Corporate strategy and corporate strategists: power, identity, and knowledge within the firm

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Abstract. In this paper it is argued that, to explain why whole groups of once-successful firms in a particular nation or region fail to react appropriately to new competitive conditions, we need to take a closer look at the people who devise and implement corporate strategies. That is to say, we need to analyze corporate strategists as social agents in a particular time and place, and try to understand what aspects of their social being might tend systematically to produce inappropriate corporate strategies. The argument centers on questions of power and identity and on how these shape knowledge and the ability to act. In this way an explanation of the origins and the power of the managerial commitments that shape strategic decisions is sought.

Introduction
All firms have to deal with the general conditions of the time. Life is undoubtedly easier in periods of robust growth and rapid accumulation when even the comparatively inefficient or backward firm can manage to hold onto a share of an expanding market. But in the midst of a generalized crisis, the picture becomes starkly different as competition becomes truly a life or death struggle. As Marx, with characteristic relish, described it:

"So long as things go well, competition effects an operating fraternity of the capitalist class ... so that each shares in the common loot in proportion to the size of his respective investment. But as soon as it no longer is a question of sharing profits, but of sharing losses, everyone tries to reduce his own share to a minimum and to shove it off upon another. The class, as such, must inevitably lose. How much the individual capitalist must bear of the loss, i.e., to what extent he must share in it at all, is decided by strength and cunning, and competition then becomes a fight among hostile brothers" (Marx, 1967, page 253).

The problem that Marx does not raise here is why the outcome of this fight among hostile brothers has such a distinctive historical and geographical dimension. In other words, why, after decades of extraordinary success, do firms in the USA (or the frostbelt, or Detroit), say, seem generally lacking in the strength and cunning required to survive the shakeout and even flourish modestly at the expense of their brethren elsewhere.

In order for this to be a problem of national competitiveness within a global economy (or, for that matter, regional competitiveness within a national economy), firms and industries in these places must more or less systematically be afflicted with some special problems that prevent them from responding appropriately to new or intensified competitive challenges. Why would this be the case?

There are a number of potential answers to the question. Most of them, quite plausibly, focus on what could be called structural sources of industrial rigidity—that is to say, those causes that are produced more or less automatically by the workings of the economy, of complex organizations, or of society as a whole, rather than by the (miscalculated) discretionary choices of actual historical individuals.
This is a good analytical strategy when one is faced with the need to explain systematic trends, and it seems even more plausible when one is trying to explain the systematic response to a structural condition such as competition.

I would like to suggest, however, that these kinds of explanation nevertheless leave a great deal unexplained. In this paper I argue that we need to take a closer look at the people who devise and implement corporate strategies to shed some light on the unexplained residual. We need to understand something about them as social agents in a particular time and place, and we need to understand what aspects of their social being might tend systematically to produce inappropriate corporate strategies as, for example, an inability to change when change is necessary.

I think we need, in short, to theorize the corporate strategist. We do this, of course, in a sort of truncated way when we assume that the people who run firms are maximizers or satisficers, but this single dimension does not give us much to go on. In particular, it does not explain why these satisficers or maximizers may systematically make bad decisions under certain conditions. Alternatively, we could suppose that the answers can only be found in the psychologies and biographies of the individuals involved. In that case, though, it would simply be an unlucky coincidence that whole groups of once highly successful firms should go astray.

In this paper, I want to consider some of what I think ought to be the elements of such a theory. These include questions of power, identity, and positioned knowledge. I also want to suggest that we need to think of these elements in connection with the problem of cultural production and cultural change in the firm. First, however, I want briefly to discuss the claim that explanations focusing on structural causes of industrial rigidity are not explanation enough.

Knowledge and action
We have many reasons to believe that firms' inability to react swiftly and appropriately to changing circumstances is related to lack of information (or, alternatively, the cost of information), to uncertainty, or to constraints on action imposed by other social agents, by institutional structures, or by external circumstances. Fundamentally, these arguments all center on questions of knowledge and the ability to act on that knowledge. I briefly review some of them here.

Bureaucratic impediments to change
Organizational theorists focus on the pathologies of bureaucracy in which a division of labor that is highly efficient in carrying out a known and stable set of tasks is thrown into disarray in a turbulent environment. The rigid compartmentalization of information undermines the organization's ability to recognize and respond to new circumstances. In effect, the organization is prevented from knowing until it is too late that it needs to transform itself. Even when the need for change is eventually recognized, bureaucratic politics may lead to paralysis as the placeholders in the existing structure seek to preserve their turf. In this way, the ability to use available knowledge is stymied (Kanter, 1983; Perrow, 1986; Stinchcombe, 1990).

Class stalemate and regional obsolescence
Alternatively it can be argued that the problem of industrial rigidity is not so much whether firms know what to do, but whether they are able to implement necessary changes in view of labor resistance and/or the legacy of outmoded physical, institutional, and social infrastructures in a given place. This line of analysis is, in one way or another, common to various schools of thought in the geographical literature (see Bluestone and Harrison, 1982; Clark et al, 1986; Frobel et al, 1980; Markusen, 1985; Massey, 1984; Peet, 1983; Scott, 1988; Storper and Walker, 1989).
New regions, in this view, offer the chance of constructing a social and physical
table of contents precisely suited to new or renovated industries. The corollary must be
that the loss of regional (or national) competitiveness is broadly derived from social,
institutional, and physical characteristics of these areas rather than problems of
knowledge or strategic decisionmaking within the firm.

