

Thriving on contradiction: Toward a dialectical alternative to fit-based models in strategy (and beyond)

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Abstract

Research Summary: While the established, coherence view of internal fit provides a compact representation of firms and strategy, it also discounts the strategic benefits of tensions and contradictions, and downplays strategy creation and change. Here, we develop a novel dialectical alternative to fit-based models of strategy. Within our model, contradictions and tensions serve as a key engine for strategic renewal and transformation. If carefully harnessed through what we call “disciplined incoherence,” contradictions can help firms establish and change their strategies and business models, adapt to and shape their environment, and enhance and sustain their competitive advantage. We offer a dynamic, endogenous view of how configurations are generated, transformed, and maintained, and present a processual alternative to current strategy models that are grounded in equilibrium and coherence assumptions.

Managerial Summary: Prior thinking suggests that firm strategies should focus on achieving fit between the firm’s different elements such as activities, organizational structures, and policies, and that tensions and inconsistencies should be eliminated or minimized. We argue that this view overlooks the important role of contradictions in fostering innovation and competitive advantage and driving strategic change and renewal. Conflicts and contradictions pose their own risks. Yet,

given the potential for their firms to thrive on contradictions, managers and strategists should neither dismiss these challenges nor be paralyzed by them. Instead of stamping out tensions and contradictions, managers can apply a process of “disciplined incoherence” where they relinquish some control while drawing on organizational arrangements and their own creativity and skills to allow contradictions to develop.

KEYWORDS

competitive advantage, dialectics, fit-based models, process view, strategic renewal and transformation

1 | INTRODUCTION

Internal fit or consistency is one of the oldest, most essential, and enduring notions in the field of strategy. Central to fit-based models in strategy, such as strategic positioning theory (Porter, 1996; Siggelkow, 2001), theories of configuration (Miller, 2018), complementarities (Milgrom & Roberts, 1995), and business models (Massa, Tucci, & Afuah, 2017), the notion of fit deeply informs strategy teaching and practice (e.g., Spender & Strong, 2014), and continues to attract scholarly attention (e.g., Bettis & Blettner, 2020; Miller, 2018). Fit is commonly referred to as a pattern of reinforcing relationships between organizational elements—for instance activities, policies, organizational structures, capabilities, and resources—such that one element enhances the impact of another element on performance (Gulati & Puranam, 2009; Martignoni, Keil, & Lang, 2020; Siggelkow, 2001).¹

As illustrated by traditional strategic positioning theory—a key exemplar of fit-based models in strategy—the significance of internal fit extends beyond a holistic representation of a firm's interconnected choices and activities to theorize strategy, competitive advantage, strategic change, and organizational design. In classic positioning theory (e.g., Porter, 1991, 1996), the essence of creating advantage is finding an integrated set of choices—a strategy—that distinguishes the firm from its rivals. Internal fit leads firms to choose between discrete and mutually exclusive positions (Porter, 1996), deters imitation (Porter & Siggelkow, 2008), sustains competitive advantage (Powell, Lovallo, & Caringal, 2006), and favors episodic and comprehensive changes that preserve synergy and complementarities (Milgrom & Roberts, 1995). Conversely, tensions and inconsistencies in a firm's choices and activities are generally viewed as leading to confusion, disorder, and inefficiency, thereby undermining performance (e.g., Porter, 1991). Attempts to design forms that lack internal consistency and complementarity are, thus, widely viewed as problematic (e.g., Williamson, 1991).

¹Organizational performance is also enhanced by the existence of external fit, which refers to the alignment between an organization's strategy and its environment. For the sake of simplicity, we primarily focus on internal consistency; yet some of our arguments extend to the strategy–environment interface as well. A more elaborate discussion of the distinction between these two types of fit is provided by Miller (1992) and Siggelkow (2001).

This established notion of internal fit has a clear allure to it; after all, the idea of coherence presents a cultural and theoretical virtue (March & Weil, 2009) and is regarded as a display of rationality and order. Moreover, a focus on internal fit appears persuasive when firms aim to follow a clear direction, when they compete in stable settings, or when they need to take swift and decisive action. And yet, while it provides a compelling image of firms and strategy, and a crisp account of competitive advantage, the established notion of internal fit also creates its own problems.

A first key weakness of traditional fit-based models lies in their inadequate theorizing of how firms' strategies emerge and change. Specifically, fit-based models suggest that firms change their strategy in instantaneous leaps, mostly in reaction to exogenous forces such as new technology and deregulation (e.g., Miller & Friesen, 1984; Siggelkow, 2001). Attempts to identify new sets of complementarities and to radically reorient the firm to attain them, however, are often frustrated by organizational rigidities and managers' cognitive limitations in the face of uncertainty and complexity (Miller, 2018; Pettigrew & Whittington, 2003). Further, while exogenous change is obviously important, it does not specify the mechanisms and paths by which strategic change occurs (Ennen & Richter, 2010; Siggelkow, 2002), nor does it sufficiently explain how firms are able to change their configuration and strategy from within and at times to shape their own environments in the process.

Second, fit-based models in strategy tend to treat firms' internal inconsistencies, conflicts, imbalances, and misfits in a highly restrictive manner, viewing them as exceptional and undesirable—something to be removed or minimized (e.g., Porter, 1996). This one-sided view contrasts sharply with theoretical and empirical work on organizational contradictions, paradoxes, and dualities. Here, tensions and contradictions between ideas, routines, values, individuals, groups, or technologies are viewed as normal and a corollary of organizing and strategizing (Putnam, Fairhurst, & Banghart, 2016; Schad, Lewis, Raisch, & Smith, 2016). Tensions such as those between standardization and flexibility (MacDuffie, 1995) or cost leadership and differentiation (Porter, 1985) animate firms with motion and vitality, fueling the creativity of their members, and catalyzing innovation (Garud, Tuertscher, & van de Ven, 2013), renewal (Gulati & Puranam, 2009), and strategic change (Klarner & Raisch, 2013).

These limitations carry over when internal fit is extended to complex systems, such as business models (Massa et al., 2017) or manufacturing systems (Milgrom & Roberts, 1995). A fundamental challenge for complex systems is that the very mechanisms—tensions, contradictions, imbalances—that render a system's self-transformation and renewal possible, can also subject it to potential failure and collapse. Marrying the compulsion for coherence with the reality of pervasive incoherence remains a persistent challenge for theories of organized systems (e.g., March & Weil, 2009). On that score, the conservative impulse to avoid or downplay internal contradictions not only sacrifices realism—it also unduly undermines a system's key generative capacities.

Some progress has already been made on each of these issues. For instance, several studies have focused on how strategies based on fit and configuration evolve, either through changes in core and periphery elements (Siggelkow, 2002), recombination (Kim & Mauborgne, 2014), or the design of interdependency rules (Albert, Kreutzer, & Lechner, 2015). Similarly, models of structural ambidexterity (O'Reilly & Tushman, 2009) and organizational vacillation (Nickerson & Zenger, 2002) allow two incompatible, mutually exclusive, and internally consistent configurations to coexist, or alternate, within the same firm.

Although these alternatives have taken important steps forward, they only partially address the limitations of the established view of internal fit. For instance, the core-periphery

distinction still retains the view of misfit and contradictions as mainly dysfunctional phenomena from which core processes should be isolated. Similarly, structural ambidexterity and vacillation models largely view conflict as presenting firms with the challenge of managing incompatible but internally coherent configurations as opposed to enabling them to develop new strategies and competitive advantages. Thus, a different concept of a firm's interconnectedness and configuration is needed; one that provides a more realistic and balanced stance toward tensions and conflicts yet also accounts for how firms create, renew, and transform their strategies.

In this article, we present such a concept and use it as a gateway for developing a processual model that provides an alternative to existing fit-based models in strategy. To accomplish this, we take our main cue from dialectics (e.g., Benson, 1977, 1983; Clegg & Cunha, 2017; Farjoun, 2019; Hargrave & van de Ven, 2017). Grounded in a relational process worldview, dialectics provides an intricate view of social systems premised on *contradiction* as an engine for renewal and transformation. As in the coherence view of fit, dialectics regards social wholes (e.g., firms, configurations, strategies, business models) as having a non-additive, emergent quality where the whole is greater than the sum of its constituent parts. However, the dialectical stance departs from "internal fit" in three key respects. First, it views social systems as not inherently balanced or harmonious but rather as the loci of contradictions and opposing processes (Levins & Lewontin, 1985). Second, dialectics regard social systems as nested, viewing their elements as partially autonomous, loosely coupled, and overlapping because linkages are "not complete or wholly coherent" (Benson, 1977, p. 4). Third, it views contradictions as both created within social systems as they evolve and as potentially transforming them, generating novel and at times qualitatively different forms of social organization (Benson, 1977; Seo & Creed, 2002).

