**Integrating Strategy and Relationship Concepts:
How Business Relationships Shape Strategy**

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Maureen Benson-Rea
University of Auckland Business School[1]

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Introduction

The development of strategy and business relationships occurs at multiple levels in the organisation. One of the key challenges for business managers is to develop the analytical and practical skills to be able to mobilise their multiple B2B knowledge networks in their strategies. This competence approach increasingly pervades two key literatures that inform theoretical and practical understanding of both strategy and business relationships. This paper applies a multi-level approach to analyse the role and contribution of business relationships in strategy, and to bring new perspectives to the ways in which key relationships and networks mutually shape and influence strategy. The strategy literature is focusing increasingly on what people actually *do* in strategy, the "practice turn" (Jarzabkowski et al. 2007; Whittington 2006b). The relationships and networks literature is paying more attention to competence and strategic value creation (Capaldo 2007; Möller 2006). The focus of this empirically motivated paper arises from common themes in the disciplines of strategy and business networks, adding to understanding of core concepts in both through a process of cross-fertilisation. We begin by showing how common themes in the strategy literature's view of business relationships and networks, and how the business relationships and networks literature increasingly relates to strategy, are converging. The emerging strategy-as-practice literature, specifically the multi-level notions of *praxis*, *practice*, and *practitioner* (Whittington 2006a), are then used to focus understanding of strategising in networks. The value of this approach is illustrated by an in-depth case study of a company whose strategy was strongly driven by its business relationships at multiple levels. The case study illustrates the components of a framework which describes the commonalities between key strategy and relationship practices giving an industry-, firm- and manager-level view of business relationships in strategy. An emergent framework which models the integration of strategy and relationships is then described. The paper contributes to developing theory on the relational view of strategy and to strategic action in business networks.

Strategy views of business networks and relationships

In the classical approach to strategy, strategy formation and development are explained by a set of processes: managerial intent (which can involve planning, command or incrementalism; by organisational processes - political and cultural - and external factors) based on industry or organisational paradigms, political processes of bargaining and negotiation, by "muddling through", or by imposed strategy in which strategy is formed through enforced choice or environmental constraint (G. Johnson

[1] Private Bag 92019, Auckland Mail Centre, Auckland 1142, New Zealand, m.benson-rea@auckland.ac.nz, Phone + 64 9 373 7599 ext 87356, Fax +64 9 308 2324

and Scholes 2002). To these may be added natural selection and visionary leadership (Bailey 1995; Johnson 1990; 1992). Porter's structure-conduct-performance approach (1980) was based on economic theories of industrial organisation within the context of industry structure in which choosing an attractive industry, deterring entry and holding a competitive position were critical, though there has been more emphasis on structure (context) rather than conduct (strategy) (Lewin and Volberda 1999). Porter's three generic strategies (Porter 1980) - focus, differentiation and cost leadership - remain as strategies-in-use (Jarzabkowski 2004). The key underlying concepts of firms atomistically positioning themselves competitively in the classical, Porterian view, competing on the basis of resources, remain valid as analytical frameworks. However, approaches to the content of strategies and the context for strategy are changing from an atomistic to an embedded view of the firm and from a rational, calculative, intentional view of strategy in a stable or static environment to more recognition of 'gut-feel', simple rules, creativity and emergence in dynamic turbulent international environments (Eisenhardt and Brown 1999; Eisenhardt and Sull 2001).

In newer approaches to strategy alongside the emphasis on action, is the emerging focus on capabilities, especially Dynamic Capabilities (DCs), rather than just on resources. Traditionally, strategy models have emphasized firm success, based on correct competitive positioning, rather than success over time, based on sustainable advantage. Successful firms were seen as *having* core competences (Prahalad and Hamel 1990): increasingly firms must have the skills to adapt to changing conditions, so that these develop into dynamic capabilities. Rather than simply focusing on internal assets, firms need skills of adaptability, dynamism and agility especially in the context of shortening response times in highly volatile markets and industries. Firms are learning how to adapt their internal assets and competencies to rapidly changing external environments (Teece et al. 1997). Dynamic capabilities are the mechanisms through which firms develop and internalize new capabilities in such changing environments and thus form a primary source of competitive advantage (Rumelt et al. 1994; Teece et al. 1997). In addition to managing or leveraging assets, firms adjust their abilities as well as their practices in order to meet the competition (Rumelt et al. 1994; Teece et al. 1997). DCs build on the Resource Based View (RBV) in which firms secure resources and compete on the basis of the uniqueness, inimitability and access to new markets that these resources bring (Helfat and Peteraf 2003).

As a bundle of resources primarily internally developed and sustained (Wernerfelt 1984), creating a capability or accessing a resource may be too costly for one firm, because of its historical context, path dependency, social context and causal ambiguity (Barney 1999). Acquiring a capability may also be prevented by environmental constraints, the effect of value, strategic inflexibility and difficulty of leveraging the acquired capabilities or resources (Barney 1999). These restrictions render 'nonhierarchical forms of governance' more attractive options to firms (Barney 1999) and thus firms recognize the importance of external resources as complementary to the classical emphasis on the independence and internal view of the firm. However, firms maintain a specialized independent competitive stance in networks and relationships, especially in their core competence (Hamel et al. 1989; Hamel and Prahalad 1994) through their value in use, rarity, inimitability and organizationally embedded nature (Barney 1991). Capabilities include intangible resources such as core competencies and tacit knowledge, which may be operationalised as tacit skills (Ambrosini and Nowman 2001) and firm-specific capabilities and assets may be based on efficiency and effectiveness which enable lower costs, or increased product quality or performance (Rumelt et al. 1994; Wernerfelt 1984).

