidity that will enable recombining that which was bracketed in a different way. The more we succeed in changing the tapestry of interwoven discourses, the greater the potential to negotiate a very different strategy.

From a practical perspective this does not mean that we should aim to extend our time and contextual horizons as far as we like. There is a price to pay when doing this. Resistance may come from powerful actors who fear that they may lose in a reconstructed discourse. The case of BHP's failed acquisition of Rio Tinto shows that it is exceedingly complex and difficult to realise this potential.

Part of why this is complex and difficult is that the temporal and contextual work in the negotiation of meaning is conducted as part of the local strategy discourse through constructions of the future (i.e. the future-in-the-present) and the broader context (i.e.

context-in-what-is-present). If these constructions are similar to enactments in the many other discourses in which they play a role, then actors may be able to converge relatively quickly on parts of the local strategy discourse. If they are dissimilar, then tensions arise between the local strategy discourse and other discourses. Such tensions have to be resolved in order to gain support from decision-makers, either by adapting the interpretation of a particular local strategy discourse (i.e. why is *this* acquisition different?) or by reshaping widely accepted discourses of the future and the context. For example, in the case study, the negotiation of the *additional value pool* appeared to cohere with the synergies that actors expected from this sort of transaction. The proposed acquisition strategy was interpreted as coherent and acceptable in the context of creating additional shareholder value, and convergence was swift. It did not require actors to reinterpret their concept of how additional value emerges from acquisitions over time. This was very different for the negotiation of the *impact on competition* where extensive temporal and contextual work occurred. In order to converge, external actors were asked to significantly reinterpret the meaning of the acquisition in the context of a broader discourse on the importance of competition. As shown in the findings, this included changing how they perceived the relevant (iron ore) market share; privileging a promise of 'more product to market faster' ahead of increased market concentration; and trusting that new producers would emerge rapidly. Such a reinterpretation would require actors to ignore how acquisitions are typically interpreted across other local strategy discourses, and creates tension between interpretations. Consequently, these reinterpretations were not considered coherent, plausible and acceptable, and a breakdown resulted (Kaplan and Orlikowski, 2013), which impeded the acquisition strategy.

MATERIAL OUTCOMES OF THE PRE-ACQUISITION DISCOURSE

The discussion above adds to discourse studies by showing how strategizing as discourse can lead to material outcomes. Few studies have made the link between the role of discursive practices, rhetorical styles and the interweaving of discourses in the negotiation of meaning, and the resulting material outcomes (Green, 2004; Öberg, 2012; Suddaby and Greenwood, 2005). This study establishes such a link. It does so by demonstrating how strategizing discourse not only establishes meaning, but can also shape opinions and influence behaviours that lead to material outcomes. Within the context of a broader shareholder value discourse, material outcomes are arguably those that appear to deliver significant monetary value to shareholders. The analysis identifies a number of examples where this was the case. In the example of the valuation of BHP's oil business, a successful re-negotiation by BHP leadership of the meaning of 'oil reserves' in line with mining praxis (as opposed to traditional SEC praxis for oil companies) may have created hundreds of millions of dollars in shareholder value. In another example, the discourse surrounding the relevant iron ore market impacted the perceived level of market control of the merged entity, and subsequently the conditions imposed by the European regulator. A third example from the case study was the failure of BHP to convince its customers that an acquisition would be to their benefit, and the resulting raid on Rio shares to try to influence the acquisition outcome. Lastly, the failure of the acquisition strategy in the end is illustrative. Kloppers attributed this to the combination of the demands of competition regulators in the context of the global financial crisis. This can be seen as a significant

shift in the broader discourse of, amongst others, economic development, market demand for commodity products and the availability of capital. This shift created significant tension and uncertainty in relation to *additional value pool*, as it had undermined the coherence and alignment of different discourses that were woven into the calculation of that pool. The tight connection that had to exist in the acquisition discourse between *additional value pool* and the broader discourses, ultimately led to the undoing of the proposed acquisition transaction.

