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TOWARDS THE CONCEPT OF A STRATEGY OF SOCIAL DEVELOPMENT

Borut Rončević*

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Abstract:

Strategic processes are social processes. They are eventuating in a special field between individual and collective actors and the emergent social structures. The analysis must therefore take both micro and macro level into account. Social dimensions of these processes can be explained by the “social becoming” approach to analysis of social reality. Within this approach strategy is located on the level of agency, between individuality and totality. This is the reason for “path-dependent” nature of strategic processes and of development, implying “choice within constraints” approach. Strategic actors have freedom of strategic choice, but this choice is constrained by the social structures and culture. However, strategic steering is only a potentiality. Whether it will transform to actuality depends on a number of socio-cultural factors. One important factor in this respect is social capital. It is performing two roles. First, it enables cooperation that is needed for successful strategic steering. It enables formation of multi-functional alliances in the form of business clusters and developmental coalitions. They are the prerequisite for intensive processes of social learning and search for complementarity on the basis of divergent interests. This increases adaptability of modern societies. Hence, social capital is an important policy resource and policies designed to promote social capital can be an important segment of developmental performance.

Key words: strategic steering, social processes, strategy, social becoming, path-dependency

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Introduction

Studies of strategic steering have a rich tradition. However, while studying this rich tradition, we can see some specifics with important consequences for studies of social development. Firstly, the concept of strategy as a form of social action is relatively poorly defined (Whittington, 1993). Consequently, we have a number of difficulties while studying strategic steering. Key problems are related with delimitation of research object, which leads to incomparable operationalisations, data and conclusions. These problems are aggravated by the fact that more recent, sociologically oriented approaches (i.e. strategy as practice approach) the object of research by definition reaches over the limits of specific organisation or subsystem and also includes field of culture and values. Additionally, due to smaller relevance of hierarchical forms of steering, strategy-making process cannot be ascribed only to specific 'strategists'. Consequently, almost every activity taking place in organisation, subsystem or society can be studied as a part of strategic practice (Hendry and Seidl, 2002:3).

Secondly, most studies in this field focus on research of individual profit or non-profit organisations (companies, administrative institutions, NGO's etc.). In this sense, most of this literature belongs to the narrow field of strategic management. More sociologically-oriented approaches attempt to integrate micro and macro approach. However, these attempts are guided primarily by the interest in the impact of wider socio-cultural field on specific strategic practices that are taking place in specific organisations (Whittington, 2002). While studying steering of social development, we need to have interest in mutual effect of both levels.

We should also emphasise some common traits. First, in the framework of both studies of organisational strategies and studies of strategic steering of social development there is a need for reduction of complexity. Strategy is *a tool for reduction of complexity*. Economic system is not trivial subsystem, it is a complex subsystem and this quality influences ability to steer developmental trajectories. Organisations are complex systems as well and this complexity has to be reduced, i.e. there is a need for reduction of possible options, among

which we can select. Strategy reduces complexity to the extent that it is possible to select between options that emerge in the system and in the environment. In this sense, we can understand strategy as “the activity of selecting, and selectively combining, forms of complexity reduction” (Seidl, 2003: 3). Selection between different options can lead to either declarative or authentic *consensus about the goal* we are to achieve; selection renders other options (at least temporarily) irrelevant. Secondly, strategy is a concept, which allows us to deal with theoretical and practical consequences of social changes. In this sense, we can understand strategy *as activity to steer changes*. Here we come close to sociological theories of social practice, which are dealing with interrelationship between macro level (societal structures) and micro level (actor). During strategic processes there is more or less successful implementation of *control over changes*, in the context of this study, control over social changes.