Taking a relationship view of strategy, network roles can be sustainable strategic resources and network and relationship roles as resources appear to generate returns that could be described as rent, with firms using these assets tactically to derive such rents from their roles (Uzzi 1996:423). The 'stretch' development in strategic thinking and strategy formation, whereby organisations leverage the resources available to them to achieve ambitious and visionary goals (Hamel and Prahalad 1993), is central to the motivation towards and practice of network-based strategies. Whilst the classical Porterian view was based on a rational quantifiable view of sustainable competitive advantage and long-run profitability, responsiveness to higher velocity environments (Eisenhardt and Martin 2000), hypercompetition (D'Aveni 1995), flexibility and tacit knowledge and routines are seen as capabilities (Kor and Mahoney 2005). To understand what capabilities are brought to and used in interfirm relationships, the evolutionary economic view of firm capabilities sees the firm made up of two distinct but changing elements: its intrinsic core - inimitable capabilities, which are incontestable and unique, and ancillary capabilities - contestable and not unique (Nelson and Winter 1982). The boundaries of the firm are defined by the extent to which ancillary capabilities are internalized or bought through the market, depending on the strength of the firm's capabilities relative to those which could be bought; the transaction and governance costs in making or buying; how these factors change over time, and are influenced by organisational learning (Nelson and Winter 1982).

Strategy is recognising the importance of relationships in strategy in terms of synergy (Eisenhardt and Galunic 2000) and as idiosyncratic (Mahoney and Pandian 1992). Relationships involving forms of knowledge which are found in the individual and collective behaviour of people in firms as they acquire and reveal information to each other, are 'ways of acting that are competitively valuable' and these vary from firm to firm depending on the industrial context (ibid). Alliance capabilities can be identified and related to differential value creation (Anand and Khanna 2000). Sources of competitive capabilities can be embedded externally in firms' ties and network resources, especially their network of 'bridging ties and linkages to external institutions' (McEvily and Zaheer 1999:1152). Network resources are the informational advantages associated with a firm's network of ties (R Gulati 1999; McEvily and Zaheer 1999) and these resources both enable and constrain firms and add external capability generation to the internally focused RBV. Alliances have dynamic processes and sustained cooperation leads to coevolution in which firms can adapt and learn rather than merely implementing the design and set objectives (Doz 1996). Often the key to sustainable dynamic capabilities is not proprietary knowledge itself, but rather the organisational capabilities and processes which permit the generation and integration of new knowledge (Levin et al. 1987). Central to this is the knowledge and capabilities developed in external interactions. Management of DCs increases organisational efficiency and effectiveness, and allows the firm to leverage existing capabilities in order to create new forms of competitive advantage. Success will increasingly come from the ability to continuously create new products and services in an expanding global economy and in the emerging era of continuous innovation, knowledge is the key asset whose exploitation will determine success for many firms (Miles et al. 2000).

Business relationship and network views of strategy

Research on relationships and networks is identifying more strategic intentionality in the management of linkages (Ford et al. 2003; Gadde et al. 2003; Möller and Svahn 2003; Möller et al. 2005) and strategy and network concepts are coming together powerfully in newer views of value-creating systems and activities. In both strategic management and networks, theory is considering what innovative value creating strategies involve for firms. Value is no longer created by independent, self-sufficient, firm action but through close relationships among economic actors such that:

> relations are less sequential, and more synchronous…customers are regarded as participants in the co-production of value, and are encouraged to adopt this role rather than remaining passive consumers and/or users. Thus the borderline between supplier and customer often becomes blurred (Wikström and Normann 1994: 22-23).

The practice turn in strategy, together with the focus on networks as relational assets with relationship management as a latent or actual DC, is complemented by a competence turn in the business network literature (Möller 2006). The value and roles in value creation of partners in B2B markets lead to an extension of the RBV to include the relational perspective (ibid).

In terms of the structure of strategic activities, relationships and networks play a crucial role as an organizing framework. Networks are 'value-enhancing cooperative enterprises' (Calton 1995:8) and attention to network relationships brings advantages in that managers view 'the whole value system' (Doyle 1995:31). Strategy is shifting its focus away from the manner in which the organisation allocates and structures its internal resources towards the way it relates its own activities and resources to those of the other parties constituting its context (Håkansson and Snehota 1989). Business organisations are involved in dynamic exchange relationships and each exerts considerable influence on the other organisations (ibid). For many firms the immediate environment is concentrated and structured and is constituted by a set of other active organisations. The role of relationships and networks is to add to value creation at multiple levels for firms and customers (Normann and Ramirez 1993; Ramirez 1999). Whilst the firm is traditionally seen as an economic structure aimed at managing activities and transactions, Parolini (1999) offers a view of sets of activities rather than economic actors within value creating systems (VCSs). Parolini's approach aims to offer a method of analysis to model relationships:

> in a reality characterised by companies with profoundly different configurations that nevertheless operate in the same competitive environment (ibid:xxii).