5.3 SUMMARY TO CHAPTER

The discussion shows that strategizing in the pre-acquisition phase is a multi-modal discourse in which internal and external actors of an organization construct and negotiate strategic options and a set of actions to bring about that future, while looking further ahead in time and considering a broader context. This thesis makes a number of contributions by showing that external actors play a significant role: they determine the structure of the acquisition discourse; try to persuade other actors; and decide whether the transaction will proceed. Further, internal and external actors use a broad range of multi-modal discursive practices, including speech, writing, imagery (maps, graphs, photos, video), calculative devices and location in order to persuade other actors and influence the pre-acquisition discourse. In contrast to previous research, the thesis shows how these discursive practices are multi-modal and persuade through a multi-layered, simultaneous and powerful appeal to reason, emotion and authority. Further, they may also function as multi-modal transgression

markers that signal convergence or divergence during the negotiation of meaning of the key constructs that structure the pre-acquisition discourse.

Calculative devices were identified as a critical and distinct mode. They function as boundary objects that are adaptable to, and robust across, different groups of actors. It is argued that, for an object to be accepted as a boundary object, it must be considered legitimate by decision-makers and help them to interpret the impact of a proposed strategy on their interests. Boundary objects can be seen to develop through four stages: identification, calculation, negotiation and objectification.

This study makes a further contribution by theorizing a discursive epistemology of strategizing as the interweaving of discourses that relate to the future and to broader contexts into the strategy discourse. While time and contextual dimensions are well recognized, their specific role in strategizing is not well understood. The temporal or contextual work that is specific to strategizing comes from *extending* the time and context horizons, which changes the tapestry of interwoven discourses that constitute a local strategy discourse and provide the potential to construct strategic options that were previously not considered possible.

6 CONCLUSIONS

6.1 INTRODUCTION

This research set out to better understand what happens during strategizing from a discursive perspective. This ambition arose from personal and professional experiences, some of which are discussed in the appendix. The selection of an acquisition in the mining industry as the case study was partly inspired by a desire to develop this understanding in a business environment that appeared as much as possible focused on 'hard facts' and 'objective evidence': a discursive understanding forged in such an environment will surely stand up in any other.

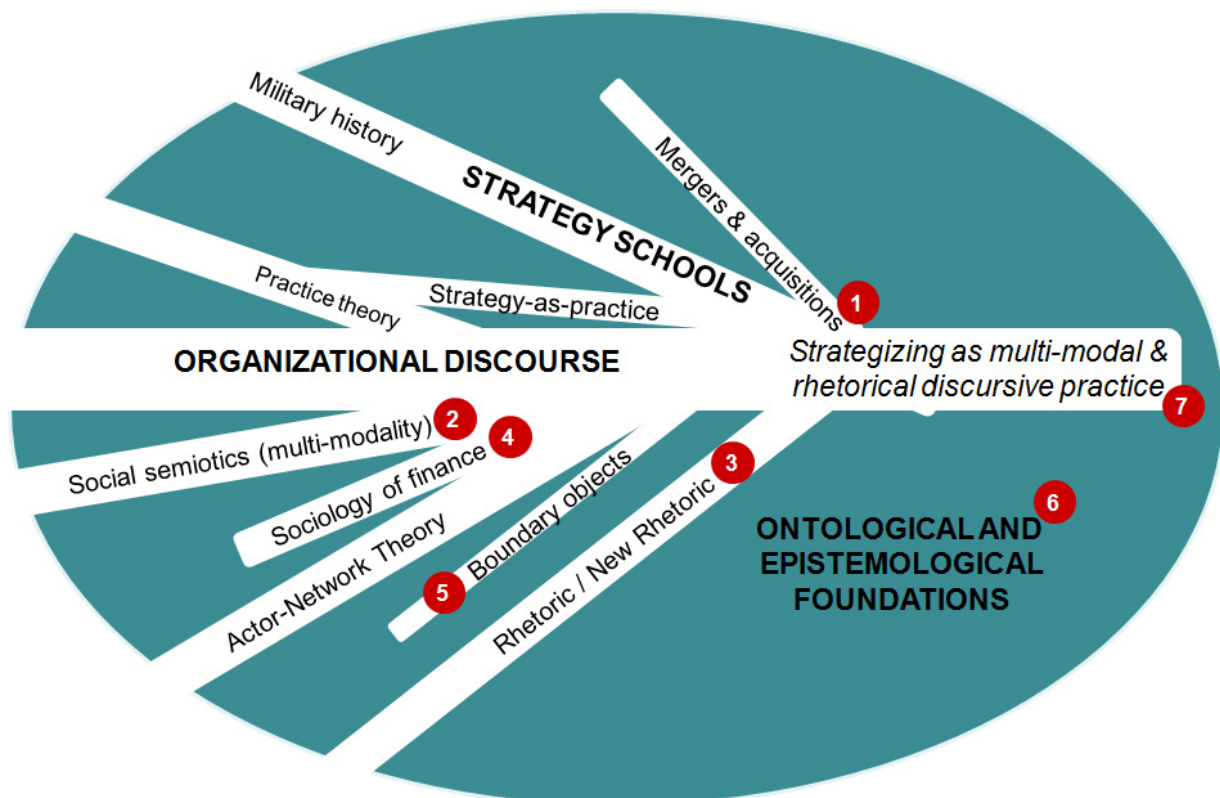
The thesis had the benefit of being able to draw on a significant and growing body of M&A and discourse literature, and offers a number of contributions to that body of literature in return. The next section identifies the contributions in the context of previous studies. Following that, the chapter identifies how this research can also be used meaningfully by practitioners. All research is only ever provisional. Therefore, this chapter concludes with identifying the limitations of the research, and suggesting future directions to extend it.

