Strategy and Critical Theory Ethics

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Critical Theory (CT) provides a way to critique the instrumental ethics of Strategy (used synonymously with Strategic Management). This instrumental ethics of Strategy comes from a long history of managerialism. Managerialist Strategy ideology, discourse, and material practices have sometimes served to instill a top-down, elite participation, that reproduces a hierarchy of domination within the organization. Asymmetrical participation in decisions of strategy formulation and implementation appears to keep non-managerialist viewpoints at bay. The instrumental ethics often employed in Strategy, in particular, have significant ramifications for broader societal and environment issues. This chapter summarizes the growing accumulation of CT critique of strategy, and suggests some ways forward. For example, we note that as Strategy theory pervaded practice, it has diffused to the point that every discipline from Human Resources Management (HRM) to Operations Management claims to be strategic. With this widespread mimicry, and simultaneous globalization, comes the possibility, that Strategy may make every kind of organization from business, government, university, etc. 'strategic' with a top-down elite cadre of strategists in charge.. Yet, excessive detachment may cause the distortion of effective Strategy as with detachment, strategists become out of touch with the distributed nature of processes and tasks. Some recent work in complexity and emergence strongly corroborates that centered-approaches tend to be counterproductive.for more effective strategizing. We suggest that an ethics of answerability in wider forms of polyphonic strategy making and strategy governance provides a way to proceed in this increasingly globalized and interconnected world. In short, we call for a pendulumic swing in our understandings of the Strategic Management of the organization and a beginning of polyphonic strategy from an ethics of answerability.

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THE RISE AND RISE OF STRATEGY

Strategic Management often called Policy or 'Strategy" deals with the direction of organizations and most often of business firms. It includes subjects of primary concern to senior managers or anyone seeking reasons for organizational success or failure. Firms make choices to survive and to prosper. Strategic choices include selecting goals, products and services; designing policies on how to compete in product markets; choosing the appropriate levels of scope and diversity; and designing organizational structures, administrative systems and policies to define

and to coordinate work. These choices critically influence firms' successes or failures of the enterprise and managers strive to integrate them into a coherent whole. Managerial integration and reinforcement of patterns among the choices marks the set as Strategy.

In this chapter we survey the historical trajectory of Strategy and discuss some of the weaknesses that have emerged through adoption of its "more scientific" approach. In the first section, we provide a brief history of the development of Strategy. In the next section, we highlight some of the enormous influence that Strategy has exercised in academic and business environments. In the ensuing sections we revaluate Strategy and delineate some contributions that CT may make to an ethical and holistic understanding of Strategy in a globalized economy.

HISTORY OF STRATEGY

We would like to tell you the story of the recorded history of Strategy. Homer, Euripides, and several early Greek writers discussed Strategy. Indeed, our word "Strategy" comes from the Greek noun "strategos", with associated root meanings in "army" and "lead". The Greek verb "stratego" means "to plan the destruction of one's enemies through effective use of resources" (Bracker, 1980). Prominent writers throughout history and across cultures have discussed effective strategizing in military and political contexts including Socrates, Kautilya, Sun Tzu, Shakespeare, Montesquieu, Mill, Hegel, Calusewitz and Tolstoy. In more modern times, Von Neumann and Morgenstern (1947) related the concept of Strategy to business with their theory of games.

Strategy has sought from its beginnings to answer the question: "How do firms (or organizations) achieve sustainable competitive advantage?" Researchers have generally portrayed senior managers as engaging in the following steps for Business Strategy: first, analyzing environments and situations to determine firms' postures; and second, analyzing and using resources to attain major goals. Researchers have often portrayed these two steps as interactive for effective strategizing (Hermann, 2005). Researchers have also divided Strategy into content and process. Content researchers study outcomes, positions, scope of firms and ways of competing; process researchers study how systems and processes lead to outcomes.

