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Strategies for managing complexity in and around small firms: strategizing in small firms

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Published in:
USE 2009

Publication date:
2009

Document Version
Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

WS7b-3 Abstract:

'Strategies for managing complexity in and around small firms: strategizing in small firms'

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Small firms are increasingly situated in complex and changing dynamics, and are meeting a number of strategic challenges. The theme of this paper is how the management of such firms are responding to challenges to secure the firm and maintain interesting and satisfying jobs for its staff. The empirical inspiration for discussing strategizing are cases from a research project 2005 – 2008 studying strategic management in number of Danish, small and medium sized firms: The StraCon-project. This study was conducted by researching the individual firm and its management in three quarter of a year through several visits and a number of discussions on the strategic themes with managers across the population of firms. The firms with less than twenty employees form the analytic background for the discussion of complexity, small firms and strategy. The research questions dealt with in this paper are:

1. What is complexity for small firms in changing environments?
2. In what ways do small firms try to handle this complexity?
3. How can strategizing in a practice perspective be used to interpret such actions?
4. Are there healthy and efficient ways to deal with complex strategy in small firms?

This discussion leads to building a framework for a study of small firms in a period of financial, economic and market crisis which is planned to start in the fall of 2009. The ontological perspective used is interpretive and focus on change in markets, organising, working relations, sense making, and common sense. The theoretical framework is based on researchers such as: Ingeman Arbnor, Peter L. Berger & Thomas Luckmann, Robert Chia, Kenneth J. Gergen, Gerry Johnson, Henry Mintzberg, Alfred Schutz, Richard D. Stacey and Karl E. Weick.

Paper

Strategies for managing complexity in and around small firms:

Understanding strategizing in small firms

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Abstract

Small firms are increasingly situated in complex and changing dynamics, and are meeting a number of strategic challenges. The theme of this paper is how the management of such firms are responding to challenges to secure the firm and maintain interesting and satisfying jobs for its staff. The empirical inspiration for discussing strategizing are cases from a research project 2005 – 2008 studying strategic management in number of Danish, small and medium sized firms: The StraCon-project. This study was conducted by researching the individual firm and its management in three quarter of a year through several visits and a number of discussions on the strategic themes with managers across the population of firms. The firms with less than twenty employees form the analytic background for the discussion of complexity, small firms and strategy. The research questions dealt with in this paper are:

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Key words

Complexity, small firms, strategy, interpretation, wayfinding

Introduction

In these years an increasing share of small firms get integrated directly in the global market development and competition, which for many means that they are stretching their organisational and managerial competences dramatically, often beyond their limits concerning how to meet complexity strategically. The kinds of firms especially involved in these conditions are those that operate within markets, technologies, and knowledge that are fast developing and demand advanced knowledge and dynamic knowledge development including employees as well as managers. These characteristics concern an increasing number of industries, including more traditional industries that are in an environment of dynamic transformation. Focus in this paper is small firms within different Danish branches. Firms involved in transformations often with considerable success during the last ten year, but in the last year faced with increasing problems. The paper has two main objectives. One is to present situations and processes in three specific small firms[1] in relation to complexity and perspectives on markets and competition. The other is on this background to discuss the specific challenges which small firms encounter, their strategic reactions and especially how complexity in turbulent and unpredictable environments is managed.

The paper starts with a presentation of what specifically defines the terms 'small firm' and 'complexity' and the methodological framework within which the empirical cases are discussed. Complexity is highlighted in relation to a number of empirical illustrations. This discussion is followed up by complexity seen in relation to strategic issues actualized by strong economic pressures and exemplified by further empirical illustrations.

'Small firm' uses as definition often rather quantitative characteristic measured in the actual number of employees and the relative financial turnover compared to other firms. Here the definition will be enlarged into a more qualitative definition because it is not the actual size of small firms that defines strength and weakness, but instead a number of cultural and identity factors that have developed from its small size. Some of the important factors mean

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[1] The three small firms were studied by visits to the firms, analyses of documents, interviews with management and through a number of seminars where managers from the participating firms and researchers discussed specific strategic processes within these firms. In total fifteen firms participated in that study – called the StraCon-project - conducted by the FIRM-research group, but all information and illustrations used in this paper come from those firms with less than twenty employees.

865

for employees and the individual manager to take responsibility for a number of activities that in larger firms would be delegated to separate specialised functions, the ability to live and work in an organisation where a large part of rules and values are informally defined, and a daily life where competence development often has to be initiated by the employees themselves and carried through in rather unstructured processes.