When trying to answer whether society is capable to establish strategic steering processes we have to answer the question whether it is capable to establish, first, developmental consensus¹ and secondly, control over developmental processes. Goal setting is relatively simple process with companies and other types of organisations. These are determined by stakeholders, who are in many cases external factors (i.e. owners, members, founders etc.) These goals are also more or less clearly defined, i.e. as a profit market share, services output etc. Even in cases of family businesses, which can be quite distinctive form other types of enterprises, we can notice specific goal setting, i.e. employment and decent income for family members Control over achievement of goals is relatively simple; capability to implement strategy is measured by proxy, i.e. achievement of set goals. On the macro system or subsystems level we are dealing with inability to do so, as legitimate goals cannot be set by some ‘supreme’ instance in contemporary societies. Any such goals

¹ Sočan is discussing four types of developmental consensus. Autocratic consensus implies that the ruling elite is making the relevant decisions, sometimes including input from experts or other actors. This consensus is enforced. The second type of consensus adopted by democratically elected political elites, excluding other actors. The third type of consensus derives from antagonistic relations between social actors. This is a fragile consensus, based on constant compromises. The most solid consensus is emerging in the most developed countries of northern and western Europe, where actors are increasingly aware of complementarities of their interests (Sočan, 2003: 77-78).

can be declaratively determined, but in such a case their implementation is questionable at least.

Ability to build consensus about developmental trajectories and capability of societies to control its implementation are, according to Amitai Etzioni (1968), key dimension of social steering. He analytically distinguishes four categories of societies, according to these two criteria:

1. *Passive societies* are societies with low ability to build developmental consensus and low level of control over development. This group of countries consists mostly of poorly developed societies (e.g. Third World).
2. *Over-managed societies* are societies with high level of control and low level of developmental consensus. There is a big number of these countries, especially among various authoritarian regimes. High level of social control does not necessarily imply effectiveness. In many cases we are instead dealing with “omnipresent, but weak states” (Syrett, 1995), with negative impact on economic development and entrepreneurial initiatives (de Soto, 2000).
3. *»Drifting societies«* are societies with high level of developmental consensus and relatively low level of control. Western democratic societies are typical example of this category.
4. *Active societies* are societies with high level of developmental consensus and also high level of control over developmental trajectories.

This typology implies that active societies are those that have the capacity for strategic steering of social development. Active societies are Etzioni's normative ideal, as they enable influence of all relevant social actors and not only those with biggest social power; this is the only authentic consensus (Makarovič, 2001: 169). Including all relevant and interested actors is not only relevant to ensure social justice and equality, but also to contribute to solving technocratic problems, which emerge while formulating and executing (control) developmental strategies. Societies, which quickly combine the goal of successful economic development (growth) with social cohesiveness and cultural prosperity, are societies that solve their dilemmas through organisational and political pluralism (Messner, 1997). There are some specific and

very successful examples of undemocratic states in East Asia (steering development as developmental states), where authorities legitimised themselves through economic development. However, in addition to remark that it is difficult to talk about cultural prosperity and quality of life in view of obvious repression and violation of human rights, we can also observe that these undemocratic consensus building processes contributed to development of negative externalities, i.e. development of militant trade union movements. Economic development led to either democratisation (South Korea, Taiwan) (Castells, 1998), or knowledge about negative impacts of paternalism, hindering inventiveness and creativity, which are in fact a necessary condition for most sophisticated production processes. (Wee, 2001).

This implies that successful developmental strategies are formulated and implemented in constant interlinkage and dialogue – both formal and informal – of all relevant actors. Equal dialogue between partners is a necessary condition of successful strategic process. Elinor Ostrom is writing about ‘coproduction’, which describes joint involvement of public and private actors in productive processes, where both sides make their contribution (Ostrom, 1997). When contribution of both actors is complementary, cooperation can lead to significant synergetic effects. Peter Evans (1997) also emphasises possibility of synergy stemming from cooperation between state and society. He emphasises two basic principles. The first is complementarity, as with Ostrom’s approach. By complementarity he describes mutually supportive relationships between private and public actors. This also presupposes clear division of work, which is based on qualities and competences of individual actors. The second is the concept of embeddedness, describing linkages between public and private actors.² Application of this concept makes analysis of strategic processes more difficult, as numerous interactions presuppose establishment of formal and informal institutional and arrangements and networks, which can have both positive and negative consequences. But at the same time they increase the possibility to build authentic consensus and successful control over development. This is why cooperation of competent strategic actors is so important for processes

² Evans is aware that these linkages can lead to both constructive linking of interested actors, as well as to establishment of corruptive and rent-seeking behaviour (Evans, 1997: 180).

of strategic steering. Evans is discussing the need for communication between strong state and strong society. (Ibid.).