Strategy originally developed through case studies and ideas of contingent design over universalistic principles of administration (Rumelt et al., 1994).The works of Chandler (1962), Learned, Christensen, Andrews and Guth (1965/1969), and Ansoff (1965) provided the first definitions of Strategy and laid the foundations of the field. Chandler (1962) for example defined Strategy as planning and executing companies' growth, including deciding on the enterprises' long-term objectives and adopting appropriate courses of action. Andrews (1971) added the ideas of distinct competence, company mission and business definition. He also developed the SWOT analysis in which uncertain environments present Threats and Opportunities to which firms should adapt their Strengths and Weaknesses. Drawing on his experiences, Ansoff (1965) noted that firms' objectives include maximizing economic returns. Except for Andrew's SWOT analysis, consulting firms provided most of the contributions to practice such as the multidivisional structures for diversified firms and Boston Consulting Group's (BCG) Growth/Share Matrix as a tool for portfolio planning (Collis and Montgomery, 1997).

In the 1970's, the Strategy process research stream arose partially because of managerial dissatisfaction with strategic planning which had failed to predict environmental contingencies. As a result, strategic planning often became goal-setting exercises devoid of understandings of the competitive advantages of firms. The more sophisticated the planning became, the more difficult the implementation became (Rumelt et al., 1994). Researchers consequently tried to understand those processes that led to an implicit formulation of Strategy and provided various interpretations of Strategy creation. Mintzberg and Waters (1978) argued for Strategy's emergent nature, which stemmed from different participants' activities within firms, rather than from strategic planning. Similarly, Quinn (1980) introduced the idea of logical incrementalism, showing how organizations refine their general strategic course incrementally as new information emerges from the environment.

Doctoral dissertations form Harvard and Purdue Universities propelled the divergent research stream on Strategy content. The dissertations at Harvard elaborated on Chandler (1962) and examined relationships between corporate diversification strategy, organizational structure and firms' performance. Rumelt's (1974) categorization of diversification strategy emerged as one of the most influential studies of this genre. Rumelt (1974) found that relatedness among different businesses positively affected financial performance. Other doctoral dissertations from Purdue revealed the importance of firm heterogeneity (e.g. Hatten, 1974), and concluded that Strategy as well as the environment mattered. These studies challenged the previous assumption of homogeneity within industries and provided foundation for research on strategic groups.

Simultaneously, Schendel and Hatten (1972) fostered the beginning of the empirical swing of the pendulum in Strategy arguing that research should seek cause and effect relationships, empirical data and scientific testing. This redirection from case methodologies and managerial practice became obvious after an influential conference in Pittsburgh in 1977. As a direct result of this conference, researchers changed the name of the field from Business Policy to Strategic Management to signal its move to an empirically oriented discipline. Researchers concurred that Strategic Management or Strategy needed to focus more on firms, to borrow from other areas such as Marketing and Organization Theory (Jemison, 1981) and to integrate with Economics.

Michael Porter (1980) provided the first template for the new Strategy with his book, *Competitive Strategy*, which many researchers consider the most influential contribution to the field (Barney, 2002, Hoskisson et al., 1999). Porter imported ideas from Industrial Organization Economics to build a framework of generic strategies and industry analysis, his Five Forces model: the Five Forces of the model cover threat of entry, intensity of rivalry among existing competitors, pressure from substitute products, bargaining power of buyers, and bargaining power of suppliers. Intense forces result in low performance, and moderate forces result in high performance, so Porter stated that effective Strategy included managing these forces. Porter identified three generic strategies to propel superior performance: overall cost leadership, differentiation and focus. Following Porter's work (1980) several researchers empirically tested related ideas including entry and exit barriers (Harrigan, 1981), the competitive effects of the learning curve (Lieberman, 1987) and the relationship of market share to performance (Rumelt and Wensley, 1981). Anther stream of research integrated environmental determinism and strategic choice (Child, 1972) according to which firms and executives exercised their strategic options. Miller and Friesen (1984) examined how firms obtained a fit between their strategic choices and their environments, combining organizational characteristics such as structure and performance with managers' individual characteristics. Subsequently, Hambrick and Mason's (1984) research on upper echelons and Finkelstein and Hambrick's (1996) on strategic leadership initiated a large stream which stressed the influence of CEOs and top management on strategic decisions.

