



Re-framing strategy: power, politics and accounting

Re-framing
strategy

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Abstract

Purpose – This paper aims to analyse the rise and institutionalization of the discourse of strategic management. It seeks to advance an agenda for studying strategy from a sociologically informed perspective. Moreover, it aims to make a case for a critically informed, interdisciplinary approach to studying strategy.

Design/methodology/approach – The paper provides an overview to studying strategy critically. It is a theoretically informed paper.

Findings – The findings can be summarised as: first, strategy emerged as a major discipline in the 1970s; second, as a body of knowledge strategy has remained close to its industrial economics origins; and third, an agenda for the sociological study of strategy revolving around concerns of performativity and power is outlined.

Originality/value – The paper offers a sociologically informed account of strategy.

Keywords Management strategy, Accounting, Management power, Performance management, Politics

Paper type Research paper

Introduction

We live in a world saturated by strategy. Throughout the organizational world exhortations and expressions of strategy are omnipresent. Highly stylized strategy tools – such as SWOT analyses, market analyses, scenario plans and balance scorecards – are commonplace artefacts within organizations. While such techniques

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may have their origins in the private sector, one is as likely to find strategy deployed in a NGO or government department as in a corporation. It is increasingly clear that strategy is central to organizational life; thus, it is hard to contemplate a moderately complex organization without at least some of the artefacts of strategy. We suggest that over the last 30 years strategy has become a master discourse for organizations. In particular, strategy can be seen as an obligatory point of passage, whereby it enacts and connects an organization and its world, interacting with shareholders, NGOs, government or trade unions. Relations with stakeholders are mediated through the language of strategy. Our claim is that in contemporary times strategy is important in a way in which it once was not. That is not to say that organization's owners did not plan for the future in the historical past, or engage in constant reflexive discussion about the direction an organization should be going. Of course they might well have done so: the difference is that if they did they could not have used the tools and language of modern strategy; to do so entails engaging in a language game that only became available from the mid-to late twentieth century.

The premise of this *AAAJ* special issue is that strategy is a master concept within contemporary organizations. That this is the case is well recognized in business schools, in which strategy has a talismanic and almost totemic significance. It is an icon of the syllabus, immersion in which is an important *rite de passage* in becoming a strategist. Consequently, it is important for scholars and researchers to engage with strategy in a manner that not only contributes to its corpus but also engages with it in a way that is critical and questioning. This *AAAJ* special issue brings together an exciting group of scholars drawn from the disciplines of business history, critical accounting, organization theory and strategy. The ambition of this *AAAJ* issue is to indicate some of the contours mapped when studying strategy from a critical perspective. The rest of the editorial is framed as follows. The paper addresses the antecedents of strategy followed by the development of strategic management as a paradigm. This is followed by a brief discussion of alternative perspectives on strategy. This paper proceeds to outline two central features of strategy: performativity and power.

Antecedents of strategy

Tradition is a potent source of legitimation and, as Hobsbawm and Ranger (1992) remind us, many traditions are recent inventions. For some people strategy has a long lineage, stretching back to ancient Chinese or Greek philosophy. Sun Tzu, Heraclitus and Pericles are routinely touted as founding fathers of strategy. Others point to figures such as Clausewitz or Machiavelli as foundational strategists. That the aforementioned thinkers' strategized is beyond doubt, though their link with contemporary strategic management is less clear. Therefore, in our estimation to draw a teleological line from the ancient Greeks to modern strategists is a stretch too far. For us strategy is a much more modern concern. Much of what counts as modern strategic knowledge had its origins in large American corporations of the post-world war two period. Much of what these corporations practised had been finessed by the US military in World War Two, especially in the detailed and impressive planning that went into organizing the Normandy landings. The career of Robert McNamara, a controversial and sometimes reviled figure, is an interesting illustration of the emergence and ascendance of modern conceptions of strategy: after graduating he

spent a brief spell working as an accountant before becoming a member of faculty at Harvard Business School; during World War Two he was drafted into the US military and was responsible for producing operational statistics and plans for bombing missions over Japan. After the war, following a brief hiatus back at Harvard, he joined Ford as part of the “whizz kids” programme along with others who had been working with him in the military. Applying some of the organizational and strategic skills that they had developed in the military to Ford highlighted the close links between military and management knowledge in the post-war period. The circle was completed when McNamara left Ford, after rising to the office of President, to join the Kennedy Administration as Secretary of State for Defense and became a chief architect of the Vietnam War strategy. It was a career emblematic of an era dominated by the military-industrial complex.

The challenges and insights gleaned by organizations from men with military experience provided a wellspring of knowledge that was elemental in the formation of modern strategic management. As organizations became more concerned with issues of strategy – or corporate planning, as it was then known – jobs in, and demand for, strategy courses grew exponentially. Thus research and courses in strategy co-evolved in the emergence of strategy as a coordinating and steering function in organizations.

Institutionalizing strategic management

Hambrick and Chen (2008) argue the origins of strategy as a university subject date to the introduction of a course in business policy at Harvard in the 1920s. Slowly what was policy became strategy. Strategy emerged as a subject of scholarly enquiry and pedagogic importance in the 1970s. In March 1970, ten professors met in Chicago to germinate the seeds of the Business Policy and Planning Division of the American Academy of Management (AoM). The institutionalisation process had begun. Scholars with backgrounds in industrial economics entered business schools to teach strategy on newly popular business policy modules. Such modules were to become regarded as the cornerstone of the MBA, apparently offering the capacity to transcend the disciplinary silos of the merely functional fare served up in modules such as accounting, marketing and human resource management. Strategic Management, as the business policy modules had been rebadged, cast itself as a promissory note for access to the boardroom. The Daedalian[1] insights available from within a strategy module were there to equip the aspiring executive with the capacity to craft intricate and sophisticated strategies. Strategic management was to assume a special role within the firmament of management subjects, being cast as the queen of the management sciences.

