A “practice-based” theory of the firm: A practice theory perspective to organizational strategy development and knowledge management

Sayed Mahdi Almohri

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A “practice-based” theory of the firm: A practice theory perspective to organizational strategy development and knowledge management

By:
Sayed Mahdi Almohri

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree
Of
Doctor of Philosophy

In the Robinson College of Business
Of
Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2018
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ACCEPTANCE

This dissertation was prepared under the direction of the Sayed Mahdi Almohri Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

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ABSTRACT

A “practice-based” theory of the firm: A practice theory perspective to organizational strategy development and knowledge management

BY

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July 26, 2018

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Dr. Richard Baskerville

Major Academic Unit: Computer Information System

Despite the promise of knowledge-based view of the firm (the current kernel theory of the field of knowledge management) for achieving sustainable competitive advantage for a firm through management of the organizational knowledge, there is no evidence that the traditional knowledge management has been able to provide theoretical and practical guidelines towards that strategic goal. The purpose of this study is to accomplish this strategic goal of knowledge management by presenting a new kernel theory for the field of knowledge management. Based on Pierre Bourdieu’s practice theory, “practice-based view” of the firm proposes an alternative view to the concepts of knowledge, and knowledge management. Achieving sustainable competitive advantage is the ultimate purpose of the field of strategic management, in which resource-based view and industrial organization theories compose its two major paradigms. These theories of strategic management use (internal and external) structural properties of the context of practice of the firm as their source of strategy development. Practice-based view, however, identifies knowledge as the main source for strategy development for the firms. Accordingly, practice-based view identifies the (internal and external) structural properties of the context of the firm as particular aspects of knowledge it uses in its strategy development. Additional aspects of knowledge considered in practice-based view include the social, cultural, and political aspects of knowledge identified and explained in practice-based view of the firm. Therefore, this study would also introduce practice-based view as an alternative kernel theory for the field of strategic management.

Keywords: knowledge management, strategic management, practice theory, Bourdieu, knowledge-based view, Industrial organization, resource-based view, practice-based view
Chapter 1

Introduction

The field of knowledge management was developed on the premise of knowledge based theory of the firm (Alavi and Leidner 2001; Baskerville and Dulipovici 2006) that organizational knowledge is the most valuable and the most strategic asset of an organization (Grant 1996a; Grant 1996b). Based on that premise, knowledge management identified its mission in terms of organization of individual employees’ knowledge. The process of knowledge management consists of identification and capturing the knowledge of the firms’ employees, documenting and storing the knowledge in the organization’s knowledge bases, sharing the documented knowledge with the other employees in need of the captured knowledge, and enabling the reuse of the identified and captured knowledge by the rest of the organization (Alavi and Leidner 2001; Dalkir 2013). Accordingly, the field of knowledge management is heavily dependent on the capabilities of the IT technology for achieving its objectives (Alavi and Leidner 2001). However, knowledge management found many difficulties in application of this general strategy.

Research Problems and Research Questions:

The first problem of the traditional knowledge management is its economic view to the concept of knowledge. Knowledge-based view considers knowledge as the most strategic resource of the firm that has the capacity to be the main source of sustainable competitive advantage for the firm. Furthermore, knowledge-based view considers knowledge as a property of the individual employees of the firm (Grant 1996a; Grant 1996b). Which means that the most strategic resource of the firm is controlled by the individual employees, and at the same time
knowledge management tries to capture this precious resource of the employees in order to share it with the rest of the organization. This economic view of the knowledge makes a conflict of interest between the employees and the management of the organization, and therefore encourages employees to hoard their knowledge and to avoid sharing their knowledge (Bock et al. 2005; Dulipovici and Baskerville 2007).

The other problem with the traditional knowledge management is the fact that knowledge is considered to be dependent to its knower. In other words, knowledge-based view takes a subjective, and individualistic perspective of the knowledge of the firm’s employees (Fahey and Prusak 1998; Grant 1996b). This problem makes sharing of knowledge a problematic process. Because, as a subjective perspective, the perception and evaluation of the knowledge is dependent on the knower (Fahey and Prusak 1998). The gist of the problem is in the fact that a piece of knowledge in order to get transmitted from a knower to another agent needs to get represented, and documented using language, and then this piece of represented knowledge needs to get understood and internalized with the receiving agent. Based on the pure subjectivist perspective of knowledge-based view, there is no guarantee that the transmitted knowledge gets interpreted and understood by the receiver of the knowledge the same way as it was intended by the knowledge contributor (Brown 1998; Brown and Duguid 2001; Walsham 2001). This interpretation problem, therefore, is the second problem of the traditional knowledge management.

Another important feature of knowledge-based view is its presumption about the types of knowledge. Knowledge-based view proposes that employees’ knowledge is composed of the two types of tacit and explicit knowledge. While explicit knowledge is the easy to explicate and document type of knowledge, tacit knowledge is the know-how type of knowledge attached to
the body of the knower, and can generally be transferred only through the experience. In other words, tacit knowledge gets learned through the experience and transmitted through the experience, and therefore cannot be easily and effectively explicated in a speech or documented by the knowing subject in order to be transferred to the other agents (Alavi and Leidner 2001; Grant 1996b; Nonaka 1994). Ironically, this inexplicability of knowledge, according to knowledge-based view, is considered to be its most important feature. Because it makes knowledge a valuable resource not only inimitable by the rivals, but also inaccessible by the knower herself (Grant 1996b). While the concept of tacit knowledge fascinated the proponents of knowledge-based view of the firm, it is contrary to the practice of knowledge management which its whole purpose is to make the tacit knowledge explicit and to effectively and efficiently share it with the other agents in order to improve the performance of the organization.

The tacit-explicit categorization of knowledge is a so strongly taken-for-granted dichotomy in the field of knowledge management that there has been no significant trial for providing a more detailed and more practical classification of organizational knowledge in the field of knowledge management. Furthermore, even the two types of tacit, and explicit knowledge do not provide a clear hint about the content of knowledge that gets classified under each of these classes of knowledge. Overall, one can see that the traditional knowledge management practice tries to capture the know-how type of knowledge from the individual employees, ignoring the fact that there may be other types of knowledge relevant to the practice of organizational management (Dalkir 2013; Schultze and Leidner 2002; Thomas et al. 2001).

Another major problem with the traditional knowledge management is the fact that it considers knowledge a “universal truth”, independent of the contextual and cultural aspects of the agents who use and apply the knowledge in their practices. In other words, knowledge
management considers knowledge as independent units of “fact” that once captured or discovered can be applied infinitely in every other situation and setting by any other agent, independent of the cultural and social aspects of the context of the application of knowledge (Dalkir 2013; Schultze and Leidner 2002; Thomas et al. 2001).

The economic, individualistic, social/cultural/contextual independent perspective of the knowledge-based view and the traditional knowledge management to the concept of knowledge captured the concerns of many scholars in the field of knowledge management to call for a new perspective to knowledge management that takes into account the social, cultural and contextual aspects of knowledge as important aspects in evaluation of the validity and relevance of knowledge to a particular situation (Huysman and Wulf 2004; Schultze and Leidner 2002; Thomas et al. 2001). The message of this social movement in the knowledge management literature is that knowledge is a property of the group of people who engage in similar communities of practice, and who share a common-sense language for their communication and sense making (Boland Jr and Tenkasi 1995; Brown 1998; Lesser and Prusak 1999). However, this social view to organizational knowledge also shares the taken-for-granted belief in the dichotomy of tacit-explicit types of knowledge and therefore claims that the traditional document-based knowledge management practices (which made a heavy use of the IT technology) are irrelevant and instead proposes that in order to improve the knowledge creation and sharing within the communities of practice, we need to improve the face-to-face interactions of people so that the tacit knowledge gets transferred effectively in these in-person interactions of agents (McDermott 2000; Schultze and Leidner 2002; Wenger 1999). However, there are also voices within this community that call for a change in practices of the traditional knowledge
management in order to use the benefits of IT technologies while taking into consideration the social aspects of knowledge (Huysman and Wulf 2006; Thomas et al. 2001).

Table 1 summarizes the identified problems of the knowledge-based view of the firm and the traditional knowledge management practice.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic perspective to knowledge</td>
<td>Knowledge of the employees as the most precious resource of the firm that has the capacity to generate above normal profits for the firm</td>
</tr>
<tr>
<td>Subjective – individualistic view to knowledge</td>
<td>Knowledge as a subjective property of the individual employees that need to be captured and shared with other agents</td>
</tr>
<tr>
<td>Tacit-explicit dichotomy of knowledge</td>
<td>No clear classification of the possible types of knowledge, and no clear identification of the content of knowledge</td>
</tr>
<tr>
<td>Context and culture independent nature of knowledge</td>
<td>Knowledge as a universal true fact, independent of the people or context of its application</td>
</tr>
</tbody>
</table>

Table 1: Problems with the knowledge-based view of the firm and the traditional knowledge management

Considering all these difficulties of the practice-based view of the firm and the traditional knowledge management practice, the first research question of this study is as follows:

**Research Question 1:** How can we make an alternative perspective to the theory of organizational knowledge that captures the strategic value of the knowledge for organizational performance, but which avoids the problems with the knowledge-based view and the traditional knowledge management identified in Table 1?
The ultimate goal of knowledge-based view of the firm is to achieve sustainable competitive advantage for the firm, which is a goal borrowed from the field of strategic management. In fact, knowledge-based view is an outgrowth of the resource-based view (RBV) of the firm (Grant 1996a; Grant 1996b). Resource-based view together with Porter’s industrial organization (IO) theories are the two major theories of the field of strategic management. The shared goal of these two theories is to help organizations set strategies that would guide the firms in achieving and sustaining positions of above normal profits compared to their rivals in an industry (Barney 1986c; Conner 1991). In this process, Porter’s industrial organization theory starts its strategy development process by analyzing the structure of the industry. In this process, the industrial organization theory analyzes the competitive forces of the rivalry within the industry, and the external competitive forces imposed to the firm from its suppliers, buyers, or the substitute industries. The result of this analysis is a set of competitive positions in the structure of the industry, and the premise of the industrial organization theory is that these strategic positions within the industry’s structure have the potential to provide sustainable competitive advantage for the firms attaining those positions (Porter 1979; Porter 1980; Porter 1981).

Resource-based view shares the same goal of achieving sustainable competitive advantage for the firm with the industrial organization theory. However, resource-based view criticizes the industrial organization for its general strategies which are tailored for the whole industry rather than the individual firms within the industry. In other words, resource-based view criticizes the industrial organization for its lack of attention to the resources and capabilities of the firm in the process of strategy development for the firm. Further, resource-based view criticizes the industrial organization theory for its implicit assumption about the stability of the
industry structure which empowers the firms to base their strategies on that solid base (i.e. solid or perfectly predictable industry structure). Instead, resource-based view proposes that the structures of the industries are constantly under revolutionary changes that make the prediction of the future state of the industry structure impossible. Thus, according to resource-based view, building the strategy of the firm based on the analysis of the current state of the industry structure is not reasonable. Instead, resource-based view proposes strategy development based on the analysis of the internal resources of the firm. The goal here is to achieve a mental model based on the perception and evaluation of the internal resources and capabilities of the firm that set it apart from the rivals. The purpose of this mental structure is to be used for the assessment of the external conditions or the contextual factors outside the firm. The result of this assessment would be a subjective expectation and intuition about whether a contextual condition should be considered an opportunity or a threat for a firm (Barney 1991; Barney 1986b; Barney 1986c; Conner 1991). Based on that subjective assessment, the top managers of the organization would make strategic decisions about their next best movements within the industry such as the decision to invest on a particular asset or not, the decision to make or buy a particular product or service, the decision to diversify on a particular resource of the firm into other industries or not, and so on (Peteraf 1993).

Despite their informing incites to the process of strategy development, there are significant problems with the traditional viewpoints (industrial organization and resource-based view) to the process of organizational strategy development. The first problem is related to the epistemological standpoint of these viewpoints; On the one hand, industrial organization theory takes a pure objectivist perspective to strategy development where it identifies the industry structure as the total cause of success and failure of firm strategies, and therefore it identifies
successful strategies, based on the analysis of the industry structure, applicable to all firms in the industry. On the other hand, resource-based view takes a pure subjectivist standpoint where it refrains to grant any attention to the structural properties of the context of the firm’s practice, and limits its focus to the subjective intuition of the managers about the capabilities and resources of the firm for successful transfer of the inputs to the outputs. So, the opposition between these theories is total, and therefore, the second research question of this study would be:

**Research Question 2**: How can we make an alternative perspective to the theory of organizational strategy development that integrates the analysis of the competitive forces of the industry structure together with the mental structures and perspectives of the individual managers of the organizations in order to make more reasonable organizational strategies?