Information, uncertainty, and sunk costs
A third kind of explanation links the very real problems of decisionmaking under
uncertainty and the potentially enormous costs of 'premature' and unplanned
obsolescence of the fixed capital stock and/or the weight of sunk costs. Sunk costs
are a particularly thorny problem because they cannot be recovered (for example,
by selling off surplus assets) or closed out in the short run (as with the case of
pension liabilities) even when an operation is terminated. Clark, for example, argues
persuasively that what appears in retrospect to have been a suicidal inability to
respond to new forms of competition on the part of US firms in the 1970s and
1980s can be explained once these predicaments are taken into account (Clark,
1994; see also Clark and Wrigley, 1993).

The first problem is uncertainty about the long-run implications of observed
changes in the economic environment. In essence, although the firms' short-run
vulnerability may be recognized, it is not immediately clear whether these disrup­
tions will be sufficiently durable and far-reaching to require a thoroughgoing
restructuring in response. Given the enormous costs of such a restructuring, this
provides a plausible underpinning for the adoption of a 'wait-and-see' attitude.

Instead of directly challenging the new competitors, US firms, as Clark shows,
accommodated their entry by withdrawing from the more peripheral product and
geographical markets that were the particular targets of foreign firms, consolidating
in those markets that could be defended, and gradually investing in greenfield sites
that afforded lower long-run costs of production. This gradual and partial process
of rationalization was significant enough to cause severe economic dislocation in
many regions, but neither deep nor fast enough to be an effective response to the
competitive challenge which did, in the end, prove to be permanent.\(^1\)

In this sense, a strategy which was eminently rational at the time, given the
balance of uncertainties and high costs of restructuring in the short run, in the
longer run puts at risk the very survival of the firms involved. In this argument,
knowledge is qualified by uncertainty, and the ability to act on knowledge is
impaired by the existence of high sunk costs.

Good information, bad strategy
In all of these arguments, in one way or another, defects in knowledge or the ability
to use that knowledge are at issue. They can be debated on theoretical and histori­
cal grounds (Schoenberger, 1993a), but space constraints here dictate otherwise.

\(^1\) Foster (1988) makes a similar argument about the way in which established technology
leaders in an industry frequently respond to new technological initiatives on the part of new
entrants to the field. He also describes a strategy of accommodation to early loss of market
share rather than aggressive attempts to confront the challenge. His point is that a misreading
of the importance of this encroachment delays a response until it is too late for the erstwhile
leader to hope to catch up with the new technology. The consequence is a sudden collapse of
sales and profits and a change in leadership in the industry. But in his recounting of how this
process worked out in the transition from bias ply to radial tires or from vacuum tubes to
solid state electronics, his argument centers not on uncertainty per se but on wrong inter­
pretations of the available evidence.
Instead, I want to offer some examples that show that firms often do have perfectly good information and yet fail to act on it. This failure, moreover, does not arise from the workings of the bureaucratic structure, labor resistance, or the rigidities of place. Further, the constraints of sunk costs, though real, do not necessarily prevent firms from acting when circumstances are sufficiently dire. Nor do they explain why firms flinch in the face of high sunk costs yet simultaneously invest gigantic sums in disastrously misguided initiatives.

In the case-study literature on business strategy, one is struck by the fact that firms frequently know with considerable accuracy and certainty that they need urgently to transform themselves and that they know quite a lot about what that transformation should look like. The fact that they do not successfully act on this knowledge is not because they try and fail in the face of entrenched resistance by, for example, the bureaucrats or labor, but because they do not try. The knowledge, in short, is there, but it is not mobilized effectively. A few brief examples must suffice.

**General Motors and Toyota**

The joint venture in Fremont, CA, by General Motors (GM) and Toyota, in operation since 1984 (but, obviously, planned well before that date), is a clear sign that GM knew at least by the early 1980s that it had a serious problem and knew where to look for an answer. The venture, known as NUMMI, operates according to Japanese management principles with members of the United Automobile Workers (UAW) (who under GM management reportedly had among the worst labor-management relations at GM) and is, by GM's current standards, a remarkably low-technology facility. GM knows, further, that the plant ranks highest in quality and productivity within the firm. The company placed a number of its own managers on site who reported in detail on Toyota's low-technology-high-motivation approach. Yet the lessons from NUMMI have apparently not diffused back to the rest of the firm. Indeed, by some accounts they have been strenuously resisted. Visits to the facility, even by GM personnel, are tightly controlled, and the original on-site GM management team has been broken up and scattered within the corporation, reducing their ability to make a significant impact elsewhere (Pascale, 1990, pages 72–76; see also Brown and Reich, 1989).