In this relationship between competent strategic actors relationships are formed in two ways. They can be the outcome of communicative process between actors and planning (deliberate strategies) or derive from actions of relevant actors. These are ideal types. Planned or deliberate strategies presuppose control over implementation of plans. This is equivalent to Etzioni's control over developmental trajectories. They do not allow process of learning, equivalent to Etzioni's developmental consensus. Emergent strategies presuppose processes of social learning and exclude active control (Mintzberg, 1989: 32). Ideally, we tend towards combination of both approaches, which allows learning and control over implementation of strategy. This is the quality of developmental societies. Active societies are the best equipped to steer social changes in conditions of complexity. This is also manifestation of adaptive nature of modern social systems. Active society strongly emphasises communicative aspect and search for complementarity of divergent interests.

Actors of strategic steering have to take into account limitations coming from the environment. These can be quite 'objective', e.g. coming from natural environment, but they can be also social and cultural limitations. This includes interests of other strategic actors and also many other institutional constraints and social structures. Hence, process of strategic steering is not only technocratic problem, but also – or above all – social process.

Strategy as a social process

Henry Mintzberg (1998) developed, on the basis of his research in strategic management, classification of various definitions of strategies. First is *strategy as plan*. In this category are concepts, which define strategy as intentional plan or guidelines for action (blueprint). This approach focuses on two characteristics of strategies: they are intentional and purposeful, and they are formulated before the action itself (e.g. Drucker, 1974). Second category, *strategy as ploy*, is quite similar to the first and could perhaps even be classified as its

subcategory. It is a specific manoeuvre to 'outwit' the opponent. These concepts are appropriate to deal with competitive situations or negotiation processes (Porter, 1980). Third category, *strategy as pattern*, focuses on behaviour related with formulation and implementation of strategy. These definitions focus on a pattern in stream of actions. Fourth category of definitions, *strategy as position*, deals with relationship of strategic actor (individual or collective) and its environment. Strategy is a 'intermediary' between strategic actor and the environment, i.e. internal and external context (Thompson, 1967). The fifth category of definitions, *strategy as perspective*, seeks to locate the organisation in external organisation. This approach depends on strategic actors' perspective of their environment. One such approach is Selznick's discussion of 'character' of organisation (Selznick, 1957).

Differences in approaches, which focus on different aspects of strategic processes, point to the conclusion that strategic steering is not only a simple technocratic process. Instead, we are dealing with multi-layered and complex social processes. Strategic processes are social processes and while dealing with possibility of strategic steering of development, we are also dealing with some of the key sociological questions. One such question is the relationship between actor and structure (micro-macro in American sociological tradition). In the framework of *strategy as plan* (also *strategy as ploy*) and *strategy as perspective* approach we can also ask the question of possibility of intentional influence on social structure. The question of relationship between actor and structure is most clearly emphasised in the framework of approaches that define strategy as intermediary between internal and external environment. *Strategy as patter* approach, focusing on sequence of strategic actions, points to time dimensions of strategic interactions between actors mutual influence between actors and social structures. This is not only about other actors in term of dyadic relations or their influence as a sum of individual influences, but about actions of emergent entity.

While studying steering of social development, we have to dedicate special attention to these questions and issues. Dealing with debates with ideological and disciplinarily burdens, e.g. should the state play the key role in steering social development or should it be left to markets, is counterproductive as it diverts debates from some of the key questions

about formulation and implementation of strategy and strategic processes.