The other problems with the traditional strategy development theories are as follows; first, both the industrial organization, and resource-based view of the firm set pure economic goals for strategy development. In other words, they both assume that every organization is in the practice of selling products to its customers for economic profits, and that no strategy or plan of action is eligible without a clear financial profit as its ultimate goal. Further, it is assumed that every strategy is aimed to achieve sustainable competitive advantage, or above normal profits for the firm compared to its rivals (Kraaijenbrink et al. 2010). This limited perspective to the concept of strategy and strategy development restricts the scope of the applicability of the strategic management findings. Therefore, firms not willing to achieve above normal returns, and firms not in the business of making financial profits such as NGOs may find difficulty in applying the strategic suggestions of the two major theoretical approaches to the strategic management. Because, principally the practice of the non-for-profit organizations and
governmental agencies is directed toward fundamentally different interests and concerns compared to the profit-seeking businesses.

Additionally, the traditional strategy development theories assume that strategy development is limited only to the top managers of the company, leaving no role for the rest of the company to participate in the process of strategy development. In other words, industrial organization and resource-based view theories assume unlimited agency for the managers of the company while granting no agency for other agents in the firm.

Finally, similar to the traditional knowledge management, the traditional strategy development theories pay no attention to the social, cultural, and in general the contextual contingencies of the situation of application of the strategy. The industrial organization approach, in its strategy development process does not care about the internal factors of the firm’s context, and the resource-based view’s evaluation about the future performance of the firm’s resources is independent of all the contextual conditions of the firm’s industry (Miller and Shamsie 1996). In fact, it seems that the economic perspective of both the traditional strategic management and the traditional knowledge management has limited their visions to only practical aspects of the firm’s activities, leaving all the social, cultural, political, and symbolic aspects of organizational practices outside their scope of analysis.

Table 2 summarizes the problems of the two theories of the traditional strategic management theories.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure economic view to strategy development</td>
<td>Strategy is assumed synonym to pursuing towards above average financial profits. No other goals are considered to be strategic.</td>
</tr>
<tr>
<td><strong>Strategy development limited to top management</strong></td>
<td>Agents in a firm are classified into managers and the others, where managers set the organizational strategies and the others only apply those strategies with no role in the process of strategy development.</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Context and culture independent nature of strategy development</strong></td>
<td>The economic viewpoint of the traditional strategy development pays no attention to the cultural, social, and contextual contingencies of the situation of application of the strategy.</td>
</tr>
</tbody>
</table>

Returning to the original goal of knowledge-based view of the firm, i.e. achieving sustainable competitive advantage using the organizational knowledge, one can see that the traditional theory and practice of knowledge management was unable to achieve this goal, and it is remaining as an open question in the field of knowledge management.

**Research Question 3:** How can we make an alternative perspective to the theory of organizational strategy development which identifies the organizational knowledge as its foundation for strategy development, and which resolves the problems of the traditional strategic management theories identified in Table 2?

Overall, the purpose of this study is to introduce organizational knowledge as the main resource, tool, and means for organizational strategy development. So, the overarching research question of this study would be:

**An Overarching Research Question:** How can we introduce organizational knowledge as the main resources and tool for strategy development?
The proposed Solution:

To address these research questions, this study proposes a new theoretical perspective to knowledge, knowledge management, and strategic management. This study proposes the practice-based view of the firm as an alternative to knowledge-based view, industrial organization, and resource-based view of the firm. The practice-based view of the firm is built upon the practice theory of the French sociologist, Pierre Bourdieu (Bourdieu 1977; Bourdieu 1984; Bourdieu 1990). The goal of practice-based view is to change the pure economic, money-making perspective to the practice of all organizations with a more social, cultural, and political perspective that takes into account different aspects and purposes of human actions beyond just making financial profits. Instead of making above average profits, practice-based view of the firm identifies the ultimate purpose of human and organizational actions and strategies as achieving higher levels of the social power. For practice-based view, power is not limited to the financial, and technical (know-how) capabilities of the agents, but also the accumulated social prestige stemmed from the state of socially valued and recognized properties that a human or organizational agent has acquired in its past history of social interactions.

Practice-based view identifies all aspects of the organizational practice (and all aspects of the social life in a higher level of abstraction) as objects of knowledge constituted in the course of the history of that social organization. Accordingly, organizational resources, industry structures, and even the state of recognition of other people about the social position of an agent get considered as constituted objects of knowledge. In other words, practice-based view studies the shared perception of people in a work group, an organization, an industry, or even among classes of social agents constituting the society in order to identify the principles using which people perceive and appreciate the social world. Then, with that foundational knowledge,
practice-based view proceeds to obtain a contextual understanding about every single entity constituting the social setting of an organizational initiative. With that knowledge about the constituting elements of a situation, practice-based view provides the knowledge means to the strategy developer, such as a top manager in an organization or any other agent who possesses a certain level of social power and influence in that social setting. Practice-based view offers this knowledge to the agents in order to decide on their strategic, power generating decisions, and also supports the agents with the needed knowledge for applying those strategies.

In summary, practice-based view of the firm views knowledge as the main source of power generation in any organized social structure such as a firm, an industry, a government, and so on. Therefore, in practice-based view, knowledge creation and knowledge sharing do not involve losing one’s precious capital and power, but instead, practice-based view identifies knowledge creation and sharing as one of the most effective power generation mechanisms for the agents. In other words, since practice-based view considers all aspects of the social structures, including the industry structure and the internal structures of the organizations as objects of knowledge, therefore, the agents who participate in defining new structures and new ways of perception of the social and business world, would gain the highest levels of social recognition and symbolic power in their social setting (e.g. an organization or industry).

**Research Contributions:**

The contributions of practice-based view to the field of knowledge management are as follows:

First, it provides a new perspective to the concepts of knowledge, and knowledge management. Instead of having a limited economic viewpoint to the concept of knowledge as the
know-how (or practical) knowledge of individual employees, practice-based view provides a detailed framework to uncover the structural, social, cultural, and political aspects of knowledge pertinent to an organization in a particular time and space context. Further, practice-based view also provides a framework (the triple-s framework) for classifying and understanding the practical knowledge shared between the agents in a particular social and cultural setting.

Second, it identifies the classification of knowledge into the tacit and explicit categories as not so practical and constructive. Practice-based view is built upon the common-sense knowledge of the agents, so it identifies a clear classification of knowledge into practice-related types of knowledge as an urgent requirement for the development of the field of knowledge management. Accordingly, practice-based view uses practice theory in order to identify a new classification of knowledge based on the two types of perceptional (structural) knowledge, and practical knowledge. According to Bourdieu these types of knowledge represent the competency and familiarity of the competent agents about the structures of a social setting and about the limitations and opportunities that these structures provide for the agents in order to impose their agency on those social structures (Bourdieu 1977; Bourdieu 1990). This framework also provides guidelines for obtaining these types of knowledge in a particular social setting (e.g. an organization). For instance, practice-based view identifies all major elements of the industry structure of an organization, and proposes that these elements of the industry structure can objectively be identified based on the statistical analysis of the tangible properties of each of those identified elements of the industry structure.

Third, practice-based view identifies knowledge as the main source of power generation within an industry. And accordingly, the knowledgeable agents are introduced as the most competent agents for strategy development, and power generation for themselves and for their
group of agents who belong to. Therefore, practice-based view theoretically shows that knowledge contribution is one of the most effective methods for raising an agent’s power within and between firms and industries.

Fourth, practice-based view replaces the individualistic and subjectivist perspective of knowledge based view to the strategic organizational knowledge, with a socially and culturally shared common-sense knowledge constructed through the history of that social group. This new perspective to the organizational knowledge, instead of representing knowledge as an idle and standby resource of the firm waiting to be discovered in order to be beneficial, views knowledge as the main source of mobilizing groups of agents toward shared goals and interests. Therefore, practice-based view identifies an important aspects of the organizational management as monitoring of what types of knowledge gets imported into the social and cultural structure of the organization.

The contribution of the practice-based view to the strategic management is as follows: First, practice-based view is able to integrate the analysis of the industry structure and internal resources of the firm within a single framework. This achievement of practice-based view is due to its identification of the elements of the industry structure and resources of the firm as objects of knowledge (rather than taken-for-granted realities). Accordingly, the industry structure defined under practice-based view is a layout of positioning of agents (individuals, groups, firms, industries and so on) within the space of industry structure based on their proportions of different types of capitals (powers) they possess.

Second, contrary to the economic perspective of the traditional strategic management which limited the scope of strategy development to the achievement of sustainable above normal profits for a firm compared to its rivals, practice-based view expands the area of strategic
management to every type of organization (including non-for-profit or governmental organizations) through defining the objective of strategic management as manipulation of any type of locally defined power relations between the agents (individuals or firms) in a social setting (such as an industry) at a particular time and space.

Third, practice-based view, instead of limiting strategy development in hands of the top managers of an organization, expands the scope of strategy development to all levels of agents with all types and levels of capitals and powers within an organization. In this way, practice-based view alerts the top management of an organization about their limits in their freedom for strategy development, and encourages the lower level agents to get involved in the process of strategy development in order to improve their power position within the organization, or to increase their power together with the power of the organization within the industry. Therefore, the art of management according to practice-based view is to keep a balance of power relations between the constituting agents of an organization so that the struggles for power between the agents within the organization results in the ultimate improvement of the overall power position of the whole organization in the industry.

Beyond its contribution to the fields of knowledge management and strategic management, this research makes the following additional theoretical contributions. First, it provides an outline and a theoretical framework that encompass all major theoretical contributions of Bourdieu’s practice theory (Bourdieu 1977; Bourdieu 1984; Bourdieu 1990; Bourdieu 1993a; Bourdieu 2005; Bourdieu and Wacquant 1992). Through applying this theory in the architecture and analysis of practice-based view of the firm, this study shows the great potential of Bourdieu’s practice theory for an in-depth analysis of organizational phenomena in its different disciplines and departments. Further, this study provided a conceptual framework for
the current state of knowledge-management literature, and identified major shortcomings of the knowledge management literature, especially the taken-for-granted belief about the tacit-explicit classification of knowledge. Finally, this study identifies the common problems of the field of strategic management shared between its two purely economic perspectives to the organizational practice.

**Research Outline:**

The outline of this dissertation is as follows; the first three chapters are allocated to literature review for this study, which build the basis for the practice-based view of the firm. The first chapter reviews the knowledge management literature and identifies two courses of discussion in this literature (i.e. the traditional individualistic knowledge management vs. the social movement in the knowledge management field asking for more concern about the social and contextual aspects of knowledge). The second chapter reviews the strategic management literature, and specifically the two major theoretical views in the area of strategic management (i.e. industrial organization and resource-based view theories). The third chapter summarizes the collection of theoretical contributions of Pierre Bourdieu under the umbrella of his practice theory. The goal of this chapter is to clarify Bourdieu’s view to the social knowledge, and the types of knowledge identified in his theories. The last chapter constitutes the main contribution of this study. It talks about the details of practice-based view of the firm. It starts by determining the theoretical assumptions of practice-based view that distinguishes it from the theories of strategic management. Then, it provides a framework for analyzing the industry structure according to practice-based view of the firm. Different long-term strategies for the firms based on this industry structure analysis is proposed. The last topic in this chapter would be the “triples” framework of practical knowledge introduced by practice-based view of the firm for analyzing
the practical and “know-how” knowledge of organizational employees. This dissertation would conclude by reviewing the main achievements of this study and by presenting potential paths for future research based on the ideas presented in practice-based view of the firm.
Literature Review:

The literature review for this study is divided into two parts. In the first part I will position my study in the fields of knowledge management and strategic management as the foundational origins or roots from which I extracted the theoretical and practical gaps relevant to my study. In the second part, I will discuss Bourdieu’s practice theory as the theoretical foundation for the theory of practice-based view of the firm.
Part One: Roots
Chapter 2: Knowledge Management

Introduction:

Briefly, the most practical definition of knowledge management is the delivery of the most relevant information to the right user at the right moment (Thomas et al. 2001). Achievement of this broad goal has been the concern of the field of knowledge management since its genesis, and both researchers and practitioners have produced extensive volume of discussion in this area. The goal of this literature review is to perform a sense making of the overall viewpoints in the knowledge management literature, and to provide a framework of the research in the field of knowledge management. The vast quantity of the research work performed in knowledge management, and the different subjects and issues discussed in this literature makes it difficult to do an overall classification and sense-making of the knowledge management literature (Baskerville and Dulipovici 2006). The three enquiries in this literature review are: 1) what is knowledge? 2) what is knowledge management? and 3) what is the role of IT in knowledge management?

