



Missing the point of the practice-based view

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Abstract

In this article, we address Jarzabkowski et al.'s strategy-as-practice criticism of Bromiley and Rau's practice-based view as ignoring the "who" and "how" of practice implementation. Bromiley and Rau explicitly note that any statistical model under the practice-based view should consider mediating and moderating variables that depend on the specific practice and context but that the article would not attempt to identify such variables. Strategy-as-practice's focus on the "who" and "how" of a practice are two of many such potential mediating or moderating variables. More fundamentally, strategy-as-practice scholars' discomfort with the practice-based view may arise both from their different definitions of practice and their different approaches to strategy research. Without diminishing the strategy-as-practice's contribution to strategy research, we argue for the additional value in the practice-based view's call for systematic, large-scale, quantitative studies that establish the performance impact of specific practices across populations of organizations.

Keywords

practice-based view, strategy-as-practice

Introduction

In a recent article, Jarzabkowski et al. (2015) criticize the practice-based view (PBV; Bromiley and Rau, 2014), arguing that it examines practices in isolation and hence neglects findings from strategy-as-practice (SAP) research, leading to a misattribution of performance effects. In this article, we wish to comment on Jarzabkowski et al. (2015).

First, let us clarify what we see as three very different approaches to strategy research. The resource-based view (RBV) attempts to explain sustained competitive advantage based on things that are hard or impossible to imitate (see Barney, 1986; Peteraf, 1993). The PBV (developed as an alternative to the RBV) attempts to explain performance based on things that are imitable. The SAP

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approach attempts to understand the details of internal organizational processes related to strategy or, as Golsorkhi et al. (2015) say, presents “a more comprehensive, in-depth analysis of what actually takes place in strategy formulating, planning and implementation and other activities that deal with the thinking and doing of strategy” (p. 1). We see these as distinctly different approaches.

The SAP and PBV approaches, in particular, differ in important ways including their definitions of practice and their research objectives.

Different research communities often use the same term to connote different concepts. For example, resources in the RBV would not include traditional resources like financial capital. Alternatively, risk has many meanings including finance’s systematic and unsystematic risk, probability of bankruptcy, probability of not exceeding targets, and so on. This is unexceptionable so long as authors are clear which meaning they intend.

Practice has very different meanings in the SAP and PBV approaches. While practice in the PBV would include many processes identified in the SAP as practices, it would also include a wide variety of other practices. For example, the retention of large cash balances (Kim and Bettis, 2014) could be a PBV practice but not an SAP practice (although the organizational process that resulted in such balances could be a practice in both SAP and PBV).

In criticizing Bromiley and Rau (2014), it is incumbent on Jarzabkowski et al. (2015) to recognize the definitions in the work being criticized. That is, criticism must be based on the terms as defined in the paper being criticized. It makes no more sense to address Bromiley and Rau’s (2014) discussion of practices based on interpretations using an SAP definition of practice than it would to treat risk as bankruptcy risk in criticizing a paper about systematic equity risk. Otherwise, the critic is almost guaranteed to be criticizing something that the original work did not say.

In addition, while SAP attempts in-depth analysis of the details of internal strategic processes, PBV attempts to understand the average effect on organizational performance of using a broader set of practices. In doing so, the PBV gives up much of the detail available in the SAP in exchange for greater generalizability.

We see both SAP and PBV as legitimate but different. Given the differences between the two approaches, the PBV and the SAP attempt to explain different things in strategy research—or in other words, are part of different strategy conversations. Understanding these differences is vital not only to understanding the distinct contribution of each to strategic management but also to understanding the relations between the PBV and SAP and how each may contribute to the other.

Let us begin by addressing Jarzabkowski et al.’s (2015) primary criticism of Bromiley and Rau (2014), that the paper does not recognize the importance of the actors engaged with the practices and how practices are actually implemented. Subsequent sections use an analogy to illuminate the fundamental difference between the PBV and SAP approaches, offer a potential explanation for the divergence of perspectives, and provide a brief overview of the PBV and its implications for the specific conversation in the strategy scholarship that it addresses. The paper concludes with a discussion of how the PBV and SAP could mutually enhance each other.