Dimensions of strategic processes

Sociology intensively deals with social changes from its early beginnings. After all, it was formed as a science in response to intensive social changes more than one hundred years ago. Nevertheless, until now it dealt more with non-intentional action and less with forms and consequences of intentional action. It seems that studying this form of action remained in the domain of economic science, primarily dealing with *homo economicus*. In the framework of sociology, intentional action remained in the domain of rational choice theory. In spite of that, in the last period sociological approach to research of strategic processes started to develop. A number of authors started to analyse strategy as a form of social practice (e.g. Whittington, 2002; Samra-Fredericks, 2000; Hendry, 2000; Bukovec 2009). In this *strategy as practice approach* some researcher successfully applied more recent sociological theories of practice (Giddens, 1979; 1984; Bourdieu, 1990; de Certeau, 1988) and started dealing with one of the basic sociological questions through analysis of strategic processes: relation between actor and structure (European sociological tradition) or macro and micro level (American sociological tradition).³

At this point we again encounter aforementioned difference between strategic steering of organisation and strategic steering of social development. The first started to deal with actor-structure through research on influences of environment on social actors. The other are dealing with research on possibility of influence of social subsystems or collective actors on developmental trajectories. Foundations were laid by Etzioni's concept of the active society. According to Etzioni, theory of social steering differs from other theories in contemporary social sciences, that mobilising energy of collectivities and societies are the

³ Question whether social reality is constituted from individual and their actions or supranational social structures, is according to Adam one of the key sociological questions. This is present in following dichotomies: nominalism vs. holism, micro level vs. macro level, voluntarism vs. determinism and actor (action) vs. structure (Adam, 1995: 10). While studying dimensions of strategic processes we are dealing with dichotomy strategic action vs. structure.

main source of their own transformations and transformation of their relationships with other societal units. When social unit mobilises, it tends to change its own structure and boundaries and also the structure of supra-unit, which it constitutes with other units and to which it belongs (Etzioni, 1968: 393).

Interesting starting point for discussion on relation actor-structure is theory of structuration proposed by Anthony Giddens. (1979; 1984). In his theory he rejected functionalist and structuralist approaches, which presupposed too great social determination of human being or actor. This was denounced even much before that by Dennis Wrong as “over socialised conception of man” (Wrong, 1961). Giddens understands social reality as constantly changing and fluid object of research. Society exists in interactions between actors. Therefore, he changes static notion of structure to more dynamic notion of structuration. “The structural properties of social systems are both medium and outcome of the practices they recursively organize”. (Giddens, 1984: 25). He terms this theorem ‘duality of structure’. The motor of structuration are individual and collective actors.

Margaret Archer (1988) argues in her “theory of morphogenesis” that social systems are capable of radical restructuring. The source of these changes are individual and collective actors. There are complex exchanges between action and structures, which result in social changes; formation of structures is taking place in practical interaction. Unlike Giddens, Archer argues for the principle of ‘analytical dualism’, which should replace ‘duality of structure’. This implies that there is a need to introduce analytical distinction between action and structure. Namely, emergent qualities, that characterise socio-cultural systems, imply discontinuity between initial interactions and their products, complex system (Archer, 1988: 61).

These theories represent important starting point to study strategy as a social process, because they deal with possibility of individual and collective actors to intentionally influence structure of social systems. However, both Archer and Giddens did not develop apparatus that would allow us to locate strategy or strategic processes in the context of social processes. If society exists in interactions between social actors, we have to ask where to search and analyse these processes. Is

strategic process as intentional action taking place in relationship between people or perhaps at the individual level? Archer's theory invites similar questions. Both individual strategies and collective strategies, which are the result of communicative processes among various actors; have to take a number of limitations – posed by social structures – into account.

Towards a conclusion: A model based on »Social becoming«

Sztompka's theory of social processes, *social becoming*, is more appropriate to model dimensions and levels of strategic processes. He shapes his vision of social reality on the basis of two analytical dichotomies. First, he distinguishes between two levels of social reality: level of *individuality* (people as individuals or as members of specific collectivities, e.g. groups, associations, communities, movements etc.) and the level of *totality* (abstract social wholes of superindividual sort, social reality *sui generis*). He does not interpret social whole as a metaphysical entity, but as a structure. Individuals are neither passive objects nor completely autonomous, but as “bounded agents” (bounded rationality) (Sztompka, 1994). Second, he distinguishes between two forms of social reality: *potentiality* (inherent tendencies, capacities, capabilities) and *actuality* (processes, transformations, activities, development etc.). Table 1 shows Sztompka's vision of social reality, developed on the basis of these two dichotomies. Actors – we could also call him strategic actor – is actualised through social action. Structure, which is social context of strategic process, is actualised in operation.

