

JANNE TIENARI &amp; RISTO TAINIO

# Reflections on the Past, Present and Future of Strategic Management

On May 26, 2004, a panel discussion and symposium was held under the grand title *The Future of Strategic Management Research and Practice* at Lappeenranta University of Technology<sup>1</sup>. This international panel of experts exchanged views on recent developments and new directions in the field of strategic management and organization.

Predictions about the future are predictably bad (March 1995). The panel was not gathered in hope that well-informed experts would correctly foretell the future. Rather, the idea was to stimulate imagination of potential futures,

which might be compelling. Each panelist addressed the general theme with insights from his/her area of interest and expertise, and reflected upon its implications for future academic research and managerial practice. A general discussion followed the presentations, including questions from the audience.

The panelists and their presentations are introduced and summarized in Table 1 below. In the following, we describe and interpret the content of the presentations. We locate the panelists' different perspectives on the field of strategic management (its past and current devel-

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<sup>1</sup> The panel discussion and symposium was held in association with the Doctoral Promotion at Lappeenranta University of Technology. Two of the panelists, Professors *David J. Teece* and *Christopher O'Brien*, received an Honorary Doctorate (Department of Business Administration) for their outstanding academic achievements. Professor *James G. March* received the second Viipuri Prize in Strategic Management, awarded by Viipurin Taloudellinen Korkeakouluseura and LUT. Professor Teece received the first Viipuri Prize in 2003.

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**TABLE 1.** The panel "The Future of Strategic Management Research and Practice", Lappeenranta University of Technology, 26 May, 2004.

## Panelists and presentations

The first presentation was given under the title *The Emerging Science of Strategic Management* by David J. Teece, Mitsubishi Bank Professor of International Business & Finance and Director, Institute of Management, Innovation and Organization, at Haas School of Business, University of California, Berkeley, US. Professor Teece outlined the history, present state and future of strategic management. He identified key elements of the field, which distinguish it from related disciplines such as economics. Professor Teece discussed the interdisciplinary nature of research on strategic management, and pointed out that it runs the risk of being overly eclectic.

The second speaker was Iris Aaltio, Professor of Management and Organizations at Lappeenranta University of Technology, Finland. The title of her presentation was *Creating New Knowledge in Research on Management and Organizations: The Gender Perspective*. Rather than mapping the field, Professor Aaltio focused on the need on being reflective when carrying out research, and outlined the potential contribution of a gender approach in organization and management studies.

The third speaker, Christopher O'Brien, O.B.E., is Cripps Professor of Production Engineering and Divisional Research Director (Operations Management) at Nottingham University Business School, UK. He presented his insights under the title *Sustainability Issues in Strategic Management Research and Practice*. Professor O'Brien took a practice-oriented stance, argued for the implementation of a sustainable development approach to strategy and operations, and specified timely research agendas within this approach.

The fourth presentation was given under the title *Multiculturalism* by Risto Tainio, Professor of Organizations and Management at the Helsinki School of Economics, Finland. Professor Tainio stressed the need for managers to understand cultural influences and interaction in the complex global business landscape, and called for scholars in strategic management to seek to carefully study the co-existence of universality and culture-specificity in managerial practice.

The fifth and final presentation was given by James G. March, Jack Steele Parker Professor of International Management (Emeritus), Professor of Education, Political Science (Emeritus), and Professor of Sociology (Emeritus) at Stanford University, US. Professor March presented his insights under the title *Fundamental Research*. He located strategic management as a historical, cultural, intellectual and institutional space, mapped out selection processes in its development, and specified the role of innovations in these processes.

opments), and conclude by sketching some of the hopes and ideas raised concerning the future of the field.

## On the Field of Strategic Management

While all presentations addressed the broad topic of strategic management, they demonstrate the dispersed and at times fragmented nature of the field. Strategic management is a relatively novel branch of the academia. It has

drawn from a number of disciplines such as economics, psychology and sociology, not forgetting the obvious origins of the concept of strategy in the military world. Strategic management began to appear widely in the curricula of American and Western European business schools in the late 1960s.