Strategy modules were practical in their orientation and choice of topics, such as how to conduct an industry analysis, how to analyse the environment, and how to devise a strategic plan, which all became commonplace feature of syllabi. Normal science was being constructed as strategy began to generate an institutional apparatus, especially through bodies such as the Strategic Management Society and the highly regarded *Strategic Management Journal (SMJ)*, its house publication. It was being constituted in terms of an increasingly prestigious role in the business curriculum, with its own division at major conferences such as the Academy of Management in the USA and at the European Group of Organization Studies (EGOS), and Strategic Management Society organizes its own yearly meeting.

Intellectually, the tools for strategy scholarship emanated from industrial economics. As economics took a mathematical turn so did the emerging research agenda, although, as people graduated with strategy PhDs from business schools (instead of economics PhDs from schools of economics) the connection with industrial economics lessened[2], although the organizational imprinting of strategy's foundations remained in a residual commitment to economic assumptions and methodologies. To use Karin Knights and Morgan (1991)6 term, an "epistemic community" was being created, one that has proved remarkably successful in its pursuit of legitimacy and symbolic capital. Nag *et al.* (2007) note that strategy scholars share implicit definitions of their field. It is precisely the implicit assumptions characterizing a field that have been seen as paradigmatic by historians of science such as Thomas Kuhn (1962).

To test the extent to which strategy constituted what one might call a paradigmatic community, Nag *et al.* (2007) picked 447 journal articles from three major US journals[3] that were published over a time span of 20 years. They followed this with an e-mail survey of 585 authors who had presented at the strategy division (more accurately: the Business Policy and Strategy Division) of the meetings of the Academy of Management. They asked their respondents to rate whether the articles (presented with titles and abstracts, but no authors) were:

- (1) *clearly* a strategic management article;
- (2) *probably* a strategic management article;
- (3) *probably not* a strategic management article; and
- (4) *definitely not* a strategic management article.

Surprisingly, the respondents displayed a high level of agreement with regard to what they perceived to be strategic management. Nag *et al.* then studied the abstracts of articles labelled strategic. Doing so, they arrived at the following paradigmatic definition of strategy: "Strategy addresses major initiatives, either intended or emergent, which involve managers using resources to enhance firm performance in competitive environments, on behalf of owners".

More recently, Furrer *et al.* (2008) carried out a comprehensive analysis of the strategic management field. They analysed all the papers that have been published in the *Academy of Management Review*, *Academy of Management Journal*, *Administrative Science Quarterly*, and the *Strategic Management Journal* between 1980 and 2005[4]. In Furrer *et al.*'s study, 2,125 articles were identified that engaged with strategy. Furrer and his colleagues coded the articles by identifying 26 keywords. They found:

- (1) The most frequent keyword that was used to describe strategy research from 1980 until 2005 was performance (777 papers). Performance includes subtopics such as wealth creation, profitability, risk and return, productivity and others. In short, strategists were concerned with how well a company did.
- (2) The second most frequently used keyword was environmental modelling (534 papers) which included a vast array of topics dealing with the interaction between the firm and its competitive environment.

- (3) The third most frequently used keyword was capabilities, with 518 mentions. Capabilities focused on the resources inside a firm, and how they were deployed strategically.
- (4) Finally, number 4 was the term organization (492 papers), which included issues around implementation, change, learning, and structure.

While performance was clearly the most important concept for strategy researchers (with a 36.6 per cent market share), the concepts of environment, capabilities, and organization came in close to each other in terms of their importance (25.1 per cent; 24.4 per cent; and 23.2 per cent respectively).

During the 26 years period some interesting developments and trends developed. Performance was the constant number one concern while interest in the environment[5] reduced, compared to an increased concern with capabilities. Other topics closely aligned with capabilities, such as innovation, also increased in frequency of occurrence: while only 4.9 per cent of strategy researcher focused on innovation between 1980 and 1985, 22.9 per cent researched its relation with strategy between 2001 and 2005.

Having considered the implicit definition that might constitute the strategy paradigm let us now consider some of the reasons why the paradigmatic appearance may be somewhat misleading, an effect of the artefacts considered, rather than being based on a fair sample and representation of the field. There are two main issues with thinking that the characterization of this implicit field is equivalent to a paradigm:

First, it is an effect of a particular kind of exercise that entails sampling only from a restricted range of US journals. What is odd about this from a paradigmatic perspective is that Kuhn (1962) was quite clear that a paradigm is constructed not so much through the journals as textbook knowledge. By only focusing on journals, Furrer *et al.* (2008) missed the influence of books on the field. This leads to the rather ironic result that Michael Porter, many people's idea of the quintessential strategy guru, whose packaging of knowledge is enormously influential, did not appear in the list of most influential strategists. The oddity becomes apparent when one considers that an almost parallel analysis of the development of strategic management from 1980 until 2000 by Ramos-Rodriguez and Ruiz-Navarro (2004) demonstrates that 18 of the 20 most cited works in the *Strategic Management Journal* are books. In their hit list, Michael Porter is by far the most influential strategy writer but, as someone primarily influential for books, he does not appear in Furrer *et al.*'s analysis.

Second, the paradigmatic appearance is also partly an effect of only looking at what gets published largely by North Americans in a small range of North American journals. Obviously, given the global dominance of English-language research by the USA, the skewed statistical sampling is not surprising. But it is skewed. It is in no way a representative sample.

The institutional apparatus of the Strategic Management Society, American Academy of Management and an assemblage of influential journals sustain the dominant orthodoxy of Strategic Management. As an actor-network it has proved to be remarkably successful in positioning itself within Business Schools. What is also clear is the extent to which this dominant conception of Strategic Management has framed itself around a relatively limited range of issues. There is little that is critical, qualitative or progressive to be found in the pages of influential North American strategy journals.