What is knowledge?

Unfortunately, the knowledge management literature does not provide a clear, and agreed upon definition of the concept of knowledge. They take a practical perspective to knowledge as the most valuable asset of an organization, leaving the theoretical philosophical discussions about knowledge aside (Alavi and Leidner 2001; Grant 1996b; Varun Grover 2001). What is more discussed about is the question of “what knowledge is not?”. Particularly, it is emphasized
that knowledge is not data, and knowledge is not information. Data is defined as discrete objective facts that is presented in the format of row numbers and figures, and provides no contextual or evaluative indications to the user. Information is an argument supported with data aimed in making some change in the perception of the receiver. Knowledge, then is the interpreted, evaluated, internalized, and personalized information that make the basis for future evaluations and decision makings of the individual (Alavi et al. 2005; Bennet and Bennet 2004; Davenport and Prusak 1998; Vance 1997). This explicit distinguishing of knowledge from data and information is necessary, since the majority of knowledge management literature has been concerned on the IT solutions that supported knowledge management. So, it is important to objectively distinguish knowledge management from other types of information systems (Alavi and Leidner 2001). Ironically, however, there is no clear cut distinction between knowledge management systems, and the rest of IT solutions that process data and information and almost all types of information systems have been considered at times as instances of knowledge management systems (Baskerville and Dulipovic 2006; Nevo and Chan 2007).

Perhaps the most fundamental aspect of knowledge in the discussion of knowledge management is the classification of knowledge into the tacit, and explicit types of knowledge. This dichotomy of knowledge is so important, and so taken-for-granted in the field of knowledge management, that almost all discussion of knowledge management is influenced by this classification.

**Tacit vs. Explicit knowledge:**

In the field of knowledge management, it is taken-for-granted that knowledge is classified into two types of tacit and explicit knowledge. The main difference between these two
types of knowledge is the potential for explication of that knowledge. On the one hand, the tacit knowledge is hard to explicate because it has an internalized, taken-for-granted and unconscious quality. It is the know-how type of knowledge which is attached to the body of the knower. On the other hand, the explicit knowledge is the easy to represent type of knowledge that can be documented and shared easily with others (Alavi et al. 2005; Dalkir 2013; Grant 1996b).

The idea of tacit-explicit classification of knowledge was developed by the philosopher Polanyi (1966a; 1966b), and then was introduced into the management literature by Nonaka (1991; 1994). The idea that there can be a type of intangible resource in a firm (i.e. tacit knowledge) that is not even accessible to the owner (knower) to duplicate it or share it with the other agents seemed very exciting to the proponents of “resource-based view of the firm”, that they decided to make a more focused view called knowledge-based view of the firm based on that type of intangible resource. While resource-based view proposes that the source of sustainable competitive advantage of a firm is its internal (tangible, and intangible) assets, knowledge-based view claims that it is only the employees’ knowledge, and specifically their tacit knowledge that has the capacity to create sustainable competitive advantage for the firm.

We can see that the strategic value of tacit knowledge is embedded in its implicitness (Fahey and Prusak 1998). In other words, the lack of ability to explicate the tacit knowledge is the source of its power and strategic value, and that is the reason that the whole knowledge management area is built upon this categorization of knowledge. However, the irony here is that while the goal of knowledge management is to provide the most useful, and relevant piece of knowledge to the employees, whenever they need it, in order to enhance their performance, the most useful type of knowledge is assumed to be non-representable, and hard to transmit especially through documentation. And this non-representability of the tacit knowledge is so
strongly held that almost no effort has been made towards operationalization or explication of the content of the tacit knowledge. Ironically, the same is true for the explicit knowledge, where there is no significant theory about the content of the explicit knowledge as well.

This study proposes that to manage knowledge effectively we need to identify its components. In other words, we need to make a better classification of knowledge which provides a clear typography of the different types of knowledge, and about how to proceed towards operationalization of those type of knowledge in an organization. As stated by Spender, “to be the basis of a theory of the firm, knowledge must be defined precisely enough to let us see which firm has the more significant knowledge and explain how that leads to competitive advantage” (1996).

**What is knowledge management?**

**The knowledge management framework:**

In classifying the discussion of knowledge management literature, the tacit-explicit classification of knowledge represents one dimension of this framework. The second dimension would be the level of analysis of knowledge in the organization (Schultze and Leidner 2002; Von Krogh 1998). This dimension is the basic distinction between the two major perspectives discussed in the knowledge management literature. Despite the large volume of knowledge management literature, one can see that this literature is generally representing two major viewpoints towards knowledge and knowledge management. This study refers to these two viewpoints as “economic view”, and “social view” to knowledge management. In the economic view, which represents that traditional knowledge management literature, knowledge is considered as the property of individual employees, and therefore, the role of knowledge...
management is to capture employees' knowledge for the benefit of the organization (Alavi and Leidner 2001; Dalkir 2013). The social view, on the other hand presents an alternative viewpoint to the concept of knowledge, and identifies knowledge as the property of the group or community, and therefore the role of knowledge management would be increasing the chance of interaction between individuals in order to improve the transfer of knowledge between individuals to make the collective knowledge more cohesive and integrated (Alavi and Leidner 2001; Dalkir 2013; Schultze and Leidner 2002). Figure 1 depicts this classification of knowledge management perspectives, and the different areas of discussion that the interaction between these viewpoints and the tacit-explicit types of knowledge would create for the discussion of knowledge management. This literature review analyzes three important aspects of the two viewpoints to knowledge management; First, it analyzes the basic assumptions of these viewpoints about knowledge. Then, it discusses about the process of knowledge management that each viewpoint proposes. Finally, it describes the role of IT in the process of knowledge management according to each viewpoint.
The economic view to knowledge management:

The traditional knowledge management can be classified as the economic perspective to knowledge management. Knowledge-based view of the firm (Grant 1996a; Grant 1996b) is believed to be the basic motivation for the start of the field of knowledge management (Alavi et al. 2005; Baskerville and Dulipovici 2006). Knowledge-based view’s perception of knowledge is an economic one, which suggests that in order to achieve sustainable competitive advantage,
organizations should focus on their employees' knowledge as the most strategic asset of the firm. Knowledge management is then created to help organizations compete through management of their most important resource; i.e. organizational knowledge (Alavi et al. 2005; Von Krogh 1998).

**Basic assumptions of economic view to knowledge management:**

The traditional knowledge management (economic view) has an objectivist perspective to knowledge (Schultze and Leidner 2002). In other words, it assumes that knowledge is composed of objective fact items independent of the knowers and the community in which it has been developed (Dalkir 2013; Thomas et al. 2001). However, at the same time knowledge is at any time carried by and attached to the individual knowers (Fahey and Prusak 1998). Another assumption of the economic view about knowledge is that knowledge is useful and valuable to everybody that gets access to that piece of knowledge (Choi et al. 2010). Therefore, the role of knowledge management is to identify and capture those objects of knowledge from experts, store them in an IT enabled system, and transfer them to the right people at the right time.

Furthermore, the traditional knowledge management literature assumes that knowledge is universal, culture-free, context independent and accumulative. The attitude is that knowledge gets captured or created once, and reused infinite times (Dalkir 2013; Schultze and Leidner 2002; Thomas et al. 2001).

**Strategies of traditional knowledge management:**

The knowledge management literature identifies two major strategies for knowledge management based on the type of knowledge; Documentation-based strategy is used for
management of the explicit knowledge, and personalization-based strategy is suitable for the more tacit and know-how knowledge. The documentation-based knowledge management is a “people to document” strategy in which individuals are asked to present and document their tacit knowledge in order to be transmitted to other employees. On the other hand, the personalization-based strategy is a people to people strategy. This strategy is more used for situations where either the problem or the solution cannot be clearly represented and documented, and therefore, there is a need for a one-to-one communication and collaboration for creation or capture of a solution (Dalkir 2013; Hansen et al. 1999; Ko and Dennis 2011). An important distinguishing factor between the two strategies of knowledge management is the role of IT in support of knowledge management. IT has the central role in the process of knowledge management in the documentation-based strategy, in which IT helps organizations to capture, share, and retrieve their employees’ knowledge. On the other hand, IT has limited role in the process of personalization based knowledge management, where it can facilitate the process through identification of the experts and provision of virtual communication infrastructure for connecting people together (Hansen et al. 1999).

The traditional process of knowledge management:

The knowledge management literature provides different frameworks for the process of knowledge management in the traditional/economic view to this field (Alavi and Leidner 2001; Schacht and Maedche 2016; Zack 1999). Dalkir (2013) consolidates these frameworks into a minimalistic framework of three major components; 1) knowledge capture and/or creation, 2) knowledge sharing and dissemination, and 3) knowledge acquisition and application.
In knowledge capture/creation step employees are asked to explicate, document, and store their tacit knowledge in the organization’s knowledge base (Alavi and Leidner 2001; Dalkir 2013). The major problem in this step is the fact that expert employees find it extremely difficult and hateful to document their tacit knowledge, and accordingly, the lack of contribution of knowledge has been reported as one of the most important obstacles in the process of knowledge management in organizations (Glazer 1998; McDermott 2000).

Knowledge sharing is the major difference between documentation-based (explicit knowledge) and personalization-based (tacit knowledge) strategies. Interestingly, IT’s major advantage and disadvantage is also identified concerning its role in sharing of knowledge in the traditional knowledge management literature. While IT makes significant improvements in sharing explicit knowledge, it has been identified as having very limited role in sharing of tacit knowledge (Baskerville and Dulipovici 2006; Schultze and Leidner 2002). This is because, it is suggested that the best method of sharing tacit knowledge is the personal and physical contact of people in the context of the situation (Dalkir 2013). Further, the problem of locating people with the required knowledge in the organization is another issue in the management of tacit knowledge of employees (Huber 1991).

Knowledge reuse/application is the ultimate goal of identification and sharing of knowledge. There are several problems identified in this step of knowledge management (Grant 1996a; Grant 1996b). First problem is called the absorptive capacity of the receivers of knowledge (Cohen and Levinthal 1990; Zahra and George 2002). It is suggested that the receivers of the knowledge may not have the cognitive capabilities to understand, evaluate and apply the shared knowledge. Second problem concerns the language difference between the contributors of the knowledge and the receivers of the knowledge which results in lack of
effective communication between the groups (Nolan 1998). The third problem concerns the credibility of the sources of knowledge. Receivers, especially those who do not have the full capacity to evaluate the shared knowledge may face difficulty in identifying the credibility of the sources of knowledge and in making decisions whether to apply the knowledge; i.e. change their decisions based on the received knowledge (Cohen and Levinthal 1990). Finally, it is important to understand whether the received knowledge is relevant to the situation at hand (Alavi and Leidner 2001).

**Knowledge management and sustainable competitive advantage:**

Motivated by knowledge-based view’s premise about the strategic nature of organizational knowledge in achievement of sustainable competitive advantage (Von Krogh 1998), the economic/traditional knowledge management started with the goal of achieving competitive advantage for the firm through management of the organizational knowledge. However, compared to the very large volume of the knowledge management literature, the studies considering this aspect of knowledge management are considered as rare. Further, the studies exploring the effect of knowledge management on the organization’s performance provided mixed results. While Haas and Hansen (2005) suggest that the use of knowledge management systems hurts the organizational performance since it deviates the employees’ attention from more productive activities, Gold et al. (2001) propose that investment in the knowledge infrastructure, and knowledge process capabilities do improve the organizational effectiveness. Gallivan et al. (2003), and Ko and Dennis (2011) suggest that the improvements of knowledge management on organizational performance has to be considered on a longitudinal dimension; i.e. the longer the use of knowledge management, the greater its positive impact on
the organizational performance. The shortcoming of the extant knowledge management literature is that the traditional knowledge management literature does not provide theoretical evidence, or managerial prescriptions for achievement of organizational competitive advantage with the use of knowledge management (Fahey and Prusak 1998).

**The social view to knowledge management:**

The traditional knowledge management literature viewed knowledge as an organizational asset held by individual employees. So, the role of knowledge management was to extract that asset from the minds of employees and to store it in the knowledge base of the organization for the benefit of the rest of the employees. This traditional view was an objectivist perspective to knowledge and knowledge management, which disregards individuals’ viewpoints and the cultural and contextual aspects of knowledge (Walsh and Ungson 1991). A large proportion of knowledge management literature, however, disagreed with this economic/objectivist view to knowledge, and asked for a revision and reconsideration of the basic assumptions and practices of knowledge management to represent the subjective, shared, social, contextual, and community specific nature of knowledge in an organization (Brown and Duguid 2000; Schultzze and Leidner 2002; Thomas et al. 2001). For example, Huysman and Wulf (2006) discuss the importance of contextual elements in identification of the relevance of knowledge to a situation, and they asked for a new class of context aware, and socially embedded knowledge management systems, which they call it the second generation of knowledge management.