Primary criticism

Jarzabkowski et al.’s (2015) primary criticism of Bromiley and Rau (2014) is that Bromiley and Rau (2014) do not recognize the importance of the actors engaged with the practices and how practices are actually implemented. We are somewhat surprised by their objections since the presentation in Bromiley and Rau (2014) is completely consistent with what Jarzabkowski et al. (2015) proposes. For example, while discussing compensation practices, Bromiley and Rau (2014) explicitly state that

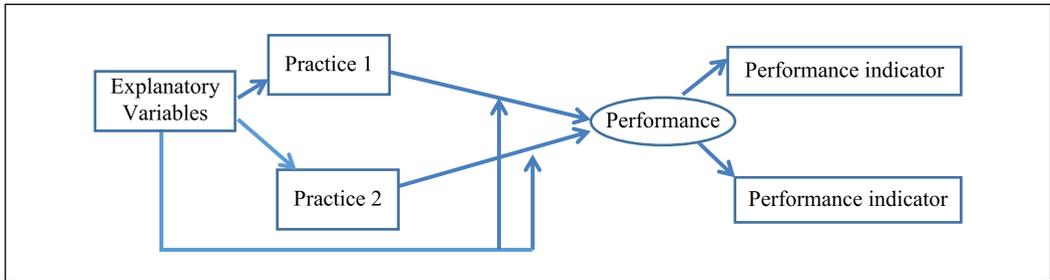


Figure 1. A schematic model of the practice-based view.
Reproduced from Bromiley and Rau (2014, Figure 2).

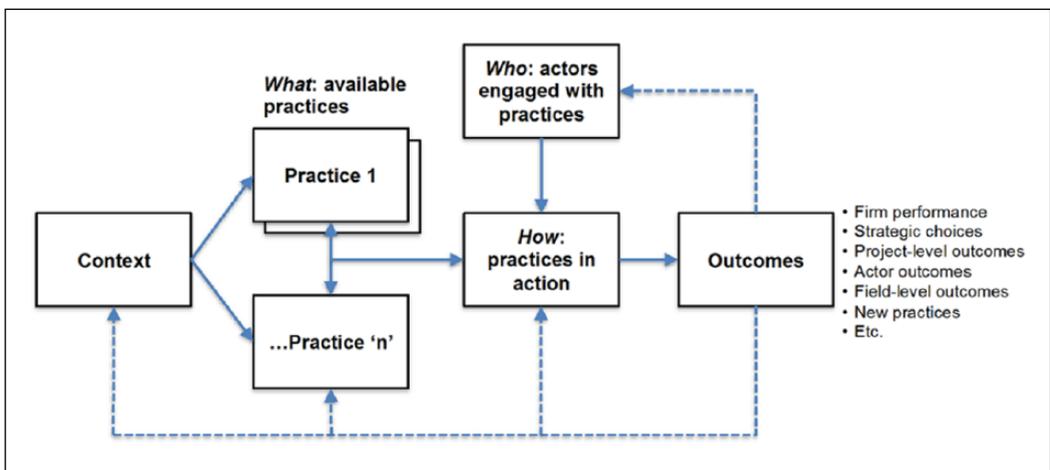


Figure 2. A schematic model of strategy practice.
Reproduced from Jarzabkowski et al. (2015, Figure 1).

The first order effects may be between having particular forms of incentives and not having them (e.g., in general, firms that issue stock options may outperform firms that do not issue stock options). *A second order effect, however, rests on how the firm implements those practices. Firms have developed a plethora of variations in the details of executive compensation contracts and behaviors; these variations may cause the same practices to have different effects on performance across firms.* (p. 1251; emphasis added)

The relations between practices and outcomes in the PBV and SAP approaches are most easily seen in the figures in the papers reproduced here as Figure 1 (from Figure 2 in Bromiley and Rau, 2014) and Figure 2 (from Figure 1 in Jarzabkowski et al., 2015).