Firms are in networks of connections (though the connectivity may be through ICT systems) and are involved in organically interconnecting networks, made up of flows and relationships. Ultimately, within networks which produce more systemic products through co-production and co-participation, the business decision becomes "make, buy or connect choices" (ibid:56). The value system is the group of actors who perform the value activities required to produce a product or service (Möller and Svahn, 2003; Parolini, 1999). Möller and Svahn (2003) see these as made up of strategic value nets 'intentional nets of a restricted groups of actors' (ibid:213), which can be stable, with core value production; established, with value-adding relational value production; and emerging, with future oriented value production.

Taking a structural view, optimal decisions about the benefits and scope of relationships will be based on the pay-offs expected, which change as relationships develop (Khanna et al. 1998). In terms of the structural value of networks, there is a danger in firms being over-connected, and there are decreasing returns to network ties because they 'bind' the firm (Powell et al 1998). Embeddedness in close relationships has positive effects only up to a point, after which they may damage firm performance by making them less flexible and less open to new information (Powell et al 1998; Uzzi 1997) and there is a need to balance under-embedded (arm's length) or over-embedded (over-connected) (Uzzi 1997). In managing their portfolios of relationships, whether based on strong or weak ties, creation of value in close relationships may be achieved through balancing them with weaker relationship within the portfolio (M. D. Johnson and Selnes 2004). Age is important too: the growth and development of a firm's networks slows down over time and the process of elaboration and tighter connection becomes less (Håkansson and Snehota 1995). Thus, newer networks may be more susceptible to change than older ones, that is before a 'network logic' sets in and incremental adaptations move the network interactions towards a steady state. In terms of structure then, relationships and networks play a crucial role in organizing value creation activities and there is a need to understand the potential or actual value-creating roles and other functions of relationships in strategy – what firms think they are doing with their business relationships. This relates to the research opportunity to consider how firm experience of relationships affects their use in strategy and the reflexive link between the formation of firm strategy and its use of business relationships.

The business network literature is thus moving from a view of evolving, naturally occurring networks to encompass ideas of intentionality and strategic intent in creating and using networks or relationships. The passivity of the traditional view of networks as merely there, as the context for business, is moving to incorporate strategic elements: managing networks not just managing in networks. This parallels the shift in the strategic management literature in a crucial way. How strategy is formed in the context of relationships and networks relates to whether the firm sees this as planned, whether it emerges, or is a combination of both. Intentionality and emergence are questions of interest in both strategic management and network theory. In strategy business relationships are deliberate, rationally-formed (Child and Faulkner 1998), even in high-velocity strategy where they are used as simple rules and relationships can be part of patching (gaps in resources or competences) (Eisenhardt and Brown 1999; Eisenhardt and Sull 2001). In the Industrial Network approach of the IMP group the focus is on the long-term evolution of networks: less on intentional networks and more on networks as a given than as a context that can be deliberately designed and enacted (Möller and Svahn 2003). The emergent view of networks might be typified by Håkansson and Snehota (1995) who see networks evolving gradually and dynamically over time (Anderson and Narus 1990). Whittington (1988) puts forward the realist perspective (Bhaskar 1978) which captures both the powerful, deterministic influence of the environment on the firm's strategic choices and the assumptions about agency in the voluntarist approach. This approach shows an interaction rather than a dichotomy at work between the two, in which environmental structure is a background or precondition to actors' internal and external strategic choice set. Intentionality and emergence are coming together as a joint explanation in both areas of theory, where there has been insufficient balance between the view of 'intended' and 'emergent' strategy (Mintzberg and Waters 1985). Networks and relationships may be intentional or emergent, whereby the former will be managed consciously whereas the latter may just be the given context (Araujo et al. 1998). Hallén emphasises the difficulty of planning networks, concluding that:

> There is no clear dividing line between planned and spontaneous emerging networks, as some combination of intention and chance is probably present in all situations. (Hallén 1992:88).

Motivations in networks (including why actors enter and maintain embedded links) are an 'emergent property of the social structure' (Uzzi 1996). Blois observes that long-term relationships sometimes: “appear to be the *aim* of establishing a relationship while in other cases they are portrayed as the *result* of a relationship” (Blois 1999:5). There is a need to identify and clarify whether strategy and relationships are aims or intent, or whether they are a result or consequence (Achrol and Kotler 1999; Day and Montgomery 1999; Srivastava et al. 1999). The question is whether firms are aware of how they use their business relationships in strategy or not and how they go about this.