Alternative strategy: strategy as practice/critical perspectives

That North American strategy is confined to a relatively small group of topics is an argument that has been made above. While the largely US-centric analyses of strategy assume a coherent paradigmatic identity to the field, other, European, researchers argue that strategy represents a more fragmented picture. For instance, Seidl (2007) suggests that strategy cannot easily be conceptualized as a unified field. It is far too diverse and has splintered into a multitude of relatively autonomous discourses in the European literature. Many of these are much closer to fields such as accounting and organization studies and draw more from sociology than they do from industrial economics. Some of these strategic discourses have family resemblances to each other – such as those sampled in North America – while others seem hardly related to these representations at all. European scholars' contributions to strategy, especially from Pettigrew's (1973) seminal early work on decision-making and Child's (1972) work on strategic choice, have been more critical and sociological in nature, highlighting the importance of power and politics in and for strategy making. Studying the process of purchasing a major mainframe computer system in a manufacturing company, Pettigrew identified the pivotal role played by a manager – Kenny – who, in effect, controlled information and communication to the board of directors. This placed him in a very advantageous position. Pettigrew's chief insight, much as Child's, which he drew in part from his experiences as a Rolls Royce manager[6], was that power and politics were central to strategic choices and strategy making. Such work proved influential in European strategy and organization studies and helped propel issues of power and politics onto the agenda.

Pettigrew's (1973) early work appeared at a time where both accounting and organization theory were undergoing a revolutionary moment which saw, in the UK at least, a cutting – or at least a loosening – of the Gordian knot of functionalism. The interdisciplinary or critical accounting project emerged around the same time as critical organizational theory. Both of these movements have been hugely influential in the Australia, Europe and the UK, with some influence in Canada. Each discipline is in the process of producing its fourth generation of scholars, and while in the early years they were almost always imported from other social sciences, there are now strong endogenous programmes in both accounting and organization theory. In both disciplines in the UK at least, the prefix critical or radical is not as necessary as it once might have been as there is greater acceptance of the critical agenda, which increasingly shaped research concerns. Of course, as history demonstrates in other spheres further progress cannot be taken for granted and North America, the dominant source of management, organization and accounting research, offers European and Australian scholars a relevant counterfactual to their increasingly taken-for-granted assumptions.

That mainstream strategy did not follow other management disciplines on a path that led to sociological theory is evident. Of course, the work of Henry Mintzberg is rightly regarded as both an iconoclastic and important contribution to the strategy literature. However, it remains corporate in its orientation. Of particular note is his early study, analyzing what managers actually do (Mintzberg, 1973), followed by his insights into emergent strategy (Mintzberg and Walters, 1985). While his work is undoubtedly heterodox (Mintzberg, 2004) when viewed from the vantage point of mainstream strategy it is, nonetheless, fairly ordinary. Other contributions have

examined strategy from a variety of perspectives: from the vantage point of actor-network theory (Chua, 2007; Jeacle, 2003; Skærbæk and Tryggestad, 2010); critical management studies (Clegg *et al.*, 2004; Ezzamel and Willmott, 2004, Kornberger and Carter, 2010); feminism (Du Toit, 2006); discourse (Barry and Elmes, 1997, Kornberger *et al.*, 2006); Foucauldian analytics (Hoskin and Macve, 1988; Knights and Morgan, 1991); Marxian approaches (Bowman and Toms, 2010); a concern with practice (Carter *et al.*, 2008b) and elements of structuration theory (Clark, 2000; Heracleous and Barrett, 2001). While these contributions are notable for their insights into strategy as a phenomenon, they do not constitute a “school” or a broader movement. Instead, they offered the odd shard of sociological sophistication amidst the hard core of positivism.

Recent years has seen the emergence of the strategy-as-practice (s-as-p) movement, which has successfully institutionalised itself within European Organization and Management Studies. It has also made important in-roads into the American Academy of Management. S-as-p is an eclectic movement, something that we have been critical of elsewhere (Carter *et al.*, 2008a, b, c). The movements’ success in institutionalizing itself has come at the expense of critical thought; instead, it remains very much within the frame of conventional strategy concerns, albeit drawing on more sociologically informed methodologies. The s-as-p position is that it is a pluralist endeavour seeking to understand all aspects of the strategy industry. Of course, while we recognize that s-as-p has produced some strong scholarship, much of it still retains a conservative view of strategy and an underdeveloped notion of practice. In many ways the success of s-as-p’s institutionalisation might well be a function of its conservatism. By offering continuity and incorporating well-known European strategy personages, it has eschewed a radical agenda in favour of a reprise of familiar themes. While it gestures to sociology it still retains a relationship with bodies of knowledge such as the resource-based view, with their equilibrium and neo-classical assumptions about the world (Matthews, 2010).

Strategy has not had its critical moment in which a group of scholars coalesce around distinctly differentiated redefinitions of the scope of the field to re-make it, as has happened in both accounting and organization theory. Interestingly, these fields offer a point of strategic intersection: some of the more sociologically minded developments in strategy have been taking place in accounting. Recent work by accounting scholars such as Chapman (2005), Chua (2007), Hansen and Mouritsen (2005), Modell (2009), Parker (2007), Qu *et al.* (2009), Skærbæk and Tryggestad (2010) have made important contributions to how we conceptualise strategy. One of the ambitions of this *AAAJ* special issue is to sketch out some contours of an interdisciplinary view of strategy. To initiate such a debate we find it useful to reframe strategy around notions of performativity and power. We regard these factors as central building blocks with which to understand strategy.

Strategy as performativity

The central premise of our argument is that strategy has become an important language game in organizations. That strategy is so prevalent does not, of course, necessarily mean that it has significant consequences. Practices can be followed that invest legitimacy in organizational actions whilst being merely ritualistic, such as a Latin Mass functioned for congregations unschooled in classical scholarship.