6.2 IMPLICATIONS AND CONTRIBUTIONS TO THEORY

This thesis adds to a still limited body of research into the discourses surrounding M&A transactions (see number (1) in Figure 6-1 below). While most research into acquisition discourses routinely ignores the structure and dynamics of pre-acquisition discourse (Teerikangas & Joseph, 2012a; Vaara, 2002), this thesis focuses on the period preceding the transaction. An initial contribution is that the research shows

that in a pre-acquisition discourse external actors are not a passive audience but play a significant role and interchange roles as rhetor and audience. They determine key constructs, persuade other actors and decide on the acquisition outcome. This contributes to previous research that has focused on internal instead of external actors in strategy discourse (Hellgren et al., 2002; Kuronen et al., 2005; Teerikangas et al., 2012).

Figure 6-1: Locating Contributions to Theory



While in the past empirical studies of discourse have predominantly looked at the role of linguistic modes, more recently there have been calls for considering multi-modal discursive practices (Grant et al., 2004b; Iedema, 2007; Jacobs & Heracleous, 2007; Royce et al., 2006). This thesis responds to that call and makes a contribution by showing how internal and external actors enact the pre-acquisition discourse through

a broad range of multi-modal discursive practices, including speech, writing, imagery, location and calculative devices (see number (2) in Figure 6-1). The case study makes a further contribution by showing how actors work to persuade each other not just using linguistic modes (Erkama et al., 2010; Sillince, 2005; Suddaby et al., 2005) but multi-layered rhetorical strategies were also brought to bear through non-linguistic modes (see number (3) in Figure 6-1). In addition, this contribution is extended by showing how multi-modal discursive practices also function as multi-modal cues, and theorizes these as transgression markers that signal convergence or divergence during the negotiation of meaning of key constructs.

This study was able to make a number of further contributions by paying particular attention to calculative devices and identified these devices as a distinct and critical mode as they were prominent throughout the discourse (see number (4) in Figure 6-1). While previous studies show how actors use calculative devices to legitimize decisions (e.g. Baxter et al., 2003; Briers et al. 2001; Denis, Langley, & Rouleau, 2006), most do not pertain to pre-acquisition discourse and ignore the calculative aspect (Callon et al., 2005). The thesis showed that calculative devices are imbued with logos and ethos through, for example, the calculative logic, accounting standards, and data sources that are woven together in the symbolic manipulations of the device. Further, the thesis makes a contribution to theory by showing how calculative devices act as boundary objects (see number (5) in Figure 6-1) and argues that the two widely accepted criteria for boundary objects of adaptability and commonality (Bechky, 2003; Spee & Jarzabkowski, 2009; Star & Griesemer, 1989) emphasize a cognitive role for boundary objects but underplay their role in reinforcing power structures (Oswick et

al., 2009). Consequently, it proposes a third criterion for boundary objects, that is, objects will only be able to take on the role of boundary object if decision-makers consider them legitimate because they help determine and protect the impact on their interests. A final contribution in relation to calculative devices is made by showing how boundary objects develop over four stages, which were identified as identification, calculation, negotiation, and objectification. As calculative devices become increasingly objectified, it will take a formidable effort to try and change them.