Strikingly, the necessary knowledge is at hand within the corporation, and yet cannot be effectively mobilized. This can hardly be said to be the fault of the UAW which has proved itself remarkably adaptable both at NUMMI and at GM's other organizational and geographically separate experiment, Saturn. Rather, the problem appears to lie at the level of top management, which remained committed to a purely technological strategy to regain competitiveness at, needless to say, enormous cost and despite the remarkable clarity of the lessons to be derived from the Fremont venture. By some estimates, the firm invested US$60 billion in the period 1982–85 (Pascale, 1990, page 73). In the words of business consultant Richard Pascale:

“How does one explain this persistent tendency of GM management to ignore compelling evidence and the testimony of their own managers on the scene at Fremont? The answer lies in its collective identity and deeply etched social rules. It is almost beyond comprehension for GM management to contemplate the full-blown changes in status, power, and worker relations that adaptation of the Toyota formula would entail. It is easier to install robots” (1990, page 76).

Saturn, it may be noted, is also widely considered to be an extremely successful initiative whose lessons have also failed to filter back to Detroit to any significant degree (see *Financial Times* 1993).
It should be noted that, whatever the role of sunk costs in delaying the restructuring of existing operations, the firm nevertheless did spend billions of dollars on its preferred strategy despite all the evidence it had that technology alone was not the solution to the problem of Japanese competition. It can be argued that the outcome reflects not only the normal drag of high sunk costs but serious misjudgments about which types of cost to incur.

It should also be noted that GM has demonstrated that it can move swiftly to write down existing assets when it wants to. Between 1987 and 1990 (when the Saturn plant opened), it closed seven assembly plants in the USA for a net capacity reduction of 1,016,000 units annually. Still plagued by overcapacity, the firm announced at the end of 1991 that it would close a further twenty-one plants (together employing 74,000 workers or nearly 18% of its employees in the USA and Canada) over three years (*New York Times* 1991a; 1991b; Womack et al, 1990, page 245). Yet, GM's condition is still shaky, to say the least.

**Xerox**

A second example is offered by Xerox which was nearly done in by Japanese competition in the early 1980s after decades of unquestioned dominance of a market that it had created. Again, it appears not to be a case of lack of information or uncertainty that inhibited an effective response to this new challenge. According to David Kearns, the former chief executive officer (CEO) of Xerox, who is credited with turning the firm around:

"It's wrong ... to think that we were oblivious to the Japanese ... It wasn't a matter of Xerox not knowing about Japan. In fact, we predicted the Japanese would arrive sooner than they did" (Kearns and Nadler, 1992, page 75),

In 1977, at the Xerox World Conference in Boca Raton, FL, then-chairman Peter McColough argued that "we are now faced with the urgent need for change within this company" (page 100).

As it happens, the firm had a thriving joint-venture in Japan, Fuji Xerox, that had begun a total quality control program in 1976 called the 'New Xerox Movement'. By Kearns's account, top Xerox management was constantly visiting Fuji Xerox and so, presumably, had a fairly good first-hand knowledge of what was being done there. So the firm recognized the problem and knew quite a lot about the substance of the challenge and potential solutions. Still, it failed to react effectively. Indeed, it failed to react.

During the same time period, moreover, Xerox was heroically ignoring the stream of innovations in personal computers that was emanating from its own research center in California, Xerox PARC (Smith and Alexander, 1988). This was not because it resisted the idea of diversification into new lines of business. Kearns reports that the firm was virtually obsessed by the fear that xerography would suddenly be made obsolete and so assiduously pursued diversification strategies. Kearns attributes the lack of interest in PARC research in part to an intense clash of cultures between the east-coast copier people and the west-coast computer staff which he characterizes as "every bit as bitter as the Civil War" (Kearns and Nadler, 1992, page 101).

Again, what is remarkable is that the information exists within the firm and is still not used—or usable. Kearns, incidentally, is very clear that the fault lay with management and not with labor. Indeed, he goes out of his way to praise the union for its enlightened attitudes (page 125). By contrast, the management, he feels, was
suffering from a severe case of denial:

“You see all the trappings that prove how successful the company has become and how successful you have become and what a big deal you are. This leads to your denying the data presented to you that show the company floundering. The trappings work against the actual situation and so you end up not believing it. After all, you don’t see customers or hear from them. If the company were in sad shape, then the flowers ought to be dead” (page 270).

**Lockheed**

The third example is from my own research on Lockheed’s very belated and in some ways traumatic entry into the missiles and space business in the decade after World War 2 (Schoenberger, 1993b). It is particularly clear in this case that lack of knowledge or the presence of uncertainty were not the impediments to change. Lockheed was an unusually defense-dependent producer of aircraft. The firm’s main customer, the military, was explicitly proclaiming that the new growth arena in the postwar era would be missiles and space. Moreover, Lockheed had possessed the good sense to recruit people out of the military’s planning apparatus who constituted a well-placed and articulate internal lobby pressuring the firm to make the transition. Still it resisted, and it did so because the top levels of management, constituted almost wholly by aeronautical engineers, were committed to aircraft.