There is a need to define the relationship context for strategy to elaborate the ‘larger strategic framework’ (Grabher and Stark 1997:536). At the intersection of strategy and network research (McEvily and Zaheer 1999) the co-evolutionary approach to strategy and network forms sees the latter as embedded and within multiple levels within and among firms (Lewin and Volberda 1999). Whether firms merely cope with the external environment in strategy (determinism) or can manipulate and enact desired situations (voluntarism) (Dyer and Singh 1998; R Gulati et al. 2000; Jarillo 1993) is analogous to the ‘managing relationships’ (Ford et al. 2003) or ‘managing in relationships’ (Ritter et al. 2004) debate in network theory. What is required is an approach that shows an interaction rather than a dichotomy at work between the two, in which environmental or industry structure is a background or precondition to actors’ internal and external strategic choice set. The duality, expressed in both network and strategy approaches sees:

> the social structure of interorganisational relations as a “macro” phenomenon emerging out of the “micro” decisions of organisations seeking to gain access to resources and to minimize the uncertainty associated with choosing partners (Gulati and Gargiulo 1999:1475).

Theoretical views on the strategic context for firm networks are shifting from ‘rational-planned’, through ‘planned-emergent-dynamic’, to ‘planned-emergent-dynamic-interactive’ (Tikkanen and Halinen 2003). Daneels (2003) argues for a mix of approaches to balance the natural process of tight coupling with deliberate (strategic?) loose couplings. In this view intentionality is emergent and deliberately enabled. The RAA model of the IMP group (Håkansson and Snehota 1995), involving Resource ties, Activity links and Actor bonds, as a way of explaining networks interaction, mirrors the elements of strategy as practice, praxis, practice and practitioner, which are now described and applied.

Embeddedness and social action: Strategy as practice

Strategy and network theories come together in their converging focus on both social and economic explanations of how business relationships contribute to firm and industry level strategy. In understanding the role of relationships and networks in strategy, managers and firms make an assessment of their value. The illustrative case study that follows shows how the economic and the social are converging in practice as measures or assessments used of the contribution made by relationships. Economic evaluation is positioned as objective, rational, calculative assessment, and social measures may be subjective, emotion based on broader human values. This reflects the converging view that:

> Economic action is embedded in social structure…in ongoing social ties…[and is]…a concept that has been used to refer broadly to the contingent nature of economic action with respect to cognition, social structure, institutions, and culture (Uzzi 1997:35).

This type of reference in the networks literature to the multiple levels of social and economic action echoes recent developments in strategy in terms of understanding how firms integrate practical activity, the skills they need to both think about and enact strategy and to exploit their intra- and inter-firm connections (Jarzabkowski et al. 2007; Möller 2006). Approaches are emerging in theory and in practice that seek to understand how to harness the 'knowledge' element in these connections and on how to use them as a basis for competing – these relate to the relational turn in strategy, strategising as a human activity, not merely a property or organisations (Whittington 2006a), and the 'new collaborative competences' and strategic value creation turn in networks (Möller 2006). The strategy literature has generally viewed business relationships and networks, rather like with any part of strategy, as something that organisations *have* (G. Johnson et al. 2007). Increasingly, however, strategy is being seen as something that people in organisations *do* (ibid). This is not simply about outcomes or results, nor is it about the abstraction processes inherent in theoretical understandings of strategy, but rather about what people actually do in strategy and how (Jarzabkowski 2004). The key shift is away from a traditional emphasis on strategy content and process approaches, towards integrating these in the study of strategy as a whole, adding multi-layers of context to strategy, and encompasses the human actors 'on whose skills and initiative activity depends' (Whittington 2006a).

The view of strategy as practice (Jarzabkowski 2004; Jarzabkowski et al. 2007; Whittington 2006a, 2006b) and this 'practice turn' in strategy research, are a way of integrating inter- and extra-organisational factors, with a focus on strategy praxis (the activity of strategizing), practices (multi-level strategy routines and procedures) and practitioners (the people who do strategy) (Whittington 2006a, 2006b). Accordingly:

> The promise of recent theoretical initiatives in the strategy literature that do draw on practice theory…is to develop closer connections between what goes on deep inside organizations and broader phenomena outside (Whittington 2006a).

This approach resonates strongly with key trends in both the strategy and the business networks literatures. Strategy as practice notes the traditional micro-economic focus on firms in their markets and the lack of the human element (Jarzabkowski et al. 2007) and urges the restoration of agency in strategy, with the aim of humanising management through a focus on the practitioner. The contextualisation of micro-strategising (G. Johnson et al. 2007) and attention to the institutional factors that enable transfer between contexts is also an important theme bringing together the situation and the socially defined practices that strategists use (Jarzabkowski et al. 2007). Praxis is an embedded concept that relates to the interconnections between levels and groups in a holistic view of strategic activity: these(Jarzabkowski et al.

2007) are situated, socially accomplished flows at the group, organisation or industry level (Jarzabkowski et al. 2007). Practices refers to strategy routines and procedures that strategists might use in patterns of activity, behaviour, cognition or physical resource allocation (ibid). Thirdly, practitioners are the individual actors who use practise within a praxis context to act (ibid). They can be inside or outside the firm but will influence strategy.

Following the strategy as practice approach, we now consider a single in-depth case study to illustrate how research at the intersection of strategy and networks (McEvily and Zaheer 1999), with data on multiple levels of management action (Jarzabkowski 2004; Jarzabkowski et al. 2007) and networks embedded within multiple levels within and among firms (Lewin and Volberda 1999) can add to theory on strategising in networks of relationships. According to Jarzabkowski (2007):

> strategy-as-practice research may explain outcomes that are consequential to the firm at all levels from the most micro-details of human behaviour to the broader institutional levels…The common point of such studies is their concern to explain some aspect of the nexus between praxis, practices and practitioners and its consequences for the social accomplishment of strategy (2007: 19-20).