In addition to these dynamics, the thesis also outlines a discursive epistemology of strategizing through its analysis of the role of time and context in the social construction of meaning in strategizing (see number (6) in Figure 6-1). Temporal work (Kaplan et al., 2013; Keenoy et al., 2004) and contextual work (Grant et al., 2005; Hardy et al., 1999b; Keenoy et al., 2004; Riad et al., 2012) must construct coherent, plausible and acceptable connections between local and broader discourses, as well as discourses of the past, present and future to enable agreement on strategic choices (Kaplan & Orlikowski, 2013). Few studies explore how local and broader discourses interact (Erkama et al., 2010; Hardy, 2004). Also, previous studies on time and local discourse focus on how they change over time (Bushe & Marshak, 2009; Ford & Ford, 2008; Grant et al., 2011; Huy, 2001), instead of how they draw on texts about (mainly) the future. Further, while the importance of time and context are acknowledged in organizational discourse, it remains unclear what is specific to strategizing. The thesis argues that the purpose of strategizing is to construct and negotiate new or improved options for a preferred future and the actions to bring these about, and makes a contribution to a discursive epistemology of strategizing by showing how temporal and

contextual work in strategizing extends the horizon of discourses that relate to the future and discourses that relate to the broader context. This creates new strategic options by reconstructing the tapestry of interwoven discourses that make up a local strategy discourse.

While the case study pertained to a merger and acquisition discourse, it appears likely that similar dynamics exist across other forms of strategizing discourse. Taken together, these contributions to extant literature significantly extend a perspective on strategizing as a multi-modal and rhetorical discursive practice (see number (7) in Figure 6-1).

6.3 IMPLICATIONS AND CONTRIBUTIONS TO PRACTICE

The findings of this research have immediate relevance for practitioners. This relevance is not an afterthought but is based on the application of a number of the key ideas from this thesis in executive development programs throughout the research period. This practical application benefited the research as it refined questions along the way and guided how the research would unfold. Key implications of the findings are concentrated in three areas that are critical to organizational leadership.

First, the research provides a framework for strategic thinking that can be applied irrespective of someone's level in the organizational hierarchy or their functional role. Managers can generate conversations that are more strategic by taking note of the current time and context horizon embedded in the local strategy discourse, and deliberately extending those horizons. Also, they can change the strategy discourse by

identifying, questioning and reimagining the categories and constructs that currently shape the local strategic discourse. Second, managers can improve their influence and organizational effectiveness by considering not just the language they use, but also by developing broad or reinforcing persuasive strategies that involve several layers of multi-modal rhetorical appeals to reason, authority and emotion. Also, awareness of (generative and distributive) boundary objects – including calculative devices – can help structure strategic discourses across groups. Lastly, understanding the roles that different groups of internal and external actors play in shaping strategy, and recognizing cues (transgression markers) of their support for, or resistance to, a proposed strategy, will support managers to be more effective in navigating organizational change.

6.4 RESEARCH LIMITATIONS

While this thesis offers of a number of contributions, it also recognizes that it has certain limitations. First, it uses a single exploratory case study approach. Although this enables a rich and detailed account of the attempted acquisition to be presented, and provides a good basis for theorizing, any generalizations about discourse during strategizing or as part of mergers and acquisitions (M&A) must be made with care. Second, only publicly accessible data, such as press reports, speeches, transcripts and imagery of analyst briefings, statements by regulators and so on, are used. No interview data are used in the study. While the intention was always to use only public data, which enabled various multi-modal discursive practices and the context in which strategizing was taking place to be identified, it meant that perceptions and

recollections of key actors regarding what had happened were not evaluated and were not used to complement the existing findings. Further, the analysis here focuses on a particular period and needs to be seen as a snapshot of a longer history of strategizing. Events following BHP's attempted acquisition of Rio remain undiscussed, even though they were direct outcomes of the abandoned acquisition and constituted a subsequent stage in the negotiation of strategy. Only a longer time frame would be able to position the acquisition attempt as part of long-term strategizing with external actors. Fourth, following an analysis of the suitability of a number of categorizations of rhetorical strategies, only Aristotle's classic categories of logos, ethos and pathos are used to identify such strategies in both linguistic *and* non-linguistic modes. However, these categories originate in speech and writing and may have missed strategies that are persuasive but exclusive to a non-linguistic mode. Lastly, to some extent, the research relies on accounts of multi-modal practices instead of observation of these practices. While care was taken to be conservative when analyzing and interpreting such accounts, additional insights might have emerged from direct in-situ observation of some of the discursive practices, like customer visits, journalist site visits and analyst briefings.