Following neo-institutionalist theorists (Meyer and Rowan, 1977), strategy could be regarded as an institutionalized myth relatively decoupled from the everyday realities of organizational life. That strategy tools may be relatively trivial would, from this view, hardly matter: they are used because important stakeholders expect to see them; hence, their main function is as legitimation devices. Given the explosion of books, papers, and subjects about strategy in recent decades this is almost certainly part of the reason for the success of strategy.

An alternative position to treating strategy tools as being relatively trivial would be to advance the notion that strategic tools or knowledge are, in fact, performative. As Callon (1998, p. 2) has argued in relation to economics: “economics, in the broadest sense of the term, performs, shapes and formats the economy, rather than observing how it functions”. Callon suggests that economics does more than describe reality: it shapes markets. While the ideas regarding performativity have a lineage, traceable back to the philosopher Austin, it is currently in the sociology of finance that they figure most prominently. In his seminal book *An Engine, Not a Camera*, MacKenzie (2006) documents the way in which finance theory has become inscribed into financial markets, in technical, linguistic and legitimatory ways: in technical terms, finance theory is often inscribed into computer software for trading models; linguistically, finance theory provided a new language with which finance workers could talk about the market they were operating in, with terms such as “beta” and “implied volatility” entering the argot; its legitimatory capacity comes through the way in which finance theory has successfully established in society the shibboleth that markets are efficient. The assumption of the efficiency of markets underpins finance theory.

The 1970s witnessed a cascade, to use MacKenzie’s term, of finance theory. As finance economics developed in Business Schools it always had a practical dimension as concepts were interlinked with practice, which, in turn, fed back on theory. Models such as the Capital Asset Pricing Model (CAPM) and the Black-Scholes-Merton Model became commonplace in financial markets. They were in tune with the increasingly neo-liberal times. The efficient market hypothesis and CAPM seemed to become an increasingly plausible reflection of reality. From Mackenzie’s position, this is hardly surprising: he contends that financial tools do not merely capture reality – as in the case of a camera – but they actually make it up. Economics is an “active force” (MacKenzie, 2006, p. 12) in its environment. His study seeks to establish the “effects on financial markets of the emergence of an authoritative theory of those markets?” (MacKenzie, 2006, p. 5). In other words, he wants to evaluate the performativity of finance theory.

It is worth noting that Mackenzie’s thesis has some family resemblances to George Soros’ stress on reflexivity in markets. As Soros (2008, p. x) notes with respect to markets, “there is a two-way reflexive connection between perception and reality which can give rise to initially self-reinforcing but eventually self-defeating boom-bust processes, or bubbles”. In his study of financial markets, Mackenzie asks a related question: “Has finance theory helped to create the world it posited – for example, a world that has been altered to conform better to the theory’s initially unrealistic assumptions?” (MacKenzie, 2006, p. 24). His answer is that finance theory has played an important – if sometimes elusive – performative role.

Mackenzie (2006, p. 17) identifies four different forms of performativity, which he discusses in relation to economics and finance:

- (1) *Generic performativity*. Refers to a scenario whereby an “aspect of economics (a theory, model, concept, procedure, data set etc.) is used by participants in economic processes, regulators, etc.” (MacKenzie, p. 17). According to MacKenzie this is a relatively weak form of performativity and merely denotes that both economists and practitioners use the same concepts.
- (2) *Effective performativity*. In contrast to generic performativity, effective performativity is characterised by some aspect of economics ‘making a difference’ (MacKenzie, 2006, p. 18). Therefore the use of some aspect of economics actually has an effect on some aspect of the economy. MacKenzie is aware that it is very difficult to demonstrate empirically whether effective performativity has taken place. MacKenzie notes that finance theory – through the Capital Asset Pricing Model – led to the development of index funds, the impact of which on the stock market would be in instance of effective performativity.
- (3) *Barnesian performativity*. This form of performativity is derived from the work of Barry Barnes, at the University of Edinburgh, and is premised on the idea of economic reality conforming to the model itself i.e. the model creates the world it describes. As MacKenzie (2006, p. 17) puts it: “Barnesian performativity is the practical use of an aspect of economics makes economic processes more like their depiction by economics”. Of course detecting Barnesian performativity is also difficult. MacKenzie provides the following example: “One way of detecting the Barnesian performativity of an aspect of economics such as a theory or a model is by comparing market conditions and patterns of pricing before and after its widespread adoption... if those conditions or prices have changed toward greater conformity to the theory or model, that is evidence consistent with Barnesian performativity”. In his study argued that CAPM did not possess Barnesian performativity, this is because “the agreement between the CAPM and empirical data does not seem to have improved after the model was formulated” (MacKenzie, 2006, p. 255). In contrast, MacKenzie suggests that the efficient-market hypothesis has a stronger claim to be performative in the Barnesian sense. The Black-Scholes-Merton model “helped to create patterns of prices consistent with the model” (MacKenzie, 2006, p. 256).
- (4) *Counterperformativity* – the final form of performativity, identified by MacKenzie, turns Barnesian performativity on its head as it is where the “practical use of an aspect of economics makes economic processes less like their depiction by economics” (MacKenzie, 2006, p. 17) leading to “practical action based on economic models undermining the empirical validity of those models”. MacKenzie cites the example of portfolio insurance in the 1987 stock market crash as an instance of counterperformativity. As Tett (2009) reports some of the Citibank bankers were puzzled when the real world no longer conformed to their models of it.

MacKenzie’s arguments regarding the performativity of financial economics are compelling. A research agenda for strategy suggests itself from this perspective: “Did strategy theory bring into being that of which it spoke? Did its practical use increase the extent to which strategic processes or their outcomes resembled their depiction by

theory?" (MacKenzie, 2006, p. 253). [We have substituted strategy for finance, and strategic for economic].