The transition into missiles and space meant redefining the mission of the firm and restructuring its technical population in favor of scientists. When the company finally did try to enter the new market, the conflict between the old Lockheed engineers and the new scientists recruited from the outside rapidly became explosive and very nearly wrecked the fledgling division. This conflict centered on the nature and organization of work and the division of labor between scientists and engineers. At about the same time, Lockheed took the extraordinary step of relocating the division away from its initial home in Southern California, precisely the region that would go on to become the world’s leading center of the aerospace industry (Scott, 1991). As it turned out, the new division became spectacularly successful.

**Summary**

In the case of Lockheed, it is especially clear that the obstacles to change resided at the top levels of the firm’s management rather than somewhere in the murky depths of the bureaucracy, within the labor force, or externally to the firm in its home region. In all of the above cases, moreover, reasonably accurate and certain knowledge was available to the firms at a relatively early stage. What, then, went wrong?

These brief narratives have already hinted at questions of culture and identity. There is something in the way that top management sees the firm and understands the world to prevent it from effectively utilizing the knowledge that it has in hand. This suggests that we need to understand something about who managers are and how their material circumstances and social position shape their interpretations of the world and their ability to act in it.

Some guidance is already available from rather divergent sources. In the next section I consider why these arguments need to be extended to account for the apparent resistance of top managers to certain kinds of change.

**Old dogs and new tricks**

The problem that I have proposed may have a ready solution, captured trivially in the old saw about old dogs. More sophisticated versions are offered in Veblen’s notion of ‘trained incapacity’ or Dewey’s idea of ‘occupational psychosis’, in which psychosis
means something akin to mind-set rather than madness (see Burke, 1954). For both, specialized training and a history of experiences and material practices produce in the individual a way of thinking or an interpretive framework that, although quite successful in the circumstances which produced them, may lead to serious misjudgments when the circumstances change sufficiently. In short, this interpretive system, because it is so well grounded and so broad in scope, may block its own revision (Burke, 1954). Critiques that trace the decline of manufacturing firms in the USA to the fact that they were increasingly run by people trained in finance and accounting and who were, consequently, blind to problems of manufacturing or product technology fit within this general frame (see Hayes and Abernathy, 1980; Johnson, 1991).

The issue might be recast as the normal effect of a Kuhnian paradigm shift, in which some adherents of the old paradigm are simply unable to accept the new ideas, however overwhelming the evidence in their favor. Any paradigm establishes the rules for selecting problems, and indeed so frames the terrain of research that whole classes of questions simply cannot be asked within its boundaries. In this way, a range of commitments, from the methodological to the ontological, is built up in those practicing within the paradigm.

These increasingly rigid commitments, much like trained incapacity or occupational psychosis, prevent the individual from seeing the world in a different way, even in the face of strong evidence in support of the new paradigm. Thus, Joseph Priestley, who has a plausible claim to the discovery of oxygen, was never able to see it as anything other than dephlogistated air (Kuhn, 1970). In another context, Galambos (1993) has argued persuasively that AT&T executives’ commitment to the network prevented them from understanding and responding to the threat posed by MCI.

For Kuhn, crisis, and the availability of an alternative paradigm, are the necessary preconditions for a paradigm shift. This seems to be an accurate description of the situation of US firms. The onset of the crisis of mass production may be dated to the late 1960s or early 1970s. The alternative paradigm, although perhaps not yet fixed in great detail, has centrally to do with flexibility (see Harvey, 1989; Piore and Sabel, 1984).

Note, however, that the crisis has been with us for some two decades, and the broad outlines of the alternative paradigm have been in circulation since at least the late 1970s and early 1980s with the first of the spate of academic and business literature on Japan and other national models of production (see Abernathy et al, 1984; Drucker, 1971; Monden, 1981; Schonberger, 1982; Sugimori et al, 1977).

Indeed, the language of the new paradigm has been widely accepted in business circles, as everyone now speaks fluently of empowerment, decentralization, and total quality. But the practical import of this conversion is hard to assess. IBM, to cite one example, has been announcing thoroughgoing decentralization programs for some years now (Pascale, 1990), yet it never escapes condemnation for being drastically overcentralized (see Economist 1992; Financial Times 1992; New York Times 1992). At the very least, then, publicly signing on to the new paradigm is not conclusive evidence that the paradigm shift has occurred. And it is hard to avoid wondering why it has taken everyone so long.

These arguments all, in one way or another, stress the serious disjunctures that can occur between our real, material circumstances and how we understand or interpret those circumstances—in short, how we represent the world to ourselves and how we perceive the conditions for action in that context. They allow for the sort of stories in which overwhelming evidence in favor of one interpretation of the
world (one theory, as it were) can be repeatedly ignored, even though this resistance to the evidence puts the assets of the firm and the position of the decisionmakers at extraordinary risk.

The sheer magnitude of the stakes involved provide good reason to probe further in this line of analysis. We need to understand why the power of the commitments described by Kuhn, Galambos, and others is so strong that it can actually threaten the social existence of those who hold them. That is to say, not only are the assets of the firm at risk of annihilation, but the social position of the top manager as (quasi-)capitalist is similarly put at risk. What, we may ask, is so beguiling about the old paradigm, so compelling about the old commitments, that one risks being read out of history? This is a form of what used to be known as false consciousness—with a vengeance.