Management is in focus in this paper because if some factors of a managerial nature in periods of general economic growth create minor problems for the firm, in times of economic troubles such lacks in management capacity might create severe problems. At the same time it is important to realise from the start that the cure against this is not to find new and better managers, because they would probably run into the same kind of problems. Instead it is important to see how small firms and their management cope, in a more or less efficient way, with what in this paper is called complexity. Complexity is something experienced in all management and is connected to the interaction between the environment, the resources, and the goals of the small firm, and is in this way a strategic issue.

Concepts and theoretical framework

In this paper, defining complexity as a strategic issue is connected to firms, their employees and their management especially working under conditions where many factors are very unclear, uncertain and complex, and where the speed of change is experienced as accelerating. Such change can be seen in different areas and with different change mechanisms in business. One area is the reaction of customers on a deliverance from a firm. The second area is the reaction of competitors on changes from the firm, from customers, and from other firms. The third area is the reaction from other stakeholders within the environment: Government, consumer organisations, other industries, etc. The fourth area is the interpretation of change within the market and in society made by individual employees and the staff of the firm as a collective. And the final area concerns the interpretations and further actions realised by management.

These complicated sets of mutual actions of interpretations can be defined as complex because they are certainly not part of linear development and do even not seem to be part of one and the same meaning bearing context. The different small firms, and the different actors, experience, and are participating in a large number of different interpretation processes that is not steered by one and the same logic. These different interpretation processes at the same time shape different sets of sense making that each creates different sets of common sense for

different groups of people participating in these processes. In some cases common sense is shared by a few persons, in some cases by the entire staff of a small firm, and in some cases common sense is shared by a firm and its main stakeholders. But it is important to recognise that common sense is always influenced by different ongoing sense making processes through communication.

The specified research questions presented and discussed in this paper are:

- What is complexity for firms in changing environments?

- In what ways do small firms try to handle complexity?

- How can the interaction between small firms and their environment be understood strategically?

- Are there healthy and efficient ways to deal with complex strategy in small firms?

To discuss these questions, the methodological framework introduced above and used in this paper is based on a paradigm that is inspired from *Verstehen* and *Life-world* traditions. This inspiration is specifically found in a combination of concepts from Peter Berger & Thomas Luckmann (Berger & Luckmann 1967), Alfred Schutz (Schutz 1970), Jerome Bruner (Bruner 1990) and Karl E. Weick (Weick et al. 2005), and to me originally started through discussions I had with the Swedish researcher and colleague Ingeman Arbnor (Arbnor & Bjerke 1977 and 2009) thirty years ago.

The theoretical foundation of this paper also includes strategizing and organising, and concepts and theories that are developed from researchers in different ways inspired by the above mentioned philosophical concepts: Kenneth Gergen, (Gergen & Trachenkerry 2004) Mats Alveson (Alvesson & Kärreman 2004), Gerry Johnson (Johnson, Scholes & Whittington 2008), Robert Chia (Chia & Holt 2008), Steward Clegg, (Clegg, Kornberger & Pitsis 2008) Paula Jarzabkowski, Julia Balogun (Balogun & Jarzabkowski 2004), Henry Mintzberg (Mintzberg et al. 1998), and Ralph Stacey (Stacey 2000). They all try, in different ways, to pour new life into theories on organisation and strategy from a practice, phenomenological, chaos or social constructivist perspective. What the paper tries is on this basis to discuss how such themes can be detected empirically in three specific firms.

EMPIRICAL ILLUSTRATION (EI) 1: THE THREE SMALLFIRMS

The small firms used in this paper are three companies in very different industries: A food-producing firm with a very innovative product and a staff of five persons, a consultancy firm within the IT sector with a staff of four, and print producing firm within the electronic industry with a staff of twenty. All three firms are managed by their owner or co-owners, in the food producing firm by one owner, in the consultancy all the staff members are also co-owners, and the print factory are co-owned by the two managers. The three firms each seems to have one manager as the most important. All are situated in Denmark, but are directly and indirectly influenced by competition and complexity world-vide. The firms were studied in the period from 2005 – 2007.

Complexity and contexts

Complexity is part of how we see and interpret things and act upon what we see. It is a social issue because it appears from the ways we interact with other people in interpretation processes. The World as a natural science object might be seen as complex, but this is not how it is used in this paper. Complexity comes from the ways we participate in and experience action and processes between human beings, when we use our ability to comprehend phenomena of which we only have partial information. We construct understandings, and we try to pass such understandings to other individuals at the same time as we changes our own understandings through such mutual processes.