This paper contributes to explanations of the relational view of strategy and strategic action in business networks.

Method

The following case study took the influence of the organisational-personal, industry and environmental contexts on strategy as practice into account and was informed by the idea that these are expressed in the beliefs and values of firms as well as in their strategies and how they achieve them through resources, skills and capabilities. From the RBV, firms compete on unique resources, which may or may not be obtained from external interactions. Resources, and how critical these were, and where firms obtained them were thus identified for the case firm. From the DCs view, firms compete on both internal and external resources and capabilities. Activities and capabilities acquisition were also identified for the case firm, again assessing their criticality in strategy. The emerging relational view of strategy sees firms adding relationships to their portfolio of skills, knowledge and resources, and this supports the focus on whether and how relationships were used in securing resources and capabilities.

The method built up understanding of the respondent's networks within its industry context and thus at multiple levels of activity, but always from the viewpoint of how the firm evaluated and managed its networks and used them in its strategies. The case is taken from a wider study which took an interpretivist approach to gathering and analyzing qualitative data. The study built on existing knowledge and added new insights, deriving constructs from the field and exploring phenomena which were not well-defined. The analysis sought to understand existing meanings held by actors and to interpret their actions by re-describing them, setting their activities or experiences into larger contexts of purpose or interpretation (Orlikowski and Baroudi 1991), offering substantive theory pertaining to a particular context rather than formal or grand theory (Glaser and Strauss 1967; Glaser 1978). The emerging mid-range theory presents an understanding based on one context. The emerging framework is based on an analysis of the multiple levels at which an owner-manager views his/her relationships in strategy, namely actor, firm and industry, since:

> Appreciation of wider contexts can help make intelligible many of the complex details revealed by intimate investigations. Reciprocally, close engagement can uncover the real ambiguity and fluidity of the broad strategy trends found in sectoral or societal analyses. (Whittington 2006a).

Exploratory data were collected from a large firm in the New Zealand wine industry. The particular industry was selected for research as it appeared to exhibit well developed strategies of competition and co-operation together with strong personal networking and industry body involvement, and it also showed strategic similarities in the market strategies pursued by individual firms but which were achieved in very diverse ways. Face-to-face interviews with the CEO used a semi-structured guide to elicit the respondent's perspectives on his/her firm's strategies and relationships. The data were managed, interrogated and analysed in Nud*ist, from which key themes emerged. Findings from these interviews were taken back to the firm for clarification in a process of member checking. A second set of questions was developed based on the elements of the emergent theory which were used in a confirmatory in-depth interview. The illustrative case study took a strongly relational approach (as compared with transactional cf Arino et al. 2001; Coviello et al. 2002) and was theoretically selected to highlight this feature (Eisenhardt 1989).

The case analysis focuses on firm level strategy and uses concepts from the classical, resources and capabilities views to operationalise strategy. The RAA model of the IMP group, involving Resource ties, Activity links, and Actor bonds, is used to operationalise relationships and networks at the firm level, at the dyadic relationship level, and at the wider network level since is a clearly established way of theorising and explaining the levels of relationship interaction among firms. Analysing strategies is done based on their focus on Resources (whether critical or ancillary inputs), Actors (such as friends, family, socially based industry learning and R & D), and Activities (eg supply, production, distribution, marketing). Combining the RBV and DCV (Barney 1991; Hardy et al. 2003; Miller 2003) inputs into a strategy were either resources (core or ancillary) or capabilities/activities (core or ancillary). This illustrative case study extends existing theory in strategy and business networks by offering new insights into a complex social process (Eisenhardt and Graebner 2007; Siggelkow 2007). The case was selected to demonstrate the power of combining common constructs from strategy and business networks and relationships at the multiple levels of praxis, practice and practitioner (Eisenhardt and Graebner 2007). We offer empirical evidence from an in-depth case study to support the proposition that the strategy as practice schema is a useful new way in which to characterise strategising in relationships.

An illustrative case study - The Wine Company Case

One of the largest New Zealand wine companies at the time of the interview, the case company was one of the last remaining 100% privately New Zealand owned wine companies. Also one of the older companies, it was founded by the owner in 1961. The case firm was a long-established industry player, whose founder was still at the helm and was a well-respected 'elder statesperson' of the industry. The company had a very strong culture, led by the owner, based on the traditional social relationships and values of the industry, although (s)he admitted the industry was less social than it had been. The company had grown independently through leveraging resources and relationships. The focused differentiation strategy, was based on its award-winning wines, used some value-creating and many committed and connected relationships. Using innovation, readily shared in the wine area, and now in the financial structure of the company, the firm was clearly set for continued independent growth. Resources were both company-owned and bought in, the winery owning its own vineyards and also buying in grapes under contract. It had established and publicly floated a vineyard through an IPO, which had 350 shareholders but which the case company managed and whose grapes it bought. The winery had a centralised structure but with independent wineries in the three wine growing regions of New Zealand. The CEO relationships which were stable:

> I tend to really try and get somebody who tries to get to know your company, to try and keep a good long-term relationship going, not chop and change on price so much.