**Propositions of social knowledge management:**

Stemmed from the subjectivist paradigm of the social sciences, the social view of knowledge management proposes the following propositions to the field of knowledge
management (Brown 1998; Brown and Duguid 2000; Dalkir 2013; Fahey and Prusak 1998; Huysman and Wulf 2006; Schultze and Leidner 2002; Thomas et al. 2001):

• Knowledge is the property of a group or community, rather than an individual person.
• Knowledge is time, space, and context dependent, rather than universal truth.
• Knowledge is socially constructed within the community, which means that knowledge is a local or an adapted imported product.
• Knowledge is not static but a flow, because within the community knowledge is under constant negotiation and refinement.
• Sharing a document representing an aspect of knowledge would not result in real knowledge transfer or learning in the receiver of the content. Because, information gets interpreted by the receiver, and in order to correctly interpret the information, people need to engage with it. In other words, learning would only happen through the experience of living within the social context and through interacting with the community of people living in those conditions, and not through reading a piece of document.

**Major theoretical perspectives of the social knowledge management:**

Research in the social knowledge management mainly uses two theories in its critical discussion of the traditional knowledge management; first, the theory of communities of practice from the field of organizational learning, and second, the social capital theory from the field of sociology. The underlying message of the two theories is the same. They both assume that knowledge is the property of the group, and that knowledge creation and transfer requires two fundamental components; a group of people with shared history of experience, and a shared language that works as the knowledge base for the community. Further, they both agree that that
the best way of creation, evolution, and transfer of knowledge is through direct communication of people (Brown and Duguid 2000; Lesser and Prusak 1999).

**Communities of practice theory** (Bennet and Bennet 2004; Boland Jr and Tenkasi 1995; Brown and Duguid 2000; Lave and Wenger 1991; Wenger 1999; Wenger and Snyder 2000): It is a theory from organizational learning discipline. The basic premise of this theory is that learning (and ultimately knowledge) is a collective act of a community of people. What unites this group of people is their practice. Knowledge is ubiquitous in all aspects of the community of practice, starting from the practice itself, to the structure of every single component constituting the social setting of the practice. Learning in a community of practice happens through the history of experiences of agents within the community. The more, and the longer the agent gets involved in the practice, and the community, the more and better he/she gets in understanding the shared knowledge of the community of practice. There are certain aspects of the community’s life that work as the knowledge base of the community. The most important one is the shared language, and the commonsense of agents within a community. However, none of the aspects of knowledge, and its structural components are constant. Because, meaning of all aspect of the social life in a community of practice is the subject of a constant process of negotiation and change.

**The social capital theory** (Lesser 2000): this theory was originated in the field of sociology, and its main proposition is that capital is not limited to the economic and financial resources that officially belong to an individual. But, capital has a social aspect that belongs to the groups that the agent is a member of (Bourdieu 1986; Granovetter 1985; Woolcock 1998).
Accordingly, social capital is defined as the collection of tangible and intangible (e.g. security) resources that an agent would have access to due to one’s membership in a social group of people (Adler and Kwon 2002; Huysman and Wulf 2004). Research on social capital has focused on two areas:

1) The structure and constituting components that operationalize the concept of social capital. Among the structural components making up the social capital are: a network of connected individuals and groups, trust generated out of a history of reciprocal relationships, and a shared language that makes up the instrument of communication in a group (Burt 2000; Burt 2009; Granovetter 1977; Hansen 1999; Hansen 2002; Nahapiet and Ghoshal 1998).

2) The benefits and consequences of belonging to a community, and acquiring the social capital attached to that group of people. Among the most well-known and most studied effects of social capital is its positive effect on knowledge sharing and circulation within and between communities of people (Alavi et al. 2005; Leana III and Van Buren 1999; Nahapiet and Ghoshal 1998).

**Problems of the social view to knowledge management:**

The most obvious and the most important issue with the social view of knowledge management is that almost all aspects of the social knowledge are considered as tacit knowledge of agents in a community, and therefore, have no tangible aspects that can be organized and managed with the traditional methods of knowledge management (Narayan and Cassidy 2001). Even language that has some tangible properties obtains its meaning and interpretation from the contextual conditions of the situation which are again tacit knowledge (Walsh and Ungson 1991). That’s why the social view’s literature only focus on improvement of direct
communication between the agents so that the transfer of tacit knowledge improves (Baskerville and Dulipovici 2006). The use of IT systems is also limited to the communication technologies that allow people virtually interact together, and the focus of the literature is on improving the social characteristics of the IT communication systems that better resemble the characteristics of a physical communication of individuals (Alavi and Leidner 2001; Fahey and Prusak 1998).

The second problem is that components of the social knowledge are not well defined. For instance, culture, trust, language, social capital, practice, social relationships, and context are aspects of social knowledge management that have no clear and agreed upon definitions that can be used in the management of tacit knowledge. Accordingly, one can find different operationalization of these constructs in the literature which increases the confusion to knowledge management (Nahapiet and Ghoshal 1998; Narayan and Cassidy 2001).

**Knowledge management’s assumptions related to the information technology:**

The economic/traditional knowledge management views IT’s capabilities limited to expedited and efficient storage and retrieval of data and documents. However, this view, implicitly, believes that IT is not able to feel the contextual factors of the situation in order to provide relevant content to the knowledge workers (Thomas et al. 2001). The social knowledge management, on the other hand, views IT’s social capabilities limited to provision of communication platform for virtually connection of people. But IT is not able to feel the social relationship of people together in order to provide relevant content to the social context (Schultze and Leidner 2002).
Conclusion:

This literature review was only intended to present an overall picture of the studies in the field of knowledge management, and was not aimed to provide a comprehensive picture of this literature. Here, the intent was to identify the major trends of research in this area, understand their perception about the concept of knowledge, their theoretical assumptions, their perspective towards management of knowledge, and finally their perception and use of the information technology in the process of knowledge management. Considering the conceptual nature of this research, the purpose of this analysis was to identify the major theoretical obstacles and gaps in the analysis of knowledge management. Accordingly, the major theoretical problems of the field of knowledge management can be summarized as follows:

1) The most important problem in this field is the taken-for-granted belief in the classification of knowledge into the tacit and explicit categories. Management of anything requires that the manager has a clear and detailed understanding about the object that is being controlled and organized. The current classification of knowledge into the two classes of tacit and explicit knowledge does not provide the managers a clear understanding about the structure and the content of the organizational knowledge.

2) The second problem is related to the definition and scope of knowledge in the different perspectives to knowledge management. There is no clear definition about knowledge in any of the two major viewpoints in the knowledge management literature. Different studies make different operationalization for knowledge, with somewhat different underlying assumptions about the nature of knowledge (Fahey and Prusak 1998; Schultze and Leidner 2002).

3) The limited role of IT in the practice of knowledge management: whereas in practice, knowledge management is generally equivalent to the implementation of a specific type of
knowledge management technology in the organization (Fahey and Prusak 1998), knowledge management research assumes limited capabilities for the information technology in support of knowledge management practice (Alavi et al. 2005). This limited perspective to the practice of knowledge management has a contradictory implication in itself. Because, while the knowledge management literature clearly distinguishes knowledge from data and information, knowledge management systems only support the organization and management of raw data and documented information, leaving the knowledge specific attributes untouched (Alavi et al. 2005; Nonaka and Konno 1998).

4) Finally, while the traditional knowledge management was initially started with the aim of achieving sustainable competitive advantage for the firm, its theoretical and empirical discussions did not provide clear directions for achieving that important goal for organizations.
Chapter 3:

Strategic Management

Introduction:

The focus of this literature review is on two of the major paradigms in the study of strategic management; i.e. industrial organization view (IO), and resource-based view (RBV) of the firm. Both of these paradigms are economic perspectives to the practice of the firm, because the objective of both of these views is achievement of superior, above average financial profits for the firm in an industry (Barney 1986c; Conner 1991). Different economic theories have various perspectives about the idea of above average returns. On the one hand, the neoclassical perfect competition theory claims that above average returns are not feasible in an industry, because this theory assumes that resources are perfectly mobile, and that information access is available to all parties. Therefore, the whole purpose of the firms is to transform inputs to outputs in an equilibrium price, calculated mathematically (Conner 1991). On the other hand, the economic theory of industrial organization proposed by Bain claims that certain structural conditions of the industry allow particular firms to achieve above equilibrium profits. However,
this above normal returns are viewed as indication of monopolistic and collusive practices of some of the large firms, and the reason for this analysis is to help policy makers to limit these types of practices (Barney 1986c; Conner 1991). Despite the initial purpose of development of the industrial organization theory, Michel Porter uses this theory in a reverted order; i.e. to help organizations achieve above normal returns (Barney 1986c). Similarly, resource-based view (RBV) shares the same goal as that of industrial organization (IO) (i.e. superior profits for the firm), however the difference is in terms of the approach for achieving this goal (Conner 1991). While IO analyzes the external, industrial structure of the industry as the basis for its strategy development, RBV focuses on the internal resource structure of the firm as its own basis. The following sections describe these two approaches to strategic management and present the major differences between them. The questions in this literature review are: the approach of each paradigm in strategic management, their underlying assumptions, the applications of each paradigm, and the problems and shortcomings of each paradigm.

1. **Porter’s Industrial organization view (IO) to strategic management:**

Porter is an economist who imported the industrial organization theory into the field of strategic management (Porter 1981; Porter 1983). He criticizes the field of strategy prior to his contributions as lacking direction and rigor in terms of defining the purpose of strategy development, and implementing the identified strategies (Porter 1983). Using his economics background, he defines strategy as the plan of a firm for achieving competitive advantage in an industry, where competitive advantage means making above average returns (Porter 1980; Porter 1985; Teece 2000). Having identified his definition of strategy, he also finds the field of strategy
lacking a generalizable answer to the question of strategy development. Therefore, he identifies his main scientific contribution as identifying the answer to the following multipart question (Porter 1980; Porter 1983; Porter 1996):

How to make a comprehensive general theory of competition applicable to all industries and all times, which addresses the following concerns:

1. How to assess the attractiveness of the industry? i.e. What are the competitive forces that identify the state of competition and profitability of an industry? Or, how to study and predict the behavior of different players in the industry including the rivals?

2. How to understand the competitive position of the firm (or a business unit) in the industry? i.e. how to find the relative position of the firm (or a business unit) compared to the rivals in the industry?

3. Considering the structure of the competitive forces in an industry, what are the available general paths toward the competitive advantage position relative to the rivals in that industry? Which strategic path would best fit the capabilities of the firm?

4. How to go about the application of the chosen strategy? How to translate the chosen strategy into tangible organizational activities performed by different business units?

In fact, according to Porter, the answer to these questions provides a competitive strategy for the firm. However, Porter’s goal is to provide a generalizable theory for answering these questions in all industries (Porter 1983). To that end he finds the economic theory of industrial organization introduced by Bain (Bain 1956; Bain 1968; Bain 1972) a promising candidate. Particularly, the focus of Porter’s theory is on the structure – conduct – performance trilogy shown in Figure 1 (Conner 1991; Porter 1981; Porter 1983).
Bain’s industrial organization theory suggests that structural conditions of an industry identify the conduct of the firms in that industry, and the collective conduct of the firms in the industry identify the overall performance of the firm in the industry. Furthermore, since the conduct of the firms in an industry is assumed to be a direct result of the industry structure, therefore, Bain suggests that we can ignore the conduct and determine the industry’s overall performance directly by looking at its structure (Barney 1986c; Conner 1991; Porter 1981; Porter 1983). Therefore, we can see that there are two forms of Bain’s framework:

1. Industry structure $\rightarrow$ Firm conduct (strategy) $\rightarrow$ Firm performance, and

2. Industry structure $\rightarrow$ Average industry performance

Porter uses both forms of Bain’s theory to generate his competitive strategy framework. He uses the second form of Bain’s theory to assess the attractiveness of an industry, and the first form for strategy development for the firm (Porter 1996).