EI 2: THE CONFUSING COMPLEXITY

The manager of the food- producing firm had developed an exceptional new product able to compete with more expensive luxury products world-vide, but he had for several years no idea of how the market looked, and he was mostly interested in development and production. Therefore he tried to reduce the complexity of this market by first hiring another food company to sell his product and after that, two sales managers, one after the other, but it all stayed unsuccessful.

Complexity phenomena cannot be seen as placed externally, outside a manager as a human being, they include the phenomena of communication and interpretation we as persons are directly engaged in. In this way complexity can be defined into several layers: The first

level is the understanding of a specific phenomenon itself; how we individually and at the same time collectively define a process or an act. The second level is how we interpret the context used to understand this phenomenon. The third level is how we build a paradigm of how to deal with contexts. In theory the number of levels might be enlarged, but in practice it might be enough to work with a parallel to Argyris and Schön (Argyris & Schön 1978) division into single, double and deutoro-level learning.

EI 3: UNDERSTANDING COMPLEXITY THROUGH DEFINING A CONTEXT
The two managers in the print firm could not see how they should be able to understand the entire complexity within their industry. Instead they focussed how the market influenced their one main customer and how that might influence this customer's demand. The demand from their smaller customers was also not predictable to them and they could not systemize it into a market model. Instead the management had structured the firm in a way so it quickly could meet many kinds of specialised small order print demands through tailor-made solutions. Complexity was met through the context: if the firm should be able to respond to customers quickly it would succeed – a way to reduce experienced complexity by indirectly constructing a paradigm behind the firm.

The way to detect phenomena from complexity is different between individuals or between groups because we are brought up with, and experience, different contexts and paradigms. Context is in everyday life rolled out as informal common sense, and not seen as well-defined contexts setting frameworks for interpretation. Contexts are created through a combination of what we are told and what we have experienced. These two activities are at the same time coupled to the language we have learnt and still continuously are learning within our different areas of meaning. In this way we use interpretations of our own, but developed socially and our set of interpretations are close to those colleagues we are directly related to. This means that interpretations of phenomena, more or less, will be shared within a group and within a firm.

Meaning creating processes to tackle complexity are not formed through one-way interpretations of given phenomena. Phenomena are understood through our interpretations, they are not facts from somewhere out there. A phenomenon is shaped by our previous experiences and those negotiation processes we engage into as part of our interaction with

others. Such relationships are the backbone for the creation of phenomena and are in the longer run the basis for creating and recreating concepts. Some of these contexts we share within a small group, some are shared within an entire organisation, especially within a small firm, some within a broader culture in society, and some seem even nearly universal. Contexts are ways to cope with complexity through reduction. But again both the interpretation of phenomena and contexts are constantly in a process of complex reformulation. Managing small firms in complexity this can be seen as a constant process of 'wayfinding'.

Complexity is a characteristic also in individual interpretation because in all phenomena different, often contradictory, possibilities for interpretation are stored. In many phenomena that are experienced as an everyday activity, common sense interpretations have the function to reduce the complexity and oppress contradicting views. Inside a group and in a small organisation a number of such common sense processes are constantly operating and create the conditions for becoming and being an integrated group and a tight organisation. The informal participation in such processes can be seen as an important part of managerial work in small firms.

Such processes are often formally handled within what in theory are described as the goals and structures of the organisation, but in this paper on small business it seems more accurate to describe them as processes of interpretations strongly influenced by the leading member(s) of a small organisation. This keeps the group or organisation together, and makes the members feel secure within the experienced complexity. But even within this contextual framework a number of different interpretations might exist, and they work to force the organisation out of that non-permanent equilibrium the context and the common sense try to keep.

Different interpretations are actually made out of the experienced complexity and are the main fuel for the development of groups, organisations and society, and at the same time for creating new complexity. These interpretations are often not compatible, which might create problems for the management in small firms. The lack of compatibility might be caused by different intentions shared by different stakeholders, but can also be caused by differently constructed contexts that each work as frame-setting for these interpretations. There seem to be no final answers by which the complexity question can be solved.

EI 4: CHANGING MARKETS OR INTERPRETATIONS

In the small consultancy all five co-owners wanted to serve the market with tailor-made consultancy on how technically complex IT-solutions were used efficiently in organisations, but the firm mainly earned its money through teaching more standard type IT courses. The co-owners wanted to change that, but could not figure out the market complexity in a way so they could influence the market in that direction. They could not construct a new and efficient context so they accepted to live within a context they saw as necessary even if it was not the one they desired.