MacKenzie's arguments have a striking relevance for strategic management. At a relatively straightforward level strategic ideas are performed through the actions or words of a practitioner or are inscribed in some way into a strategic tool or device. An example of generic performativity in strategy occurs when concepts such as competitive advantage, KPIs, core capabilities, VRIN, or tools such as the Boston Box or the Balanced Scorecard, are used by strategy practitioners in their daily practices. Such strategic concepts, when used, actually create a world in their own image.

Assessing performativity is complex and it is almost impossible to prove that certain effects have specific causes. An important agenda for understanding strategy is to try and understand the effects that strategic tools and concepts have on making the world in which they describe. Consider the work of Michael Porter, for example. In many important ways he can be characterised as the doyen of mainstream strategic research, through his early work on the five forces (Porter, 1980) through to his later work on clusters (Porter, 2000, 2003). His ideas may or may not be correct and, of course, they are open to empirical and theoretical contestation; however, when his ideas are vested in practice they become performative and a source of their own self-evident truthfulness. Porter's recent work on clusters has a great deal of analytical appeal and traction for region development agencies, city governments and so forth. Porter's argument, simply put, is that developing a cluster in a sector in which a region has a competitive advantage will lead to further competitiveness. If a regional body picks up on this idea and actively creates a cluster this would be an example of Barnesian performativity. Similarly, Florida's (2002) work on strategizing for creative cities, which has received a great deal of attention in recent years, offers another potential illustration of Barnesian performativity: as cities implement Florida's ideas they start to resemble the very model that Florida describes. Drawing on the example of city clusters above, if numerous cities pursued a similar strategy this might lead to the counter-performativity: the effect being the opposite of those predicted by Porter. Our argument is that strategic concepts and tools are not technocratic and neutral in their application but have important power effects. Given that strategy is well established as a discourse, evaluating its effects are increasingly important. Paraphrasing MacKenzie, are these effects those of a camera or an engine?

There are elements of strategy that neither the metaphor of camera nor engine captures. While the former stresses representation and the latter motive energy, each suggests a unified field of either vision or traction. It is the rare organization that presents a unified vision: most organizations of any complexity are far more like a cubist painting, best viewed as if in motion, blurred at their edges, a process rather than a finished product, brimming with the possibilities of the energies vested in the gazes to which they are subject, capable of positing multiple realities in which diverse interpretations can be sustained simultaneously. That, most of the time, most people do not see them that way, takes a great deal of effort in stabilizing representations as well as power to be able to do so.

Strategy as power

Strategies must do power work – they must make a difference – if they are to be effective. It is clear that strategies play an important role in the power and politics of

organizations. Strategies are intended to change states of affairs, producing more performativity, profit, and commitment, for example, for those whose intentions the strategies express. Manifest, episodic effects are sought for and attributed to strategy. Strategy, in power terms, is expressly intended to move people, relations and things from one level of performance to another. If strategy does not make a difference it is not strategic. Strangely, discussion of strategy in these terms, as a set of practices of power designed to change the nature of people, relations and things, is rarely encountered in the strategy literature (but see Carter *et al.*, 2008c).

Power is not a single entity. It represents a cluster of concepts. (For important contributions that differentiate the field in various ways see the following: Arendt, 1970; Parsons, 1964; Barnes, 1988; Dahl, 1957, 1961, 2006; Bachrach and Baratz, 1962, 1963, 1970; Crenson, 1971; Lukes, 1974, 1977, 1986, 2005; Foucault, 1977; Clegg, 1975, 1979, 1989; Hindess, 1996; Clegg *et al.*, 2006; Laclau and Mouffe, 1985; Dean, 1999; Habermas, 1984; Morriss, 1987, 2002; Barry, 1989; Dowding, 1996; Giddens, 1984; Haugaard, 1997, 2002; Clegg and Haugaard, 2009). The idea that there is a single thing-in-the-world corresponding to power, as some kind of essence, has fallen out of favour. Lukes (1974) shifted the debate by arguing for power being the kind of concept that is “essentially contested”. Essential contestation refers to matters that cannot be settled empirically. In Lukes, for instance, liberal, reformist and radical accounts of power are differentiated. Each differs precisely in what their value-commitments will admit as evidence and data, as a result of definitional inclusion and exclusion. Concepts become essentially contested because normative evaluations are smuggled into what appear to be empirical statements. While the idea of power as “an essentially contested” concept captures some aspects of the power debate, it does not describe them all.

It is our assertion that the concept of power is absolutely central to any understanding of strategy. It has been a core concept of the social sciences for as long as there has been speculation about the nature of social order (Wolin, 1961). Despite this ubiquity its sense is one of the most difficult concepts to understand within the social sciences. It first became an object of empirical rather than moral enquiry in Machiavelli’s (1972) *The Prince*, where we find images of power as domination and control that work in subtle ways: the successful Prince manages through clever manipulation of the flows and movements of power. Moral distinctions between legitimate and illegitimate power become subsumed under a dominant discourse of practical success and failure. Power is exercised over others and society is constituted through the domination of the weak by the strong. If Niccolò Machiavelli offers one influential modern template for thinking about power, Thomas Hobbes offers another.

In Hobbes (1968), power flows from social order to the individual. Sovereign political actors create social order as an architectonic product that provides lesser individuals with a capacity for action. The ultimate backing for power is violence and coercion over which the Sovereign holds a monopoly. As represented in the frontispiece of the Leviathan, society is the sum of individuals who carry and constitute power. If Hobbes’ discourse was closely tied to the legitimacy of sovereign power as a presupposition of a commonwealth, by the late nineteenth century the terms of power’s address were changing radically.