Table 1: Sztompka's image of social reality

	<i>Potentiality</i>	<i>Actuality</i>
Totality	Structure (social context of strategic process)	Operation (relevant social processes)
Individuality	Agent (strategic actor)	Action (decision)

Reworked after Sztompka, 1994: 214

Relevant structures, which represent social context of strategic process, have emergent quality. This implies that the structure is not only sum of quality of individual agents. The same goes for operations (relevant

social processes); although action is component of operations, operations cannot be reduced to individual actions; they have new specific emergent qualities.

According to Sztopka, structures can have individual dynamics. It is based on three principles. The first is *inertia*, implying that it is more likely that functioning (e.g. developmental trajectory) will continue in the same direction than experience radical change in direction. Ghemawat calls this phenomenon 'commitment'; specific organisation insists with the same strategy for various reasons, although relevant actors are aware that it does not provide optimal or even acceptable solution. However, after sometime significant change in strategy takes place (Ghemawat, 1991). One such case is Ireland, which changes very unsuccessful strategy of self-sufficiency and import substitution in the 1950s and 1960s, after holding to it unsuccessfully for decades (O'Hearn, 1998). One can also mention Germany, not being able to break the trap of rigid institutions of welfare state (Esping-Andersen, 1996). The second principle is 'momentum'. This implies that once the process is in place and it achieves certain level, it is almost impossible to stop it and return to starting point. It is more likely that the process will continue and that actors will try to modify it. The third is the principle of 'sequences'; phases of the operation contain pattern, which often cannot be altered.

However, actions performed by actors are not only realisation of social trends. Actors are autonomous in relation to operations of structure to certain extent.

Unlike Giddens and Archer, who insist on 'duality of structure' and 'analytical dualism', which contributes to aforementioned problem of location of strategy at individual or supra-individual level, Sztopka introduces the third, intermediary level. It is located between levels of individuality and totality and Sztopka claims that it is the only real substance of social reality, specific social tissue (Sztopka, 1994: 217). According to Sztopka, each social event or process, which is the building unit of society, represents a fusion of both levels. It is therefore difficult to differentiate them, even if only for analytical purposes. He terms this intermediary level *praxis*:

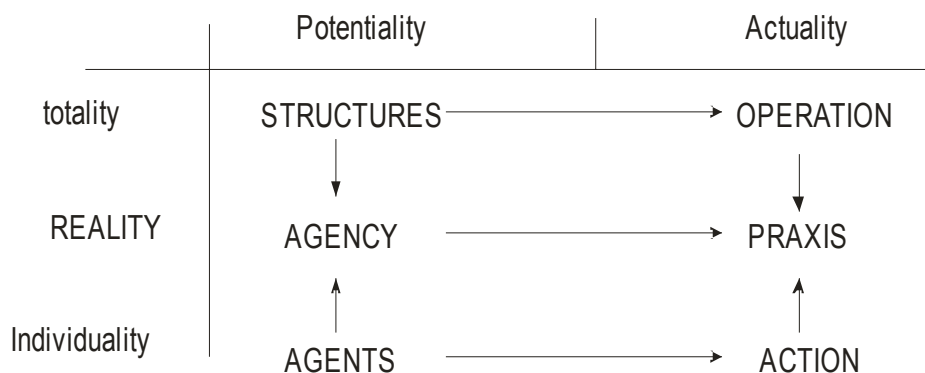
"Praxis is where operation and action meet; a dialectical synthesis of what is going on in a society and what people are doing. It represents the confluence of operating structures and acting agents, the combined product of the momentum of operation (at the level of totalities) and the course of action undertaken by societal members (at the level of individualities). In other words, it is doubly conditioned (constrained and facilitated): from above, by the phase of functioning reached by wider society; and from below, by the conduct of individuals and their groups. But it is not reducible to either; with respect to both levels, of individualities and totalities, it is a new emergent quality".