A second aspect of this kind of explanation that requires more attention is that not all changes are equally resisted. The very same people who apparently simply cannot get the point about quality or cooperation can fill their factories with state-of-the-art automated equipment and never blink. On the side, they may be embroiled in fantastically arcane financial maneuvers so new in conception that no one actually understands them, while every second or third year finding it possible to cope with a major organizational overhaul. Those who become top managers usually do so by proving themselves able and willing to operate in any corner of the organization in any corner of the globe and able to change both every few years. What this suggests is that newness, per se, is not the problem and that we need an explanation that can account for why some changes are readily accepted whereas others are resisted despite overwhelming evidence in their favor and drastic sanctions for inaction.

This will involve considering what might be meant by culture and identity with reference to the firm, and how these affect what we can know and what we can do about that knowledge. But the first approach, I think, needs to be made through questions of power and social position.

Managerial identities: power and the sense of power
To begin with, I wish to propose that the identities of top managers are intimately caught up in the fact and the sense of power. In other words, managers as social agents are powerful people and the experience or the sense of this power shapes their perceptions about themselves and about the world. In this view, identity is a social and historical product, not merely a biographical and psychological one.

The term 'identity' risks a certain fuzziness, but I think it can be helpful nevertheless. Linking the decisions of corporate strategists to the defense of their sense of self offers us a way of understanding an apparently suicidal resistance to unambiguous evidence that, in a sense, measures up to the magnitude of the stakes involved. It provides, in this way, a window on the nature and the power of the managerial commitments that shape corporate strategy. Further, it casts some light on why resistance to change is so selective—that is, why some quite radical transformations are embraced wholeheartedly yet others are rigorously shunned. This allows us to avoid recourse to the idea that people who are, in many cases, paid millions of dollars a year for their business acumen are the helpless prisoners of tradition and habit.

In parallel, I will want eventually to link this way of thinking about how social identities are produced to arguments about positioned or situated knowledge in which it is proposed that what we can know or how we interpret available information depends on who we are (our social identities) and where we are located.
historically and geographically. Though this literature has been principally concerned with the situated knowledge of the powerless (see Gilligan, 1982; Rosaldo, 1989), I believe that it is equally applicable to understanding how the powerful interpret their world.

In this section, I will try to relate the ‘objective’ sources of managers’ power with some propositions about what the sense of power entails and how it shapes identity. This part of the argument draws heavily on Bourdieu’s analysis of the divergent sources of social capital, how and to what ends they are mobilized, and how they are defended (Bourdieu, 1977; 1984).

One of the interesting things about the social power of high-level managers is that it derives from a variety of seemingly disconnected material, historical, geographical, and cultural sources. This very diversity creates a kind of tacit coherence and self-reinforcement, as the manager’s experience in different spheres of his life tend to yield the same message. Further, it tends to naturalize the experience and the sense of power: the manager knows that he has it and feels that this is right without having to explain it, to himself or anyone else (‘it comes with the territory’).³

The material sources of a manager’s power include class and position, income and wealth. Technically, what makes someone a capitalist is ownership of capital which is used to accumulate more capital. What makes a capitalist a socially powerful agent is control over capital and the ability to mobilize the power of money (see Harvey, 1985). Whether or not they own significant portions of their firm, top managers are, in a sense, honorary capitalists: they have the authority to allocate capital via their investment decisions (for a different view of the class status of managers, see Wright, 1985). Though they may not be immune from later sanctions, they have the authority to risk the existence of the firm even if they do not own it, a power summed up in the widely used phrase ‘to bet the company’.

High-level managers also, needless to say, generally have high incomes and are relatively wealthy. The titles attached to their corporate and civic positions, moreover, mark them as powerful agents in the perceptions of others—including other powerful people. The reflection of their status in the eyes of others, particularly as this implies a shared yet unspoken sense of recognition with others of their type, feeds back upon and reinforces the sense of power derived from purely material sources.

Differential access to educational capital (a university education or, better, graduate degrees in business, finance, or technical disciplines, especially from the ‘right’ schools) provides another kind of support that can function in various ways. In some cases, it is the educational capital itself that is mobilized to gain access to economic capital in the first place (as when an MBA from Harvard University provides entree to a managerial position despite the inexperience or humble origins of the person in question). Academic credentials also provide a tacit guarantee of the general suitability of a person for a managerial career—that is, a career as a socially powerful actor—that goes beyond the specific competences formally attested to by the degree itself. That is to say, although the Harvard MBA only formally guarantees that the holder is well versed in the latest management techniques, the aura of the degree confers a broader social acceptability and a tacit marker of the social power of the individual (see Bourdieu, 1984).

Following Bourdieu, we may also expect that economic and educational capital can be mobilized to reinforce one’s control of cultural capital expressed in forms (taste, judgment) and mechanisms (collecting, patronage) of cultural consumption

³ Use of the gendered pronoun here, and elsewhere in this paper, seems to me to be appropriate—indeed, part of the point.
and in a particular relationship to cultural production (for example, personal and corporate philanthropy). In turn, privileged access to cultural capital provides another form of validation of the sense of social power derived from economic and educational capital. We can see this fusion of different forms of social capital at work in the participation by corporate leaders (and/or their spouses) in support of cultural institutions (museums, the opera, the symphony orchestra, etc), often in their headquarters' cities. The point, however, is not about the control of cultural production but rather the way in which different forms of social capital reinforce each other and provide a coherent substrate to the sense of social power.