For Nietzsche (1968), power entails a capacity to define reality. If you can define the real and the moral, you create the conditions of legitimacy. The terms of trade of

legitimacy have changed markedly: what is at issue now, of course, is not normative legitimacy but legitimacy as a sociological fact of domination. What sometimes may appear as an escape from power and domination is really the replacement of cruder forms of domination by more sophisticated and thus less visible forms. Nietzsche's heir, Weber, saw this quite clearly: for Weber (1978) the English term "power" covers both *Herrschaft* and *Macht*, which correspond to authority and coercion respectively; thus, power can be either legitimate or it can be based upon the threat of violence due to its concentration in social relations that are articulated in hierarchical forms of organization which command technically rational bureaucracies. The organizational condensation of these power relations would be a strategy driven from the top down.

We should not be surprised that different conceptions of power reflect different elements of the strategy process. The episodic behavioural view of a theorist such as Dahl is adequate for capturing set-piece debates about what should or should not enter into strategy statements, seeing whose will prevails, who wins and who loses. The second face of power, identified by Bachrach and Baratz (1970), is important for seeing how agendas are framed, and how certain phenomena are situated as non-issues, about which decisions do not have to be made. In Fanon's (1967) phrase, the "wretched of the earth", those who are dispossessed, polluted, or sufferers of pestilence visited by corporate actions, are too important to be overlooked because they cannot be seen empirically in the restricted access academics have to actually occurring and observed strategy discussions. For instance, in resource-based economies such as Australia non-decision making has characterized major political parties strategies for years with respect to industries such as mining, where neither the parties of capital nor the parties of labour have been keen to make central issues of questions raised by green parties.

The vanguard analysis for work that studied non-decision-making empirically was that of the political scientist, Matthew Crenson, who argued for the importance of studying "political inactivity" (Crenson, 1971, p. 26) when looking at strategic decisions. Some strategists (see Jarzabkowski and Whittington, 2008) have struggled with the concept of studying things that do not happen. In political science and sociology, however, doing this is a well-established approach (see van Iterson and Clegg, 2008). Our view is that it constitutes an important part of the strategist's toolkit. The implication is that by taking non-decision making seriously we are compelled to study strategic decisions that are not made, in addition to those that are: "the proper object of investigation is not political activity [strategic decisions] but political inactivity [strategic non-decisions]" (Crenson, 1971, p. 26 – insertion in the brackets added by the authors).

Crenson set out to understand non-decision making in what has become a classic study. To do so he studied the way in which air pollution was treated at different junctures in two American cities. He contrasted Gary and East Chicago. The two cities were in important respects very similar: they were neighbouring cities not far from Chicago, both were steel towns, and both suffered from high levels of pollution. However, they differed in one vital respect: East Chicago introduced air pollution regulation in 1949, whereas the city of Gary did not do so until 1962. Their similarity opened up the possibility of studying non-decision making – something that does not happen – empirically in a natural experiment. East Chicago operated differently from Gary, providing a relevant counterfactual. Crenson (1971) found that air pollution was not raised in Gary because of non-decision making: a mix of Gary being a one company

(US Steel) town and strong political organization combined to keep air pollution off the agenda. In conclusion Crenson (1971) makes a number of points which are insightful for the purposes of studying strategic-decision making:

- (1) Some strategists in an organization may have the “ability to prevent some topics from ever becoming issues and to obstruct the growth of emergent issues” (Crenson, 1971, p. 177).
- (2) Often strategists with this ability do not actually need to exercise it, but merely the reputation for having such power will be sufficient.
- (3) Often groups “who do not actively participate [in decisions] . . . may influence their content” (Crenson, 1971, p. 177).
- (4) Groups that are subject to the power of the dominant regime may remain invisible and strategically powerless.
- (5) Strategic decision making is “channeled and restricted by the process of non-decision making” (Crenson, 1971, p. 178).

A key tension in analyses of power thus resides in the relation between the general concepts in use and the specifics of local practices. In an attempt to use this tension creatively Clegg (1989) has developed a model of circuits of power that explicitly links the dialectics of power and change, order and disorder, and legitimacy and illegitimacy in one abstract models for addressing concrete practices that flow, analytically, through three distinct circuits of power: episodic power, dispositional power and facilitative power (Clegg, 1989: see chapter 8, where the basic model is developed and outlined). Each circuit plays a distinct role: episodic power relations change the notions of social relations, the standing conditions necessary to express them consistently, and the social relations through which they are expressed; dispositional power structures change relations of social integration (and disintegration), while facilitative power moves through the circuit of system integration (and disintegration) where innovations and inhibitions in techniques and disciplinary practices flow.

Being engaged in specific episodes of power is only the most evident implication of strategy for relations of power. Certainly, strategy is performative; it does things or, less hypostasized, at least its proponents seek to have some things attributed as its doings (and equally, sometimes they seek not to have some things attributed to its doings). American pluralists (such as Dahl, 1961) emphasized that power could be observed through who prevailed in particular decision-making episodes. They relied on the famous formulation of power as “A has power over B if she can get B to do something that he would not normally do”. But power is implicated in the practice of strategy in far more subtle ways than merely what gets to be done or attributed as being done through the effects of strategic agency. Strategy frames agendas, its designs enrol certain actors to certain responsibilities, place them in certain decision-making roles and projects. Who gets to be chosen, what agendas are constructed, and who is not chosen and what is not selected for inclusion on agendas are also an important face of power relations. It is through these processes that non-decision areas are framed and non-issues are shaped; by confining strategy to certain issues and agendas, and limiting enrolment and involvement to certain actors, the micro-politics of strategy get played out. The 2009 Copenhagen Climate Change Summit is a good recent example of attempts to control the agenda, as coalitions of

Western countries, as well as China and India, each sought to control the agenda at the expense of the wishes of other countries, such as those in sub-Saharan Africa and the island nations. Micro-politics play out in terms of discursive representations in the strategic arena. We see this most evidently in terms of the efforts of certain organizational discourses to become “strategic”, such as Management Accounting, in a collective project of social mobility of the accounting function from middle management to the boardroom that signals important politics. To the extent that specific discourses gain access to strategy making in particular organizations, their inclusion (and the non-inclusion of others) is significant. Inclusion enables the modes of rationality embedded in the discourse to be represented – to have a “voice” in the citadels of power. Hence, if certain forms of knowledge are dominant in the organization, such as finance or production engineering, and if other forms of discourse do not have strategic representation, then their rationalizations will hardly come into play. Power relations involve representation and rationalizations; without the former the latter are much weaker.