Industry structure is used in both versions of Bain’s theory. Porter made an important contribution in expanding and clarifying the concept of industry structure. While Bain’s definition of industry structure was limited to barriers to entry, industry concentration, and product variety (Barney 1986c; Conner 1991), Porter provided a general framework for the competitive forces applicable in all industries. Figure 2 shows Porter’s five forces framework of industry structure (Porter 1979; Porter 1980; Porter 1985).
Industry attractiveness for Porter is the level of average profitability of businesses in an industry. So, the industrial organization’s proposition is that analysis of industry structure allows a firm to identify, and predict the attractiveness of an industry. The goal here is to use the industry structure framework proposed by Porter to analyze the attractiveness of an industry (Porter 1980; Porter 1996). For instance, the airline industry is among the lowest industries in terms of the profitability worldwide (Porter 1996). Porter’s five forces framework can be used to explain this phenomenon. In the airline industry, threat of new entry is high because even companies with limited financial capacities can borrow aircrafts and enter the business. Also, since the capacity of differentiation between rivals is limited, the bargaining power of buyers over prices is high. Bargaining power of suppliers is similarly high, because airline companies require services from specific suppliers such as airports and airplane manufacturers. Both of these suppliers have some level of monopoly over their supplied products and services and therefore have high levels of bargaining power on the airline companies. Additionally, other...
Transportation methods are always available as substitutes to airline services. Despite all these forces, the rivalry among the firms in this industry is also substantially high. All these factors together make the airline industry not so much attractive for investment (Porter 1996). Similar analysis can be applied to other industries to come up with a sense of the industry’s attractiveness. For instance, the software development industry is considered among the high profitability industries, because most of these structural forces have limited influence on that industry (Porter 1996).

Having studied the structure of an industry, one can have an expectation of the level of average return on investment in that industry. This understanding is the basis for the first decision in the process of strategy development, which is whether to initiate an investment in that industry or not. This decision is depending on the difference between the average return a firm is planning to achieve and the result of the industry analysis based on Porter’s framework (Porter 1980; Porter 1996).

The second decision in the process of strategy development is related to identifying the planned position of the firm in terms of profitability compared to the rest of the rivals. For Porter, strategy is equivalent for planning to achieve competitive advantage, or achieving above average returns in the industry. So, the industry attractiveness analysis allows the firm to assess its current position compared to the rivals, and to plan for above average position in the industry (Porter 1980; Porter 1985).

Achieving above average return is exactly the opposite of the initial purpose for Bain’s industrial organization theory (Barney 1986c). From Bain’s standpoint above normal returns are the result of monopolistic activities of large firms which either limit the supply of products to raise the prices artificially, or conversely increase the supply and decrease the prices deliberately.
to eliminate new entrants. While Bain’s purpose was to assist government policy makers to control these monopolistic behaviors of the firms, Porter’s goal is to help organizations achieve the monopoly position in an industry (Barney 1986c; Conner 1991; Porter 1980). Porter believes that the first form of Bain’s theory can be used by firms to develop strategies that help organizations achieve this goal. Bain’s theory suggests that industry structure determines the company’s conduct (strategy), and together they determine the firm’s performance (Barney 1986c; Porter 1981; Porter 1983). The difference between Porter’s IO theory and that of Bain’s is that while Bain believes that the firm’s conduct is a direct product of the industry structure, Porter claims that firms’ strategies have the capacity to influence the structure of the industry in such a way that helps the firm achieve the competitive advantage compared to the rivals (Porter 1981; Porter 1983). So, if for example the bargaining power of the buyers is high in an industry, a good strategy for a firm would be to differentiate its products so that buyers become willing to pay premium prices for the product, and therefore, loose their bargaining power over the price. This means that the relation between a firm’s conduct and the industry structure is not totally a one-sided relationship in which the firm’s conduct is the mechanical output of the industry structure as suggested by the original industrial organization theory of Bain (Porter 1981). This means that firms and their conduct (strategies) have the potential to influence the industry structure in the firm’s favor (Porter 1981; Porter 1983).

From Porter’s point of view, the monopolistic above average returns only can be achieved through one of two generic strategies; cost leadership and differentiation (Porter 1985; Porter 1996). The cost leadership strategy depends on the economies of scale for reducing the production costs, and therefore producing lower prices to the buyers. The goal of this strategy is to satisfy the bargaining power of the buyers while trying to compete with the bargaining power
of suppliers, and at the same time increasing the barriers of entry for new competitors. In cost leadership strategy, the firm should impose high pressure on the suppliers not to raise their prices in order to control the total cost of production (Porter 1980; Porter 1981; Porter 1985; Porter 1996). The disadvantage of this strategy is that it requires great dedications to the status quo in terms of the customer types and the variety of products in the industry and therefore leaves the space for innovators to come up with game changing substitutes that may change the dynamics of supply and demand (Barney 1986c; Conner 1991).

On the other hand, the goal of differentiation strategy is to provide high value products to the buyers for which they are willing to pay premium prices. Through deactivating the bargaining power of the buyers, the firm’s flexibility to suppliers’ bargaining power increases. The differentiation strategy is not sensitive to the new entrants, but reduces the threat of substitutes by satisfying the needs of buyers in innovative ways (Porter 1980; Porter 1981; Porter 1985; Porter 1996).

One more aspect of the firm’s strategy is related to the scope of its application. Porter classifies strategies into two groups of broad and narrow (focus) strategies. Broad strategies are those that cover a large portion of the industry’s production activities, while the narrow strategies are directed towards satisfying a specific segment of the industry. Combination of the scope and the two generic strategies would create a framework of generic strategies depicted in figure 3 (Caves and Porter 1977; Porter 1985).
Focus strategies are the application of the cost and differentiation strategies in a particular segment of the industry, producing a competitive advantage for the firm in that particular segment rather than the whole industry. Focus strategies follow the same process as that of the broad strategies; i.e. the strategy development starts by analysis of the structure of the segment, assessment of its attractiveness, decision of a particular competitive position and application of either cost or differentiation strategy towards achievement of the competitive advantage between the rivals in that segment (Caves and Porter 1977; Porter 1985).

To that end, the strategist requires to identify the industry segments called strategic groups (Caves and Porter 1977; Porter 1980; Porter 1985). Porter’s theory determines the segmentation of an industry along two dimensions; buyer segments, and product segments. Figure 4 shows Porter’s conception of market segmentation. Depending on the industry, the segmentation of buyers and products differ. Segmentation of buyers starts by distinguishing buyers of consumer goods from industrial and commercial buyers. For consumer goods, some key factors contributing in buyer segmentation include: demographics (e.g. age, sex, income,
household size, social class), lifestyle, and purchase occasion. For industrial and commercial buyers, factors include buyer’s industry, technological sophistication, vertical integration, size, and financial strength. To identify product segments, factors such as product varieties, physical size, price level, features, inputs, and packaging should be considered (Porter 1985).

Figure 4 shows that decision of which segment/s to choose depends on the competitive forces influencing that segment’s production practice. Threat of mobility describes the potential of producers in other segments to participate in the competition in that particular segment of the industry. The other competitive forces are common between the industry structure and segment structure (Caves and Porter 1977; Porter 1985).

**Implementation of the strategy:**

Decision about the general strategy for a firm depends on the firm’s management’s answer to three basic questions; What industry to enter? Which buyers to choose in that industry, and what types of their needs to satisfy? What general path to choose in that industry; i.e. cost
leadership or differentiation? Answers to these questions give us a big picture about the firm’s strategy (Porter 1996). Then, the firm needs to implement the strategy. Porter’s value chain theory is his proposal for strategy implementation (Porter 1985; Porter 1996).

Porter’s theory is an activity-based view to the firm. In other words, the firm is composed of groups of organized and interrelated activities that shape the internal structure of the firm. The value chain theory claims that firms should only focus on activities that produce values for buyers, and eliminate no-value-added activities. Value for Porter is anything that the buyers are willing to pay for it. So, Porter provides a general framework for all possible types of categories of activities that generate value for buyers in all industries, show in figure 5 (Porter 1985).

![Porter's value chain framework](source: Porter 1985)

Implementation of the strategy means translation of the general strategy into the different groups of activities. The focus on different groups of activities, and the combination and integration of the different types of activities are depending on the industry and strategy. So, a cost focus strategy in the furniture industry makes a very different value chain compared to a
differentiation strategy in the insurance industry. Further, the particular capabilities of the firms in particular activity groups, and in efficiently integrating different groups of activities within the value chain makes a significant difference in success of the strategy implementation (Porter 1985).

2. Resource-based view of the firm (RBV):

The second major paradigm of research in the field of strategic management is the resource-based view of the firm. Similar to industrial organization (IO), resource-based view is a theory with an economic background, which identifies the goal of strategy development as achieving sustainable competitive advantage (Barney 1991) or superior profits compared to the rivals (Teece 2000). Economic measures of performance include return on sales, operating profits, and market share (Miller and Shamsie 1996). In 1991, a series of seminal articles in the Journal of Management edited by Jay Barney established resource-based view as a new strategic paradigm, complementing the industrial organization view (Barney 1991; Barney 1986c; Conner 1991) for explanation of the sustained competitive advantage of a firm (Barney et al. 2011). Therefore, it seems reasonable to start the discussion of resource-based view with a comparison between the discussion of industrial organization view (IO), and resource-based view (RBV) of the firm. Table 1 presents this comparison.
Table 1: Comparison of IO and RBV theories

<table>
<thead>
<tr>
<th></th>
<th>IO</th>
<th>RBV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy’s goal</strong></td>
<td>Financial competitive advantage</td>
<td>Financial competitive advantage</td>
</tr>
<tr>
<td><strong>Analysis</strong></td>
<td>Industry structure</td>
<td>Firm resources</td>
</tr>
<tr>
<td><strong>View of firm’s goal</strong></td>
<td>Activity-based view</td>
<td>Input → Output</td>
</tr>
<tr>
<td><strong>Industry/External structure</strong></td>
<td>Stable/predictable structure</td>
<td>Constantly changing structure</td>
</tr>
<tr>
<td><strong>Expectation about the future value of inputs</strong></td>
<td>- Perfectly predictable, and</td>
<td>- Partly based on internal capabilities</td>
</tr>
<tr>
<td></td>
<td>- Identical between rivals</td>
<td>- Partly, luck</td>
</tr>
<tr>
<td><strong>Evaluation of opportunities and threats</strong></td>
<td>Consensual and identical evaluation of the industry structure</td>
<td>Based on the idiosyncratic attributes and the history of the firm</td>
</tr>
<tr>
<td><strong>Mobility of resources and information</strong></td>
<td>Perfectly mobile and imitable</td>
<td>Strategic resources and info: inimitable and idiosyncratic</td>
</tr>
<tr>
<td><strong>Source of competitive advantage</strong></td>
<td>Competitive position compared to rivals</td>
<td>Internal, inimitable (hard to buy) idiosyncratic resources</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Avoiding opportunism</td>
<td>Efficient integration of inputs and resources to produce outputs</td>
</tr>
<tr>
<td><strong>Sources of competitive advantage</strong></td>
<td>Monopolistic behavior (beating the competitive forces)</td>
<td>Innovative, knowledge-based output production</td>
</tr>
<tr>
<td><strong>Firm’s activities</strong></td>
<td>Direct result of outside structure</td>
<td>Result of expectation about the future value of resources</td>
</tr>
</tbody>
</table>

While the industrial organization view to the practice of the firms can be identified as an objectivist view to the theory of the firm, resource-based view is a subjectivist criticism of the fundamental assumptions of the IO theory. In this study, the theory of resource-based view is explained in terms of the three major criticisms of RBV about the theory and practice of IO theory:

1. **Firm as a collection of activities vs. collection of inputs that produce the firm’s output:**
The first major difference between Porter’s IO theory and RBV is in their perspective to the firm. On the one hand, Porter views the firm as a collection of activities that are coordinated together in order to produce the product of the firm (Porter 1985). On the other hand, RBV views the firm as a machine for integrating resources (inputs) to produce outputs (Conner 1991; Grant 1996b). That’s the reason that the purpose of the firm in the IO view is fundamentally different from that of RBV. Whereas the purpose of the firm in IO is to perform preventive activities to remove the threats of opportunistic activates of different stakeholders in the industry, the purpose of RBV is to achieve most efficient and effective integration of resources to produce more profitable outputs (Barney 1986c; Conner 1991; Peteraf 1993).

2. Homogeneous and perfectly mobile resources and sustainable competitive advantage:

The second and most important criticism of RBV to the IO paradigm is the fact that IO’s practice inherently presumes assets, capabilities, and best practices as readily available and transferable to all firms in the industry, and therefore, the idiosyncratic differences and attributes of the firms cannot be considered as a source of sustainable competitive advantage for a firm. Porter claims that achieving competitive advantage assumes that firms are already using best practices in their industry, but using best practices is not a source of competitive advantage. Because, if it is a best practice for one firm, it can easily be the best practice for every other rival in the industry (Porter 1996). This proposition incorporates the belief in that all firms in the industry are homogeneous in terms of their resources, capabilities, and practices.