One presumably does not need to amass large quantities of statistical data to claim that most high-level managers in the USA are white males (but see *Fortune* 1990; 1992). They are also typically American, and rose to their positions in the postwar period of global US economic and military dominance. Race, gender, geography, and historical moment also combine to foster a generalized sense of power.

Here it can also be seen how the position of top managers differs from that of, say, other white American males in being reinforced on all fronts. The white male blue-collar worker may feel himself empowered within the family or among his peers. He may feel himself entitled to look down upon women, minorities, or immigrants or upon the Japanese or the Germans who, after all, lost the war. But this sense of power is more likely to be contradicted, hence qualified, in other settings, as when he applies for a loan at the bank, for example, or writes to his senator and receives a form letter in response, or when he enters the workplace.

It is important to recall, however, that these seemingly disconnected aspects of the sense of power are not so disconnected in fact. They are generally anchored by the position of top manager as (honorary) capitalist—head of the firm (or close to it) and the person with final authority over the disposition of real assets.

If the position of top manager is, in some sense, about power (see Pfeffer, 1992), then two things follow. One is that power and the sense of power are central to the manager's own sense of identity. The second is that the real power he possesses is both a source of strength and an area of great vulnerability—a challenge to the manager's power is not only a threat to his position and his control over resources, but also represents a challenge to his identity, his sense of self.

We need, then, to ask what are the most important powers that a manager possesses in his role as manager in order to understand where these vulnerabilities most directly come into play. This will provide valuable clues to what kinds of challenges to the status quo—in short, what kinds of changes—will be most strenuously resisted.

One conventional candidate would be immediate power over other people: the ability directly to tell others what to do, what their status and position in the division of labor is, what are their rights and responsibilities. But I would like to suggest that, for the highest levels of management, this power of being the boss is less vital than others of a more conceptual and strategic nature.

More centrally involved is the exercise of a strategic imagination which can only be brought into play in unusual circumstances. By this I mean the power to envision how the world should be (including the mission and strategy of the firm), and to establish the principles of valuation by which both the manager himself and all others are measured. This also includes how different expressions of power will be valued. These kinds of powers are, almost by definition, extremely scarce in the firm as in society at large. Most of us do not, in fact, have the power effectively to envision the way the world (or at least our part of it) should be ordered.
This scarcity anchors and guarantees the value of these powers, and raises the stakes in protecting them (see Bourdieu, 1984).

Further, as they operate at precisely the intersection between the real conditions of existence of the manager and his sense of identity, his understanding of himself as a social agent in the world, the stakes are extraordinarily high. These are the powers that must be protected at all costs.

**Power, identity, and resistance: some examples**

Taking into account this pervasive and autoreinforcing sense of power, we already find possible explanations for some commonly observed phenomena in analyses of corporate change. It has been noted, for example, that the strongest resistance to empowerment strategies comes from the ranks of middle management and line supervisors (Kanter, 1983). This might seem odd as top managers have more power to give up, as it were, as authority is decentralized to operating units and further to the shop floor. By the same token, however, they can ‘afford’ to give up certain expressions of power as they have so many others to draw upon. Their identity as powerful agents is not called into question. Middle managers, by contrast, have more at stake in defending the particular powers of oversight and control they have been used to possessing because they are less able to compensate by drawing upon other social assets. Their sense of themselves as powerful persons is thereby directly challenged.

The argument can be restated somewhat less mechanically, however. What sets top managers apart from other persons in the firm is that they possess the power to define what counts as power. In effect, they have the capacity to assign values to different expressions of power and, in doing so, to ensure that the powers they presently have are valued highly. Obviously, this implies also the capacity to devalue other expressions of power. Empowerment strategies, for example, effectively devalue the power to tell other people what to do or to monitor their work, which was traditionally the main asset of middle managers and supervisors. As Bourdieu (1984, pages 125–168) has shown in another context, the victims of such a devaluation will mobilize to defend the prior asset-valuation structure or to reposition themselves favorably in the emerging one. But, as the devaluation of their former powers is proceeding in tandem with a significant reduction in their actual numbers, the possibility of a successful reconversion strategy within the firm is limited. There is a very real sense in which the new management strategies, as they operate through strong devaluations of existing social assets, constitute a crisis for large numbers of people within the firm; hence their resistance.

Talk of social asset devaluations in the case of middle managers may seem superfluous as their immediate problem is survival, which simplifies many things in its starkness. Still, it offers some clues as to how and on what terrain resistance is likely to be mounted. This seems preferable to invoking the drag of custom and habit which should work universally, if it is to work at all, in the sense that all changes should be equally resisted if they contravene long-standing traditions. Yet these are the same people who successfully carry forward the implementation of new technologies on the shop floor, learn to deal with matrix reporting structures, and have long adapted to being shifted around organizationally and geographically within the firm. Again, newness, per se, is not the problem.