We build on this rich view of social systems to theorize change and development in firms and strategies as emanating from tensions located both between and within configurations. We argue that the permeation of configurations by contradictions and their loose coupling and overlap can facilitate strategy formation and transformation. At the same time, contradictions can also lead to value creation as they can stimulate innovation, enhance and sustain firms' competitive advantage, and help firms adapt to and shape their environment. We use the examples of firms such as Amazon, Intel, Netflix, Oticon, and Patagonia to illustrate key aspects of our model and explore how firms can draw on "disciplined incoherence," a set of practices that allow them to thrive on contradictions and conflicts within their strategies and configurations while mitigating their potential risks.

Our model also extends process research in strategy (e.g., Burgelman et al., 2018; Langley, 2007; Pettigrew, 1992; van de Ven, 1992). In a processual view, firms, strategies, business models, and configurations cannot be understood merely as frozen end products, disconnected from their genesis, history, and underlying dynamics (Langley & Tsoukas, 2017). In our model, strategies and configurations are viewed as fluid, concatenated, creative, and never at rest. Our emphasis on disequilibrium, historical development, and overlap contrasts with alternatives such as classic positioning theory and dominant variants of ambidexterity models, which are more committed to assumptions of equilibrium, consistency, and strict boundaries. Furthermore, we extend the traditional focus of dialectics scholarship on strategy-making and change (e.g., De Rond & Bouchikhi, 2004; Langley & Sloan, 2012) to consider the potential contributions of contradictions to firms' innovation, competitive advantage, and performance (e.g., Farjoun, 2019). Whereas research finds it challenging to effectively account for competitive advantage under conditions of change (e.g., Rumelt, 1995), we draw on dialectics to explain both phenomena.

2 | THEORETICAL BACKGROUND

2.1 | The concept of internal fit in strategy

The notion of internal fit has been covered extensively in strategy and related fields (e.g., Drazin & van de Ven, 1985; Ennen & Richter, 2010; Martignoni et al., 2020; Meyer, Tsui, & Hinings, 1993; Miller, 1992; Siggelkow, 2001; van de Ven, Ganco, & Hinings, 2013). Since this literature is largely mute on the nature of social reality examined, we briefly introduce a few useful ontological distinctions before discussing related models and ideas.

We use the terms “synchronic” and “diachronic” to signify a *temporal* ontological distinction (e.g., Ghemawat & Levinthal, 2008). A *synchronic* approach takes a snapshot, or “being,” view of reality at any instant in time. By contrast, a *diachronic* approach stresses “becoming”: it highlights development over time and considers history as unfolding along several potential futures (e.g., Langley & Tsoukas, 2017). Further, the terms dualism and duality signify a *relational* ontological distinction. Dualism usually shows terms as atomistic and clearly bounded, with clear-cut and decisive contrast. For example, dualism would consider stability and change as separated in space or in time. The duality view does not reject outright the usefulness of categories and dichotomies but views them as incomplete and at risk of becoming entrenched. In this alternative ontological view, terms are fundamentally interdependent, both contradictory and complementary, as well as more permeable and overlapping (e.g., Farjoun, 2010; Jackson, 1999).

The reader may recognize these distinctions as central tendencies within “substance” and “process” philosophies. Within this crude dichotomy, substance perspectives view phenomena as discrete entities with stable and given properties and identities. By contrast, process perspectives view reality as a constellation of processes, focus attention on how and why things emerge, evolve, or terminate, and stress activity, time, and change (e.g., Langley, 2007). A substance perspective tends to be synchronic and dualistic, whereas a process view favors diachronic and duality orientations (Dupré & Nicholson, 2018).

Fundamentally, in the strategy literature, the concept of internal fit suggests that the firm should be understood as an integrated set of choices that help the firm generate superior performance. This understanding is pervasive, for instance, in the complementarities literature (e.g., Stieglitz & Heine, 2007), the configurational view (e.g., Miller, 2018), organizational design (e.g., Donaldson & Joffe, 2014), and the resource-based view (e.g., Black & Boal, 1994). The spirit of this perspective is captured by Miller and Friesen, who note that “configuration, in essence, means harmony” (Miller & Friesen, 1984, p. 21). Further, this view of fit as coherence “dominates the strategy textbooks to this day. And it also dominates the way managers ‘strategize’” (Spender & Strong, 2014, p. 78).

The view of consistency as being at the heart of strategy is perhaps best typified by the classic positioning model of strategy (e.g., Porter, 1991, 1996). Traditional positioning theory promotes a view of firms and strategies as unitary and coherent systems of well-defined, interconnected activities, with firms such as fashion apparel manufacturer Liz Claiborne as prominent historical examples. Highlighting a firm’s internal coherence, this approach suggests competitive advantage arises only when the full range and configuration of a firm’s activities act in concert; value is created by the system rather than by individual parts (Porter, 1996). Different strategic positions such as low-cost or differentiation strategies are internally consistent but mutually exclusive and vary in terms of the resources, activities, skills, and organization they require. This mutual exclusivity is mainly due to the existence of trade-offs, that is,

situations where engaging more in activity A (e.g., using standardized processes) typically requires engaging less in activity B (e.g., providing superior personalized service). Failure to choose a position or straddling different positions and being “stuck in the middle” usually indicates a poor strategy or indeed the absence of a clear strategy. Internal fit also acts as a barrier to imitation, because even if rivals decipher its underlying and frequently complex code, it remains difficult to replicate an entire system of complementary activities (e.g., Csaszar & Siggelkow, 2010; Porter, 1996).

As noted above, strategy models must also account for strategic change. In positioning theory, strategic change mainly follows a punctuated equilibrium model (e.g., Siggelkow, 2002). In response to exogenous changes (e.g., new technologies, changes in tastes), a firm may adapt by finding new trade-offs and leveraging a new system of complementary activities into a sustainable advantage. However, repositioning to a new peak on the performance landscape is complex due to inherent difficulties in changing systems characterized by tight complementarities. The result may be suboptimal adaptation, as shown by Siggelkow's (2001) study of Liz Claiborne, a profitable company during the 1980s because of interconnected choices; when industry developments subsequently required the firm to change, those choices resulted in incremental and partial strategic change with strong detrimental effects.

Although classic positioning theory incorporates the notion of trade-offs between different activities in a firms' internal operations and across different positions in an industry, the theory's treatment of internal inconsistencies, conflicts, misfits, and contradictions remains narrow. Positioning theory primarily stresses how the integration of choices requires reducing centrifugal tendencies stemming from conflict and politics, and it urges the elimination of inconsistencies and redundancies, thus focusing on the dark side of tensions. In line with this one-sided view, contradictions are externalized as successful positioning requires the existence and fostering of tensions and contradictions between rival firms, along with eliminating them within the focal firm.

To summarize, internal fit in classic strategic positioning theory provides a compelling explanation of competitive advantage and firm success. At the same time, it leads to a restrictive view of firms' internal conflicts and contradictions and to an incomplete explanation of the emergence and change of strategies. Overall, the theory better explains the advantages of choosing among well-defined systems of fit in relatively stable settings than how firms may adapt to complex, uncertain environments, and potentially fashion them through innovation. By implicitly adhering to a substance philosophy, fit-based theories broadly adopt dualistic and synchronic ontological assumptions and separate history and economic logic. Accordingly, firms and configurations are largely discrete, internally coherent, and mutually exclusive entities captured at a given point in time; changes in strategy occur mainly through drastic leaps from one discrete position to another.

2.2 | Extensions and alternatives

Whereas some of its key claims have been challenged, internal fit has proved impressively resilient, extending beyond strategic positioning theory to domains such as search (Martignoni et al., 2020), strategic decisions (Leiblein, Reuer, & Zenger, 2018), and business models (e.g., Massa et al., 2017). However, an important conceptual challenge to the classic notion of fit comes from ambidexterity models. These models partly overcome the neglect of inconsistency in fit-based models, for instance by allowing two internally coherent yet mutually incompatible

configurations to coexist within the same firm. Seeking to address the apparent conflict between exploitation and exploration (March, 1991), ambidexterity models draw on common responses to organizational paradoxes (Schad et al., 2016), such as separating opposing poles in space and time, or synthesizing them (Poole and van de Ven, 1989).²

Two of these responses adopt a dualistic orientation, at least implicitly. In structural ambidexterity models (O'Reilly & Tushman, 2009), firms manage conflicting configurations through spatial separation into different units; a firm's architecture balances two mutually incompatible but internally coherent configurations at a given time (Raisch, Birkinshaw, Probst, & Tushman, 2009). By contrast, in temporal ambidexterity or vacillation models (Nickerson & Zenger, 2002; Smith, 2014), firms vacillate from one equilibrium state to another. This second solution introduces a helpful diachronic version of ambidexterity yet assumes a cyclical process between again internally coherent and discrete configurations. These two alternatives have advanced a view of *firms* as less coherent but ultimately retain the view of *configurations* as coherent; they remain incomplete accounts of how configurations and strategies are created and transformed.