Williamson's (1975) research cemented the influence of economic concepts and methodologies on the new Strategy. Williamson (1975) propounded transaction-cost theory which argues that the appropriate governance structure for a given transaction is not necessarily the most equitable, efficient or ethical, but one that minimizes total transaction and production costs imposed by bounded rationality and opportunism. Williamson's work influenced research on multi-divisional forms, hybrid forms of organization and international Strategy.

To examine relationships between Strategy, organizational structure and performance, researchers migrated from the case studies of the 1960's and 1970's to large sample studies containing secondary data especially PIMS and COMPUSTAT. Standard multiple regression emerged as the dominant statistical technique.

The Resource-Based View of the firm (RBV) provided the second template for Strategy, with the dissertations of Prahalad (1975), Doz (1976), Bartlett (1979) and Ghoshal (1986). The RBV rests on the idea that firms create sustainable competitive advantage by developing and applying idiosyncratic firm-specific resources. Costly, rare and non-replicable firm-specific resources contribute to sustainable competitive advantage. Socially complex resources have more value, implying that resources that resist imitation such as culture and reputation stem from complex and often opaque social interactions (Barney, 1991). Researchers have had particular difficulty measuring intangible resources, the primary sources of competitive advantages, and so have often substituted coarse measures such as R&D intensity, advertising intensity and patents (Hoskisson et al., 1999).

Theoretically, the recent rise of the RBV (e.g. Wernerfelt, 1984) together with the two closely related content areas: the knowledge-based view (e.g. Kogut and Zander, 1992) and strategic leadership (e.g. Finkelstein and Hambrick, 1994) have returned attention to the internal aspects of the firm, drawing on early classics such as Barnard

(1938), Selznick (1957) and Penrose (1959). Researchers in this stream share an interest in exploring the inner growth engines of the firm, hereto black boxed. These researchers have argued that firms' continued success stems primarily from internal, unique and often immeasurable competitive resources (Hoskisson et al., 1999).

Methodologically, the pendulum appears to have swung back towards the use of more qualitative approaches. In its early history, researchers made little attempt to generalize case findings to Strategy, except for problem-solving skills. Largely because of this, many regarded Strategy as unscientific and unworthy of academic study. As the field embraced Industrial Organization (IO) Economics, it began to emphasize scientific generalizations based on study of broader sets of firms. Strategy researchers increasingly employed multivariate statistical tools, with large data samples, primarily collected from secondary sources to test theory. However, the development of RBV poses major methodological problems. The study of RBV requires a multiplicity of methods to identify, to measure and to understand firms' resources. Firms should have distinctive resources that contribute to competitive advantage. Large data sets, secondary data sources and econometric analyses appear inadequate to understand firms' intangible resources such as corporate culture, tacit knowledge or stakeholder participation. Step in Critical Theory.

INFLUENCE OF STRATEGY

As we discussed in the previous section, Strategy remains firmly grounded in practice, and researchers, governmental policy makers and managers have started noting gaps in existing theories. The new Strategy seems unable to provide answers for the mounting ethical dilemmas that it has so far black boxed or ignored.

Income inequality and executive compensation have become bellwether issues (Herbert, 2007). Among Americans, wealth is distributed unequally, as it is around the globe. The latest data from the Federal Reserve's Survey of Consumer Finances, found that the richest 1 percent of Americans held 32 percent of the nation's wealth in 2001. (This excludes the billionaires in the Forbes list, who control roughly another 2 percent of the nation's wealth.) This tops the inequity in every country but Switzerland, among the 20 nations that measure this wealth.