The company offered a full product range based on focused differentiation and economies of scale and scope. The company marketed wine in four categories: single vineyard wines, 'exceptional quality' wines, distinctive wines and 'affordable everyday wines'. Strategy was led by a very hands-on CEO, based on fierce competition overseas and in retail channels and strong cooperation domestically.

The critical relationships were with grape growers into which the case company put a great deal of energy: it had kept one grower since inception in the 1960s. Whilst some approaches to contract grape growers by other wine companies were adversarial, in which the companies treated the growers as 'peasant farmers' and whose policy was to 'keep them like that and keep their prices down', the case company focused on informing growers and getting them interested in the end product. It held conferences for them, brought them up to date with new techniques and went to considerable trouble to separate juice from some growers' grapes to show them what sort of wine it made and where it could be improved. Above all the company aimed to treat growers as 'intelligent people'. Other relationships were with its freighting company, its agents and distributors, and packaging and other suppliers. With trucking companies the case company's relationship was once a year but vital during the grape harvest, when contractors were asked to work long hours could be called at unsociable hours. The CEO visited their overseas markets regularly, especially the UK and good agents were the ones who in turn regularly visited the winery. There was considerable concern about the cost of these visits but they were seen as indispensable to relationship building. As for other suppliers, whilst the case company bought small amounts of specialised bottles from the newly arising glass importers, it felt obliged to use the main national glass supply company because it was the only one which could supply the volume required. Whilst it seemed to be more customer focussed, the case company felt that it was a quasi-monopoly.

The CEO took the view that co-operation and information sharing were still important to the industry, especially now that New Zealand wine companies were competing with the world. S(h)e believed that the industry competed domestically on the skill of its staff, on individual personal factors, and that there were not too many technical secrets. The company felt that it had basically good relationships with most of the other companies in the New Zealand wine industry but had more of an affinity with smaller ones. The CEO believed that firm strategy seemed to depend on who was at the head of the wine companies:

> there are some companies that change managing directors and suddenly nobody is allowed to go into particular companies, it's a closed shop, you know, secrets. So a new managing director comes in and then next thing it changes and you're allowed to come in, and chops and changes, and you get that sort of thing which I think is really a nonsense.

(S)he strongly stressed the social nature of the industry, asserting that people from outside the industry found the level of camaraderie quite unusual. But (s)he pointed to the social nature of the product the industry produced and felt that this explained the strong social bonds within the industry. An example was (s)he had just been overseas on holiday with 'one of the opposition', who was a long-time friend, and their spouses. (S)he readily admitted, however, that:

> our staff are doing a wine list, they'll toss this particular person's wines off the list. We compete seriously in the market place but we don't find that really matters, you can still be good friends.

Commercial priorities prevailed. In summary the case company had a hierarchy of relationships. Grapes, stability of supply and their quality, were of paramount importance. There was reference to the agricultural heritage of grape growing in the references to peasant farming, which this CEO did not share but clearly identified in some firms' relationships. Rather passive in some relationships, there was little to be done about the glass company's quasi-monopoly and the reduction in price and the consequent change of supplier of packaging had been entirely passive, though to the case company's benefit. This case illustrates the belief in some parts of the industry that co-operation remained important and that fiercely competitive commercial realities could co-exist alongside long-standing friendships within the industry. Figure 1 gives an overview of the case company's relationships, which are related to some theoretical constructs that summarise what drives the company's strategy and relationships.

Figure 1 about here.

The multiple levels of the wine case company's relationships and strategy outcomes are shown in Figure 2. These are now related to the three elements of practitioners, praxis and practice.

Figure 2 about here.

A strategy framework of business relationship drivers

Practitioners

In the case, the interviewee was a CEO with very long standing in the company and the national industry, so his/her personal experience, values and ties were important to the firm. The CEO focused on individuals, people, friendships, personal values and ties with others. These relate to actors bonds in the RAA framework but here specifically concern the people with whom the CEO develops connections, builds trust and enacts and implements strategy. Practitioners have the capacity to access and deploy prevailing strategy practice as observed in praxis, the activity of strategy (Whittington 2006a). The CEO describes his/her view of the firm's business relationships in terms of his/her personal ties and values over the history of the firm. The common themes were relationships with key suppliers, though some ranged from the merely contractual to deeply committed, value creating relationships, with strong friendship ties. In the 'closely observed activity of strategizing' (Whittington 2006a) relationships arise from the practical experience of such relationships and then develop their own dynamics which can drive strategy.

Praxis

The next element covers the actual activity of strategizing. At the level of praxis are the main sources or motivators of business relationships in the industry identified by the CEO, which arise from the firm's history (which can be linked to personal ties and values). The relationships that result from these motivators are then used to carry out to develop or bring in capabilities and learning and to gain access to resources, and these categories relate to the RAA model (Håkansson and Snehota 1995). The strategically important activities, capabilities or resources that result from relationships shape and are also mutually shaped by the external environment, other relationships or its own dynamics, and the firm's own strategy.