Let us first note that the figures in Bromiley and Rau (2014) and Jarzabkowski et al. (2015) are schematic and not intended to be complete representations of the possible relations. For example, neither Figure 1 nor 2 addresses the important issues around decisions to adopt practices. In Figure 1, Bromiley and Rau (2014) neglect feedback. In Figure 2, Jarzabkowski et al. (2015) do not provide for the possibility that the substance of a practice would influence who engages in the practice. This figure has the actor who engages in a practice directly influencing the practice in action rather

than modifying the influence of the original practice on the practice in action. Consequently, we intend to consider the general structures of the proposed models and not quibble over details.

Returning to our earlier point, we do not see Figure 2 (i.e. Jarzabkowski et al., 2015) as fundamentally inconsistent with Figure 1 (Bromiley and Rau, 2014). Certainly, practice in action from Figure 2 is a mediator between the practice in theory and the performance outcomes. Figure 3 in Bromiley and Rau (2014), which is not reproduced here, shows explanatory variables moderating the influence of practices on performance. Likewise, we would see the importance of who engages in a practice as a moderator influencing the connection between the practice and the practice in action and, potentially, between the practice in action and performance. While Jarzabkowski et al. (2015) show actors as a direct influence on practices in action rather than modifying the influence of a practice on the practice in action, we suspect that the authors would not want to claim that the actors involved and the influence of actors on practices in action are unrelated to the content of the original practice.

Given the constraints of a short essay format, Bromiley and Rau (2014) recognize the possibility of moderating and mediating factors but explicitly note that they will not elaborate on the specifics of such factors. Instead, Bromiley and Rau (2014) note that in studies applying the PBV, studies would need to add additional moderating and mediating variables. For example, when discussing Figure 1, Bromiley and Rau (2014) state that

As shown in Figure 2, here the practices are important entities in and of themselves rather than simply indicators for some underlying construct. In some cases, scholars might try to relate the practices directly to performance and in others they might operate through an intermediary construct. The full toolbox of moderated and mediated effects can apply in a practice approach just as they can in the standard approach. (p. 1252)

Jarzabkowski et al. (2015) offer two such variables (who engages in a practice and how the practices are actually implemented), both of which are quite reasonable candidates for such moderating or mediating variables. Naturally, whether these are more important moderators than, for example, the detailed characteristics of the practice relative to the industry or the size of the firm is an empirical question on which we have little evidence. To measure the relative importance of contending moderators or alternative mediating variables would require research designs that allow for clear measures of relative importance.

The fundamental difference in perspective: an analogy

We would like to offer a medical analogy to clarify the difference between SAP and PBV. Obviously, the analogy is by no means exact, but we hope it serves to explain the fundamental differences in approach between the PBV and the RBV in a more intuitive way.

Paralleling the difference between the SAP and PBV, historically, medical scholarship has included both the detailed analysis of specific cases and large sample estimates of the efficacy of treatments. Large sample studies often address what treatments have what effects on what conditions. The first-order concern is whether a given treatment on average positively or negatively influences a given condition. We see the PBV as analogous to such research in trying to identify the conditions under which particular treatments or practices will have, in general, specific influences on firm outcomes.

This is not to say that such researchers reject the possibility that the treatment may influence different patients differently or that differences in details of the administration of a treatment might not matter. While eventually, depending on feasibility, cost, and other factors, more specific treatments may become viable, the first-order question is whether most doctors would benefit their patients if they treat condition A with treatment B. For example, while detailed genetic analysis of

both patients and infective agents may eventually offer truly custom-made treatments, such efforts are not cost-effective for many standard conditions; for the most part, medicine deals with treatments that appear to help most patients with specific characteristics and specific diseases or conditions most of the time.

A similar problem appears in the interaction of drugs. While it is clear that drugs interact and many patients take multiple drugs, much of medicine relies on findings from studies that ignore or even refuse to include patients taking multiple drugs. From a research standpoint, obtaining usable samples of individuals taking multiple specific drugs with specific dosages is extremely difficult. Consequently, much of research and practice depends on single drug studies. The point is that the focus on single drug tests or general conditions reflects the demands of statistical studies rather than a belief that these other factors do not matter.