A third solution, provided by research on contextual ambidexterity (Gibson & Birkinshaw, 2004) and on dual or hybrid strategies (Kim & Mauborgne, 2014), is more closely aligned with a duality ontology. By portraying configurations as mutable and loosely coupled internally, these studies, particularly in their longitudinal empirical versions (Birkinshaw, Crilly, Bouquet, & Lee, 2016; Dalpiaz, Rindova, & Ravasi, 2016; Jay, 2013), have usefully explained the formation of new configurations through synthesis and recombination. In the current study, we draw on this insight and extend the concept of synthesis by emphasizing other endogenous mechanisms—such as internal conflict, imbalances, and overlap—and by applying them to alternative strategic-change trajectories.

Other approaches have also gone further in accounting for novelty and relaxing the ontological assumptions underlying internal fit. Siggelkow (2002) has shown several distinct paths by which firms move between configurations. His study of the financial firm Vanguard suggests that a firm's configuration and strategy may in fact develop through gradual changes in core and periphery elements. This longitudinal study departs considerably from earlier synchronic views of fit. Yet, it still retains a view of misfit and contradictions as mainly peripheral and dysfunctional. While not drawing on contradictions, research on renewal in activity systems (e.g., Albert et al., 2015) has also relaxed the view of configurational change as externally triggered.

Overall, these conceptions offer several views of a firm's interconnected activities and choices to explain the firm's behavior, strategy, and performance. We selectively draw on these advances, incorporating variants and elements more consistent with both duality and diachronic orientations, to offer a different view on firms as contradictory, evolving, and generative social systems, and to construct a processual and more complete alternative model of strategy.

2.3 | Dialectics: A brief introduction

To develop our model and contrast it with alternatives, we turn to dialectics (e.g., Benson, 1977, 1983). In terms introduced earlier, dialectics stresses relations and processes, particularly those

²A further discussion of how dialectics and paradox research contrast with and relate to one another is provided by Farjoun (2017) and Hargrave and Van de Ven (2017).

associated with conceptual, social, or natural conflict, interconnection, and change (Bhaskar, 1993). Reflecting this broad scope, dialectics has been applied to issues as diverse as group creativity (Harvey, 2014), economic change (Schumpeter, 1934), and political institutions (Medearis, 2015). Strategy and organizational scholars have drawn on dialectics' descriptive and explanatory capacity and its prescriptive and activist ideas (e.g., Langley & Sloan, 2012).³

An approach rooted in dialectics views the social world not as given and in equilibrium but *diachronically* and thus evolving, inviting critique and explanation, and ultimately calling for its reconstruction: "the social world is in a continuous state of *becoming*—social arrangements which seem fixed and permanent are temporary, arbitrary patterns and any observed social pattern are regarded as one among several possibilities" (Benson, 1977, p. 3; emphasis added). Reflecting a relational view, dialectics strives to *transcend dualisms* such as agency and social structure. It often interprets these dichotomies as relatively objective aspects of a continuing and recursive process and allows them to overlap and shade into one another (Hook, 1962).

To many, dialectics is represented by Hegel's conflict model which describes change and development as a continuous pattern of affirmation, negation, and counter-negation (or synthesis). In this process of assembly and disassembly, each negation rejects a previous form (novelty), yet also retains something from that form (continuity), perhaps by drawing on additional inputs, leading to a spiral development and learning (Raisch, Hargrave, & van De Ven, 2018) rather than to interaction or oscillation (Bodrožić & Adler, 2017; Hernes, 1976). While dialectics inspired several models of change (e.g., Hughes, 1983; Kuhn, 1970; Schumpeter, 1934), these variants mostly retain the basic idea of endogenous development through contradictions and conflict.

Dialectics regards social systems as *totalities*—complex, interrelated wholes with partially autonomous parts. A totality, such as an organization or society, highlights social systems as nested, evolving, open, and generative, and regards their elements as fundamentally interdependent in both complementary and contradictory ways (e.g., Patterson, 2009).

The notion of *contradiction* is central to dialectics and serves as its key impulse. It can be defined as "the dynamic interplay between unified oppositions" (Baxter & Montgomery, 1996, p. 8), or more broadly, as we use it, to include dissonance, strain, imbalance, tension, and conflict (Bhaskar, 1993).⁴ While dialectics recognizes multiple sources of contradictions that can be both internal and external to the firm, dialectics particularly stresses the structural and temporal origins of contradictions and views them as continuously generated, as potentially reemerging in a different form, and as enfolded in more complete arrangements, ideas, and structures (e.g., Hargrave & van de Ven, 2017). Depending on context, contradictions can become productive or dysfunctional; moreover, while some contradictions are reproduced within the existing order and help preserve it, others provide latent potentialities for its transformation (Benson, 1977).

³A broader introduction to dialectical analysis applied to strategy is provided by Langley and Sloan (2012) and Farjoun (2019). While they do not refer to dialectics explicitly, the work of several other strategy scholars, such as Brandenburger (2017) and Burgelman and Grove (2007), is broadly consistent with this perspective. Other affinities include disequilibrium-based models (Mathews, 2006; Penrose, 1959), extant evolutionary and learning models (e.g., Barnett & Levinthal, 2017), and historical strategy research (Argyres et al., 2020; Pettigrew, 2011).

⁴As in other social sciences, our usage of the term contradiction is looser than the way it is used in formal logic. Whereas logical contradictions exist in timeless, abstract thought, social and organizational contradictions concern a real world with temporal and spatial constraints (Farjoun, 2017). For additional discussion of differences and linkages, see Bhaskar (1993).

We interpret, adapt, and combine these ideas to develop a fuller process model of strategy. In line with our objective, we adopt a process rather than a proposition style of theorizing (Delbridge & Fiss, 2013). Figure 1 broadly outlines our model and provides a rough guide to our subsequent, more detailed discussion of constructs, processes, and mechanisms.

We begin by conceptualizing firms and configurations as dynamic, interconnected wholes characterized by opposing tendencies, as indicated by heading (1) in the figure. This representation serves to highlight the essential dynamic of our model and the supporting mechanisms that regulate it in practice. The dialectical process (2) describes how the contradictions that are continuously generated within and between configurations (2a) propel processes of endogenous dialectical change and innovation (2b), explaining key patterns of strategy formation, renewal, and change (2c). The dialectical process is intersected by the orthogonal box indicating our key concept of disciplined incoherence (3) with its dual thrust of loose coupling (3a) and organized contestation (3b). Both loose coupling and organized contestation are dialectic constructs: on the one hand, they further generate contradictions and conflicts that fuel and facilitate the dialectic change process and contribute to competitive advantage; on the other, they also provide order-maintaining, selective mechanisms, thus helping firms discipline incoherence in practice and mitigate its downsides. In combination, the dialectic process and disciplined incoherence help explain competitive advantage (4) and the sub-processes of creating it (4a) and sustaining it (4b). Overall, our model combines descriptive elements mainly regarding the dialectic strategy process with normative ones about how that process should unfold to leverage the generative potential of tensions and inconsistencies while avoiding the potentially destructive aspects of conflict.

3 | TOWARD A DIALECTICAL MODEL OF STRATEGY

3.1 | Organizational dynamics: Firms and configurations as generative systems

Similar to prior work on configurations (e.g., Meyer et al., 1993), we regard firms as reflecting interconnected factors such as activities, choices, resources, structures, and the like. Yet, rather than seeing firms as harmonious, we view them as evolving, nested, and open social wholes, the loci of contradictions and opposing processes. In this view, firms' elements are connected but partially autonomous, that is, loosely coupled and not fully coherent. Consistent with this dialectical interpretation (Orton & Weick, 1990, p. 205), loosely coupled systems combine distinctiveness (autonomy, spontaneity) with responsiveness (connectedness, integration). Partial autonomy offers firms a degree of heterogeneity, but may also allow them to adapt to change, as well as shape more immediate aspects of their environment (e.g., Levins & Lewontin, 1985).