Contexts are only indirectly approachable and are difficult to change, especially if they have functioned through a period of time as common sense in a group or inside an organisation, and so a firm, as the consultancy did, can be stuck in the dichotomy between need and desire. But what is even more difficult is to change the paradigm that governs a majority of contexts behind a person's, a group's, or a small firm's interpretations. A paradigm emerges from the entire upbringing, and socialisation within the entire history of the firm. This is how a person or an entire firm sees the World, and how it is situated within that World. In the consultancy they had a common paradigm of who they were, and who they wanted to become, but their environment apparently had another picture of them. In the print company the paradigm of tailor made deliverances on short notice seemed more in accordance with the present customers. A paradigm might change over time, but in ways that seem almost impossible to plan for small firm. A strong idea behind cooperation in the development of a firm creates a rather strong paradigm and a homogeneous set of contexts, and makes changes in interpretation difficult.

EI 5: HANDLING COMPLEXITY

The management in all three firms was not through any traditional market economy conception or model able to see through the complexity in competition, customer reactions etc. Instead they managed their firms within concepts based on personal experience and intuition building on actual and previous customer- relations. Two of them - print and consultancy - were active toward their markets, not through models and theories but through their personal interpretations, the third tried partly to avoid market complexity. These are important observations not at least because two of the three managers had academic degrees (food and consultancy) and the third had earlier been a high ranking officer in the army

(print), and still they felt that formal theory was not the mean to understand and handle complexity.

Small firms dealing with complexity

One important characteristic linked to small firms is the group-like patterns of action they function through. Members of a small firm know each other and have specific and concrete relations, and the number of formalised rules for cooperation and work operations is few and rather insignificant. At the same time a small firm often has a distinct and rather visible, but often non-formalised, centre that plays a leading role in the construction of concepts within the organisation. Such a centre can contain one person, a small group of persons, or in fact the entire crew of the firm. The specific form of such a centre depends on the members of the organisation, its activities, its intentions and its environment. Traditionally small firms have often been portrayed as steered by one person who had started the firm and has a large degree of informal control over tasks, relations and the other members. These kinds of small firms exists, but the more recently started small firms within areas of fast changing markets, products and technologies often seem to become a type of organisation where a group of people is in the centre of goal-setting, decision-making and communication. The three case-firms were divided into a one-person, a two-person and an entire crew leader- and ownership, but still in each it seemed as one person had a fundamental role in preserving the existing common sense and the main concepts.

Externally a small firm is normally not dominating a market, often a number of small and medium sized firms compete on the same market. At the same time many small firms try hard to move into a niche position where they at least can be a dominating part. To do this they often try to specialise products, marketing, and distribution. This is done to slice out a part of the market that seems lucrative and where its competitors have disadvantages.

EI 6: CREATING A NICHE

In the food-producing firm the niche to be created was directly coupled to the unique product the manager had built the firm upon. The product was cheaper, more durable and had the same appearance than the luxury product, it could replace mainly for use in restaurants. The niche for the printing firm was the rather informal and close relationship to the one large customer and the ability on short notice to deliver tailor-made solutions to smaller customers.

The niche for the consultancy was divided between teaching standard IT –courses which it needed to earn money and IT consultancy which it wanted to do. All three firms tried to create a niche through a special product, a special service or a special way to deliver. This seemed to be known to all members of these firms and created the concepts they in common handled the complexity through.

Niche creation is traditionally defined as monopolistic competition where each supplier tries to conquer a promising niche of the market by the use of unique marketing methods, unique features within its products, or unique methods in distribution, logistics, ways of payment etc. Seen in another perhaps more internal perspective creating a niche is creating a context. A niche is not a phenomenon of a concrete nature it is a view on part of the environment shared within the firm and hopefully among some of the stakeholders. In a holistic perspective a niche creating policy is not directed solely toward marketing, product or distribution, it is for the firm over time creating a paradigm. From this prioritized niche, the entire interaction between the different organisational functions can be interpreted as common sense on how to serve the market, produce, develop etc. This means that sense making is not only external, and directed toward customers, it is also a sense making process that functions strongly within a small firm and toward the individual member of the organisation.