US corporations provide a microcosm of this income inequality with issues of executive compensation and the social concerns that they raise. In December 2006, Morgan Stanley, the second largest US investment house, gave Chief Executive John Mack $40 million in stock and options for 2006, reflecting the largest bonus afforded to a Wall Street CEO so far. Later in that month, Lloyd Blankfein at Goldman Sachs did even better — getting $53.4 million. Data compiled by the Center for Labor Market Studies at Northeastern University in Boston offers a startling look at the numbers behind executive compensation which remains a key issue in Strategy. According to the Center's director, Andrew Sum, the top five Wall Street firms (Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch and Morgan Stanley) were expected to have awarded an estimated $36 billion to $44 billion worth of bonuses to their 173,000 employees in 2006, an average of between $208,000 and $254,000, "with the bulk of the gains accruing to the top 1,000 or so highest-paid managers." (Herbert, 2007). Conversely, in the USA, between 2000 and 2006, labor productivity in the nonfarm sector of the economy rose by 18 percent. But during that period, the inflation-adjusted weekly wages of workers increased by just 1 percent or about $3.20 a week. The US has 93 million production and nonsupervisory workers (exclusive of farm workers) . Their combined real annual earnings from 2000 to 2006 rose by $15.4 billion, or less than half of the combined bonuses awarded by the five Wall Street firms for just one year. The once strong link between productivity gains and real wage increases has been severed.

Despite social rumblings, Strategy, and the influence of scientific, top-down normative models, have greatly influenced not just managers, but university education. First, with the rise of Strategy in Business Schools, as capstone course, Strategy theories began to have a grip on business education. A capstone is the top stone of a structure or wall. The 'wall' is the whole world of business that must pass through the filter of the capstone strategy course. Soon Strategy, by its curriculum placement, began to exercise power over every other discipline. Every business discipline began to mimic strategy, and to align with the capstone, so that every discipline claims to be strategic: strategic leadership, strategic HRM, strategic finance, strategic Management Information Systems (MIS), etc.

Strategy also achieved often uncritical dissemination to non-business disciplines. Hospitals, churches, temples, universities, and political parties began to be run like businesses, to hire cadres of strategists to schematize everyone and everything and to run top-down organizations where none existed. For example, five centuries ago, Universities were run by faculty and students, without administrative officials. Century by century, as the division of labor took place between professional administrators and faculty, academic freedom for self-governance began eroding. Deans and Presidents run their colleges and university as they feel senior executives would. Some parliamentary faculty and student senates exist, but these bodies tend to be advisory, and restricted to particular issues. These developments led to union movements, but unions have not been effective in reversing the trend. Presidents of Universities often portray themselves as CEOs and Universities are experiencing the same concerns as corporations on executive compensation. The 2006 survey conducted by The Chronicle of Higher Education of 853 colleges, universities and specialized schools for subjects like medicine found that 112 paid their Presidents at least $500,000. This upward spiral of compensation occurred in public as well as private institutions, with 42 presidents of public colleges earning $500,000 or more compared with 23 in 2005. The survey also found that in 2006, seven Presidents of private colleges, universities and medical schools received more than $1 million annually in compensation. Roger Bowen, general secretary of the American Association of University Professors said academic institutions were coming to resemble corporations. "Presidents now are CEOs. You no longer have treasurers, you have chief financial officers; you no longer have deans, you have chief academic officers. Faculty play the role of labor, students play the role of customer" (quoted in Glater, 2006). Critical of the change, Bowen said that presidential pay increases had outstripped faculty raises and that the widening gap could signal a shift in emphasis from educational achievement to financial management.

The new formulas for Strategy are delivering the opposite of progress. We can feel its demise in post-Enron world, and a refusal to accept strategy as the reason for doing anything and everything. Strategy discourse and ideology invades all domains of social life. However, logically, if every discipline imitates Strategy, it ceases to exist as the enclave of the central or top administrators, or the capstone discipline of disciplines.