Representation and rationalization shape dominant ideologies (Abercrombie *et al.*, 1980) or underlying “ultimate values” that are rarely if ever questioned, which help to constitute a sense of common culture for elites, central to the social reproduction of locally accepted truths. Elites are able to parlay these “truths” through their control of major means of dissemination of opinion. Within organizations, where many formal channels of communication are oriented towards the dissemination of strategic visions and mission, and the concrete strategies that these legitimate, a great deal of effort goes into framing official strategies. These are not always effective, of course: if they were they would never occasion dissent or resistance and strategies are rarely unproblematic in their reception by stakeholders such as customers, communities and employees.

Dominant ideologies are not necessarily wrong or incorrect representations of reality. Indeed, where elites are very successful in forming a community view that they use to organize themselves, they can constitute and organize reality so that, in many ways, it does in fact appear to correspond to the dominant view. Strategy is, above all, concerned with the social construction of reality (Berger and Luckmann, 1966). If the realities that it envisions and builds missions around cannot be realized the strategy has failed. In our view, this is how strategy works. It not only represents and organizes elite views of the world but it also shapes the world – it has world-making powers.

Strategies frame the reality that organizations operate in: the world that they attend to is shaped by those phenomena that not only enter into the constitution of their models but those that, even more, do not enter into the construction of such models. For instance, there is a distinct absence of the state and regulation from Porter’s view of the world (Carter *et al.* 2008c). Minimizing the role of the state is a central plank of liberal political orthodoxy. That Porter (in Porter, 2000, especially) sees no role for the state in his view of the world other than as a supporter of failing enterprise is, perhaps, less an accurate representation of reality and more an accurate representation of liberal political ideology. When Porter and colleagues investigate strategy in Japan they are unable to represent the reality of business-government relations as these are mediated through institutions such as *amakudari* (see Lam, 2009), the Japanese traditional practice of placing retired bureaucrats in private sectors. The term represents both a specific practice and the name given to those people who fill a specific role, such as

ex-bureaucrats, who play an important role in industry development. Through such practices the elites in business and government tacitly and implicitly coordinate strategies and worldviews. No rationalization without representation! Representation entails specific inclusion and exclusion of particular rationalizations.

With representation the right to offer rationalizations for actions proposed and strategies envisaged is achieved; however, as Flyvbjerg's (1998) *Rationality and Power: Democracy in Practice* makes clear, those in positions of dominance need no rationalizations for actions and strategies other than the dominant ideologies themselves. Rationalization becomes the preserve of the relationally less dominant whose actions and strategies have to be constituted in terms that translate into those of the dominant discourse. Flyvbjerg (1998) makes a detailed case study of planning intended to limit the use of cars in the city centre of the city of Aalborg in Denmark that demonstrates the aforementioned points clearly. Flyvbjerg's (1998) main theme is that power shapes rationality. At various stages different political actors sought to steer strategies through their preferences – they sought to structure what Clegg's (1989) circuits of power model terms obligatory passage points. Different claims were made for participation in different committees; differential participation produced different outcomes at different times, favouring different preferences. Small battles were fought over who, and what, could be introduced in which arenas and meetings. In this way the relations of meaning and membership in the various locales were contested, reproduced or transformed. As these changed then the obligatory passage points shifted; as these shifted the relations of power that had prevailed shifted also – most dramatically when the Mayor and officials were indicted and imprisoned. Thus, small wins in specific episodes of power had the capacity to shift the configuration of the overall circuitry through which power relations flowed. The actors engaged in the plans were constantly seeking to fix and re-fix specific strategies, and although the play of power was very fluid, the underlying social integration of the small business people with each other, the Chamber of Industry and Commerce, and the editorial views of the local newspaper, seemed to mean that the small business people were the prevailing winners in the many struggles. The attempts to re-specify the system integration of the traffic plan in Aalborg consistently foundered on the reef of social integration. How Aalborg was strategically planned, designed and looked, as well as how it was not planned, not designed and did not look, was an effect of power relations.

Flyvbjerg (1998) alerts us to one very important fact of power relations and rationalities: that when power and knowledge are entwined then, the greater the power, the less the need for rationality, in the sense of rational means-end justifications. The relation between rationality and power is an uneven relation: power clearly dominates rationality. That is, those who presently configure power will seek to continue doing so and will be quite ready to define the reality of their project in any way that seems to further their preferences, using whatever strategies and tactics are available to them. In this sense, what is defined as rationality and reality is an effect of power, as it defined and created “concrete physical, economic, ecological, and social realities” (Flyvbjerg, 1998, p. 227). What was advanced and argued as rationality depended wholly on power relations; the more disadvantaged in these relations actors were, the more they were liable to have recourse to conceptions of rationality that downplayed power, and sought to position themselves through factual, objective, reasoned knowledge. The

most powerful rationalities took the form of rationalizations rather than authoritatively grounded accounts.