In his Viipuri Lecture given before the panel presentations and discussion, Professor James G. March provided an insightful synopsis of key issues in management. Professor

March has since the 1950s been one of the central figures in organization theory and management studies (for profiles, see e.g. Augier and Kreiner 2000; Augier 2004a). His works have been seminal in, for example, the development of modern research on decision making and organizational learning. In his ground-breaking work with Richard Cyert (1963), Professor March mapped out the behavioral theory of the firm, which has subsequently served as a cornerstone for other seminal works. With Nobel Laureate Herbert Simon, he had already in 1958 published *Organizations*.

"At the crux of the behavioral theory of the firm is the conceptualization of the firm as an adaptive political coalition" (Augier and Kreiner 2000: 286). Therein, organizations are seen as target-oriented and rule-based systems that adapt incrementally to past experience. This view is sharply distinct from the conventional doctrine of rational choice inherent in neo-classical economics (Kieser et al, 2002), where it is assumed that decisions are made intentionally on the basis of expectations about future consequences of current actions.

The point of departure in Professor March's Viipuri lecture was a critique of rationality, which he addressed under the title of technologies of rationality (March 2004). These represent core technologies of modern strategic management. They involve models, data, and decision rules that sustain standard procedures as the basis for strategic action in Western organizations. Professor March asserted two major critics towards such views of rationality. First, rationality in the pursuit of intelligence develops mainly as refinements on what is already known. It undermines exploration and falls short on creativity. Second, rationality has been responsible for huge mistakes producing

disasters of major scope. This results from mis-specification of complex situations around complicated problems.

Professor James G. March pointed out that feedback-based adaptive processes require both the exploitation of what is known and the exploration of what is new and what might come to be known. His argument is that technologies of rationality need to be balanced by other technologies that free action from the constraints of conventional knowledge and introduce elements of what he calls foolishness into strategic action.

Professor March followed up on this argument in his panel presentation where he talked about fundamental research in the field of strategic management. In order to prosper, he suggested, the field requires *both* fragmentation to support persistent experimentation *and* paradigmatic coherence to refine previously established ideas. However, in terms of its consequences, fragmentation is a two-edged sword. While it sustains the flow of new ideas it inhibits diffusion beyond local boundaries.

Thereby, location and history are important. The field of strategic management has been heavily affected by the ways in which research and scholarly contacts have evolved during the last few decades. There has been an obvious tension between increased international contacts and exchange, on the one hand, and efforts to sustain differences and local identities, on the other. In addition, a field like strategic management faces the dilemma of interdisciplinarity. It continues to draw ideas from various disciplines, and thus facilitates variation. At the same time, it quests for its own fundamental research; to develop its own distinct paradigm. This potential dilemma is particularly acute in strategic management, which is as a newly

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emerging field pursuing its academic legitimacy under constant pressures also for managerial relevance.

In his presentation, Professor David J. Teece continued to build upon the research challenges in the field of strategic management, and more broadly in scholarship in business schools. He outlined two challenges: being interdisciplinary but disciplined, and being scholarly but relevant. He proposed that "perhaps scholars in management theory should be less concerned about achieving immediate relevance and more concerned about providing a basic framework for understanding managerial problems" (Teece 2004b: 4). In his talk, Professor Teece related the field of strategic management mainly with economics: "the field found its footing with Michael Porter's economics based approach, but it has now grown into a respectable field of its own" (cf. Porter 1980).

Professor Teece presented himself as an interdisciplinary economist. He has in recent decades emerged as a key figure in developing what has come to be known as the dynamic capabilities approach to strategic management; how firms can improve and survive by the capabilities built on the history of the firm (Teece et al 1997; see also e.g. Augier and Teece forthcoming). Teece listed some of the deficiencies in economics such as underemphasis on dynamics, treatment of know-how, focus on tangible rather than intangible assets, inadequacy of the theory of the firm, suppression of entrepreneurship, and stylized markets (cf. Teece 1984), and based on these grounds, he pointed out that the field of strategic management has in the main rejected the rational choice or ne-

oclassical economics approach. Rather, Professor Teece maintains, "the ideas of Simon, Cyert and March on 'bounded rationality', opportunistic behavior, conflict of interest, learning and routines have been significant inputs" in strategic management, "as has transaction cost economics and evolutionary economics" (Teece 2004a: 9; cf. Simon 1993).