If Strategy offers a ready-made formula, to be handed off to other disciplines, then Strategy offers no more than illusion. The formula has become quite seductive. In response to stakeholders' protests, and often to pre-empt them, Strategy also offers ready-made clichés to be inserted into the formula, such as 'we are all responsible for strategy,' 'we are all knowledge workers,' 'we are all strategy-entrepreneurs,' 'we are all empowered by our strategy,' and 'we all are members of the strategy team.' These ready-made phrases can be slotted anywhere in the overall strategic plan. The strategy formulas, be it SWOT, five-forces, RBV, configuration, or learning organization --- give the impression of people other than the strategy-elite being in command and control.

Deceit and facades permeate the new Strategy for although managers realize that stakeholders have power, they often deliberately erect facades and screens to obfuscate their control. For example (Haley, 2001) found that customers' boycotts, governmental sanctions and stockholders' divestitures, indicating that stakeholders' strongly disapproved of US multinationals' investing in South Africa during apartheid, did not have the desired effect. Most multinationals did not leave South Africa, although they stated they did. Most continued operations; some erected leaving facades by selling their subsidiaries to wholly owned trusts which were out of the reach of US stakeholders' protests. Indeed, stakeholders' protests against the support of apartheid appear to have reduced their power to influence the system.

The fall of Strategy as we know it is inherent in the spread of superficial formulas, readymade catch phrases, superficial debate over differences in 'organization learning vs. learning organization' or what becomes 'resource' with each new generation of RBV strategy researchers. Forcing Strategy into every academic discipline, every public agency, every nook and cranny of every organization, makes everyone "instruments without a purpose of their own," to just fit into to some strategist's schemitization (Horkheimer, 1974: 151).

If strategy offers differentiation of similar products and services, then strategy becomes primarily the management of illusion. Differentiation of cheap and expensive models of computers or cars, or fast food and office supplies – steadily diminishes. Strategy then becomes a reproduction process, inevitable, necessary to effective organization; yet, strategic consciousness turns stakeholders into listeners, who accept strategic direction from above.

RE-EVALUATING STRATEGY

CT can help to identify several solutions to the effects of the new Strategy. First, research within Strategy suggests firms rarely implement the grand theories of strategic planning or their successors. Nevertheless, CT claims an impact of Strategy theory as discourse and ideology upon material practices. Chief among these is an imposition upon practice of the general premise that strategy makers should be detached, aloof, and separate from operational personnel.

Second, Strategy historians acknowledge that Strategy has become synonymous with a top-down activities of hegemonic blocs or elite cadres. Yet, CT's discourse and ideology specifies effective Strategy practice as rooted in wider democratic participation. CT objects to a Strategy elite, using top-down, sectionalist governance that circumvents wider forms of participation in strategy making.

A third CT critique of strategy by CT revolves around grand Strategy theories which support an instrumentalist ethics in practice advice. RBV, and the five forces model, for example, focus attention on treating people instrumentally, attaining monopolistic control over markets, positioning predatory competitive practices, and have evolved into short-term, exploitative views of environments as instrumental resources. As Horkheimer and Adorno (1944/1972: 121) put it, "the people at the top are no longer so interested in concealing monopoly: as its violence becomes more open, so its power grows."

Finally, Strategy reviews acknowledge that business strategy imported military command and control models. Since increasingly Strategy has assumed position as the capstone course in business schools, students and faculty learn from the new Strategy formulas. That means they often learn to adopt an instrumentalist ethics. As business Strategy colonized disciplines outside the business college, a command-and-control as well as instrumentalist ethics Strategy practice spread to public administration. In these ways, Strategy advanced myths of perfect competition, advocated that an elite core of administrators address strategic concerns with not only an instrumental ethics, but also with supposedly rational, logical, linear methods to insure monopolistic competition. This resulted in governments and universities, not only operating as businesses, but administrators becoming typified as strategists, who, increasingly operate with instrumental ethics, detachment, and top-down, elite governance.