Small business internal sense making influences the entire crew and creates a culture that produces links between the product or service and all kinds of internal and external activities conducted by the members of the organisation. The relatively high degree of informality means that this sense making process is tied directly to work operations, collaboration and relations between employees and a very visible and active management. Small firms 'are', in this sense making perspective, their product, their marketing, and their specific ways to involve customers. It defines a number of contexts and becomes their paradigm. When it works it makes small firms strong in keeping a steady and clear direction, but often somewhat unwilling or unable to change course, also when that seems urgently needed. Small firms do not, as part of the organisation, include a function that makes it possible for it to create a second opinion concerning its course.

At the same time it is not the only problem for small firms that they get tied to their course through their norms and routines, as for the consultancy that kept delivering standard IT-courses, the print firm, where the management complained that tailor-made product delivered on short notice nearly was more than they could handle, or the manager in the food

company who wanted to concentrate on development and production. Small firms also have limited analytical and managerial capacity to search for alternative areas of the market. They are busy in the niche they have chosen. Small firms are putting all their eggs in one basket, because that is the only one they have access to. It makes no sense in the daily collaboration in the firm to move into new areas, the present market and products are prioritized and the internal interrelatedness make strong sense of the course chosen. Every step out of that course seems to all participants to become a step in a wrong direction – out of context.

EI 7: CHANGING COURSE?

As mentioned the manager of the food producing company felt that he was unable to handle the problem on selling his product World-wide through hiring a sales manager. He had to sell the product globally to use the potential of the firm and to earn money. By coincidence specific customers in Japan and other countries outside and inside Europe had found the product and the firm and liked the product, but these sales were unstructured. The manager was as mentioned highly interested in the technical development of the product, but during the period the firm was studied he gradually came to the conclusion that this interest might not be enough to run a company successfully.

A day-to-day well functioning organisation of a small firm has in this way a trajectory that informally binds its different activities together, and reduces other. This trajectory is part of the dominant sense making that creates the firm, and to its present external stakeholders makes the firm trustworthy. This trust, often personified in one individual, makes stakeholders relying on the firm as long as it produces acceptable results.

Small firm strategy

Strategy and small firms may sound as an oxymoron. But that might be a result of the way strategy often traditionally is interpreted. The small firms described in this paper are, interpreted differently, regularly working on strategic problems, are dealing with strategic issues, have strategic challenges, and are active within strategic processes. The precondition for understanding this and for small firms to act strategically is a simple, realistic and practical understanding of strategy as a concept. Such a definition includes that strategy deals

with the interaction between the environment, the goals and the resources of an organisation. Strategy concerns in this way change in context and even in paradigms.

Defined so small firms in rapidly changing environments are faced with strategic questions regularly, questions they are not able to handle through moves steered by the existing common sense, traditions, and routines alone. Strategic questions involve reflections on how to understand a changing environment and how to act in a way such that the resources of the firm are used efficiently in the situation to reach the intentions of the firm. Interpreting strategy in this way is far away from seeing it as a top-down management planning exercise.

In small firms strategic activities instead take place through a number of rather unstructured, context driven and sometime context questioning, communication processes between crew members within the firm, important external stakeholders, and, certainly in the main role, the management of the firm. This does not function in practice as a kind of formal decision-oriented planning process. It is much more an everyday process where situations, possibilities and problems emerge from the operative activities and gradually are interpreted as becoming important for the development and existence of the firm. Operative tasks are handled through the daily routines, but some of them represent an interpretation of phenomena that are contextual unusual and at the same time seen as important. Such phenomena are the stuff which strategy is made of.

Strategic issues are of a type, so that the actual common sense within the firm does not seem to offer a proper solution to them. This does not mean that strategy is a discipline where new knowledge and new conceptualisations take over completely. It is a process where new ideas and well-know routines interact. In small firms this interaction involves both managers and operative employees. A trend in the development of small firms (as example the consultancy) shows that an increasing share of the crew participate in such activities not only to make it easier for management to solve its tasks and to increase a broad participation of the common employee, but also because the way important knowledge is distributed in small firms increasingly involves several employees and activate them in solving strategic tasks.

EI 8: "STRATEGY" IN THE THREE FIRMS
The consultancy had supported by a strategy-consultant written down a strategic plan, but the firm appeared to have forgotten this completely until we visited the firm and one of the co-owners started to search for it in his files. When the members of the firm confronted

themselves with this they realised that strategic discussions happened between all of them, but quite informally. The manager of the food-producing company who earlier had been the laboratory chief in a large firm, and had an academic degree including Ph.D., mostly saw strategy as some strange, traditional, business-like activity which he tried to avoid. And the managers in the print firm felt themselves so occupied with emerging operational issues than such an overall question as strategy to them was seen as outside their reach.