6.5 FUTURE DIRECTIONS

A number of important opportunities exist that may extend the contributions of this study, either by overcoming its limitations or by building on its strengths. First, future empirical research could be designed to incorporate the use of interview data. This would provide a more detailed level of insight into the motivations and reasoning that come into play when key actors discursively engage in strategizing. Second, the case

study is of an abandoned acquisition. Moreover, the attempted acquisition was a hostile and public one. This raises the question of how different kinds of M&A are discursively played out and, specifically, the effect on this of being in the public domain. It might, therefore, be useful to examine some successful or non-public company M&A using a similar approach. Third, although the case touches on this, further research using a similar approach could explore in more detail how multi-modal rhetoric is exercised by external actors and used in ways that either support or derail strategizing not only during an attempted M&A, but also during other instances where strategizing occurs, including joint ventures, board restructures or regulatory reform. Fourth, future studies of different M&A or other strategic episodes may be able to develop alternative categories of rhetorical strategies, which are embedded in, and exclusive to, non-linguistic modes. This future research could extend the analysis of the persuasive appeal of multi-modal discursive practices.

This thesis also suggests some interesting directions for future theoretical research that go beyond a marginal extension of the current research. One such direction is to continue the exploration of a discursive epistemology of strategizing. To ensure that this would stand on a solid footing, further analysis would be required of how strategy theorists (and possibly other organizational scholars) define their epistemology and ontology, and how this differs from the use of the terms in the philosophy literature. Further, additional research into how actors in a local strategy discourse draw on other discourses may identify how they create different forms of transtextual relationships (Keenoy and Oswick, 2004). This could start with a reinterpretation of published empirical strategy discourse in order to create a framework that can then

guide empirical research. Third, the research for this thesis raises methodological questions around multi-modal research that appear to be underexplored: what happens when observations have been translated from one modality into another. For example, when analyzing written (or even video) accounts of multi-modal discursive practices instead of observing those practices directly? And even if present when such practices are enacted, what do we still miss (body language, relationships between actors, historic context, etc.), how does this influence and shape the interpretation of the discursive practice, and to what extent does it matter?

6.6 CLOSING

This thesis started with the aim to better understand, from a discursive perspective, what happens during strategizing. By analysing in detail what happened in one particular case study, it has been able to make a number of contributions to a discursive epistemology of strategizing, as well as to M&A and discourse literature. These contributions suggest that where discursive studies of M&A omit to examine the multi-modality of actors' discursive practices, this is likely to lead to incomplete explanations and understandings of how actors are able to influence such important strategic events. In the case of BHP, they ultimately influenced its decision to abandon its attempt to acquire Rio. More broadly, this thesis suggests a discursive epistemology of strategizing that identifies what is specific to the temporal and contextual work that occurs as part of discourse when strategizing, and takes the linguistic and non-linguistic discursive practices of key actors seriously because they shape how an organization's strategy evolves and influence eventual outcomes.

7 APPENDIX: REFLECTIONS ON BECOMING A SOCIAL CONSTRUCTIONIST

'attempts to be reflexive often draw all attention away from the subject of the research and refocus it on the researcher' (Hardy et al., 2005a, p.799)

At the end of the documentary 'Manufacturing Consent' (Herman and Chomski, 2002) about Chomsky's similarly titled treatise on politics and language, the producer and camera man keep the camera running while packing up equipment in front of the camera. The act is deliberate to illustrate one of the key points of the documentary, that is, behind each 'text' (in this case the documentary) there are people with particular interests and perspectives, and that the documentary (or any other text) does not reflect some objective reality. The act is also surprising, simple, and remarkably effective.

In a similar vein, it seems almost deceptive to write a PhD thesis from a constructionist perspective and hide the "I" behind academic language. The purpose of this appendix is therefore to make myself visible and, at least to some extent deconstruct my own epistemological roots: *how and why do I look at the world the way I do?* While I acknowledge that, of course, I am a child of my times, I will ignore how I may have been influenced by broad contemporary social changes and focus on particular experiences that I consider significant and relevant to my identity as a social constructionist. If after reading this appendix the author appears flawed, prejudiced, or biased, than I have succeeded in my intent. To take heed of the above warning of Hardy et al. (2005a) and avoid that these reflections draw the attention from the

subject of the research, the appendix seems an appropriate location for such a reflection.