INSIGHTS OF CT FOR STRATEGY

What specific insights does the Frankfurt School of CT bring to Strategy? The focus of early writing was on the ideology of Strategy, and strategy-as-discourse. Paul Shrivastava (1986) applied work by Habermas, and Giddens, to show the ideological nature of strategy. Shrivastava applied Giddens concern with factual underdetermination of action norms, universalized sectional interests, denial of conflict and contradiction, normative idealization of sectional goals, and naturalization of status quo power (see Levy et al, 2003: 97). Shrivastava used CT work by Habermas to recommend more ‘communicative competence’ for all stakeholders so they could more readily participate in strategy discourse, and find some liberation from it.

Postmodern perspectives have widely critiqued communicative competence and its univeral aims. Knights and Morgan (1991) have critiqued corporate Strategy as allow managers to impose stratagems on unwitting workers. They questioned the universality of Strategy interests, and revealed ways it promotes hierarchy. Strategy sometimes degenerates into a discourse that defines the problems for which Strategy claims to be the solution. Smirchich and Stubbart (1985) have argued that strategic discourse impacts broader economic and power relations. The 998 Special issue of EJROT – Electronic Journal of Radical Organization Theory, with articles by Booth, 1998; Harfield, 1998; Stoney, 1998; Thomas, 1998 provided CT critiques of strategy. For example, Thomas (1998) argued that strategy discourse is not reflexive about its discursive and ideological positions.

Levy, Alvesson, and Willmott (2001) are critical of the early CT reviews of Strategy for being too focused on Strategy as ideology and discourse, and missing ways that strategy influence material practices. They attribute this flaw to a lack of attention by CT pioneers, such as Adorno, Horkheimer, Benjamin, and Marcuse (see Boje’s introduction in this book) --- to the material practices of Strategy. Strategy discourses can promote “instrumental” ethics rationality and “reproduce hierarchical relations of power” while privileging “interests and viewpoints of particular groups” (Levy, Alvesson, & Willmott, 2001: 1). CT can provide “an emancipatory agenda, which seeks to probe taken-for-granted assumptions for their ideological underpinnings and restore meaningful participation in arenas subject to systematic distortion of communication" (Levy, Alvesson & Willmott, 2003: 93). The instrumental ethics perspective of strategy privileges sectional organization interests while silencing broader social and political standpoints (Alvesson & Willmott, 1996). The main insight CT offers strategy is a path to liberation from top-down sectional decision making which can enact more polyphonic stakeholder governance as well as alternatives to instrumental ethics.

In our post-Enron world, strategy ideology, discourse, and certainly its practices are gendering more critique than ever. Strategy can create impersonal institutions. Strategic theory and practices are also being changed by globalization (Haley, Tan and Haley, 2004; Løwendahl & Revang, 1998: 755). First, new practices of monitoring supplier firms in countries such as China has change the reliability of information exchange between multi-nationals, supplier firms, and other stakeholders. Second, the monitoring practices in global supply chains has altered the relationship between suppliers and their workers. Strategy is characterized by an amazing diversity of theories and practices which have arisen in the last fifty years. Each school of Strategy makes legitimate claims on the ability of stakeholders to be confident in the strategy espoused by firms as addressing significant problems.

WHAT WOULD A CT STRATEGY APPROACH LOOK LIKE?

There have been very few attempts to write a CT perspective on strategy schools, their thinking and practices. One approach to addressing the variety of strategy schools is to look at complementary frameworks that result in sylistic orchestration of images that create significant gaps between espoused and enacted strategy. A second approach would be to use a CT perspective on 'discordant' pluralism' to show how conflicting perspectives on such a gap can resituate a more effective constellation (Gregory, 1996: 605). The approach would be to review how various schools of strategy adopt the complementarism approach, and what a discordant pluralism theory and practice would mean. One result could be to improve the answerability of multinational corporations and their globally distributed suppliers for their ethical practices.