Small firm strategy is characterised by a large majority of emergent issues compared to the number of well-planed, objective driven issues. It is closely coupled to important operative activities within the field of product development, external and internal communication, and to organising activities and to a large extent created by them. Thirdly, these practice-related activities are often handled as problems not formally connected to other phenomena within the firm, and very seldom discussed in a language of strategy. Such issues are often not foreseen, and they are only gradually including environment, goals and resources.

The reason why emergent issues play such an important role in small firms competing in changing environments is the constant search of these firms to find, understand, develop and stay in its self-defined most lucrative niche, and as a result of this search and safe-guard operation concerning the trajectory, the management constantly run into conditions rather unknown to the firm. Such unknown emerging conditions are created by the intermingled operations between the different competing firms each searching to form their niche in their concepts, and competing to keep other firms out of that niche. This creates a part of the complexity phenomena that has to be handled strategically. This handling is normally done with incremental actions based on limited information, and both customers and competitors act from interpretations of such new methods in their search to find the right product or variant and the right counter-measure in the form of broad variety of price, rebates, logistic etc. to prevent other firms to get too close to the niche. Emergent strategy is in this way a constant interpretation and counter-interpretation between firms, customers and competitors based on different contexts and on very limited information. It is not a very neat and conform set of actions as they are defined in formal market economy theory.

EI 9 COMPETITION INTERPRETED

The manager of the food company saw competition as a process where his unique product gained power when the customers had tried it and assessed it as better for their purposes. So the problem for him was to get them to try it so he fully could use his personnel and his production facilities. The consultancy had some of the same attitude especially to its consultancy services and could not understand why not more customers made use of it. Finally the print company was aware that their product was not different from the competitors', but the way it operated on delivery of tailor made solution on short notice prioritised them in a positive way in the eyes of their customers.

Most emergent strategic action is not exclusively based on interpretation and reaction to external forces. The firm and its crew interact in the emerging process through the trajectory it tries to follow, and the common sense this creates, based on its competences, traditions, routines and operational practices. When the trajectory meets gradually changing conditions in the market in many cases the firm tries and is able to adapt such changes in an operational manner nearly automatically through its present sense making and respond to customers and competitors in a competitive way. This kind of change processes will in many cases function nearly unnoticed not only for the environment, but also for the firm itself. In other cases it will lead to more visible, but still small changes at the operational level. But in some cases such incremental solutions are not enough and so the traditional sense making of the firm is challenged, and when this challenge is sufficiently important for the contextual development of the firm it becomes strategic.

Such emergent processes of that nature are in some cases seen as a problem or a threat, in other cases an opportunity or a chance. In some cases it might even be interpreted as an opportunity and a threat at the same time. Some processes of this type can be predicted by the small firm, but many seem to appear quite unexpected. And even those that can be predicted are not always met with an efficient response by the firm. Management and employees have to understand and accept the issue as strategic, develop a response that include the context, and force the response into action. That will be difficult in many organisations, but especially difficult in small firms, because it touches upon and demands change in the main trajectory of the firm, and in this way change important common sense among the participants. Strategic change demands change in interpretations and contexts,

sometime even in paradigms. In this way it changes the important mechanisms that bind the organisation together.

EI 10 STRATEGIC CHANGE OF THE TRAJECTORY

For a long time the manager of the food company did not accept the strategic importance of his sales function because accept to him would mean a change in the trajectory that gave technology priority. In the consultancy the IT consultancy services seemed mostly to stay as a strategic dream not followed by operational activities and resources. In practice the firm mainly supported activities in running standard IT courses. In the print- firm the management accepted the danger in the dependency of the one large customer, but it did not have the right answer to this in its concentration on the operational aspects of the firm.

In this way strategy and strategic change are different from operations and operational change because through changing the trajectory it alters important relationships between the intentions of the environment, the intentions of the firm and the ways the firms resources are deployed to handle these to the firm important relationships. These changes are connected to conceptions as organisational change, overall changes in marketing, financing, and logistics, and sometimes even dramatic turn-around of an organisation. In this last case it also changes the paradigm that has formed its past.

At the same time in practice strategic challenges often become rather fuzzy for management because of the informality within such firms and the unclear external conditions. Informal relations cannot be changed through formal channels it has to be done informally. Everybody have to change their cognitive schemes to change their mutual common sense, concepts and actions, and vice versa. This has to be done in a local environment steered by the previous common sense and interpretations and with a considerable weight on practical and operational habits.