Born in 1964, I can identify a number of major elements in my early years in the Netherlands that seem relevant in why I have identified myself as a social constructionist for much of my life. Without a doubt, religion was a major element. Having an Italian father I grew up in a Catholic environment with regular visits to church, being an occasional altar boy, and attending a Catholic school with extensive religious education. Since I was about six years old, I wanted to become a missionary in developing countries, which to me appeared an exciting and heroic path of divine inspiration and a sense of adventure. Towards my 11th or 12th birthday the divine inspiration had dissipated due to the many contradictions I'd encountered in Catholicism that my logically inclined mind could not reconcile. What it left me with was skepticism to claims of absolute truths. The sense of adventure in developing countries remained, but shifted at that age to, initially, tropical forestry or tropical agriculture, and later to development economics.

Also, when I was 11 my parents separated. With my father out of the house and a change of school, church visits largely became a thing of the past. My mother pursued her religious interests through a Dutch spiritualist organization and rose through its ranks. For a period of about 10 years, starting in my early teens, my mother was first Chairman of the local chapter, and then Secretary of the national chapter of this spiritualist organization. Consequently, Sunday afternoons and the occasional weekday afternoon or evening at our home would involve groups of visitors conducting paranormal and spiritualist practices, including séances, automatic writing,

card readings, medical diagnosing of photos, healing sessions, clairvoyants etc. etc..

Even in my late teens, many of these visitors appeared either emotionally unstable or gullible, and I was not inclined to take their world view or explanations at face value.

Nevertheless, some individuals were remarkable and throughout that period I did have a number of experiences that appeared highly unlikely or impossible to explain in terms of normal science.

A third identifiable and relevant element of my early years was growing up in a multi-cultural environment. My father, some of his brothers and sisters, and many of his friends were country people who had moved from rural Sardegna (Italy) to the Netherlands to escape two years of military service and find better opportunities.

Visits to Sardegna involved deep immersion in a rural Italian community for a number of weeks, with very limited language skills and quite significant cultural differences.

These Italian experiences were in sharp contrast with my life in the Netherlands. Upon my parents' divorce, my mother met her second husband, who had been born outside the Netherlands to a Dutch father and Indonesian mother. That added further cultural experiences to my early years, and while always identifying myself unambiguously as Dutch, that identity included a significant measure of cultural relativism.

I suspect that these three elements significantly contributed to developing a sense that neither science, nor any religious group or cultural group had privileged access to some sort of indisputable truth. Instead I found myself on many occasions seeking out explanations from multiple perspectives, without feeling compelled to commit to any perspective and being comfortable with ambiguity and pragmatic answers.

I obtained my first university qualification in 1989, after six years of studying Development Economics and Operations Research with (what I consider the Dutch equivalent of) a Masters Degree. I always enjoyed developing quantitative or financial models and then change variables to determine how they impact the model's outcomes. As part of these studies I conducted a couple of major research projects that involved quantitative models. These included an *in situ* evaluation of a statistical cocoa crop forecasting model in Ivory Coast based on live crop data from 150 plantations; the development of a computer simulation model for container transshipment at Europe's largest container terminal in the port of Rotterdam; and developing a framework for conducting feasibility studies for rural industries over an 8 month period in Peru, a country with at that time nearly 1000% inflation a year. Upon completion of my studies, I started working for the Royal Tropical Institute and worked mainly at development projects across West Africa. Part of the role involved teaching local and expatriate research staff how to use statistical software and design data structures for quantitative analysis of agricultural, environmental, or medical research.

Potentially as a result of these quantitative sides of my studies and early career experiences I started to take note of the forcefulness of arguments that were underpinned by numbers. It appeared that such arguments suggested a detailed and explicit knowledge of the person drawing on the numbers, and it was difficult to counter an argument if you could not countermand those numbers with some of your own. As a 'quant' myself, I was not averse to numbers but while I had learned to be suspicious of my own numbers, it was still intimidating to be confronted by clearly intelligent and experienced people who had a strong opinion, and who presented their

numbers as if they were indisputable. However, increasingly I noticed that the numbers appeared to be a form of bluster that was not based on any real understanding of the calculative logic or source of the data: What is the source of the number? How was it calculated? Who was surveyed? What exactly was the question that was asked? What was the context of the research? These were questions that, when asked, seldom received satisfactory answers from users of these numbers, and what had appeared a source of solidity and intimidation turned into a signpost of their ignorance. But while numbers had lost their power over me, I continued to observe their ability to persuade and influence others, fuelling my wish to look at the social construction behind (particularly financial) calculative devices.