3.1.1 | The production and regeneration of organizational contradictions

We consider internal tensions, contradictions, and imbalances not as transitory and exceptional but rather as endemic to the firm's social fabric and strategy (Benson, 1977), and as frequently intersecting with each other (Sheep, Fairhurst, & Khazanchi, 2017). Key sources of these tensions may include how firms create and capture value (Bowman & Ambrosini, 2000), the ways firms (or their units) are nested (Seo & Creed, 2002), the diverse environments they operate in

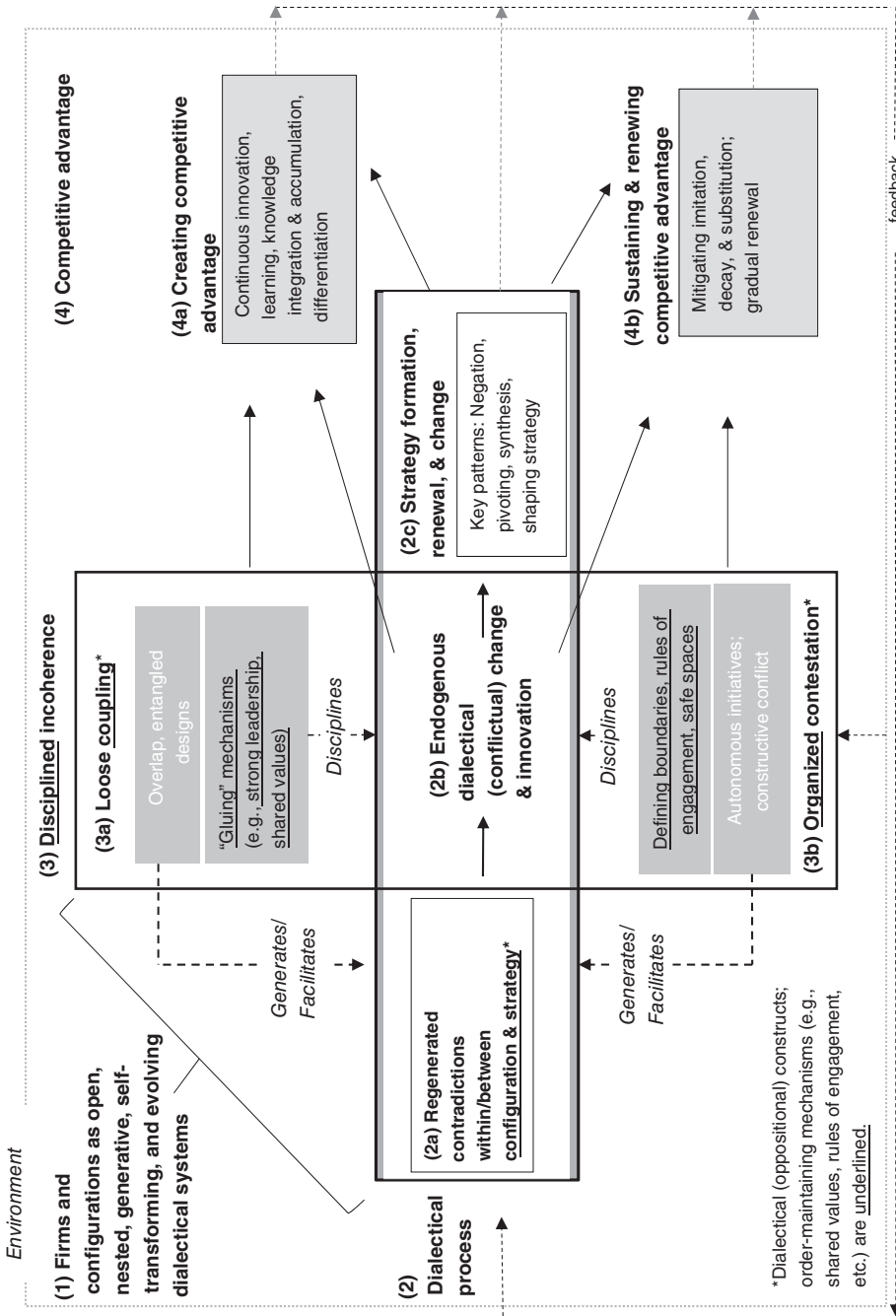


FIGURE 1 A dialectical model of strategy: Key constructs, processes, and relationships*

(Miller, 1992), how new organizational elements are layered on old ones (Benson, 1977, p. 5), organizational goals or reward and control systems (e.g., Engeström, 2000), misaligned interests and inefficiencies (Seo & Creed, 2002), and imbalances or asynchrony in the way multiple resources develop (e.g., Zeitz, 1980). A key source of contradictions is thus provided by the social order itself (Benson, 1983).

The coexistence of complementary and contradictory elements within an existing strategy and configuration may take different forms. First, one or more inconsistencies can (re)appear as an exception that modifies the whole. For instance, elements in a social system (a firm or a strategy) may all move in the same direction, yet some imbalances may constantly occur when one or more elements move faster than others (Bodrožić & Adler, 2017) or differ in their capacity and performance, as for instance with bottlenecks that keep parts of the system behind the performance frontier (Brusoni, Prencipe, & Pavitt, 2001; Hughes, 1983). Alternatively, a firm's internal elements can be partially consistent, that is, they may be complementary and mutually reinforcing in some respects and conflicting in others (e.g., Engeström, 2000). For instance, marketing and design functions within the firm complement one another through the mutual exchange of ideas. Yet, while marketing may heed to the needs of existing customers, design may focus on anticipating the needs of future customers. Further, inconsistencies may pervade organizational arrangements, as when contradictions are institutionalized and their existence in fact sustains order. For instance, constructive conflict that is institutionalized in a firm's learning and innovation processes may permeate the entire firm (Osono, Shimizu, & Takeuchi, 2008).

As a firm evolves, it continually generates and reproduces contradictions and incompatibilities that undermine some existing features and may push it beyond its fundamental limits (Benson, 1983). The very acts of organizing and strategizing continually produce incompatibility and dysfunctions as unanticipated, yet unavoidable, emergent byproducts (Benson, 1977, p. 4; Panayiotou, Putnam, & Kassinis, 2019). As different organizational elements adapt to local environments and coevolve with each other, some elements will be out of step with the rest of the organization, producing a constant state of tension and imbalance. These historically generated and accumulated tensions and contradictions within the firm are often seen as weeds to be eradicated, but may sometimes better be viewed as seeds to be nourished by the firm's managers.

To be sure, not all tensions and contradictions will lead to change; some will be ignored, absorbed, or resolved in existing arrangements. An existing configuration may also incubate one or more contradictions and contain them for a considerable time. For social systems to self-transform and generate, and for effective change and innovation to happen, individuals and collectives need first to attend to contradictions. To promote their ideas and interests, these agents exercise "praxis," or practical action—the free and creative reconstruction of social arrangements based on a reasoned analysis of their potentials and limits (Benson, 1977). The interruption of flow, routine, and harmony by inconsistencies and anomalies stimulates attention and releases emotional energy. This in turn activates inquiry, sense making, and learning, and motivates alert employees to rethink tacit assumptions and to imagine alternatives (Benson, 1977, p. 18; Patil & Tetlock, 2014). Inconsistencies and clashes between competing ideas, or views not adequately served by the current order, help transcend internal and external constraints (Sztompka, 1991), and create the opportunity for novelty to emerge. That opportunity is realized when understandings are reconciled in a creative synthesis (Harvey, 2014), as well as when agents draw on their social skills to garner needed resources and mobilize others (Hargrave & van de Ven, 2017).

3.2 | Capitalizing on contradictions: Strategic change and constructive strategy

3.2.1 | Renewal and transformation through contradictions and conflict

Over time, internally generated tensions and contradictions may be contained by a firm's established strategy and configuration and contribute to the continuing reconstruction of its activities, resources, and relationships without leading to a more drastic strategic reorientation. Reproducing and sustaining the existing configuration is effortful and often requires innovation; therefore, apparent order may mask the dynamic undercurrents holding it together (Farjoun, 2010). In renewing a firm's resources, activities, and other elements of its configuration, contradictions, and tensions within the firm may therefore preserve and even improve its performance.

The regeneration and accumulation of tensions may also lead a firm's managers to create or transition to a new configuration and strategy. Such transformation requires the existence—indeed the interaction—of multiple contingencies (e.g., Farjoun, 2002; Hargrave & van de Ven, 2017); therefore, its incidence, pace, and form are likely to vary and may be best determined empirically and concretely, considering several facilitating factors.

First, the shift from reproducing to transforming the existing order is likely to occur when contradictions deepen significantly (Seo & Creed, 2002). This threshold may be indicated by inefficiency, coordination failures, and other impediments to getting work done. Second, developed contradictions within the existing order provide alternative logics of action and psychological and physical resources to be mobilized, appropriated, and transposed in the process of change (Seo & Creed, 2002, p. 231). They avail change agents with needed capacities and provide them with alternative and partially malleable organizational elements (Sztompka, 1991) or configurational templates (e.g., Stabell & Fjeldstad, 1998). Finally, when not directly leading to change, external pressures and contradictions may still activate mature endogenous contradictions and accelerate transformation (Farjoun, 2002).

Notably, managers and strategists may not be able to stand outside these processes. Finding themselves at the heart of strategic contradictions by the very ways through which they have earned their careers and obtained positions of power (Langley & Sloan, 2012), managers are prone to resist rather than accept contradictory elements (Hargrave & van de Ven, 2017). Actors with vested interests in maintaining the existing order may nevertheless support change and innovation if they recognize that persisting in an ineffective or inadequate strategy threatens their firm or their own positions and careers. In this case, innovations can benefit from the clash of ideas to generate a new strategy while conflicts of interest and resistance are attenuated.

3.2.2 | Patterns of strategic renewal and change

Contradictions and tensions may further enhance firms' performance by helping them create and discover potentially superior strategies, and adapting and renewing them when needed, leading to different strategic-change trajectories. Drawing on dialectics, we discuss three in particular: *pivoting*, *negation*, and *synthesis*.