Yet, legitimate concern for making corporate strategy transparent with ethical answerability is subverted by the actual use of consultants by contractors to deceive monitors retained by the corporation (or by its agents, such as Fair Labor Association). The use of these consultants by contractors, and monitors by corporations, turns the discourse of ethical answerability into image management. Haley (2001) in her empirical longitudinal study, also showed how managers in South Africa used adherence to the Sullivan Principles as a symbol of reassurance to opposing stakeholders and an instrument to deflect opposition to investing in that country; and how Nike has similarly used symbolic adherence to Codes of Conduct to portray itself as a good corporate global citizen which does not run sweatshops.

Both public administrators (agents of the State) who are supposed to regulate wage and hours practices (for example) and business strategists (agents of Capital) who are supposed to align espoused strategy told to stakeholders (investors, employees, regulators, etc) with enacted strategy can claim to be victims of the subverted monitoring that is producing reports testifying about a falsified picture of what is going on. For instance, the use of peer groups to calculate executive pay has become ubiquitous in recent years partly in response to the Securities and Exchange Commission's requirement that companies compare their stock performance with peer groups in tables in the section of their proxy filings devoted to shareholder returns. Theoretically, these tables allow investors to compare their companies' performances against objective benchmarks. But, worries continued that executives, consultants and directors cherry-picked peer-group members, thereby pumping up packages. The new disclosure rules that went into effect on December 15, 2006 require that corporations reveal which companies they use in their peer groups and provide extensive descriptions of their compensation philosophies.

Without a new understanding of Strategy, it is likely that smarter mousetraps will result in smarter mice. For example, China's factories this year are expected to ship goods to America worth over $280 million. Roberts and Engardio (2006) found that despite codes of conduct and elaborate on-site monitoring, over 90 percent of the factories in China engage in fraud of documents and time sheets and pay their workers significantly less than minimum wage, violating overtime rules. Indeed, an entire industry and support structure has arisen to help Chinese factories to defraud audits and surveillance by stakeholders. A compliance manager for a major multinational company who had overseen many factory audits said that the percentage of Chinese suppliers caught submitting false payroll records had risen from 46% to 75% in the past four years. This manager estimated that only 20% of Chinese suppliers complied with wage rules, while just 5% obeyed hour limitations (Roberts and Engardio, 2006). The average Chinese worker on a factory floor probably earned around 40 cents an hour – a wage against which no American company with domestic operations could compete, and one which could not sustain a poverty-free life in China.

Global issues such as these raise CT questions about corporate Strategy, its stylistic-image orchestration to stakeholders, and ethical-answerability and accountability guarantees that multi-national corporations are making globally about meeting published codes of governance, ethical conduct, and local labor, health, safety, and environmental laws. In terms of public administration, stylistic Strategy image management often communicates that things are improving or even under multinationals' control. Yet, if the monitoring process is rife with subterfuge, then the game unravels.

From a CT perspective (see book introductory chapters), to have ethical answerability, means that those who directly participate in production and consumption can organize to make their voices heard throughout society and the global order. Workers, for example, are not passive, disinterested, non-participants. Consumers, on the other hand, cannot claim to be passive, to not know any more than they read in the annual reports, business press, or TV news. When corporate Strategy is replete with image orchestration, the process of improving labor standards, union organizing, and environmental protection breaks down. There is a crisis of ethical answerability because people do not have reliable information. They do not hear the direct stories and the statistics generated in monitoring are invalid and unreliable.

Meanwhile, the stylistic image orchestration strategy of subcontractors hiring consultants to produce bogus reporting, and multi-national corporations affiliating with monitoring arms (such as FLA) that report upon the bogus tales and numbers --- allows everyone an umbrella of transparency. Nike as well as Wal-Mart can claim that sweatshop abuses of its China suppliers are being monitored, and when a contractor is caught falsifying data, they are punished.