Just as in medicine, the PBV assumes that reliable estimates of the benefits from a treatment (practice) require large sample studies. Few of us would want a medical treatment that has only proved effective for one or two patients. Just as medical outcomes depend on many factors a given study or medical evaluation does not assess, firm performance depends on many things other than any specific strategic practice. Just because something appeared associated with desirable outcomes in one or two situations does not suffice to generalize the benefits of the practice to an entire population of firms.

In the PBV, as in much of medical research, the limitation on interactions and moderating factors derives more from empirical realities than theory. Most strategy researchers can easily specify so many potential explanatory variables and interacting factors that no available sample will give meaningful results.

In contrast, the SAP approach resembles the medical practice of detailed case analyses. Such analyses play important roles in illuminating potential factors and connections. They are also important in identifying new conditions or diseases. Bromiley and Rau (2014) explicitly recognize the benefits of such study in saying

Understanding practices requires both qualitative and quantitative analysis. The strategy-as-practice movement adds important qualitative information on firm processes (Carter et al., 2008; Jarzabkowski, 2004) as does an older tradition in strategy process (see, for instance, Bower, 1970; Bromiley, 1986). (p. 1253)

One reader objected to our analogy arguing that human biology differs less across individuals than organizations differ across a population of organizations. However, if firms really differ too greatly for generalizable findings across firms, then we should not see the large number of studies demonstrating the use of specific practices (in the PBV sense) positively influences performance.

Why the disagreement?

We suspect that part of Jarzabkowski et al.'s (2015) discomfort with Bromiley and Rau (2014) came from the use of the common term "practice" in both streams of research. The PBV and SAP differ substantially in how they view practices in organizations. Practice in the SAP research studies refers "both to the situated doings of the individual human beings (micro) and to the different socially defined practices (macro) that the individuals are drawing upon in these doings" (Jarzabkowski et al., 2007: 7). The PBV defines practices differently; it states that practices are

a defined activity or set of activities that a variety of firms might execute. In contrast with the resource based view (RBV) emphasis on things that other firms cannot imitate, the PBV examines imitable activities or practices, often in the public domain, amenable to transfer across firms (Bromiley and Rau, 2014: 1249).

While Bromiley and Rau (2014) constrain practices to be transferable, SAP work often considers practices that may not be transferable. On the other hand, the PBV view of practice includes a variety of firm activities (e.g. holding cash reserves, geographic diversification) that do not have the organizational process characteristic so important in SAP. However, since both SAP and PBV use the same word, we suspect that Jarzabkowski et al. (2015) view the PBV through the lens of SAP's definition of practice. Consequently, Jarzabkowski et al. (2015) appear to misinterpret Bromiley and Rau (2014) in several places.

For example, contrary to Jarzabkowski et al.'s (2015) repeated assertions, the PBV does not emphasize the use of best practices in isolation. Indeed, while Jarzabkowski et al. (2015) repeatedly claim Bromiley and Rau (2014) focus on "best" practices (with best appearing in quotes), the word best *never appears* in Bromiley and Rau (2014). Instead, Bromiley and Rau (2014) say, "the PBV can deal with practices that reduce performance as with practices that improve performance. A good theoretical understanding of the impact of a practice on performance can apply to both beneficial and harmful practices" (p. 1251). Clearly, the PBV does not deal simply with best practices—it deals with the influence of imitable practices on performance. These practices may or may not necessarily be "best."

In addition, Jarzabkowski et al. (2015) claim that Bromiley and Rau (2014) propose examining practices in isolation. However, as noted above, Bromiley and Rau (2014) clearly allow for the possibility that the impacts of particular practices may depend on moderating factors and that the influence of adoption of a practice on performance may flow through mediating variables. Mediating and moderating variables are precisely how statistical models represent things not operating in isolation. As such, whether a practice benefits a firm or not depends on the specific circumstances of the firm. Bromiley and Rau (2016) elaborate on this point by noting that

Whereas the RBV defines resources strictly as valuable, i.e. positive, the PBV allows for the possibility that practices may have positive, negative, or neutral impacts on performance both directly and indirectly and may have different impacts in different circumstances. Understanding the circumstances under which a given activity benefits or damages the company is essential to understanding both the practice and prescription (see, for instance, the discussion of fit in Hult et al., 2005).