The threat to the position and identity of top managers is different. As suggested, it has more to do with the power to conceptualize identity and social order, the capacity to establish the rules of the game and construct principles of valuation, and the ability to exercise strategic imagination.
The threat to these powers arises most acutely in competition with others of their type—those who run competing firms (or, in some cases, dissident factions within their own firm). Here again, the immediate material problem is obviously survival; firms that are uncompetitive fail or are absorbed by others. The top executives no longer have anything to run and, hence, lose their power base. But on the way to this outcome, if we want to understand which kinds of changes are likely to be resisted despite the best advice of management texts, expensive consultants, and the example of successful firms (or successful offshoots within a firm), it may be useful to recast the problem as a struggle over the power to construct and defend identities, to establish principles of valuation, and to define the way in which the world will be ordered.

The problem of identity is here a tricky one as it involves both the identity of the manager and the identity of the firm. Regarding specifically the firm, what I want to suggest by invoking the term is that the problem of corporate transformation is not, in the first instance, a problem of figuring out what to do—what actions to take—although this is the issue that receives most of our attention. The prior problem, arguably, is figuring out who and what the firm should be. Firms whose commitments are to aircraft, to mass production, to the network, etc, will have difficulty adapting to a world in which these commitments and identities are no longer valid. The people who run these firms need to realign these commitments, but, in order to do that, they must also rethink their own identities and how these are related to that of their firms.

Consider, for example, the people who run large, mass-production firms. It seems safe to suppose that they assign a rather high value to that position and that their own sense of identity is intimately bound up with the defense of a conceptualization of a world in which this position has a high value. In a sense, the real asset structure of the firm is shadowed by the manager's own asset structure which involves these powers of strategic conceptualization and valuation.

Both sets of assets must be defended, although this task may, in particular historical moments, become deeply contradictory.

The threat posed by competing firms organized on a different model and around a different strategy (flexible mass production, flexible specialization, or whatever) is, then, not only loss of markets and devaluation of the real assets of the firm, but also loss of identity and devaluation of the asset structures of those managers. The alternative models assert, in effect, that it no longer counts to be in charge of a large, mass-production firm. They challenge fundamental conceptions about what the firm is and how it operates in the world. This includes deeply entrenched understandings concerning the rules of the game (how competition takes place, who the eligible players are, what the point of the game is, etc), as well as conventions governing the relationship between the firm and its external environment (markets, suppliers, government, and other social institutions) and relations internal to the firm, especially with labor (see Storper, 1993). To cite one example, there is a world of difference in the Fordist conception of labor as a cost that must be minimized, and a view of labor as creative human beings with individual value, which is thought to underlie the flexible specialization model (Piore and Sabel, 1984). The competition proceeds

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Clark (personal communication) has suggested that corporate cultures might also be productively analyzed as a problem of sunk costs. By extension, it might be extremely useful to recast the issues of managerial identities, commitments, and social assets as potentially enormous sunk costs whose weight is all the more imposing in that they cannot be accounted for in the normal ways.
in the market but also embraces the question of who has the power to value or devalue different constructions of identity and different expressions of power.

In this context, the problem is not that managers do not understand or cannot adapt to alternative, demonstrably more competitive, models because they do not 'get' the Japanese or the Germans, say, or because they are blinded by tradition. In light of the reams of 'how-to' material published in the business press and retailed by consultants, it seems improbable that the impediments to change revolve around not knowing what to do or being unable to alter one's habits simply because they are habits. The alternative is to suppose that managers are, understandably, defending their own asset structures—the power to construct identities, to impose one's own worldview, and to define what kind of power counts.

As managers seek, then, to reassert their own asset structures, certain kinds of strategies, however appropriate, may be foreclosed. That is to say, information or knowledge about what to do to remain competitive may be available but not usable to the degree that using it requires acceding to alternative (and unfavorable) principles of valuation of their own assets. In this way, the manager's need to defend his own worldview and sense of self may come seriously into conflict with his need to defend the competitive position of the firm.

Similar struggles, of course, may also take place internally as competing groups within the firm seek to impose conflicting visions of the corporation's mission, strategy, and character. This was the case, for example, at Xerox, as the old Xerox hands came into conflict first with the group from Ford that was brought in to run the company for a while and which sought to impose a quite alien organizational and performance logic, and then with the west-coast computer people whose preoccupations and style of work were again completely different from that of the parent firm (see Kearns and Nadler, 1992; Smith and Alexander, 1988). It is also central to the Lockheed story which revolves around competing technological trajectories and conflict over the nature and organization of work as viewed by scientists versus engineers (Schoenberger, 1993b).

Social position, knowledge, and strategy
The idea that our interpretation of the world depends on our social, historical, and cultural position in it arises in a number of intellectual traditions, from Marx to Gadamer, and, more recently, feminist and anti-imperialist critiques (see Gadamer, 1976; Gilligan, 1982; Harvey, 1989; Ricoeur, 1991; Rosaldo, 1989). In various ways, it is particularly important in contemporary ethnography (see Bourdieu, 1977; Fox, 1985; Geertz, 1973; Godelier, 1986; Rosaldo, 1989). Although frequently in the service of a thoroughgoing idealism in which meanings determine social action, it is possible to ground the argument historically and materially (for a particularly good example, see Fox, 1985).