This background is immediately relevant to my perception of any objectivist or positivistic approach to research, as during those formative years of initial academic study and early career I became increasingly suspicious and developed strong intuitions about what we can or cannot aspire to know. I call them 'intuitions', as only in the years afterwards these thoughts became enough developed and grounded in studies to be considered opinions or beliefs.

A first intuition was that, although I enjoyed (financial, economic or operational) modeling, I became disillusioned with their ability to reflect "reality", though in those days I may not have put quotation marks around "reality". In very simple and controllable environments such models were useful and their inaccuracy tolerable. However, the moment you ventured into complex situations, the outcomes depended on the assumptions that I would build into the model. Sure, some of them could be maintained as variables and I could conduct sensitivity analysis. The values that would

be assigned to the variables were always defensible, but if I had sufficient variables I could keep them all comfortably within defensible ranges and still effect dramatically different outcomes. So the ultimate choice of what value to assign to each variable appeared more of an art than negotiation than an exact science. Other assumptions were so deeply architected into the structure of the model that only knowledgeable specialists in that particular niche would ever be able to understand and discuss them. This made the acceptance of the model a matter of persuasion and consensus, rather than an accurate reflection of some observable truth. From an intellectual perspective I still enjoyed the analytical work of modeling. From a learning perspective I also thought (and still believe) that there was value in modeling: it enforced a systematic and disciplined approach to better understand convoluted situations; it developed a deep appreciation of interdependencies; and - except for the most arrogant of modelers - it nurtured humbleness regarding how little we actually understood.

The second intuition was a consequence of, in part, my early life experiences described before, as well as working for extended periods in other cultural environments and in multiple languages (Dutch, English, German, French and Spanish) as part of early career experiences throughout my formative twenties. This exposed me to a constant barrage of anecdotes or cultural experiences with similar patterns. These were often about misunderstandings, the inability to communicate effectively, ethical dilemmas, and often culminated in situations where a perfectly intelligent and well intended person comes across as doing something incredibly dumb. That went both ways: expatriates were being perceived as socially inapt, naïve, dumb or unreachably superior; or local counterparts were being perceived as such. For example,

part of my role had usually involved teaching some basic research methodology or statistical analysis to local researchers. On occasion very intelligent local colleagues would make the most fundamental methodological mistakes. Having embarrassed myself frequently enough in their cultural setting, I had no illusion that I had any claim to superiority, so what then caused such miscommunications? As I had no real answer, I became increasingly dissatisfied and, after having spent much of a three year period working abroad, I decided to return to university.

I felt my initial education and work experiences had made me a good development economist, but had not provided me the skills to critically question the work I did. I sometimes liken this to being a tradesman who had mastered the tools, but who now felt the urge to learn about tool making to go beyond mastery and towards artistry, that is, become able to construct custom-made tools and not be limited by existing tools. In order to become a better tool maker, I completed what is probably the equivalent of an undergraduate degree in Philosophy (with a focus on epistemology and philosophical anthropology), complemented by 1.5 years of the Sociology of Scientific Knowledge, graduating with a Masters in Science Dynamics. Informed by these studies, I do not think science always deserves the elevated status that may have been traditionally awarded to it. That does not render science meaningless, but it does transform the value it can claim to deliver to society. That value does not come from discovering truths but stems from providing useful theories or perspectives that help guide conversations towards particular outcomes. This pragmatic perspective raises the need for research that is mindful of the interests of different groups and that

questions the motivations behind the acceptance or rejection of such theories or perspectives.

Since those studies some 25 years ago, it has for many years now been a reflex to wonder why people believe or say something. What micro-sociological encounters shaped that? What macro-social context makes a certain belief, assumption or statement more acceptable than others? What are underlying power relations that shape these? What are my own psychological biases? What traces have all of these left in who I am? According to Reason (1988, in Stacey 2003, p.8) *'I can never claim to stand outside my own experience ... Instead, I have to take the role of enquiring participant'*. These questions played below the surface when working as an enquiring strategy consultant for Andersen Consulting. When running a start-up in online learning (a joint venture between Oracle and 3 universities), these questions continued in relation to strategizing, but also came to the fore when working with professional instructional designers who took a constructionist approach to learning design – the application area had changed, but the underpinning philosophical perspectives remained.

Returning to university to complete a PhD and looking back on this thesis, it appears a logical progression to creating the space and structure and develop a next level of response to the same sorts of questions that have been there all along. *Plus ça change, plus c'est la même chose* (i.e. 'the more things change, the more they stay the same').

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