In addition, Jarzabkowski et al. (2015) make a statement we have difficulty understanding. The paper states that in the PBV "dependent and independent variables are not entirely separable (e.g. achieving economic performance is a practice too)" (p. 8). In most of strategic management scholarship, achieving financial performance is an objective or an outcome, not a practice or a resource (in RBV terminology). A firm cannot simply choose to achieve financial performance; performance depends on some interaction of the firm's behaviors and the behaviors of other firms, consumers, and, potentially, other stakeholders. The PBV follows mainstream strategy scholarship in seeing financial performance as a dependent variable to be explained by the firm, competitor, and customer behaviors rather than a practice or resource.

That said, there are of course important feedback systems between firm performance and subsequent firm activities, a process that is central to the behavioral theory of the firm (Cyert and March, 1963) and related work. However, this has been so extensively studied in strategic management that it hardly merits mention.

These misinterpretations of the PBV may have been exacerbated by the very different research objectives of the SAP and PBV approaches. As we noted earlier, the SAP approach focuses on in-depth analysis of specific strategy processes; in this approach, who participates in implementing a particular practice and how the process in action differs from the intended process may take on immense importance. However, in the broader range of practice as defined in the PBV—with its

corresponding interest in the general propensity of publicly known practices to influence performance—there will be some practices where intent and action differ greatly and participation matters, and others (e.g. holding large cash balances) where intent and action align closely and participation has little impact.

These differences in research objectives between the PBV and the SAP also mean that the two research streams address different conversations in strategy. The SAP addresses a long history of qualitative research providing detailed data and analysis of strategy processes in specific companies. The PBV, in contrast, is part of a long-standing research stream in strategy that uses statistical models to estimate the influence of firm behaviors on firm performance. We elaborate on this latter point in the next section, where we examine the implications of the PBV in the context of the specific strategy conversation it addresses.

The PBV and its implications for strategy scholarship

We proposed the PBV as a counter to the RBV, a very popular perspective in strategy. As we noted in the beginning of this article, the central argument of the RBV is that a firm's sustained competitive advantage depends on a firm owning rare, valuable, inimitable (or almost inimitable), and un-substitutable resources. RBV theorists claim that publicly known and therefore imitable resources or practices cannot generate sustained competitive advantage since all firms can and will use that publicly known resource or practice.

The PBV and RBV represent two alternative perspectives on economic rationality in strategy. By assuming firms use all available practices that might benefit them, the RBV logically concludes that only things that are not publicly available can have value. By assuming most firms have access to a common pool of knowledge, the RBV wants to differentiate between those with only the common pool of knowledge (and thus normal returns) and those with special, rare, inimitable resources. The RBV's sustained competitive advantage appears analogous to profits in equilibrium (Lippman and Rumelt, 1982). Stated differently, in an RBV world, industries include a mass of firms with normal profits and no unique resources; as such, only a small number of firms within industries have sustained competitive advantage derived from unique resources (Peteraf, 1993). The PBV questions these assumptions. Consistent with the idea (supported by a massive set of empirical evidence) that firms learn and adapt in different ways, the PBV argues that the use of publicly available practices will influence firm performance and that firms will reflect a wide distribution of performance. This argument leads the PBV to differ from the RBV on two prime characteristics: the dependent variable being explained and what should explain that dependent variable.

Specifically, the PBV proposes that, in contrast to the RBV's focus on sustained competitive advantage, strategy scholars should focus on firm or business unit performance as the dependent variable. Performance is not only a more tangible construct than competitive advantage, it has the advantage of being more readily measurable. Indeed, the immense majority of empirical papers in the RBV tradition attempt to explain some measure of financial performance despite the RBV claiming to explain sustained competitive advantage (Armstrong and Shimizu, 2007; Newbert, 2007). Only a very few even attempt to incorporate "sustained" or "competitive advantage" (beyond financial or stock market performance) in the measure (Armstrong and Shimizu, 2007; Newbert, 2007). Bromiley and Rau (2014) note,

empirical results with such measures [financial performance as the dependent variable] could just as easily reflect the model distinguishing between below-average and average performance as between average and above-average performance (which appears associated with competitive advantage). (p. 1254)

Furthermore, the emphasis on sustained competitive advantage implies the RBV wants to explain what differentiates firms with sustained competitive advantage from the rest of the firms. Focusing on the firms with sustained high performance would mean explaining performance differences between the top 10% or so of firms and the remainder of firms while ignoring performance differences among the remainder. Instead, strategy scholars should be interested in explaining the entire range of performance difference among firms in an industry (Bromiley and Rau, 2016).