In *pivoting*, an anomaly, contradiction, or imbalance within an existing configuration exerts an internal pressure for change. At a certain point, the buildup of internal pressure may lead to a non-linear and potentially rapid transformation to a new strategy and configuration where this exception can be at least temporarily accommodated (Hernes, 1976; Kuhn, 1970). In the

same way that a new piece of furniture may lead to a more extensive overhaul of an entire home, upgrading a single component (Henderson & Clark, 1990) or a pivot point (Rumelt, 2011) within the firm may require updating the rest until a new level of performance is attained. Consider, for instance, Amazon's recent transformation from a strong player in AI applications to a machine learning powerhouse. Rendering previously dispersed and peripheral machine learning initiatives more integral to the company required significant changes in existing AI technology, products, and culture. The transition started by first transforming only a part of Amazon—its family of voice-activated devices. This pivot directly fueled further changes, learning, and innovation in other parts of Amazon's system, coalesced its culture around the new technology, and led Amazon to a new AI “flywheel” fueling its strategy and business model and strengthening its competitive advantage in the process (Levi, 2018).

An alternative pattern occurs when accumulated tensions within a configuration lead to its occasional *negation* in the form of a counter configuration or strategy. For instance, a low-cost position may create unclaimed space where differentiation strategies can prosper (Carroll & Swaminathan, 2000), or a “walled garden” business model may engender an open-source alternative (Rao & Dutta, 2018). In pivoting, the stimulus for change is located in one or few contradictions, but in negation the contradictions are more pervasive; they lead to strategy that is both novel and oppositional. Negation proposals can also lead individuals within the firm to reconsider the wisdom of sticking to ineffective or less effective strategies. This unfreezing can encourage internal groups to explore novel approaches and counterstrategies. To build political power, proponents of a negation engage in framing and shaping the accepted beliefs and valuations associated with existing strategies (e.g., Fiss & Zajac, 2006), and in building the network of actors and resources needed to challenge incumbents and press for change (Rao & Dutta, 2018).

The very processes of social production and reproduction that reinforce the current order also generate alternatives to the established configuration of goals, structures, and other organizational features. These alternatives may be an unintended product; as the historical evolution of Intel's strategies demonstrates, autonomous strategic initiatives usually, but not necessarily, originate at operational or middle management levels and often come about fortuitously and somewhat unexpectedly (Burgelman & Grove, 2007). Middle-level managers were able to shift scarce manufacturing resources gradually from the DRAM business to new, more profitable opportunities in the microprocessor business without a preceding reconsideration of the official corporate strategy (Burgelman, 1994). Alternatively, negation can be intentionally generated (or tacitly supported) by the existing administrators (Benson, 1977, p. 14). For some technology firms, the practice of setting up internal competition (also known as a “shoot-out” or “bake-off”) between different product development groups is integral to their culture, strategy-making, and innovation (Birkinshaw & Lingblad, 2005; Miner, Crossan, & Mauer, 2021).

Lastly, the confrontation between two inconsistent configurations may sometimes lead to their recombination into so-called “dual strategies”—synthetic, new, and possibly unique and superior positions (e.g., Gulati & Puranam, 2009; Kim & Mauborgne, 2014). For instance, Alessi, an Italian manufacturer of household goods, developed a new and successful strategy by recombining the incompatible imperatives of art and commerce (Dalpiaz et al., 2016). Whereas Alessi's art imperative highlighted cultural recognition, it often clashed with the company's commercial imperative that stressed efficiency, profit, and market leadership. In designing products that were simultaneously tools and artworks, Alessi's new strategy distinguished it from its “purer” industry rivals, allowed it to enter new markets, and helped it achieve profit goals as well as recognition in the cultural world. Such *synthesis* exemplifies synergy and the creation of something novel and greater than the (incompatible) parts that preceded it. As Dalpiaz et al. (2016,

p. 350) report, the strategic transformation that resulted from recombination at Alessi was so radical that informants referred to the earlier organization as the “old,” or the “other,” Alessi.

The dialectical change patterns just described combine strategic renewal and transformation in an ongoing fashion. The innovations and changes stimulated by contradictions can at times be contained by an existing configuration or may help renew it; however, they can also create or transform a strategy through patterns such as pivoting, negation, and synthesis. Any new strategy will generate and accumulate new tensions, possibly redressing previous contradictions in a new form, and thus restarting a dialectical change process again: a new antithesis emerges, negating the current synthesis, and so on (Raisch et al., 2018). In this endogenous process, whereas contradictions and conflicts are perpetual, hybrid, synthetic strategies are not preordained. In some cases, too much or too little conflict may undermine synthesis efforts (Harvey, 2014). Furthermore, the clash between competing alternatives may lead to the dominance of one strategic proposal. When synthetic strategies occur, however, they not only arise from contradictions but also offer fertile ground for innovation and creativity (Dalpiaz et al., 2016; Jay, 2013). Therefore, on a broader time scale, each synthesis is merely a temporarily stable point—a “moment” in Hegel's terms—in a longer and continuous process of development and transformation.

Not all new strategies are superior; to determine their efficacy a firm's managers and leaders need to remain alert to and monitor internal changes as well as market and performance feedback. Nevertheless, dialectical change processes can still enhance a firm's performance. Particularly, a potential sacrifice in synergy at one point might allow the firm to make a smoother transition to another configuration, to incur lower transition costs (e.g., Menon & Yao, 2017), and to concatenate advantages. Moreover, inefficiencies, resource imbalances, misfits, and lagged development—which may undermine current complementarity—can be instrumental for innovation and longer-term transformation (e.g., Hirschman, 1958; Hughes, 1983).

3.2.3 | Linking with the external environment

Our dialectical model considers the internal and external environment as less demarcated, consequently connecting endogenous strategic-change processes with dialectical processes and contradictions external to the firm. We have already explored several such connections, including how external developments and incompatibilities may activate internal contradictions and incompatibilities; we expand on this issue now.

Patterns of strategic change may extend beyond a firm's boundaries recursively. For instance, what started as a dysfunction and then a negation to the existing configuration may later be absorbed by the firm synthetically and render a firm and its strategy stronger. As an example, consider Nike, which by adopting rebellious and anti-corporate attitudes in their advertising campaigns co-opted post-modernism's communicative tools to sell more products (Economist, 2006). Nike's new strategy illustrates how capitalism is made more sophisticated and resilient as it employs the critique that was designed to destroy it. Similar examples of this dialectical pattern are companies acquiring their rival spin-offs, adopting strategies other firms initially started in opposition to their own strategy, or “self-cannibalizing” their own products.

While dialectics highlights the reciprocal relationship between firms and environments and recognizes exogenous change, it particularly stresses how change arising within the focal system can also lead to fashioning its external environment (Farjoun, 2019; Levins & Lewontin, 1985; Zeitz, 1980), a process consistent with a “constructive” or “inside-out” model of strategy (Burgelman & Grove, 2007). Acting as change agents on their environments, firms can exploit

external incompatibilities, misfits, and contradictions in their rivals' strategies, reconstruct industry environments, and transcend limits in broader economic, social, and political structures. Drawing on pivoting, negation, and synthesis processes, firms can exploit external tensions and disequilibria in the form of underserved customer groups or outdated institutions, creating new competitive spaces and growth areas. Alternatively, firms can develop effective strategies by successively building on disequilibria. An example is the firm DJI, which successfully identified and worked around a succession of bottlenecks in the emerging drone industry; while these bottlenecks continued to stifle growth among its competitors, DJI was able to expand into new buyer categories and eventually became the industry leader (Eisenhardt & Bingham, 2017).

3.3 | Leveraging contradictions for competitive advantage

Continuing with the theme of how firms and their managers can leverage contradictions, we now further explore how the dialectical view of a firm's interconnectedness and strategy may foster the pursuit of competitive advantage. To illustrate this theme, consider the case of the American clothing company Patagonia, which undertook a particular set of choices and activities in support of its differentiation strategy. Patagonia's high R&D investment and carefully selected employees, suppliers, and partners reinforce its commitment both to environmental protection and to the delivery of high-quality products. However, these two imperatives often conflict, such as when Patagonia diffuses key sustainability practices to its rivals to promote environmental protection, which risks undermining the firm's competitive advantage. Patagonia not only aims to accommodate both profit and purpose but draws on the tension between these imperatives to continually invent new products and processes, reinvent its organization and ecosystem, and propel its strategy forward, thereby disrupting industry practices in areas such as design and marketing. As reflected in its vivid "Do not buy this jacket" campaign (Hwang, Lee, Diddi, & Karpova, 2016), Patagonia's strategy successfully built on an anti-consumerist agenda to continually create higher standards with new and contrarian initiatives, from encouraging its customers to reuse and recycle their clothes to asking them to carefully reconsider consumption itself. For firms such as Patagonia, "continuous reconstruction" (Benson, 1977) is both a reality and a means to creating and sustaining their competitive advantage, which ultimately is an act of innovation (Schumpeter, 1934).