EI 11: UNDERSTANDING STRATEGY AS PRACTICE

During the analyses, presentations and discussions at the seminars between managers, including the three managers in focus here, strategy became through those discussions increasingly connected to their thoughts about daily practice. Most clearly to the manager of the food-producing company, who realised that his unsuccessful hiring of sales persons, the

coincidental demand from Asian customers, occasional newspaper articles made by journalists, which had drawn the attention to the product, and the establishment of a company governing body containing some of his close friends was not enough to develop the firm. He started a process of rethinking and sense breaking that includes sales to get a new conception of the core of his firm. Differently from this the management of the print firm realised that they were very dependent on the one large customer, and that their strategic opportunity seemed to be increased efficiency in tailor-made, on-time deliverance, and that relying entirely on small customers seem too dangerous. The consultancy did not in the period studied get closer to a decision on they should follow the demand from the market or the desire from the co-owning crew.

Steps toward a conclusion: Dealing with complexity strategically in a situation of crisis
What are the ways to act for small firms of for instance a world-wide economic crisis where the reactions of customers, competitors, financial institutions, governments and the firm itself are unprecedented and unpredictable? Defined from the three small firms, serious changes in the environment could be met in different ways. Some reactions are operational others are strategic. To meet a larger crisis does not necessarily mean giving a strategic response. As it has been shown strategic responses might be difficult to handle in small firms. Therefore operational responses within a well-known context might in some cases be more efficient. An operational response means lowering prices, increasing rebates, decreasing the time of deliverance or other kinds of side-payment for customers. This means less income and to some extent increased costs. It is an operational way to stay within the context and using the existing common sense in the firm to increase efficiency.

The culture and values in many small firms allow and support this because management has a rather close relationship to the other members of the organisation, and it is possible to convince the majority that this is 'business nearly as usual' and the changes only will be temporary. If the management itself shows a willingness to work harder for less money, as it was seen in the print firm and the food firm, this might be a way to survive, and it will make it possible and relevant for all members including the management to search for slack that has developed in more prosperous times. Such an operation builds on the existing paradigm of the firm that in general terms expresses: 'we are small, we are together, and we are willing to support each other'. It is to use the common sense and the culture to stand up against

879

temporary problems. But it is not always an efficient way to fight against a market crisis. Two situations become dangerous when a market crisis has a longer duration.

One is the situation where the crisis results in an absolute financial necessity to fire crew members. Here a well-knit organisation easily gets into troubles because one important factor in a small firm is trust. Trust in the manager's ability and will to keep the organisation as it is and keeping all members on board. The other is the problem of critical mass where a small firm often has fewer possibilities in reducing staff because it is closer to a situation where all functions, despite the broader array of tasks for each, no longer can be cowered efficiently.

EI 12: HANDLING CRITICAL MASS

Despite the prosperous period in which these three firms were analysed, both the print firm and the food firm had felt the consequences of critical mass. The management in the print firm reported and complained about the fact that they normally had to take care of too many managerial functions from negotiation with the one big customer to solving specific quarrels between individual members of the staff. Occasionally they even had in crisis situation to manage logistics and deliverance of products. They could not afford to act differently. The food company was also pretty close to a critical mass situation where the manager deliberately lowered his income to be sure to have a complete production crew available. The consultancy seemed because of its structure of each member teaching individually not so close to a critical mass, but anyhow the fact that they worked with IT teaching instead of consultancy might be seen as a defence against critical mass.

The question why small firms sometimes try to solve a crisis through operational means can be answered in two sentences. It has shown to be the best way historically, and it seems much more difficult to handle a strategic shift. The first answer is connected rather directly to how complexity is handled: the firm has selected a trajectory, a niche and contexts, and common sense has developed. The firm is using its experiences. At the same time it has through its niche and its contexts established a well-trained activity pattern toward customers and other stakeholders. So perhaps a quite new and different response on a crisis might be devastating for the firm itself – it might ruin its only basket.