RBV’s proposition 1:
Accepting differences and uniqueness as sources of sustainable competitive advantage: If a firm has sustained competitive advantage in an industry, therefore it has idiosyncratic and hard to copy resources, not owned by its rivals.

The message of the first proposition of RBV is that a firm cannot have a sustainable competitive advantage unless it has idiosyncratic and inimitable resources which differentiates it from other firms, as shown in figure 6. There are two underlying assumptions for this proposition; first, that firms within an industry do not necessarily have homogeneous resources; i.e. firms can have significant differences in terms of their resources and capabilities. Second, idiosyncratic resources are not perfectly mobile; i.e. assets, information, and capabilities underlying the difference of firms’ performances cannot be readily transferred between firms (Barney 1991; Conner 1991; Peteraf 1993).

So, the main question that RBV answers is opposite to that of IO; i.e. while IO tries to answer how to reach sustainable competitive advantage (SCA), RBV tries to explain why a successful firm has achieved the SCA. However, the more important question is how to understand what resources are the sources of SCA. Barney (1991) proposes a framework for identifying the specific resources that generate the basis for the firm’s SCA (Wernerfelt 1984). In his VRIN framework, Barney (1991) describes the attributes and qualities of these differentiating
resources that are the source of SCA for the firms as valuable, rare, inimitable, and non-
substitutable resources. In other words, he claims that a resource, in order to be the source of
SCA needs to have the following attributes:

a) It needs to be valuable resources; i.e. it is capable to exploit the opportunities and/or
neutralize the external threats to a firm (Kraaijenbrink et al. 2010).

b) It needs to be a rare resource; i.e. the resource is not readily available to purchase or
acquire from the firms within the industry, or in potentially relevant industries.

c) It needs to be an inimitable resource; i.e. the firms within the industry or potential
relevant industries cannot reproduce or copy the resource. This means that the resource is
idiosyncratic to the firm (Lippman and Rumelt 1982).

d) It needs to be a non-substitutable resource; i.e. no other resources can effectively
reproduce the value and effects of this resource (Dierickx and Cool 1989).

**Inimitability of resources:**

In RBV, inimitability or difficulty of copying the resource is the most important attribute
of a resource that is the source of SCA for a firm. So, RBV scholars determined particular
attributes of these resources that make them imperfectly imitable:

1. Causal ambiguity: there should be an unclear relationship between the sources of
SCA and their effect on the performance of the firm (Barney 1991; Lippman and
Rumelt 1982; Peteraf 1993).

2. Social complexity: some of the firm’s resources such as reputation or culture (Barney
1986a) of the firm incorporate highly sophisticated social aspects associated to it.
These aspects that deal with the relationships of people within the company, or the
relationship of external people with the company encompass many detailed attributes associated with them that make them difficult to imitate by rivals (Barney 1991; Rumelt 1987).

3. History of the firm: Another major difference between the RBV and IO theories is the fact that IO completely ignores the history of the firm as an indicator of the firm’s performance. RBV assumes that history may have two impacts on the performance of the firm. First, the value of some of new resources to the firm is depending on the accumulated some of resources already acquired by the firm (Conner 1991). Second, RBV implies that some of resources have contextual value; i.e. their value is time and space dependent. Those firms that possessed the resource at that particular moment in time and space would benefit from its contingent value adding attributes while others would not (Barney 1991).

3. Innovation; dictated by the industry structure or the result of vision and intuition of the top managers?:

RBV accepts the two generic strategies of the IO – i.e. cost leadership, and differentiation – as the only viable strategies in guiding the firms towards sustainable competitive advantage (Conner 1991). RBV regards both of these generic strategies as instances of innovation, in which the firm uses its resources and capabilities in an inimitable way to influence the structure of the industry to the firm’s benefit (Barney 1986c; Conner 1991). Although the goals are the same, RBV’s approach to achieving these innovative targets is different from that of IO. While IO’s goal is to reach to a monopolistic position in the industry, RBV’s goal is to achieve most
effective and efficient combination of resources that produces the most valuable output for the firm (Barney 1986c; Conner 1991).

IO’s approach is a pure objectivist perspective to the application of the generic strategies. Because, it assumes that the structure of the industry directly and mechanically dictates the best strategy for the firm. However, RBV takes a purely subjective standpoint to the generic strategies, since it assumes that the managers’ intuition and acumen is the determiner of the best strategy for the firm (Barney 1986b; Conner 1991; Foss and Foss 2008; Foss et al. 2007).

**Industry structure; predictable or changing unpredictably?**

In fact, the core difference between IO and RBV regarding the expectation of the future is in terms of their assumption about the future of the external structure within which the firm is working. While IO assumes that the industry structure is either constant or perfectly predictable, RBV assumes that game changing, revolutionary innovations are one of the essential attributes of capitalism, and therefore, it is not feasible to expect predictable future for the industry (Barney 1986c; Conner 1991; Schumpeter et al. 1950). Game changing innovations would redefine the value of resources of the firms, and therefore would change the competitive position of the firm within the industry (Barney 1986c). Accordingly, the definition of sustainable competitive advantage (SCA) is slightly different between RBV, and IO. SCA according to RBV is the competitive advantage sustained for a firm despite the regular imitation and copying trials of the rivals until the next game changing innovation which would completely change the evaluation of the competitive position of the firms in the industry (Barney 1991).

RBV, however, suggests that it is important that, despite the possibility of revolutionary changes in the industry, firms have a sense of intuition, vision, and expectation about the future
value of their current resources, and about the possibility of success of their new investments and innovative actions (Barney 1986b; Conner 1991). Barney (1986b) suggests that in order to make above normal returns (i.e. competitive advantage), firms need to make better expectations about the future value of their investments than their rivals. However, he claims that making such expectations cannot be done based on the analysis of industry structure alone (according to IO), because this information is readily available to all the participants in the industry and therefore would produce similar expectations for all. Barney (1986b), however, proposes that if managers make their expectations based on assessment of their internal resources, their expectations about the future value of their initiatives would be more accurate, because these expectations are based on information proprietary to the firm, and according to the perception of the managers about the sources of the competitive advantage of the firm compared to the rivals (Barney 1986b).

However, in RBV, luck plays an important role in the survival of the firms in the process of their innovative initiatives, and in terms of their potential to cope with the continuous changes of the industry’s structure. In other words, it is important that firms do make an industry analysis for understanding the competitive forces in the industry (suggested by IO), and also use the available methods for strategic planning such as Barney’s (1991) VRIN framework. However, despite all these activities, “luck” would play an important role in effectiveness of their strategizing activities (Barney 1986b; Barney 1986c; Conner 1991; Rumelt 1997).

**RBV’s proposition 2 (a):** Expectations about the future performance of the firms based on the manager’s intuition is more accurate than the IO’s predictions based on analysis of industry structure.
**RBV’s proposition 2 (b):** The future state of the industry structure cannot be perfectly predicted, and “luck” plays an important role in the performance of firms, despite their strategizing activities.

**Criticisms of RBV:**

Many authors criticized the shortcomings of the RBV theory from different perspectives (Conner 1991; Gibbert 2006a; Kraaijenbrink et al. 2010; Miller 2003). This review emphasizes on a few of the most important ones.

One of the most important criticisms of RBV is regarding the relationship shown in figure 7, borrowed from (Barney 1991). Barney’s (1991) paper is most well-known for formulation of the core message of RBV theory. The whole discussion of the paper is about explanation of sustained competitive advantage (SCA) in most successful businesses. Then, Barney presents the VRIN framework in which he identifies the attributes of resources that have the capacity to be considered as the sources of SCA in those successful firms, and finishes his paper with a theoretical model (figure 7) that looks like a causal relationship between the VRIN attributes and sustained competitive advantage.

![Figure 7: VRIN resources and sustained competitive advantage (source: (Barney 1991))](image)
Many authors criticized this relationship as not applicable (Connor 2002; Miller 2003), or not generalizable (Conner 1991; Gibbert 2006a; Gibbert 2006b), and that VRIN is neither necessary, nor sufficient for achieving SCA (Kraaijenbrink et al. 2010; Makadok 2001; Miller and Shamsie 1996). It seems that that there is a misperception underlying all these criticisms of RBV. In fact, as explained in the first proposition of RBV, considering the core message of (Barney 1991) paper, and other seminal papers describing the foundations of RBV theory (Conner 1991; Peteraf 1993), the direction of the relationship between VRIN and SCA is the opposite of that shown in figure 7. In fact, the core of this problem seems to be that, while the critics expect an objectivist causal formula from the RBV theory, RBV is a subjective view to the question of sustained competitive advantage, and its main goal is to invite scholars and managers to take a subjective perception and vision about the sources of competitive advantage of the firm. Further, rather than making statistical prediction about the chances of achieving SCA, the intention of RBV is to make subjective expectations about the possible success of strategic decisions of the firm such as the decision to invest in new resource, or to diversify and so on, and provides a significant space for “luck” to determine the fate of the strategic decisions (Barney 1986b; Conner 1991; Peteraf 1993).

However, there are other critics who acknowledge this subjective aspect of RBV, but they argue that RBV, despite its subjective core, does not sufficiently recognize, elaborate and theorize about the details of the individual judgment, or the mental models of the entrepreneurs and managers (Conner 1991; Foss and Foss 2008; Foss et al. 2007; Kraaijenbrink et al. 2010).

Another important criticism of RBV is related to the concept of “causal ambiguity” (Barney 1991; Barney et al. 2011; Lippman and Rumelt 1982; Peteraf 1993). The problem is that it is believed that, through an internal analysis of the resources and competencies of the firm, one
can potentially find *individual* resources, or separate groups of resources that are the sources or causes of sustainable competitive advantage of that firm. Critics argue that focus on individual resources as causes of performance is not feasible, because resources do not impact the performance of the firms independently (Conner 1991). Rather, it is the value of synergistic combination of the bundle of resources that make up the firm that can be considered as the source of differential performance between the firms (Kraaijenbrink et al. 2010; Peteraf 1993; Teece 2007).

Additionally, a major ambiguity in the RBV literature is about the concept of “resource” itself (Miller and Shamsie 1996). While the founders of RBV classify resources into the tangible (inputs, and assets), and intangible (capabilities, and know-how) resources, critiques argue that the concept of resource is tautological in RBV, and at some point everything, including “sustainable competitive advantage” itself would be considered a resource (Conner 1991; Kraaijenbrink et al. 2010; Lockett et al. 2009). The RBV literature is missing a clear classification, and categorization of resources in order to identify how different types and classes of resources would contribute differently to the performance of the firm (Conner 1991; Peteraf 1993). Further, Conner (1991) proposes a hierarchical structure for resources in which the individual employees’ capabilities constitute the lowest level of resources, and the higher levels of organizational resources such as organization’s culture and reputation represent the integrated and common resources shared by all employees.

One last important shortcoming of RBV is its lack of attention to the contextual conditions and their effect on the value generation of resources. Miller and Shamsie, in their annual best paper award winner at the Academy of Management Journal (1996), operationalized the concept of resource into the two major categories of property-based resources and
knowledge-based resources, and found a positive relationship between the hard to buy or imitate resources (of both types) and the performance of the firms. However, they found that this positive relationship is depending on the type of the task they are to serve, and the environment in which they must function. So, the stable and predictable conditions favored the performance of the firms with property-based resources, and did not reward the firms with knowledge-based resources, and the opposite was true for periods of uncertainty and instability.

**Conclusion:**

The analysis of the literature in the strategic management discipline presented in this review focused on the two major paradigms in this discipline; Porter’s industrial organization (IO) view, and resource-based view (RBV) of the firm. It was shown that as a subjectivist perspective, resource-based view of the firm tried to solve some of the shortcomings of the objectivist perspective of Porter’s IO strategic management. While Porter’s IO focused on the external conditions of the industry structure which revealed the opportunities and threats for the firm, RBV tried to generate an internal perspective, and a managerial mental model of the capabilities of the firm which helps the managers make better expectations about their future investments and diversification efforts, and would alert them which resources they should keep untouched in order to sustain their competitive advantage in the industry.

However, besides their principle differences in their view to the firm, to its internal and external structures, and to its value generating elements, IO and RBV both share some problematic characteristics that impede their effectiveness:
1. Both of these theories have economic backgrounds, and therefore they both consider the economic profits, as the only measure of performance, and the only reason for which firms and organization may work or exist. In this way they lose the opportunity to consider social, cultural, and political aspects of the firm as potential value generating aspects of the activities of the firm.

2. Both IO, and RBV dismiss the conditional and contextual nature of their analysis. It is perfectly possible that opportunities and threats of the external environment, and the potential value of internal resources have contingent applicability and that different social and contextual conditions alter the influence of these structural attributes on the performance of the firm (Miller and Shamsie 1996).

