

## SUMMARY OF RESEARCH PROJECTS JACO LOK

Throughout my PhD., I have been working on two main projects in parallel:

- 1) an *empirical* research project analyzing the role of shareholder value and corporate governance discourse in the development of the power dynamics between top management and institutional shareholders of publicly listed firms in the U.K., and analyzing their effects on corporate strategy practice,
- 2) a *theoretical* research project developing a theory of institutional persistence and (trans)formation that can address some of institutional theory' main shortcomings by returning to the social constructionism of Berger and Luckmann (1967)

### EMPIRICAL RESEARCH PROJECT

The traditional strategy literature tends to focus on clearly demarcated internal and external task environments in which the internal strategy process, the external strategy context, and the strategy content are all analyzed separately. This literature also emphasizes the uniqueness of individual organizations in terms of their competencies and strategic position. Institutional theory on the other hand has traditionally focused on the ways internal organizational behavior is penetrated by institutions that cut across organizations, imposing rules and codes of practice that not only constrain which strategic 'choices' any organization can legitimately make, but also strongly influence how any organization conceives of itself and organizes what it calls 'strategy'. According to this perspective 'strategy' can be conceived of as a set of more or less institutionalized practices that can be expected to be similar across organizations.

My empirical research builds on this latter perspective by analyzing how broader discourses about the role of the firm and its management affect and are constitutive of

corporate strategy practice. I argue that discourses that define managerial identity and that legitimate specific conceptions of the firm are of particular importance to the constitution and change of corporate strategy practice, because of their power effects and effects on strategic rationale. I empirically examine the relation between such discourses and corporate strategy practice by exploring the effects of two dominant discourses on strategy practice in recent years: shareholder value and corporate governance discourse. I specifically focus on the role of these discourses in the development of the power dynamics between top management and institutional shareholders of publicly listed firms in the U.K., and analyze the indirect effects of these power dynamics on corporate strategy practice in terms of its content, form and development process.

As my methodology I use a form of 'Interpretive Structuralist Discourse Analysis' (Phillips & Hardy, 2002) which focuses on the analysis of social context and the discourse that supports it. In this analysis I focus on the following questions:

- How do the two discourses and their interaction produce the contexts for strategy practice through the construction of hegemonic managerial identities, conceptions of the firm and power relations with shareholders?
- How do these developments make specific forms of action relating to strategy possible and legitimate?

My research data consists of a large sample of Financial Times excerpts relating to shareholder value and corporate governance from 1985-2005, popular literature on shareholder value and corporate governance, official corporate governance committee reports, as well as approximately 50 interviews with executive and non-executive board members and analysts of large U.K. firms.

Preliminary results indicate that the shift in power from top management to institutional shareholders over the past 15 years can not be adequately explained by the

traditional notion of resource based power. Discourse analysis can be usefully deployed to show that this power shift is mainly a result of the interaction between shareholder value and corporate governance discourses transcending the specific relation between top management and institutional shareholders. The dominant conception of the firm as well as managerial and shareholder identities have been reconstructed in and through these discourses. As a result of these changes strategy discourse appears to have morphed with investment banking discourse with significant consequences for 'strategic rationale', the forms strategy can take and the process by which strategy is to be developed. These consequences are still to be systematically analyzed in more detail over the next few months.

### **THEORETICAL RESEARCH PROJECT**

Since the late 1980s many theorists have attempted to address what is now widely recognized as one of new institutional theory's main problems: its inability to adequately deal with institutional change (Powell & DiMaggio, 1991; Greenwood & Hinings, 1996). Friedland and Alford (1991) and DiMaggio and Powell (1991) attribute this problem to institutional theory's inherent lack of theoretical tools to explain institutional transformation. They argue that what is required is a theory of action that can adequately deal with both institutional persistence as well as change.

Over the past 15 years or so institutionalists have taken up this challenge in two main ways: 1) they have incorporated alternative social theories into institutional theory in order to overcome the dualism of 'free agency' and 'institutional constraint', 2) they have focused on the ways institutions are formed and changed through 'institutional entrepreneurship'. What these approaches demonstrate is the need for a sophisticated understanding of agency and the actor; and that in the absence of multiple institutional

alternatives, institutional change is unlikely to emerge. Still lacking, however, is a closer specification of why, how, and under what conditions, institutional change is likely to come about; a specification that can be consistently reconciled with new institutionalism's original insights and social constructionist underpinnings.

My theoretical research commends taking a fresh look at institutional theory's social constructionist roots in the form of Berger and Luckmann's (1967) theory of the social construction of reality. I argue that Berger & Luckmann's work can be usefully deployed to explore questions of institutional change, despite being widely associated with institutional stability and constraint (Gulrajani & Lok, 2005). I build on their work to develop a social constructionist theory of institutional stability and change in two ways:

*1) Using stability analysis to explore questions of change*

Mainly drawing on Berger & Luckmann (1967) I propose 10 sources of institutional stability. Taken together these sources of stability form a framework through which the relative stability of particular institutions can be analyzed. Such 'stability analysis' does not only identify the particular sources of stability of a given institutionalized practice, but, due to its dialectical relationship with instability and change, also exposes potential sources of institutional change. The likelihood and sources of institutional change thus depend on the presence and strength of particular sources of stability and vice versa. When the sources of stability lose force institutional change is likely to come about.

*2) Opening up the 'black box' of the actor in institutional theory*

I use Berger & Luckmann's (1967) role theory to theoretically open up the 'black box' of the actor in institutional theory. I argue that in order to adequately understand processes of institutional (trans)formation and persistence it is not sufficient to limit our

attention to the ways institutions can be manipulated or reproduced given their structural characteristics; we need to complement this type of analysis with an understanding of how these institutions are internalized and experienced, or *lived*. I argue that an analysis of the nature of an institution's roles in relation to the ways they are internalized and experienced can contribute to such an understanding. Roles themselves can be more or less change oriented, and roles can be 'inhabited' in different ways, ranging from 'cool', skeptical distance to 'hot', committed self-identification. These differences can have important implications for institutional stability in relation to the likelihood, and persistence of change and resistance efforts.