Practice

At the level of practice are the routines, norms and procedures that arise from the activity of strategizing and enacting it. In the multi-level network context of the wine case company these arise primarily from more local industry dynamics influencing the firm's decisions and the CEO describe his/her strategy as being most influenced by the dynamics of their business relationships. In others, the key driver of relationship use may come from intentional strategic decisions of the firm or business opportunities, which may or may not involve building and using business relationships. The practice of strategy in the context of business relationships may be driven primarily by external, relational or internal drivers, and these in turn mutually shape and are influenced by praxis – the ways in which the practices arise and are used in the firm's strategies.

To model the multi-level components that can make up the organisational processes and external phenomena that exist in the firm's strategy and relationship development and management, Figure 3 shows how the elements of practitioner, praxis and practice relate to constructs among networks and strategy process levels. It shows the drivers – either intentional strategy or emerging from relationship interactions in praxis – which may shape the use of relationships in strategy practice. Further it shows the diversity in the pathways and results of these drivers generated by the firm's approach to strategy formation and the role of relationships in its implementation and realisation. What is new about the framework in Figure 3 is the way in which it integrates managerial perspectives with previously established concepts in the literature to build categories of relationship influencers and outcomes in the strategy context, showing how these develop and interact with and can shape strategy.

Figure 3 about here.

Conclusions and implications

The three core components of the strategy as practice approach are strongly analogous to the RAA model of the IMP. They both seek, in their separate literatures and research traditions, to frame the interaction of multiple levels of manager, firm and industry/context/network activities and understandings. This paper has brought the two together to strengthen theorising on the multiplicity of levels of strategic action, specifically in the network context. The challenge of understanding strategising in networks can be further pursued in research which will test the model outlined in Figure 3. The framework presented here models the integration of factors that shape the use of business relationships – external industry and relationship dynamics, and firm strategy. It is now appropriate to test it in terms of generalisability across other industries and firms. In terms of implications, it is useful for managers to understand their relationships and how they can use them at any stage in the value system and how they might balance their portfolio of network relationships (Möller and Svahn, 2003) especially as between strong and weak ones. One of the critical future themes emerging from this research is understanding the balance in approaches to relationships between: strong and weak ties or couplings (Danneels 2003; Granovetter 1985), the risks of over- or under-socialised approaches (Uzzi 1997), and the liabilities of over- or under-connectedness (Powell et al. 1999) within a strategy context.

One of the outcomes of network research is to assist managers to understand what kinds of relationship they are in (Ford et al. 2003; Möller and Svahn 2003). Identifying how firms select and place value on their network strategies adds to understanding of the role and usefulness of relationship strategies in general, and contributes to understanding the variables which have an influence on these key decision-making processes. The analysis of business organisations must take into account both the economic and social processes and outcomes involved in relationships and networks. Firms may make rational choices but these are framed and somewhat constrained within the industry (network) context. Relationships and networks may emerge and develop over time (the IMP approach) or they can be intentional and planned (the strategic management approach). The role or function of the network relationship, in terms of processes or outcomes, will have an important bearing on how the relationship is valued and how it may change over time. Finally, how practitioners act as carriers of practice in a specific strategic context adds to understanding and integration of the multiple levels of strategizing within firms.