3.3.1 | Creating competitive advantage

The benefits of tensions within a social system are especially evident where competitive advantage is based on continuous improvement, learning, intrapreneurship, and innovation, and where the presence of a current, successful strategy does not preclude a better one. New knowledge is frequently created through a dialogue between opposing views, as Danish firm Bang and Olufsen (B&O) illustrates in the way its product design and development process are managed. Designers propose a "thesis" or initial idea; engineers developed an "antithesis," a response to the designers' proposals framed in terms of possibilities for realization. Through a repeated cycle of thesis and antithesis emerges a "synthesis," a key word in B&O design conversations (Austin & Beyersdorfer, 2007). Such a dialogue of ideas can also lead to profound innovation and change by integrating opposing dialectical forces to challenge multiple features at once (Harvey, 2014).

Reflecting internal imbalances, unused resources further stimulate learning and innovation and can be recombined in new ways to produce and sustain new advantages (Penrose, 1959). Facilitated by loose coupling (Ravasi & Verona, 2001), this process of “creative destruction” within the firm allows a reuse of elements (Pisano, 2019; Schumpeter, 1934), and the concatenating of advantages. As they encourage innovation, tensions internal to the firm also propel innovation-based competition and may help shape industry evolution. For instance, Amazon, which cultivates internal conflict and a “can do” culture, is also known for successively restructuring several industries with its innovative offerings (Kantor & Streitfeld, 2015).

Tensions and contradictions within a firm can also create competitive advantage through their impact on the strategy-making processes itself. In this regard, workplace harmony may be overvalued as it can stifle honest critique and encourage polite praise for flawed ideas (Mitroff & Emshoff, 1979). Debate and conflict can lead firms to make better decisions (e.g., Schwenk, 1989). Furthermore, in a shifting environment and where there is uncertainty about what might constitute a valuable resource, contending frameworks of value can themselves be a valuable resource (Stark, 2009). Therefore, by uniquely implementing constructive debate, firms can outdo rivals, not necessarily by making fully coherent choices but by making better and informed choices initially.

3.3.2 | Sustaining competitive advantage

Tensions and contradictions can also help firms capture value by countering common threats to the sustainability of their competitive advantage. By stimulating innovation and revitalization, some tension guards against the decay of advantage that is likely when orchestrated configurations become rigid amid externally triggered change (Miller, 1992). Tensions may also increase adaptability, protecting the firm from rigidity in the face of substitution and discontinuity. Joined by loose coupling, the production and regeneration of tensions can contribute to the requisite variety needed to deal with ambiguous, complex, and changing environments. This helps firms' managers both to better recognize an upcoming discontinuity and to restore performance more gracefully after an external shock. In contrast, such mechanisms are less available to uniform and tightly coupled systems; as the experience of Nokia in the smartphone business underscores, by suppressing conflict, such systems smother useful warning signals, thereby increasing the danger of systemic breakdown (Vuori & Huy, 2016).

Lastly, our dialectical model highlights several overlapping layers of defense against potential imitation. The specific, historically developed pattern of firm's interconnected and partially inconsistent activities provides the firm with a unique character and identity. The intertwining and interplay of complementarities and contradictions within the firm and its loose coupling can further undermine efforts to replicate a firm's advantage by rendering its strategy less transparent and more surprising and “interesting” (Rumelt, 2011). Finally, continuous innovation, improvement, and learning deter imitation by making the firm a moving rather than a fixed target.

3.4 | Disciplined incoherence: Thriving on contradictions without collapsing

As with other approaches to strategy, the dialectical model presents its own set of challenges; for instance, managers and strategists may find it difficult to fuse emergence with design or

tune to different change patterns. Moreover, innovation and dialectic change processes can be highly politicized and may upset established values and power relations (van de Ven & Sun, 2011). Efforts at change may encounter their own contradictions and resistance, constraining people in unpredictable ways (Panayiotou et al., 2019). Furthermore, attaining productive synthesis in practice can be risky and challenging (Dalpiaz et al., 2016). Well-intended managers ignore these “dark” sides of dialectical change processes at their peril (Langley & Sloan, 2012).

The overriding challenge for managers, however, is to walk the fine line of drawing on internal instabilities and tensions to their firms' advantage without undermining their organizations. As positioning and configuration theorists submit, tensions and other manifestations of incoherence have notable downsides: they can contribute to organizational disintegration and cacophony, impede productive change, and disrupt existing practices. In their more extreme form they can lead to organizational demise (Miller, 1990; Porter, 1996).

Faced with these predicaments, should managers seek to remove contradictions, avoid conflicts, and commit to internal coherence? As we have argued and illustrated throughout, such a conclusion is unwarranted. The choice is not between stamping out contradictions on the one hand, and assuming they can be fully managed on the other. Instead, the sensible—and realistic—alternative for the firm's managers and strategists is to relinquish some control and regard dialectical processes as possibilistic and generative rather than determinate, and to draw on organizational arrangements and their own creativity, skills, and political savvy to nudge these processes and give them their best chance. This approach—which we call *disciplined incoherence*—draws on two broad complementary enabling mechanisms: loose coupling and organized contestation.

3.4.1 | Using loose coupling

Beyond reflecting dialectics' emphasis on overlap, incompleteness, and less-than-full coherence, loosely coupled systems are simultaneously open and closed, indeterminate and rational, spontaneous and deliberate (Orton & Weick, 1990, p. 204–205). An additional, important duality that makes loose coupling a prime candidate for helping organizations thrive on contradictions without collapsing is its support for both persistence and innovation: loose coupling increases the margins for error, allows the firm to better withstand shocks, enables quick recovery, and facilitates constructive conflict and experimentation (Farjoun, 2010).

Tensions are likely to be particularly harmful when there is a greater likelihood for conflicts to escalate and diffuse to other realms in the firm (Pache & Santos, 2013). Accordingly, one important way to avoid such negative contagion is limiting the spread of tensions throughout the firm. To foster persistence, managers and firms can use overlapping and redundant organizational designs rather than a tight sequence and configuration (Nonaka & Zhu, 2012). Simultaneously, fluid and entangled designs (van de Ven et al., 2013) such as heterarchy (Stark, 2009) regularly produce perplexing situations encouraging playfulness. Such designs thrive on serendipity and the loosening of control needed for innovation and the discovery of novel strategies, enabling creative insights to arise at the intersection of two (or more) areas of knowledge (Furnari, 2014).

A particularly rich example of loose coupling at work is provided by Ravasi and Verona's (2001) in-depth field study of Oticon, an innovative Danish hearing aid firm. Managers at Oticon deliberately brought loose coupling into the design of the organization by introducing

a certain “structural ambiguity” into the configuration of role systems and authority relationships. Rather than being superimposed, as in a tightly coupled organizations, the firm’s entangled structure is continually reproduced according to shifting needs of the organization and individuals’ skills and interests. Loose coupling and increased interconnectedness provide employees with more occasions for simultaneous exchange of ideas and integration of perspectives and allowed the firm to continuously combine knowledge-based resources creatively and flexibly.

To work effectively, loosely coupled systems draw on several compensating mechanisms such as *leadership* (strong or subtle), focused *attention* (e.g., careful selection of targets) and *shared values* (e.g., through strong cultures) (Orton & Weick, 1990, p. 211). Partially supplementing strategy, these order-maintaining mechanisms bind together elements such as people and units. Netflix’s “highly aligned and loosely coupled” design illustrates these aligning mechanisms: the firm’s leadership provides individual units with a general sense of direction through broadly understood goals and strategy (through leadership and focused attention), while encouraging trust, ad hoc coordination and occasional post-mortems on tactics, and bounding the adverse effects of conflicts by not tolerating internal “cutthroat” behavior (through focused attention and shared values) (Hastings & Meyer, 2020). To prevent common problems of local rationality and opportunistic behavior in loosely coupled systems, firms such as Netflix and Oticon rely on alternative sources of order. For instance, Oticon’s development group ensured that priorities were clear, individuals’ jobs and objectives were defined, and projects had tasks for which their leaders were held responsible.

3.4.2 | Establishing frameworks for contestation

Grasping contradictions by the blade rather than the handle can be highly detrimental. To address this challenge, and to channel conflicts and politics more positively, managers can use suggestions culled from conflict management, intrafirm competition, and the politics of innovation research.

In this regard, it is important to distinguish between two types of conflicts: *task conflicts*, which focus on the content and goals of the work, and *relational conflicts*, which focus on interpersonal relationships and highlight power, status, and interests (e.g., Jehn, 1997). As we have noted, the “dark side” of tensions is most prevalent in relational conflicts, that is, when conflict centers on people, personalities, and status as opposed to ideas or common problems to be solved (Stark, 2009). In some cases, however, conflict may be decoupled from an us-versus-them dynamic. When being at the forefront of technological change is central to an organization’s mission and ethos, innovators may feel more secure as mavericks since they are simply continuing the organization’s tradition (Egri & Frost, 1989). Alternatively, conflict can occur within the mind of an individual, potentially stimulating creativity and imagination. Dewey (1922, p. 300) reminds us that “conflict is the gadfly of thought. It stirs us to observation and memory. It instigates invention.”