The second factor relates to difficulties of making a strategic change in a period of dramatic turmoil in the environment as it is experienced by the firm and its management. This

theme became perhaps by accident through the participating managers willingness to discuss it a central theme in the StraCon – project from which this paper draws its conclusions. It is difficult to make a strategic change when it seems mostly needed. One could have the impression that a small firm with a visible centre was the ideal place for carrying dramatic change through: 'The leader command and the crew obey'. But seen in the perspective of complexity, contexts, paradigms and sense making it is not that simple. A small firm and its management are closely tied to its trajectory, and there is not any other trajectory or another niche the firm can jump over to. To understand this it is necessary to go back to thoughts expressed in different forms of the three managers: The print manager: We have to keep on doing what we have done in the past even if we have not the necessary managerial resources for this. The consultancy: Even when we want to increase consultancy and decrease teaching, it is not the right time at the moment. And the food company manager: I am convinced that I have to change the concept I am leading the firm after, but I am not especially happy about it.

Important difficulties of making strategic and contextual change in a small firm are to a large extent coming from the manager(s). She or he has to work hard with themselves to create a kind of sense breaking that looks critical on the existing contexts and paradigm of the firm, which in this perspective also is the manager(s)' contexts and paradigm. The most revealing example was the food company manager who despite his large intellectual and technical capacity had great difficulties to persuade himself of changing his way of seeing his own function. Managers of small firms are getting their experiences from their own struggle to develop the firm and in this way developing contexts and paradigms to handle complexity. It is a process that makes them as managers vital to the firm, but at the same time stuck in their own trajectory.

The vital part of this relationship is connected to the way the crew experience the manager as the centre of the firm. An example has been mentioned of the print manager's function as conflict-solver within the firm, but in all three firms the management plaid an important role through a number of different mostly practical and operational activities to create and strengthen the contexts that binds the organisation together. Therefore as well as a manager cannot be replaced in such a small firm without changing the entire firm, the manager cannot with success change his conception of contexts, niche and paradigm without involving the entire crew in that process.

This opens for a concluding discussion of healthy ways to deal efficiently with strategy in small firms. The first comment on this reflects how the managers in the StraCon project

saw this. The three managers of small firms were sure that increased theory could not solve this problem. They were in fact in this supported by the majority of managers in medium sized firm also participating in StraCon. But at the same time they also were sure that their own practice and experiences neither could handle this problem without some form of assistance. The process at least had three stages: To see the incapacity in the present situation, to develop an idea for a new contexts and perhaps a new paradigm, and to get the new contexts understood and internalised in the firm and among important stakeholders. These stages have to be seen as intertwined in each other and have an informal nature that suits the traditional culture within small firms.

What the StraCon project worked through were dialogues between managers from firms not competing or cooperating with each other. In the research project the process was supported by researchers, especially supporting the structures around these dialogues. Talks between managers from different firms are more efficient to open a dialogue on strategy in one firm than talks between those stakeholders that many managers in small firms in practice traditionally turn to. New eyes make it possible to look more freely and innovatively on the existing contexts in the firm and to try new ways. This was one important conclusion from the StraCon project.

But such an opening of a sometimes locked situation has to be supported by information on how these contexts function in the daily life of the organisation. Here the manager is not sufficient as the only supplier of information to this process, because he or she is too involved in contexts and paradigm. What we did in StraCon was to send researchers into the firm who together with the manager developed specific strategic cases based on actual firm data to be presented for the other managers. These cases were developed from interviews within the firm and written document, but always with the consent of the manager. A case presented by the manager was the introduction to a dialogue between the managers to review and assess the strategic situation of the firm, and with the intention to make the firm in focus more capable either to stick to its contexts and paradigms or to change it in a strategic way.

Important are here also the processes that run at home – within the firm – because if the manager tries to change contexts without involving the rest of the organisation he might see new possibilities, but that will not help if the crew still is wrapped in the old contexts. This will only create an unclear process concerning old versus new contexts. Instead the manager

has to use his informal relationships to the organisation with an operative interpretation of the new strategic ideas to start an internal communication.

As far as we reached in the StraCon-project what show to us to be the way is, as concrete as possible, to use crisis situations to involve a large part of the members of the organisation in an ongoing search on how the historical paradigm of the organisation can be coupled with the changed conditions for in this way to get rid of outdated contexts and outdated practical tools, and start with the manager at the steering wheel to invent or re-invent the dynamic forces of the organisation. This process will be part of the focus in a project, which I together with a colleague have started involving a number of managers in an interactive and dialogical process where the re-construction of contexts is combined with strategy as way-finding. This process should open for an interrelated activity where the self-reflexivity of the manager is combined with a process of reflexivity among the crew and reflexivity for the organisation on the change of contexts. This important process might be difficult to carry through in a small organisation with limited resources, but in periods where change is immanent it might be necessary.

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