The second pillar of the PBV is the explanation of performance using imitable activities. As we noted earlier, Bromiley and Rau (2014) point out that a large number of empirical studies show imitable activities positively influence firm performance in contradiction of the RBV assumption that only hard-to-imitate things have value. Firms do not use all the practices that might benefit them (and may use some practices that lower performance), so use of imitable practices can explain differences in firm performance.

Discussions of the PBV often elicit a concern about why all firms do not adopt all beneficial practices. Bromiley and Rau (2014, 2016) address this in more detail, but let us briefly comment on this issue here. The first answer is that if firms adopted all beneficial practices, we would not have an immense volume of studies demonstrating imitable practices influence performance. This is an empirical fact, not a theory. We find it hard to imagine that anyone would really argue that none of the organizations he or she interacts with could be made better with some transferable practices.

The second answer is that, from a theory standpoint, we have many theories to explain firms not behaving optimally—almost any serious theory of organizations is consistent with firms not adopting all potentially beneficial practices. While we lean to the behavioral theory of the firm and bounded rationality, agency theory, institutional theory, population ecology, and various other theories also justify firms not using all practices that would improve performance. It is not trivial to identify what specific practices associate with what performance outcomes, and managers seldom have the data or tools to handle this problem properly. Strategy scholars often produce the first reliable evidence of the impact of specific practices on firm performance. However, even after the benefits of a practice have been demonstrated, we know that few practitioners read the academic literature that reports such benefits. Why would we assume managers knew these impacts and acted on such knowledge before scholars studied the practices? Even when managers know of a specific practice and believe it would benefit the firm if adopted, they may not adopt the practice for a wide variety of reasons including available managerial time, managerial self-interest, organizational inertia, and so on (Simon, 1987). It makes no more sense to assume most firms use all the practices that would benefit them than to assume that most individuals know and do all the things that would improve their health and well-being.

Conclusion

To summarize, we view the SAP and PBV as fundamentally different approaches to strategy research. The SAP approach builds on a long tradition in strategy scholarship of detailed, largely qualitative, studies of how the strategy process unfolds in firms. The PBV aims to add to another long tradition in strategy scholarship of quantitative studies associating macro-strategic variables with firm performance. Bromiley and Rau (2014) present the PBV as an alternative to the RBV's emphasis on sustained competitive advantage and inimitable resources.

We disagree with Jarzabkowski et al.'s (2015) criticism of Bromiley and Rau (2014) as ignoring context. Bromiley and Rau (2014) explicitly note that mediating and moderating variables that depend on the specific practice and context should be considered in any PBV study and that

Bromiley and Rau (2014) would not attempt to specify what those mediators and moderators should be since they will vary with practice and context. Who participates and how a practice is implemented are naturally represented as mediating and/or moderating variables in any statistical model. While who participates and how a practice is implemented are quite reasonable candidates for mediators or moderators, determining their importance relative to other factors would require research designs that clearly estimate relative importance; we have not seen such studies comparing the importance of who and how to other possible mediators or moderators.

Despite the difference in focus between the SAP and PBV approaches, we believe that both have much to say to each other. SAP research, with its focus on practices as embedded in their organizational context, adds detail to the broader PBV idea that publicly known practices can account for differences in firm performance. As we noted earlier, Bromiley and Rau (2014) not only acknowledge this contribution of the SAP but also note that, in addition to studying the details of a practice, there is value in large-scale empirical studies that establish the usefulness of specific practices across populations of organizations. Together, both the SAP and the PBV can lead to a richer understanding of why firms differ in performance.

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