Figure 1: Overview of the wine company's relationships

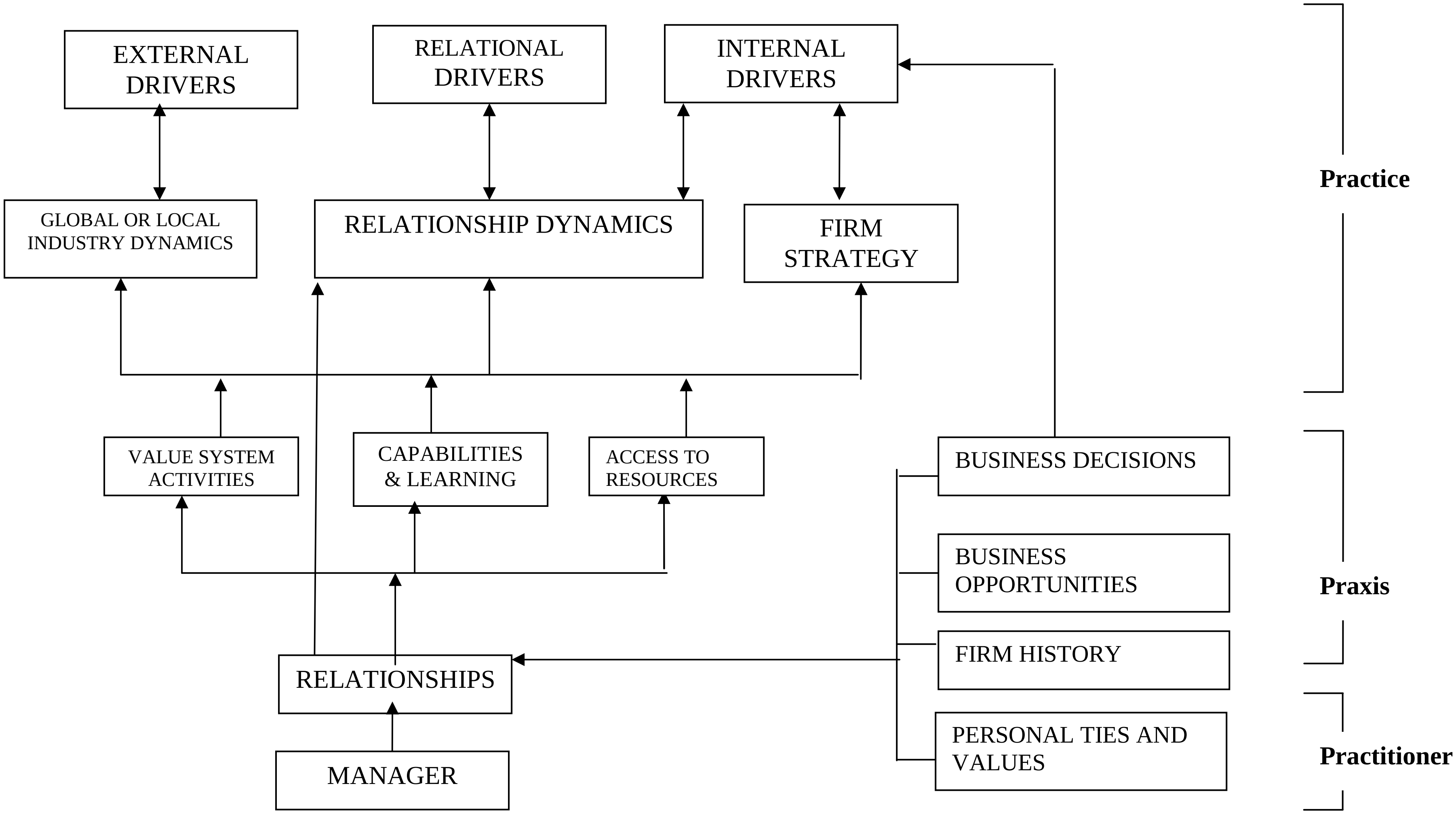
Identity	Number	Nature and strategic function of relationship	Description	Construct
Grape growers	90+	Long-term supply contracts These were committed/value-creating relationships, directly managed as these were strategically critical resources.	One grower relationship had lasted for 40 years	Personal ties Firm history Relationship dynamics
Bottles	1 main, 3 smaller	Quasi-monopolistic supply This was merely a connected relationship, though managed directly as it was an important ancillary resource.	Passive, grudging acceptance, can only check quality	Access to resources
Packaging	1 main	Long-term supply This was merely a connected relationship, though managed directly as it was an important ancillary resource.	Changed due to industry rivalry	Access to resources
Other supplies - corks, tanks, machinery, sprays etc.	Various	Long-term supply These were merely connected relationships, though managed directly as these were necessary ancillary resources.	Personal contacts and visits	Access to resources Personal ties
Harvesting staff	Many	Regional supply contractors This was merely a connected relationship, though managed directly as it was an important ancillary resource.	Personal contacts and visits to personally thank in the regions.	Personal ties
Other wine companies	6+	Comparison and admiration These were committed relationships though they fulfilled only indirect and social functions.	Benchmarking with other large companies, admires quality of some boutiques, decries others	Personal ties Firm history Capabilities and learning
Wine Industry body	1	Compulsory membership This was a committed relationship though it fulfilled only indirect and social functions.	Quality control	Capabilities and learning

Government research unit	1	Compulsory quality testing This was merely a connected relationship, managed indirectly as it fulfilled market and access functions.	Export quality OK but retail conditions and poor bottle hygiene	
Vineyard land	1	Shareholding These were committed/value-creating relationships, managed directly as they provided a critical resource.	350 shareholders in IPO vineyard all of the production of which went to the wine company.	Access to resources Personal values
Freight company	Aim for 1	Aim for long-term service These were committed relationships, directly managed as this was a critical activity.	M & As have meant lots of change. Personal thanks were given.	
Domestic liquor, distributors	3+	Commercial service These were committed relationships, directly managed as this was a critical activity.	Highly trained sales force.	Activity links Personal values
Overseas agents and distributors	Many	Long-term service These were committed relationships, directly managed as this was a critical activity.	Personal contacts and visits.	Personal ties Personal values Relationship dynamics

Figure 2: Relationship levels and strategy outcomes for the wine case company

Level	Actor Bonds (people)	Activity Links (value chain activities)	Resource Ties (resources)	Constructs
Micro (firm)	- Sales training - better people. - Compete with skills of people. - Personal contacts with customers, agents.	Own sales force for control.	- Contract grape growers closely and personally managed. - Publicly floated vineyard.	
Strategic outcomes: Personal and internal control of growth with key resources leveraged where possible or necessary.				**Access to resources** **Personal values**
Meso (relationship/dyad)	Long-standing friendships in the industry.	Personal contact with suppliers firms.	Long-term, stable, has had one named grower for 40 years since firm inception.	
Strategic outcomes: Security and quality of supply through long-term trust-based relationships.				**Access to resources** **Relationship dynamics**
Macro (industry/environment)	None named	Formal and informal with government research unit and industry body for quality control.	Information sharing, no secrets.	
Strategic outcomes: Reputation effects and technical and market learning arising from early industry involvement.				**Capabilities and learning**

Figure 3: Integrating strategy and relationship concepts



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