Professor Teece noted that the field of strategic management has at times suffered from eclecticism, and too much pluralism<sup>2</sup>. In his view, research on strategic management should be interdisciplinary because business problems do not fit neatly into conventional disciplinary boxes. Research on strategic management should, however, also be disciplined. Ultimately, this lack of integration and strong disciplinary foundation leads to a situation where the historical dimensions of the field get lost and evolutionary opportunities missed (Teece 2004a: 12; cf. Kuhn 1970). Teece offered his dynamic capabilities approach, which uses behavioral and evolutionary ideas, as a step toward establishing a coherent and rigorous research program in strategic management.

While Professors James G. March and David J. Teece were preoccupied in their presentations with the critics of rational basis of strategic management, and balancing exploitation and exploration, the other panelists were more concerned about what is the 'strategic in management' now and in the future.

Professor Iiris Aaltio has carried out extensive research on gender and culture. In her presentation, she rendered problematic the ways in which organization and management studies typically explore, analyze and present

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<sup>2</sup> We maintain that in this sense it continues to resemble a 'fragmented adhocracy', as Richard Whitley argued about management studies in 1984.

human agency as if organizational actors had neither body nor gender (Aaltio 2004). Actors are yet socially defined and redefined in such analysis. According to Professor Aaltio, gender is an integral part of a socially constructed individual identity, both constituting and embodying it. This should also have a bearing on how strategic management is approached. In ignoring gender, however, management and organization studies have produced stylized and one-sided descriptions and analysis of organizational life.

In his presentation, in turn, Professor Christopher O'Brien shared his concerns on the issue of sustainability. A sustainable economy satisfies the needs and wants of the present generation without compromising the ability of future generations to meet their needs and aspirations. This is a huge challenge for strategic as well as operations and production management, supply chain management and logistics (O'Brien 2002). Professor O'Brien maintained that in the industrially developed nations all major companies publicly subscribe to the concepts of sustainability and the "triple bottom line", and that the realization of these concepts will have a major impact on enterprise logistics in the future. In the developing world, the challenge is to achieve economic parity with the developed world without overexploiting the nature and damaging the environment. The load on developing countries and their industries is increasing, when the environmental burden is shifted to those least able to afford. Strategic management of companies in developed countries should adopt a holistic view on ecological issues, and shift the focus from short term cleaning and moving problems around towards global sustainable development.

According to Professor O'Brien, manage-

ment of major companies should accept its global responsibilities by taking the lead in supporting sustainable economies through innovation in product design, manufacturing processes, logistics and business practices. Based on these points, Professor O'Brien sketched research agendas for strategic management, which include the modelling of potential enterprise benefits from addressing sustainable issues and new business models that proactively manage and exploit products throughout their life-cycles, development of sustainability indicators and benchmarking sustainability.

In his presentation, Professor Risto Tainio tackled the issue of multiple cultures and multiculturalism. His starting point was that strategic management is an American 'product'. The field has emerged and evolved primarily in business schools in the United States (and US-influenced schools in Western Europe and elsewhere), and its contents are deeply embedded in the US institutional context. This culture-specificity of the field is visible both in research and teaching. American theories have faced difficulties when applied, for example, in the Finnish context (Tainio and Santalainen 1984). When American scholars talked about corporate strategies, Tainio maintains, there were no corporations in Finland. When they analyzed finance and capital markets, Finns lived in a totally different, bank-centered financial system. In general, according to Tainio, the fundamental challenge of strategic management is to find ways to frame and understand the various forms of the co-existence of universality and culture-specificity in management – and the complex situations managers face.