When decoupling is not feasible, constructive conflict can be fostered when participants argue, debate, and disagree, and under facilitative interpersonal conditions, namely cooperative goal interdependence, confirmation of personal competence (e.g., respect, trust), and collaborative influence (Tjosvold, 1985). Widening the perspective on conflict to reveal the character of interdependence between parties or the dimensions upon which they agree (Harvey, 2014; Putnam, 2004) may make exchanges more developmental and fruitful. Inspired by dialectics,

Putnam (2004) describes how bargaining “transformations” can occur by shifting the level of dispute abstraction, such as from the specific to the general, or from part to the whole.

While some conditions facilitating constructive conflict can spontaneously emerge in organizations, managers can attain more durable outcomes by establishing an appropriate structural and normative framework in which action can take place. By setting the context for “organized contestation” (Rao & Dutta, 2018), managers can help define the “conditions under which people may reconstruct organizations and establish social formations in which continuous reconstruction is possible” (Benson, 1977, p. 18). As illustrated at Intel in processes of intrafirm competition, negation is twofold: it is manifested both when autonomous strategic initiatives compete, and in their interplay with established strategies induced from above (Burgelman, 1994).

To further implement organized contestation, managers and change agents can draw on several concrete mechanisms. First, they can deliberately promote “framing contests” between actors with different cognitive frames and political interests (Kaplan, 2008), while assuring that adherents of contending frameworks offer reasoned justifications (Stark, 2009), thus defining the rules of engagement. Second, the criteria managers use to govern internal debates need to be “based on knowledge rather than hierarchical position and economic performance in the marketplace rather than success in internal politicking” (Burgelman, 1994, p. 49). Third, managers can effectively facilitate collaboration between contending groups by working on differences from the start (Lester & Piore, 2009). Finally, managers can encourage the creation of interstitial spaces—small-scale settings for informal interaction between participants from different backgrounds (Furnari, 2014)—that provide room for experimentation and liminality where the usual norms are suspended, allowing teams to reconsider their standard approaches to problems (Howard-Grenville, Golden-Biddle, Irwin, & Mao, 2011). In establishing such frameworks, organizations bring conflict within a bounded structure where managers may act as both “fight promoters who organize bouts and as referees who regulate them” (Pondy, 1992, p. 259).

4 | DISCUSSION

4.1 | Advancing a dynamic alternative to fit-based models in strategy (and beyond)

Recognizing the centrality of internal fit to a wide range of theoretical claims in strategy, we set out to develop an alternative and integrative model. We reasoned that the key weaknesses in the established view of fit may be related: as much as the traditional model’s one-sided, negative view of contradictions is a problem, it may also hold the key to improving its theorizing of strategy formation and change. Building on this insight, we turned to dialectics to develop a more balanced, processual model of how contradictions are intertwined with a firm’s configuration and stimulate strategic change and transformation. In the following, we review several aspects of our model that set it apart from the established, fit-based approach in strategy and inspire broader contributions.

4.1.1 | Complementarities and contradictions

Our model is not the first to view firms and strategies as featuring both complementarities and contradictions; for instance, structural and temporal ambidexterity models (Nickerson &

Zenger, 2002; O'Reilly & Tushman, 2009), and the business models (Massa et al., 2017) and intrafirm competition literature (e.g., Birkinshaw & Lingblad, 2005) have recognized the potential for multiple, coexisting, conflicting configurations within a firm. However, our model is novel in *how* it accomplishes this. First, we draw on a different ontology to reconceptualize a firm's interconnected activities and choices. Unlike previous fit-based models, we grounded our model in both duality and diachronic assumptions. Consequently, notions associated with duality, such as overlap and loose coupling, allowed us to also highlight diachronic, "becoming" elements such as strategic change and historical development. Furthermore, while others have considered contradictions and consistency as coexisting, we modeled them as mutually constitutive and coevolving. Second, unlike the existing view of tensions as originating only between or outside configurations, we highlight a nested view where contradictions developed *within* configurations may convert to new, different configurations. Thus, we go beyond fit-based models and key alternatives by relaxing the coherence assumption that lies at their very core. Third, by stressing both their structural and temporal sources, our model draws attention to the ways in which internal contradictions can create value. While we recognize the importance of complementarity and fit as primary forces enhancing firm performance, we hold this view as incomplete because it overlooks the generative aspects of contradictions and their potential performance benefits.

4.1.2 | Conceptualizing strategy formation and change

Our model enriches prior research on how new configurations and strategies form, develop, and transform (Birkinshaw et al., 2016; Siggelkow, 2002). To explain the genesis of strategy (e.g., Gavetti & Porac, 2018), researchers have variously drawn on dialectic notions such as contradiction, bottlenecks, creative destruction, and synthesis (e.g., Brandenburger, 2017; Eisenhardt & Bingham, 2017; Rao & Dutta, 2018). Our model highlights the usefulness of treating these important mechanisms as explicit and integral elements of a more unified dialectical framework. In the dialectic alternative presented here the internal dynamics of firms and configurations supply a continuous source of reconstruction, lead to several patterns of strategy formation and transformation, such as pivoting and negation, and provide a fund for a wide range of oppositional strategies. Furthermore, instead of locating change in the external environment and leaving the sources of strategy formation and change largely unexplained as in a punctuated equilibrium approach, our model specifies a layered set of mechanisms, ranging from higher order change mechanisms—most prominently tensions, contradictions, and disequilibria, but also loose coupling and organized contestation—to more fine-grained mechanisms such as slack, social skills, and political mobilization.

Our model resembles the fit-as-coherence view in that we regard a transition between configurations as relatively infrequent. However, the change patterns we described differ from the equilibrium and coherence ideas on which structural and temporal ambidexterity and fit-based models are premised in two key respects. First, our dialectical model views systems as never at rest or completely institutionalized but rather as continually destabilized, and energized, by internal (and external) contradictions and disequilibria. Reflecting a historical, evolutionary process, our model views strategy and configurations as fragile, effortful, always in the making, yet capable of stabilizing. Second, in the coherence view of fit, change is often provoked by external forces, proceeds in leaps, and results in the creation of new coherent, tightly coupled, and bounded configurations that are again in equilibrium (Siggelkow, 2001). In this view,

change is implicitly represented as a series of “immobilities” which contain no element of movement and therefore conceal the change process itself (McKay and Chia, 2013). In our model, by contrast, tensions and loose coupling can make strategies more malleable and adaptive, rendering change more continuous and less abrupt. Further, each new configuration preserves and accumulates former features, essentially providing some degree of continuity between the two orders. Thus, strategic change in our model exhibits aspects of both evolutionary and revolutionary change.

4.1.3 | Correspondence with lived experience

The development of our model was significantly inspired by several empirical examples that are not well accounted for by the established view. As we illustrated throughout, firms such as Netflix, Oticon, Amazon, Intel, and Patagonia do not regard tensions and contradictions as unwanted aberrations but rather view them as central to their strategy and performance. Similarly, some authors working in the complementarity, fit, and configurations tradition (e.g., Milgrom & Roberts, 1995; Miller, 1992; Siggelkow, 2002) have hinted that configurations are not necessarily mutually exclusive and that their change may not follow a punctuated equilibrium pattern. Therefore, what may amount to anomalies in the established view of fit is quite consistent with the model we presented.

Consequently, we believe our model offers a more realistic view of firms and strategic change, one that better attends to the challenges of transformation through leaps and that recognizes the enabling role of internal frameworks and dynamics. Whereas coherence-based models of fit often stress conflict elimination through centrally steered designs, our model highlighted a more distributed agency. Consistent with this, it urges strategists, managers, and other change agents at different organizational levels to recognize the generative sides of contradictions and dialectical changes, simultaneously establishing the context, guard rails, and compensating mechanisms that mitigate the dark sides of conflicts.⁵

Our model considers how tensions and innovation are important even in relatively more stable conditions and may be required for staying the same course, even in strategies emphasizing efficiency. Yet, our approach is particularly applicable to contemporary environments marked by continuous reconstruction and disequilibrium where the established view of internal fit provides less direction. It is in these settings that maintaining coherence becomes more elusive, thus calling for ongoing, albeit careful, reconstruction of the firm's strategy.

Table 1 summarizes key contrasts between the established fit-based model and our own dialectical model of strategy. As the contrast shows, these two models reflect markedly different logics: each model is informed by a different philosophical view; this in turn implicates its key representations and strategic implications. Consequently, our work does not merely provide a more dynamic version of internal fit, but rather offers a distinctive alternative whose premises and implications sometimes directly contradict those of the established view.

⁵In addition to distributed agency, another means for mitigating the cognitive, emotional, and political challenges of “disciplined incoherence,” is periodic sweeping away of generations of leaders. We thank one of our reviewers for bringing this possibility to our attention and find it highly consistent with the idea of continuous reconstruction and destabilization.