(Sztompka, 1994: 217)

Praxis is actuality. Therefore, there is also potentiality. Sztompka terms it 'agency'. It is area where structures and actors meet. It is also doubly conditioned and is synthetic product of structural circumstances and capacities of individual and collective actors. However, like in the case of praxis, agency cannot be reduced to sum of qualities of actors or to expression of the environment. It is a new, emergent level.

Praxis and agency are connected. Just like agent is mobilised in action and structure is unfolding in operation, agency is 'eventuating' in praxis. Sztompka uses the notion of 'eventuation' to show that agency can be actualised as a social event, which is the basic unit of social reality in his theory. In the context of our research, this process is the strategic process. It is possible that potentiality is not eventuated. In this case the society does not realise its strategic potentials.

Scheme 1: Dimensions and levels of social process



Source: Sztompka, 1994: 218

However, this model is not sufficient, as it contains the idea of linear development, which is expressed in unidirectional linkages from potentialities to actualities. In reality, the level of actuality has a reverse impact on potentiality. This is why Sztompka introduces three feedback loops. First, on the level of totalities redefinitions of structures takes place, as a consequence of social operations, in ‘structure building’ process. Secondly, on the level of individuality, ‘moulding of agents’, as a consequence of agents’ actions, takes place. Finally, on the intermediary level of social reality, ‘agency-construction’ takes place as a consequence of praxis (Sztompka, 1994: 218).

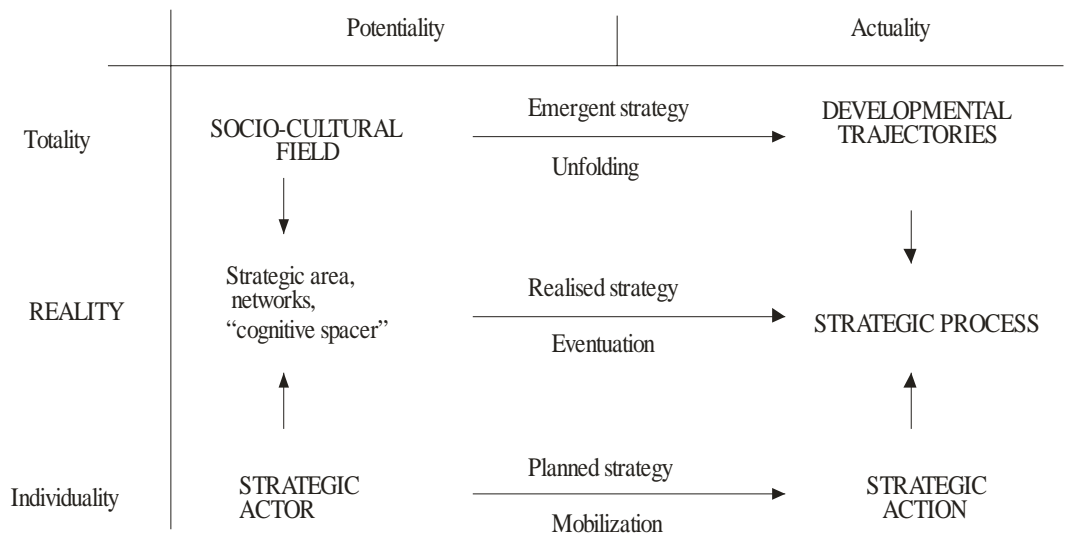
Sztompka developed his ‘social becoming’ approach as a generic model of social processes. In the context of this paper, however, we are interested in implications of this model to explain or model strategic steering of social development. On the basis of model of dimensions and levels of social process we can design a model of dimensions and levels of strategic processes, which includes our debate. On the level of individuality, the analysis focuses on strategic action of strategic actor as a potentiality. This can be both individual and collective actor. Strategic actor can mobilise through planned strategy.⁴ On the level of totality there is a socio-cultural field, which includes social and cultural factors

⁴ Action of actor can also be unplanned, but in this context we are more interested in their intentional actions.

that limit the set of options for strategic actors.⁵ Socio-cultural field is unfolding as developmental trajectory through emergent strategies.