In Professor Tainio's view, this challenge is related to another recent megatrend, namely globalization, which refers to the new type of

connectivity between different parts of the world. The developments in technology (e.g. the Internet) and finance (e.g. real-time global financial markets, open around-the-clock) have broken national barriers and tightened interaction between people and nations (see e.g. Tainio et al 2003). Firms are getting more international, and their workforce increasingly multicultural. Diversity creates surprises and socio-cultural particularities set new organizational and managerial challenges, which should impact on how firms are managed and businesses run. For scholars of strategic management, then, Professor Tainio points out that the challenge is to specify, in a fine-grained manner, the cultural processes that – in as yet unknown ways – are responsible for the outcomes of the firm, be they successes or failures.

### On the Future

All presentations in the panel *The Future of Strategic Management Research and Practice* at Lappeenranta University of Technology gave expectations and raised hopes, explicitly or implicitly, for the future of the field. Such expectations and hopes, even when based on lessons from the past, seldom become true in the exact form (cf. March 1995). At their best, they can, however, stimulate imagination of possible futures.

From the perspective of Professor James G. March, the pursuit of a powerful paradigm of strategic management should, in principle, be avoided since it discourages exploration. It could, however, be advocated that the fragmented field should be moved somewhat in the direction of a more coherent programme. For this purpose, the refinement of existing core ideas is paramount. When the field has reached a sense of maturity, however, processes of explo-

ration should be (re)introduced – again, with caution. Strategic management deals with increasingly complex situations. The logic of rationality is unlikely to be sustained. In the future, the field should thus be injected by some form of exploratory foolishness.

Professor David J. Teece, in turn, maintains that he hopes that “we will be able to design a future for strategic management which draws on economics, but is more catholic. The field must draw on other disciplines without being overwhelmed. Strategy scholars need to coalesce a set of assumptions and propositions that the field believes (based on evidence) are true” (Teece 2004a: 20). Despite his criticism of the current state of the field, Professor Teece claims that his vision of strategic management for the future is an optimistic one.

Professor Teece asserts that the field of strategic management should discourage further fragmentation. The integration and consolidation of existing ideas and the strengthening of a disciplinary foundation is the major future challenge. According to Professor Teece, one way for strategic management to develop is “to recognize the need for a set of assumptions about human behavior, about decision makers, and about goals and processes that are more or less agreed upon among scholars. Along with this must go common terminology and a set of causal predictions, or at least understanding of causal relationships” (Teece 2004a: 13).

Professors Iiris Aaltio, Christopher O’Brien and Risto Tainio all questioned the ability of the field of strategic management to incorporate new and dramatic changes currently occurring in the environments of business firms – and within firms. Segregation and gender, sustainability and environment, and globalization and culture were raised as issues to be dealt with

now and in the future. The field of strategic management should find ways to tackle these issues, which are related to social justice and ethics.

Professor Tainio, for example, maintains that in globalization, management cultures continue to differ in practice. Management scholars, then, mirror management in their particular culture. The field of strategic management should thereby take into consideration the culture-specificity of managerial practices, which, in turn, becomes reflected in the research practices of the field. Professor Tainio asserts that because management remains, by virtue, global *and* local, hopes are high that in the future the field is not biased towards any particular dominant culture or language. In similar vein, Tainio has the following suggestion for managers of the future. To succeed in an increasingly complex international world, it is helpful if the interplay between management and leadership practices and culture, that is, the dynamics of multiculturalism, is understood.

In sum, during the past 20–30 years, the field of strategic management has matured into a distinct academic field and gained academic legitimacy. The field has its own associations and journals. There are key figures and role models in research who emphasize particular academic virtues, traditions and rhetorics. The institutionalized rules of the field are difficult to change. This suggests that the field is likely to remain fragmented for some time to come. It seems reasonable to anticipate that the future of strategic management, like its past, will be filled with substantial disciplinary and cultural idiosyncracies and differences. Like all predictions, however, also this one may turn out to be somewhat inaccurate.

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