In this view, knowledge is socially constituted, relational, contestable, and mutable rather than objective, universal, and fixed. Further, as Rosaldo (1989, page 19) puts it, different social positions give rise to "a distinctive mix of insight and blindness". Here, it is perhaps useful to note a contrast with the argument of Kuhn in which it is the paradigm that effectively constitutes the constraining social reality from which those raised within it cannot free themselves. In this line of thinking, by contrast, one's social reality (social position, material circumstances, history, etc) tends to produce the interpretative schema through which all information is processed. Information is, thus, transformed into knowledge, but this knowledge is structured by the position of the knower. As knowledge within the firm is transformed into strategy, these structured constraints narrow the available terrain for action.
In this way, certain kinds of initiatives, however persuasive the evidence in their favor, may be effectively foreclosed.

This argument rests on the complicated intersection between material circumstances and mental constructs. It supposes that social position and social identity shape our interpretations of the information available to us and influence our ability to act on that knowledge. This approach recognizes that bad strategic decisions can systematically be made even when good information about the state of the environment is available without requiring that the strategists be written off as inexplicably dull-witted—a group of savants-idiots who can handle with ease all manner of innovations in production technology and financial maneuverings yet remaining unaccountably blind to the concept of quality or responsiveness to the market. Instead, it proposes that the need to transform the firm in order to remain competitive may encounter its most serious obstacle in the social being, position, and perceptions of the people who run it.

Conclusions
The argument here represents only a small and very partial start to untangling the complexities arising from the fact that corporations are run by real people. I have claimed that in order to understand corporate strategies, we need to understand something about corporate strategists. Specifically, we need to consider what shapes their interpretations of the world and their ability to act in it. To put this another way, we need to understand the origins of their commitments and the (selective) power that these commitments have in shaping their strategic decisions.

To that end, it was proposed that the fact and sense of social power are crucial constituents of managerial identities. The importance of identity in this schema is that it provides a terrain on which the failure to act appropriately, despite accessible and accurate knowledge about what to do, becomes explicable. It does so by providing a grounding for the extraordinary power of people's commitments to the way things are despite the danger those commitments pose to the very people who hold them. The only thing more dangerous, in effect, than the failure of one's firm, is having one's own sense of self demolished. This sheds some light on the odd impasse that can arise when defense of the assets and competitive position of the firm comes into conflict with the manager's need to defend his own social assets and sense of self, even though these are, in the first instance, dependent on the existence of the firm. (5)

In parallel, a focus on the power of the manager allows us to consider the ways in which social position affects the constitution of knowledge and one's interpretation of how the world is and how it ought to be. Again, this helps us to understand the origins of the commitments that guide the strategists' actions, and why some kinds of evidence, however clear and convincing to the disinterested observer, cannot be made use of, no matter the consequences.

This partial argument needs to be contextualized in two ways. First, it needs to be linked to the problem of cultural production and cultural change within the firm. This topic has begun to receive a great deal of attention in the literature on business strategy (see Dertouzos et al, 1989; Hampden-Turner, 1990; Kanter, 1983; Kotter

(5) It would be useful in this context to investigate the fates of managers who have presided over the decline of their firms. To the degree that they emerge with their wealth more or less intact or even capable of moving to a similar managerial position at another firm, their impulse to defend themselves at the expense of the firm becomes even more plausible. The many golden parachutes offered to ousted executives in the past decade hint at some such underlying rationality.
and Heskett, 1992; Schein, 1992). But the conceptualization of what culture is and what it does in this literature is rather narrow (for an interesting exception, see Martin, 1992). It tends, for example, to view culture as a set of norms and values that produce behaviors; change the values, and the behaviors change accordingly. The principal barriers to cultural change, in this schema, are custom and tradition.

An alternative view sees culture as inherently and deeply implicated in how and what we know about the world and about ourselves. It stands at the intersection of material practices (including technical knowledge), social relations, and thought—ideas, knowledge, meaning, and the way we represent the world to ourselves (see Fox, 1985; Geertz, 1973; Godelier, 1986). Accordingly, it is constantly being produced (and contested) and cannot be reduced to a set of stable attributes.

Moreover, if, in the business literature, culture must be adapted to corporate strategies, in this view, culture produces strategy at the same time that it is shaped by the strategic trajectory of the firm. In parallel to the discussion presented above, we need to consider the ways in which corporate identity and corporate culture frame the kinds of knowledge that can be produced and utilized by the firm in the creation and implementation of competitive strategies.

Second, and obviously, this whole approach needs to be linked to analysis of the broader dynamics of the system, which includes the sources and character of the changes to which firms are having such a difficult time adapting and the more structural arguments concerning the causes of industrial rigidity reviewed at the outset of this paper.

How exactly to go about making the connections between corporate strategists and the strategies that they devise is, to say the least, open to debate. In this paper I have offered one approach, but its principal objective is to make clear the necessity of trying.

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