At the intermediate level, which is, according to Sztompka's model of social processes, level of social reality with the event as a basic unit of sociological analysis, we can locate – as a potentiality – strategic area, network, cognitive space. It is eventuating in strategic process. Realised strategy is a result of emergent and planned strategy (Mintzberg, 1998: 36).

Scheme 1: Dimensions and levels of the strategic process



⁵ Sztompka uses the notion socio-cultural field, to denote multi-dimensionality of inter-individual 'social tissue'. Social tissue consists of four types of linkages, which are interpersonal, emergent in nature. He describes these dimensions by using INIO typologies: ideal (I), normative (N), interactive (I) and (O) opportunity. At the first level, continuous formulation, legitimisation and reformulation of ideas is taking place. At the normative level continuous institutionalisation, reaffirmation or rejection of regulations, ethical codes, etc. is taking place. At the action level there is continuous establishment, differentiation and reformulation of interactive channels and linkages at different levels. At the interest level there is continuous crystallisation, petrification and redistribution of opportunities, interests etc. (Sztompka, 1994: 11). Ideal (ideal) and normative (rules) linkages contribute to culture. Interactions and interests contribute to social tissue (structures) (Sztompka, 1994: 10-11).

Actors can mobilise their capacities and resources in the form of strategic action. However, this is not the necessary outcome. In certain circumstances these resources are not utilised in processes of strategic steering of social development and remain a potentiality. We have to touch the question of necessary conditions for effective utilisation of existing resources. This is not only theoretical problem, but a highly relevant one in the context of formulation of developmental policies. For example, do we have to invest new resources in improvement of specific factors of development (e.g. increase R&D funding), or should we instead attempt to increase efficiency of already existing inputs (e.g. by improving cooperation between R&D institutions and business sector). This is highly important because strategic action contributes to changes in strategic capacity of actors, either through virtuous circle or vicious circle.

Socio-cultural field represents important element of the environment, limiting the options of strategic actors. Sztompka is discussing two types of environment, natural environment and social consciousness. In this paper, the aspect of natural environment is less important, although we cannot ignore it. However, the role of natural resources in competitiveness and ability for steering social development is reducing (Porter, 1990: 4). Hence, we are focusing on that aspect of the environment, which we term socio-cultural environment and it cannot be ignored while studying systemic competitiveness (Esser et al, 1996).

The above model is designed with the purpose of sociological analysis of strategic action. Similar approach was developed in organisational sociology and economic geography, dealing with social construction of enterprises in communication with their environment. It is analysis of 'business systems framework', which was used to study national specifics in structure and actions of businesses and business sector (Whitley, 1996; Sorge, 1996). Conceptual framework was designed by Richard Whitley (1992; 1999) and further developed by Scandinavian researchers, especially in the framework of Copenhagen business school (Karnøe, 1999; Kristensen, 1999). Unlike neoclassical economic analysis, which ignores importance of history, institutional arrangements and collective actors, enterprises are understood as embedded in nationally and regionally specific institutional context. This context is a 'host' of certain type of economic organisations (inter- and intra-

organisational forms and practices). Local economic and social institutions represent broader environment, which determines set of possibilities (Karnøe, 1999: 9-10). Analysis of business system focuses of the role of these arrangements in current and future action as a part of historic process. From the perspective of this study, their conceptualisation of institutional context of business system – its environment – is especially interesting. It is divided to *proximate social institutions* and *background social institutions*. The former are ‘classical’ economic institutions (financial systems, educational systems, tradition of state interventionism, industrial relations...). These institutions are also socially constructed; their functionality is relative and depends on respective business system. The latter are dominant beliefs, conventions, moral codes etc., that lead interaction and cooperation. Here we are referring to cultural aspects of the environment.

Starting from the general issues of rationality linked to the steering of societal development and considering – though very briefly – several relevant sociological theories, we have thus reached a comparatively feasible and more specific model that may contribute to the further understanding of the strategic steering of development.

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