3. They both assume the practice of strategy development exclusively the task of top managers, and that the rest of the organization are mechanical executers of the organizational strategy, with no significant influence on the process of strategy development. Further, both IO and RBV limit the scope of strategizing to the organizational level, and do not discuss the possibility of strategy development in the departmental, group, and individual levels in the organization. This implies that the field of strategy assumes that agency is limited to the top management of the organization, and accepts no agency for other actors in the organization.
Literature Review – Part Two:

Chapter 4: Bourdieu’s Practice Theory
Bourdieu’s practice theory:

1) Introduction: Why Bourdieu’s practice theory?

Bourdieu was a French sociologist. His focus was on understanding why people do what they do the way they do it. Accordingly, he finds his goal similar to that of social sciences (Bourdieu 1990). Bourdieu classifies social sciences into two paradigms of objectivism and subjectivism, and explores the study of social life from both of these approaches. Bourdieu finds a complete opposition between objectivism and subjectivism, in both ontological and epistemological aspects. On the one hand, objectivism solely focuses on observable attributes of the agents and institutions, paying no attention to the agents’ perceptions and representations. On the other hand, subjectivism solely focuses on how agents actively assign meaning to the social world around them, and how they consciously set goals for their actions and pursue towards fulfilling those goals, completely neglecting the constraining attribute of the social structures (Bourdieu 1989). He finds this opposition artificial and tries to reconcile these two paradigms through introduction of a new approach to social studies which integrates the main contribution of these two approaches while disagreeing with some of their major basic principles (Bourdieu 1990). Bourdieu believes that what drives people’s actions is their knowledge about the social world, and accordingly he refers to his work as sociology of knowledge due to his focus on agents’ knowledge in constructing the social world, and he argues that this knowledge is socially constituted and structured (Bohman 1997). Perception of the social world (the structural knowledge) is objectively structured since the objective attributes of agents and institutions determine what culture do they belong to and what social positions they occupy within that culture, and accordingly what level of power do they possess within that society. Subjectively it
is structured, since categories, classifying people and other social objects and the relative social power of those classes are socially structured realities which have the explicit consensus of the whole group (Bourdieu 1985). However, contrary to objectivism, Bourdieu believes that these structures are socially produced and that agents through their daily interactions continuously contribute in reproducing or changing these social structures. Therefore, agents do have freedom to make choices and to impose their viewpoint to their society, however, agents’ freedom is limited within the social and mental structures that constrain its scope (Bourdieu 1977; Bourdieu 1990; Bourdieu and Wacquant 1992).

Bourdieu named his approach as “practice theory” because he believes that the researcher has to leave all of her assumptions and taken for granted beliefs about the social life aside, and to approach the social life in order to acquire the perspectives, beliefs, assumptions and viewpoints of the agents living in the field of practice, and not to impose her viewpoint to the social setting (Bourdieu 1977).

2) Bourdieu and objectivism:

This review will first describe objectivism from Bourdieu’s point of view, and then discuss how Bourdieu agrees or opposes with it. According to Bourdieu, social science in its objectivist moment is a “social topology” (Bourdieu 1989). Which means that objectivists focus on the objective conditions (observable, and measurable living conditions of agents such as their sex, age, economic capital, educational capital, occupation …) of the agents. Objectivism classifies the agents into social groups and classes based on these statistical data collections and tries to establish logical (reason based) relations between these values and the intended and observable attributes of those agents. Therefore, objectivism has a macro vision to the social
Objectivism makes a complete break with agents’ perception and viewpoints in its analysis (at least as the independent variable). Therefore, in naming the social classes identified through the objective classification, objectivism refuses to use common-sense constructs and concepts. Rather, it reserves the right of classification and definition of constructs and concepts to the researcher only (Bourdieu 1977; Bourdieu 1989).

Similar to objectivism, Bourdieu believes that sociology starts by objectively classifying agents based on their attributes and independent of their perceptions. However, he opposes objectivists when they use one or a few attributes to identify social classes, and then use these attributes as independent variables to predict other attributes as dependent variables. Bourdieu believes that attributes classifying agents into objectively distinguishable social classes should be considered collectively as a whole, and the relationship between them is a correlation rather than causation (Bourdieu 1985; Bourdieu 1990). For example, the fact that individuals who go to museum are more probable to have a sophisticated mastery of language than those without this mastery, is similar to the fact that feathered animals are more probable to have wings than furry animals; i.e. it is a natural phenomenon in a certain social setting and in a certain time to see groups of attributes collectively describe agents in a particular social class, rather than attributes describing other attributes. (Bourdieu 1989)

Bourdieu raises a series of other criticisms to the practice of objectivists. Table 1 presents a set of the most critical ones:

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Objectivism</th>
<th>Practice theory</th>
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<tbody>
<tr>
<td></td>
<td>• An independent reality, separate from agents</td>
<td>• An internalized attribute of agents</td>
</tr>
<tr>
<td></td>
<td>• Passively recorded</td>
<td>• Actively constituted</td>
</tr>
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</table>

65
Objectivism regards knowledge as a property of the social objects, independent of the human agents or the knowers. This presumption allows it to assign the full authority of knowledge building only to the researcher, who is supposed to be an independent, outside observer detached from the real practice (Bourdieu 1990). Further, it assumes that knowledge is an independent reality that can be passively captured and recorded, in one social setting and to be applied universally to all other contexts, and in any time (Bourdieu 1990). Bourdieu’s practice theory opposes all these assumptions. First, Bourdieu regards any knowledge, and especially social knowledge an internalized property of the group of agents who have had a shared history of living in certain social conditions and experiencing certain social conditionings (Bourdieu 1977; Bourdieu and Wacquant 1992). Further, Bourdieu believes that the knowledge gained in one social setting is generally only applicable to that particular field, and in that particular time (Bourdieu 1977; Bourdieu 1984). It only may have some degrees of applicability in other fields with high degrees of similarity in terms of their conditions and conditionings of experience for their agents. The reason is that Bourdieu believes that knowledge is a socially constituted object that has been constructed by the agents living in that social space, and who have had the practical expertise to use that knowledge, and to change or reserve its structure.
One of major criticisms of Bourdieu to objectivism is that it does not accept any role for agents’ strategies in its worldview. Objectivism regards agents as social objects similar to natural objects who are mere rule followers. Contrarily, practice theory maintains a solid basis for the freedom and the agency of people in any society, while striving for identification of the limits of this freedom of action (Bourdieu 1977).

Another opposition of Bourdieu with objectivism is that objectivism considers social objects such as inflation, unemployment, security, … as universal and constant social facts, while Bourdieu believes that these social objects are “only objects of knowledge” that have been constructed in certain social settings and find their meaning depending on the social and cultural conditions of a social setting (possibly different meanings and representations in different settings) (Bourdieu 1990; Bourdieu and Wacquant 1992).

An important opposition of Bourdieu is with Marx’s theory, where Marx regards objectively identified social classes as real classes mobilized with certain goals and interests (Bourdieu 1985). Bourdieu strongly disagrees with this notion and asserts that the social classes identified in the objective moment of sociology are nothing but theoretical/on-paper classes of agents. The shared attributes of these agents is the fact that they have lived through similar conditions and experienced similar conditionings, and therefore have all the possibility to have similar dispositions towards the social life, and to show similar practices and have similar tastes for social objects. Further, these agents have higher potential to make an effectively mobilized group toward a shared goal. However, the process of group making is never an automatic process, and requires a political practice of group building, which identifies agents who participate in the group and assigns a name or a tag to the group, and publicizes the initiation of
this group through social activities, and logos and practices that identifies this group as a differentiated social entity (Bourdieu 1985; Bourdieu 1989).

3) Bourdieu and subjectivism:

For subjectivists, the idea (ideology) or the way people think, is what mobilizes people to perform certain practices or to obtain certain attributes (Bourdieu 1989). So, they believe that in order to change an agents’ course of action, the only thing you need to do is to change her representation, or her viewpoint of the world. There are three main constructs, and three supportive constructs that make the foundation of subjectivism; the main constructs are meaning, goal, and action, and the supportive constructs are freedom, consciousness and rationality (Bourdieu 1990; Bourdieu and Wacquant 1992). People, in subjectivism are considered free subjects who consciously identify the meaning they assign to each social objects in their social setting, freely decide what goals they want to pursue based on the meanings they have assigned to the social objects, consciously and teleological decide what actions they would take in order to reach to their decided goals, and consciously rationalize the effectiveness of their actions and process the meaning they assign to the responses of other agents, and accordingly they would decide on their next actions (Bourdieu and Wacquant 1992). In this process, the subjectivists completely disregard the limiting attribute of social structures on freedom of the social agents, or the social position and powers these agents possess, since all these concepts are within the scope of conscious decisions made by the individual agents, independent of the social group (Bohman 1997; Bourdieu 1990). Further, at any moment that the mindset of the agent, and her mental structure that assigns meaning to the social objects changes and transforms, immediately she has the ability to change her course of goals and actions. Accordingly, subjectivism has a micro
analytical vision, where it analyzes individual agents' lifestyle and tries to rationalize that agent's actions through his/her ideology or thinking pattern.

Bourdieu accepts the notion of mental structures and agents’ representations as the foundation for agents’ practices and their active and continuous strategies in preserving or changing the social structures. However, he asserts that the freedom of social agents is limited by two type of structures. On the one hand, the agents are limited by their economic capital and their cultural capital (i.e. their social and practical understanding) that allow them certain and limited potentials for influencing the social world. On the other hand, since rationalization of actions requires information about social events, therefore, supply of information is another limitation of the subjectivists’ agents. Further, the social and cultural conditions of living create a certain shared mental structure between the agents that limits their potential of processing received information in new and different ways (Bourdieu and Wacquant 1992).

Another objection of Bourdieu to subjectivism’s paradigm is regarding how they process knowledge. Knowledge for subjectivists is totally limited to the way individual agents decide to perceive the social world, independent of all attributes associated to the group and the society they live in (Bourdieu 1990). However, Bourdieu regards knowledge as the outcome of the history of social struggles between social agents who have participated in shaping the social world and in constructing its shared and consented representation (Bourdieu and Wacquant 1992).

4) Bourdieu’s common objections to the scientific practice:

Bourdieu identifies a set of attributes common to all scientific knowledge, in both objectivist and subjectivist moments, which he finds them counterproductive in his practice
theory. The major problem Bourdieu finds in the scientific practice (which was mentioned partly in Bourdieu’s analysis of objectivism) is the relationship between the researcher and the object of the study. In the scientific practice, the role of the researcher is an outsider whose purpose is to make sense of the object of the study. In other words, to make a representation of the studied, just for the sake of understanding, and not learning for the sake participating in the practice. The outcome of the scientific practice is a collection of rules and models which represent the stable underlying order of the social phenomena (Acciaioli 1981; Bourdieu 1990). In contrast in practice theory, the social behavior is not the result of the implementation of a code (a scientific model), or the mechanical application of the static representations, but “a continual accomplishing of actions in the implementation of natives’ strategies in accordance with their practical mastery” (Acciaioli 1981). Therefore, Bourdieu tries to alter the scientific perspective by providing a practical understanding of practice; i.e. understanding practice the way participants themselves learn about the practice, including all the hidden aspects of practice that makes it meaningful and reasonable for agents in a group. Accordingly, the researcher who enters a field of practice, in order to gain the knowledge out of it, has to participate in the daily practice as a local agent, and to live within those conditions and learn from the same conditionings that other agents experience (Bourdieu 1990).

Bourdieu also opposes the way the scientific practice handles “time” in its analysis. He believes that social scientists in their model-making practice, totalize the collection of actions they have recorded in their data collection, completely disregarding the spans of time between instances of actions, or regarding them as times of no action or wasted time (Bourdieu 1977). Bourdieu refuses this totalization practice from two aspects; first, he mentions that the time gaps between actions do have social meanings depending on the context of practice and its culture.
Therefore, removing these gaps from the analysis means removing a meaningful portion of the practice. For example, he mentions that in the practice of gift exchanges, the time between receiving the gift and returning the favor as another gift to the other party may have different meanings. If the receiver immediately returns the gift with another gift, it means the refusal of the initial gift. If the returned gift is too late, it means negligence. So, the return gift should be arranged in a time that is neither too short nor too long in order for the gift to be accepted as an appreciated favor, depending on the meaning of short and long in that particular culture. Further, Bourdieu asserts that these time gaps between actions are the principle resource for imposing one’s strategies specially when the scope of freedom is limited. For example, in the practice of gift exchange above, which its process is totally sanctioned specially in traditional societies, the only source for delivery of certain strategy regarding the future of social relationships between the parties in this exchange is the time gap between the gift and the returned gift. For example, if the receiver decides to stop continuation of this specific relationship, or to show her lack of respect to the other party, she can extend the return of the gift as long as possibly acceptable in that culture (Bourdieu 1977).