The breakdown of stopgap Strategy solutions appear starkly evident in China, which has embraced the engines of capitalism, including multinationals' investments, with exuberance as paths to development. World Banks studies have found that China's poor grew poorer at a time when the country was growing substantially wealthier (McGregor, 2006). The real income of the poorest 10 per cent of China's 1.3 billion people fell by 2.4 per cent in the two years to 2003, the World Bank studies showed, at a time when the economy was growing by nearly 10 per cent a year. Over the same period, the income of China's richest 10 per cent rose by more than 16 per cent. The findings challenge the basis of government policies aimed at narrowing the country's politically sensitive wealth gap. (McGregor, 2006). China, which had relatively even income distribution in 1980 when it embarked on market reforms, is now "less equal" than the US and Russia, using the Gini co-efficient, a standard measure of income disparities. The way to close this gap has been the subject of an intense and highly politicized debate in China, with many arguing that economic growth alone provides the best way of addressing poverty, even with uneven results. Yet, the Bank's findings showed the error in the argument that a rising tide lifts all boats. Declining farm incomes cannot explain the fall in income for the poor, as food prices were rising at a faster rate than urban prices in December 2003. Over the period that the study covers, inflation was low and in one year, 2002, negative. Indeed, poverty in China could be even worse than the World Bank study indicated. The Chinese defined poverty at a level that understated the size of the problem, at about Rmb650 ($83) a year in income, equal to about five per cent of average per capita income, compared with the US benchmark of 12 per cent. Rural residents were also forced to buy services, such as health and education, in the cities where they were much more expensive. China's present success story seems unsustainable both for multinational companies and the government, and Strategy provides few answers to the dilemma, portending, among other things a need for the swing of the pendulum.

STAKEHOLDER CAPITALISM

Increased paces of globalization, interconnectedness and quantum change suggest that for more effective organizations, a top-down instrumental approach may no longer be effective. It's time for the pendulum to swing again for Strategy, and CT provides many insights for a more pluralistic approach.

Business Week covered one aspect of this swing of the pendulum in its story on "Karma Capitalism" (Engardio and McGregor, 2006). Some researchers and large companies are exploring that executives should be motivated by a broader purpose than money as these broader motivations lead to more well-adjusted and effective companies. Some researchers are also accepting that companies should take a more holistic approach to business – one that takes into account the needs of shareholders, employees, customers, society, and the environment. Other researchers can foresee the development of theory that replaces the shareholder-driven agenda with a more stakeholder-focused approach or "inclusive capitalism… the idea that corporations can simultaneously create value and social justice" (C. K. Prahalad quoted in Engardio and McGregor, 2006). For some researchers and senior managers, corporate philanthropy and good behavior provides a competitive advantage for attracting and retaining top talent. While corporations used to do most of their manufacturing, product development and administrative work in-house, most now use outsiders and outsource these functions. Terms such as "extended enterprise" 'innovation networks" and "co-creation" accept that effective and highly-functional corporations draw on and nurture various external stakeholders.

In his best-selling book, *The Fortune at the Bottom of the Pyramid*, Prahalad detailed how companies can co-create products with consumers and succeed by tailoring technologies and products to the poor, influencing companies such as Nokia and Cargill. The ultimate goal for an effective firm would be to promote a strategy where stakeholder capitalism replaces shareholder capitalism. The late Sumantra Ghoshal was working on a book "A Good Theory of Management" when he died. Ghoshal saw the corporate debacles of Enron and its ilk as the inevitable outgrowth of theories developed by economists and absorbed at business schools. Corporations are not merely profit machines reacting to market forces, he noted; they are run by and for humans and have a symbiotic relationship with the world around them. "There is no inherent conflict between the economic well-being of companies and their serving as a force for good in societies" wrote Ghoshal. According to Prahalad the quest for Strategy is "to develop a capitalism that puts the individual at the center of the universe", placing employees and customers first so that they can benefit shareholders.

Indeed, the seemingly ethereal world of CT, rather than the clinical world of IO, seems surprising well-attuned to the down-to-earth needs of companies trying to survive in an increasingly global, interconnected business ecosystem.

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