In Aalborg, these public performances of rationality were such that those who were witness to the rationalizations often felt compelled not to reveal them because they lacked the powers to do so; they anticipated and feared the reaction that their actions would in all probability produce. Should they move, danger would lurk in engaging in open conflict and identification of differences. The greater the facility with which organizational agencies could have recourse to power relations the less concerned they were with reason, and the less they were held accountable to it. Access to more power produced less reason. In Aalborg, what was most typical was the constant attention to the small things of power relations that continually reproduced the status quo; rather than attempts at transformation, it was largely reproduction that prevailed – and the most skilled strategists of power were those for whom reproduction was their preferred strategy – in the case of Aalborg, the small business community, whose institutionalized voice was much more actively represented to governmental rationality and far better organized than that of the various citizen groups: the cyclists, greens and so on. In turn, these relations were embedded in deeply held local loyalties and relations. When, in openly antagonistic settings, these relations came up against contra-points of view that were well researched and represented in rational terms, power-to-power relations dominated over those defined in terms of knowledge or rationality aimed against power. Mostly, power relations were both stable and inequitable. Where power relations could be maintained as stable and characterized by consensus and negotiations, rationality could gain a greater toehold; the more power relations became antagonistic, the easier it was to deploy arguments and strategies that elided it. Thus, rationality must remain within existing circuits of power if it is to influence them. To challenge them is to play a losing hand – one of the great sources of strategic success is to play a winning hand.

In conclusion: opening up strategy

We live in a world constructed and shaped by strategies. The organizations and businesses we work in; the shops we buy our material wants from, the universities and colleges in which we are educated, the politics that frame our roles as citizens and subjects – these all have strategies that shape the ways in which we are able to interact.

This special issue aims to open up a conversation among critical scholars – from accounting, business history, organization theory, sociology and strategy – to make strategy critical. Our view of strategy is, therefore, clearly premised on the understanding that meaningful strategy has performative qualities and is underpinned by the relations of power. Without power it is impossible to conceive of strategy. Scholarship, by definition, is expected to be critical, rather than a handmaiden of powers outside the academy. While power and knowledge are always interpenetrated and entangled all serious claims to scholarship must seek to measure their distance from interests that exist purely to extend the control of instrumentalized knowledge (Habermas, 1971). Accountants and organization theorists embarked on an intellectual journey nearly 40 years ago that led to the establishment of a critical community of scholars when it appeared as if the demands of pure instrumentalism were becoming hegemonic in a way that had not characterised the ideas of founding fathers such as Weber (1978). Strategy, whatever ancestors it claims, has become increasingly

constructed as an instrumental space whose taken-for-granted assumptions, such as the central role of equilibrium models, are rarely questioned (Matthews, 2010).

Our ambition is to develop an *agora* – a market, a meeting place, an arena for interaction, discourse and debate – in which the materiality of those strategies being made, bought, and sold, as well as the terms of trade, become objects of analysis. In other words we wish to encourage scepticism and reflexivity: scepticism with regard to the material properties presumed to be the essence of specific practices, such as accounting, and reflexivity with regard to the terms that constitute features of that which is being privileged. We wish to make the very notion of strategy problematic as a social practice in general and a professional practice in particular. We believe that doing this entails more than merely improving on relatively static models such as the RBV or researching strategy-in-practice, important as that is. As we have said, it is not just that which one can empirically see happening in practice that is important in discussing either power or strategy but sometimes the things that do not happen, the issues that do not become problematic, the decisions that are not made which can be more important than what actually occurs in practice. There is a struggle to put issues on the agenda, to make up strategies in other ways that recognise meaningful flows from outsiders to the strategy process.

This special issue aims to develop an interdisciplinary perspective on strategy, one that incorporates insights from accounting, business history, organization studies, sociology and strategy. Christina Boedker (2010) reprises some of the themes raised in this paper and critiques ostensive approaches to strategy, before making the case for a Latourian perspective, which is irredeemably performative. This echoes with Whittle and Mueller's (2010) article, which continues in a Latourian vein, deploying Actor-Network Theory to understand the role that management accounting plays in transforming ideas into strategy. Toms (2010) takes a mainstream strategy subject – the RBV – and injects radical intent, through incorporating Marxist value theory into the canon of strategy. Whereas Toms, to an extent, seeks to resuscitate extant neo-economic strategy concepts, Lapsley and Giordano (2010) dispense with them altogether. Instead, they apply Clegg's (1989) "circuits of power" framework to investigate the different strategies adopted by the city governments of Milano and Edinburgh, during their quest to introduce congestion charging to their respective cities. In the final article of this special issue, Wilson *et al.* (2010) select a broad canvas with which to paint their picture of strategic decision-making. Their research breaks new ground by exploring the politics of strategic decision making in relation to planning for disasters and extreme events. Taken together this special issue puts forward an agenda for a sociologically informed and empirically rich approach to strategy, in place of rampant positivism, banal prescription and corporate hagiography. We refer to this agenda as Strategy, Organizations and Society. At the heart of this perspective are issues of power, politics and accountability, displacing more conventional and economically derived concepts. This *AAAJ* special issue comprises part of a broader project that seeks to question the effects of certain expediencies, such as business consultancy and the production of "relevant" knowledge for senior managers, two pressures that currently bedevil strategic management. Underpinning all of the papers in this *AAAJ* special issue is the premise that strategy is an important social phenomenon. Accordingly, this special issue seeks to take strategy seriously, inscribing it in the social sciences, thus making strategy critical.

Notes

1. In Greek mythology Daedalus was a renowned and highly skilled craftsman.
2. This mirrors the experience of finance which has its origins in economics but now has its own distinct base.
3. The three journals that were mined for articles were the *Academy of Management Review*, *Academy of Management Journal* and *Administrative Science Quarterly*.
4. They chose these four US journals because they are frequently referred to as the most influential journals in the strategy field. (of course, once again, one has to note the absence of non-US journals. On this reckoning strategy is primarily a North American phenomenon. With their exclusive choice of journals, Furrer *et al.* contribute to suggestions of this bias.)
5. What strategists call the environment – an economic terms referring to that which is outside the firm – not the natural environment conceived in terms of business' strategic effects on it in terms of carbon footprint, climate change and so on.
6. As advised in a personal communication of 9 April 2010.

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