TABLE 1 Key contrasts between fit-based and dialectical models of strategy

	Central tendencies in fit-based models of strategy	Dialectical model of strategy
Background assumptions		
Philosophy	“Substance” philosophy (implicit)	Dialectics relational “process” philosophy (explicit)
Temporal orientation	Synchronic; highlighting equilibrium	Diachronic; emphasizing disequilibrium
Relational orientation	Dualism	Duality
Key representations		
View of social wholes	Non additive, non-reductive Tightly coupled, coherent Discrete and mutually exclusive	Non additive, non-reductive Loosely coupled, not fully coherent, generative Permeable and partially overlapping
Interdependence	Emphasizes complementarities Contradictions are peripheral and mainly dysfunctional	Highlights complementarities and contradictions Contradictions are pervasive/perpetual and both functional and dysfunctional. Applicable to core processes too
Key implications		
View of strategy	Discrete, mutually exclusive, and stable positions	Fluid, provisional, and creative process; motion; concatenated and capable of stabilizing
Competitive advantage	Uniqueness based on consistent set of choices Coherence deters imitation	Uniqueness based on continuous improvement, learning and innovation Layered mitigation of multiple threats to sustainability
Strategy formation and change	Primarily exogenously driven; reflecting changes in competitive landscape and leveraging unique assets/capabilities Episodic, comprehensive, and instantaneous change	Primarily endogenously driven; stimulated by contradictions and facilitated by overlap and loose coupling Evolutionary and revolutionary (episodically)
Organizing and practice	Eliminating or minimizing contradictions and conflicts to enhance performance Clearly delineated and partitioned organizational designs	Carefully harnessing and channeling contradictions and conflicts through loose coupling and organized contestation Entangled designs

4.2 | Promoting a process and dialectics view of strategy

From its early agenda-setting efforts (e.g., Pettigrew, 1992) to its more recent reviews (Burgelman et al., 2018), strategy process research endeavored to build on its strong ontological foundations and reach beyond the study of strategy-making and change processes. Our model, and the dialectics perspective, advances and concretizes these dual commitments in several ways.

First, our dialectical model applies process theorizing to key concerns of the strategy field such as value creation, competitive advantage, and shaping strategies. As discussed by Farjoun (2019), dialectics scholars have not commonly attended to these topics. As we have stressed throughout, the fit-as-coherence model implicitly adheres to a “substance” philosophy. By focusing on alternative diachronic and duality assumptions, our model joins other “becoming” approaches, such evolutionary and complexity (Barnett & Levinthal, 2017; Burgelman & Grove, 2007; Farjoun, 2021), to offer an antidote to dominant strategy models resting on assumptions of atomism, coherence, and equilibrium. Prevailing ontological assumptions are significant since they deeply implicate other theoretical conceptions—such as oscillation, partitioning, or tight coupling—less compatible with a relational process worldview.

Second, dialectics’ relational process principles are particularly useful for transcending strongly demarcated dichotomies, dualisms, and levels of analysis to instead offer more integrated conceptions of strategy. For instance, our model combines the reproduction of configurations with their renewal, highlights both distinctiveness and responsiveness, and binds together processes internal to the firm with those external to it. As a result, our model does not merely apply a dialectic process ontology to a new domain but rather uses it to stitch together important, fragmented facets of strategy. This integrative quality is particularly significant as current strategy models routinely find it challenging to effectively account for competitive advantage under conditions of change (e.g., Rumelt, 1995; Schilke, Hu, & Helfat, 2018). For instance, the resource-based view is largely committed to explaining sustainable competitive advantage, whereas, for some, the dynamic-capability model mainly highlights the change imperative (e.g., Vergne & Durand, 2011). By contrast, and as shown in Figure 1, several of the processes and mechanisms that may help firms adapt, evolve, and change their strategy—contradiction, loose coupling, constructive conflict, and innovation—also contribute to their competitive standing.⁶

Lastly, our model outlines a more general solution for theorizing endogenous, structural change in other social complex systems, such as business models (Massa et al., 2017), manufacturing systems (Milgrom & Roberts, 1995), and category systems (e.g., Kennedy & Fiss, 2013). Models of structural change need to explain constancy as well as change, combine micro-level and macro-level analysis, and encompass endogenous sources of change (Hernes, 1976, p. 544). Consistent with this vision, our model also accounts for social processes that are simultaneously self-destructive and self-generative (p. 532). In our model the existing order perpetuates contradictions and imbalances, and it disciplines incoherence through a dialectical interplay and selective “gluing” mechanisms such as shared values and rules of engagement. A clear appeal of this solution is that it helps explain how complex systems can renew, self-transform, and persist, without recourse to external change or to downplaying the reality of incoherence.

4.3 | Future directions

Having already elaborated on the key challenges posed by contradictions, conflicts, and dialectic change models, and offering potential solutions, we now turn to several opportunities for future research to broaden and deepen our model.

⁶In the dynamic capabilities model (e.g., Schilke et al., 2018) the adjective “dynamic” denotes firms’ attributes such as routines that allow it to “deal with change,” mainly through innovation and renewal of resources. Our model too focuses on aspects internal to the firm but rests on a different and endogenous meaning of “dynamic” rooted in internal tensions and disequilibria.

4.3.1 | Broadening

Our dialectic model might be extended to other systems of interdependent choices, practices, artifacts, and beliefs. Consider the notion of organizational culture, often viewed a key source of a firm's sustained competitive advantage (e.g., Barney, 1986). As discussed by Aldrich and Ruef (2006), an "integration" model views cultures as unitary and as mostly transformed due to external sources. By contrast, premised on loose coupling, a "differentiation" model views changes in organizational cultures as driven by intergroup conflicts and as occurring in piecemeal fashion. In highlighting endogenous, structural change, reconciling coherence with ambiguity, and sorting useful from destructive conflicts, our model can provide a complementary and more synthetic view on how cultures sustain and evolve.

Such conceptual and analogical transfers need to be done with care. For instance, complementarity between multiple firms within the same platform or ecosystem often requires different integrating and governing mechanisms than complementarity in activity systems within the same firm (e.g., Kapoor, 2018). Furthermore, the notion of equilibrium has a different meaning when referring to order within a firm or to a steady state in a multiactor market system.

4.3.2 | Deepening

Two contemporary examples provide promising ideas for deepening our model. In their historical case study, Blagoev and Schreyögg (2019) challenged "entrainment"—the dominant view of temporal structuring—as foregrounding the drivers and advantages of synchrony and framing asynchrony as an inferior, transitory state that cannot persist. The alternative, duality view they promote highlights how synchrony and asynchrony coexist in a dynamic interplay, a view that can be usefully integrated with our stress on temporal sources of contradictions and imbalances. Consistent with recent calls for dynamic analysis of complex configurations (Furnari et al., 2020; Misangyi et al., 2017), it would be also helpful to identify empirical regularities regarding issues such as pace and frequencies of dialectical change patterns.

Relatedly, Kirtley and O'Mahony's (2020) longitudinal study of seven entrepreneurial firms developing innovations in energy and cleantech shows how strategic reorientations were not achieved with a single decision to change the firm's strategy but by incrementally exiting or adding strategy elements, accumulating into a pivot. Such dynamic emerging contexts provide a useful context to apply and refine our model as they complement other settings where strategies and configurations are more entrenched.

Finally, we have repeatedly stressed that firms need at least some measure of coherence to function. We have given less attention to the intriguing question of what degree or extent internal fit a prerequisite for a firm's success is. While our model highlights innovation and endogenous change, others may view a firm's success as a function of its diverse sources of advantage rather than its coherence. Alternatively, internal fit may reflect external observers' retrospective and cultural bias to interpret high performance as indicating harmony and coherence.

5 | CONCLUSION

Integral to the field of strategy, the notion of internal fit has led to many important insights. As we have argued, however, this progress has come at a price. In the current study, we have

drawn on prior developments to reimagine a firm's internal interconnectedness in a drastically new way and used it to construct a new model of strategy. Inspired by dialectics and benefiting from its broader relational process principles, our processual model uniquely views firms' configuration as historically developed, nested, laced with tensions and contradictions, and self-generative. As is the case with key alternatives, our model does not claim to provide a complete or singular explanation of firms' success. Consequently, and consistent with the experience of several visible firms, our model advances a theoretically anchored and plausible process model of firms' organizing, strategy, change, and performance, and a useful template for theorizing endogenous structural change in other systems.

Our work shares with the established view of fit the idea that value is created by the system rather than by individual parts. However, we hesitate to associate holism with complementarity, uniformity, and steadiness only. For firms competing in settings marked by innovation and change, these very attributes, as well as managers' urges to stamp out inconsistencies and contradictions, may be detrimental. As we readily acknowledge, conflicts and contradictions pose their own risks. Yet, given the potential for their firms to thrive on contradictions, managers should neither dismiss these challenges nor be paralyzed by them.

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Data sharing not applicable to this article as no datasets were generated or analysed during the current study.

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