Totalization practice has another harm on the results of the scientific practice. It changes the meaning of the social practices, and groups actions with (possibly) totally different meanings as incidents of the same practice. The reason lies in the difference between the practical logic of practice and the logic of scientific account of practice. In practical logic of practice, people may use identical words to describe completely different concepts or practices. However, the meaning of those words only gets specified in relation to the context of practice. In other words, a term may have an antonym in one context, and a different one in another context, which implies that the use of the words has contextual implications on their meanings. The scientific practice,
through its totalization, removes these contextual, and contingent implications of the language used in different settings, and tries to make general models and rules for practice by a collection of data that have incompatible meanings and implications (Acciaioli 1981; Bourdieu 1990).

Another shared problem in the scientific practice is that both objectivism and subjectivism, generally, only focus on the conditions at the moment of an action, but not on the history of the collective actions that have produced the current situation. It is true that practice theory identifies the social and mental structures shaping the social settings as generators of agents’ actions. But these structures are both direct products of the history of the past struggles between agents who have used their powers and capabilities to participate in shaping and constructing their social world. Therefore, for Bourdieu the history is the engine of social practices and constructions. That’s why Bourdieu believes that some aspects of the social life cannot be understood unless agents are familiar to some extent with the history of their social setting (Bourdieu 1977; Bourdieu 1990; Bourdieu and Wacquant 1992). For the same reason, many fields of practice require agents who want to become members to get familiarized with the history of that field, such as the requirement from the Ph.D. students to get familiarized with the literature of the field they do their thesis in.

5) **Bourdieu’s theoretical model for social knowledge:**

So far, we can see that Bourdieu’s focus is on the social knowledge, and that he finds knowledge as a multi-faceted phenomenon to which different branches of social sciences have provided distinctive contributions in terms of the meaning of knowledge and its attributes and characteristics. Bourdieu’s approach is then to make a comprehensive understanding about the social practice through ethnographic research to acquire all aspects of knowledge, especially the
practical knowledge, from the perspective of participating agents themselves (Bourdieu 1977). Bourdieu has actually done this practice multiple times through his career, and, ironically, he came up with a universal model for the dynamics of knowledge creation and use in different fields of practice and in different cultures and social and contextual settings. The irony here is that he furiously fights with objectivism against these types of universal models. However, since he is aware about this paradox in his approach, he claims that his model allows a unified approach to study the differences between cultures and contexts (Bourdieu and Wacquant 1992).

Although Bourdieu never classified his work this way, for the purpose of this research, his theoretical model is classified into two parts. In fact, in this study, Bourdieu’s theoretical model is used to identify two types of knowledge discussed about in Bourdieu’s theory; perceptional knowledge, and practical knowledge. The basis of this dichotomy can be found in the famous contrast between structure and agency in the social sciences. In other words, Bourdieu asserts that perception is a structured phenomenon, which is based on both the social and mental structures of the social world, while practical knowledge is that part of human knowledge that allows one to make strategic decisions about how to proceed toward one’s goals, considering all the perceived social structures.

5.1) Perceptional knowledge (structured knowledge):

Perceptional knowledge is the capability of agents to differentiate and evaluate the social objects. According to Bourdieu, perception of the social world is socially constructed by the agents who are shaped within the same society and participate in constructing its reality. Accordingly, it is the result of the history of past symbolic struggles between participating agents, in which agents use their symbolic capital to impose their viewpoint to the society as the
one which has the explicit consensus of the whole group (Bourdieu 1985). This implies that the result of these symbolic struggles, at any particular moment, is the common-sense knowledge socially shared by all agents even though they may not agree with that vision (which results in future symbolic struggles).

Further, Bourdieu believes that, any knowledge, and especially perceptual knowledge of the social world is a mental act of active and unconscious classification and hierarchization of social objects (Bourdieu 1985). In other words, when an agent confronts with a situation composed of people, things, places, and events, she would immediately try to make sense of the situation by relating each of those objects of knowledge to an internalized image of a class of objects which she is familiar with, and within that class of objects she tries to identify what is the social level (prestige) of that object compared to other objects in that same class (Bourdieu 1977; Bourdieu 1984). This statement entails three propositions:

- First, it asserts that human knowledge only happens through categorization of the objects of the world as classified objects of knowledge (Bourdieu and Wacquant 1992), which then allow one to understand a phenomenon by relating that object to one of those mental classes that have already been identified and learned through the history of one’s practice.
- Second, it states that objects of knowledge are introduced to the perception through the collection of properties that statistically differentiate social (or natural) objects from each other and assigns them to separate classes of knowledge objects. i.e. social objects present themselves to the perception of human agents through their visible characteristics (Bourdieu 1984).
- Third, it implies that agents, in order to make reasonable strategies and decisions in different social settings require to constantly evaluate social settings and all its objects.
Therefore, another portion of socially shared and consented perceptional knowledge is the schemes of evaluation of social objects. These schemes that are also generated through the history of the group provide a means for hierarchization of social objects based on the same principles that classifies human agents and determines their social powers. When applied to other socially identified objects (such as things, practices, places, times, …), these classification principles categorize social objects into classes corresponding to the social classes of people who would be willing to acquire them (Bourdieu 1984).

Perceptional knowledge, according to Bourdieu, is the “product of a double structuration”. It is both objectively and subjectively structured. Objective classification of perception means that it is based on the objective classification of social objects using their objective properties. Subjective classification of perception entails that schemes of perception and evaluation of social objects are a set of mental structures developed through the history of the collective, and acquired through the history of individual agents through their daily experience with the social structures (Bourdieu 1985).

Bourdieu’s theory identifies two types of structures in a social world: social structures and mental structures; or “objective structures and embodied structures” (Bourdieu 1985). Social structures identify the objective relations of power between agents in a social setting, while mental structures identify the embedded schemes of perception and appreciation in that society (Bourdieu 1984).
5.1.1) Social structures:

Bourdieu claims that what basically identifies the structure of a society is the objective distribution of power between its agents (Bourdieu 1985; Bourdieu 1986; Bourdieu 1990). It is because, what drives people to engage in social activities and to participate in fields of practice is the interest in the instances of power, which those fields are the source of its generation and distribution (Bourdieu 1985; Bourdieu and Wacquant 1992). However, people are simultaneously involved in various social fields, and acquire different types of power from those fields. Therefore, in order to understand the social structures of a society one has to study people and social fields in that society separately (Bourdieu 1985; Bourdieu 2005). Bourdieu proposes a theory of the social space to study the structure and power relations of people in a specific society (Bourdieu 1985; Bourdieu 1989; Bourdieu 1996), and studies fields of practice as a separate social structure with its own power structures and relationships (Bourdieu 1993b; Bourdieu 2005; Bourdieu and Wacquant 1992). So, there are two types of social structures, and therefore there would be two types of mental structures (schemes of perception and appreciation) corresponding to these types of social structures. The following sections will first describe the theory of social space (power relation between individual agents), and the corresponding mental structures of the agents. Then, the discussion continues by presenting the field theory, and its mental structure. But before explaining the social space it is important to clarify two important concepts in Bourdieu’s analysis; capitals, and distinction.

5.1.1.1) Power and Capital: Bourdieu proposes that power is generated through accumulation of capitals, and that sources of capitals in different societies are different. In fact,
capital is anything or any capability that is appreciated and valued by members of a field of practice in that society (Bourdieu 1977; Bourdieu 1985; Bourdieu 1990; Bourdieu 1993b).

Bourdieu identifies four principle types of capitals in the modern world, which any other type of capital is an instance of one of these capitals. They are economic capital, cultural capital, social capital, and symbolic capital. Economic capital is any source of material capital used in production. Cultural capital, which Bourdieu refers to as informational capital, is the internalized capability of agents to reasonably live and work within the society, to effectively use the objectified structures of the society, and to produce new objectified structures that are socially accepted as valid and legitimate. Social capital is the collective security, support, and benefits that one is blessed with due to the membership in a certain group. Symbolic capital is any kind of capital or power when it is recognized and appreciated by other people. (Bourdieu 1985; Bourdieu 1986).

5.1.1.2) Distinction: Symbolic capital is an independent type of capital, which enables its holder to impose her influence on the structures of the society (either to preserve or to transform them). So, in order to benefit from the symbolic profits of possession of a capital, it is not enough to possess the capital, but it needs to be publicly known and appreciated by other agents (Bourdieu 1989). So, as a general rule (one of Bourdieu’s major propositions), agents with similar structure of capitals, which itself is the result of living in similar conditions and experiencing similar conditionings (Bourdieu 1977; Bourdieu 1990), would show similar properties as an indication of belonging to certain social classes, and to objectively differentiate themselves from other agents from other social classes (Bourdieu 1984). Therefore, social classes are social realities that are socially constituted in order to allow agents to reveal their
social positions, and to understand the position of other agents. This knowledge about the differences between people entails an understanding about the differences in the power relations between different social classes. The knowledge about power relations between social classes allows the competent agents to adopt strategies that keep one protected from the difference of power between agents from different social classes, usually through keeping the distance between agents from different classes and reducing their interactions (Bourdieu 1984; Bourdieu 1989; Bourdieu 1990).

Further, Bourdieu insists that perception is an act of classification (Bourdieu 1984). That means that people would perceive the social class of another agent from classifying the observable properties of the agent and would match those attributes to the distinguishing attributes of the social classes that they have mentally internalized through their experience. For example, when “we say of a piece of clothing, a piece of furniture, or a book: that looks pretty bourgeois or that's intellectual” (Bourdieu 1989), it means that, as competent agents, we are capable to distinguishing social classes of agents in the society, and also we are able to connect other social objects as distinguishing properties of occupants of those classes (Bourdieu 1984; Bourdieu 1989).

5.1.1.3) The theory of social space:

The theory of distinction paved the road for the setup of a social structure based on classification of people, and it identified the capitals (powers) as the basic principles of division of people into classes. Bourdieu made several studies of different societies in different countries and in different fields of practice. He makes the conclusion that, first, the modern societies are much more differentiated compared to the traditional agricultural societies, and second, that the
principles of division in the modern societies, globally, are the economic and cultural capitals (it is important to note that the economic and cultural capitals get defined differently according to the specific characteristics of different fields of practice). Accordingly, different combinations of levels of these two types of capitals generate socially and statistically distinguishable classes of people, and that these social classes are the principles for distinctive lifestyles (practices, goods consumption, hobbies, …) of their members (Bourdieu 1984; Bourdieu 1996).

Bourdieu defines the first task of the sociology as identification of the objective structure of these social classes, and to identify the relations of power between these groups of agents. In order to do that, he proposes to use agents’ visible and measurable properties, such as their family income level, educational qualifications, age, sex, their tastes for cultural products such as types of music, and art, and other lifestyle measures such as types of furniture, types of entertainment activities, and so on (Bourdieu 1984). This process requires special data collection from a large group people from all different possible social classes in the society, and then running a specific statistical analysis called correspondent analysis on the data (Bourdieu 1989; Bourdieu and Wacquant 1992). In correspondence analysis, for each of the subjects the analyst would collect values of several properties. Then, she runs the analysis, and the results would show a multi-dimensional diagram (usually two dimensional) in which groups of subjects have been positioned, generating classes of subjects.

Bourdieu suggests that this analysis would generate a two-dimensional social space, in which each statistically differentiated social class represents a potential real class in the society. Further, the majority of these theoretically generated social classes effectively correspond to the already existing, and named social classes (such as craftsmen, shopkeepers, primary teachers, executives, technicians, …) (Bourdieu 1984). However, this correspondence should not be
considered as a complete match, because the theoretically identified social classes have been generated completely independent of the perception and representation of occupants of those “on-paper” classes. It also means that for those classes that do not have a corresponding real class in the society, the transition from the theoretical class to an actively mobilized group of people is not an automatic transition, and that requires a specific political practice of group building (Bourdieu 1985; Bourdieu 1989; Bourdieu 1996).

Bourdieu continues his analysis of the social space by proposing that similar to the space of social positions of agents, there is another space where social objects get classified, and these two facets of the social space are highly corresponding to each other (Bourdieu 1984). Figure 1 shows the structure of the social space from Bourdieu’s point of view. This figure is a simplified version of figures showed in Bourdieu’s “Distinction” book (Bourdieu 1984) and shows the structure of the social space in a clear way.
As depicted in figure 1, the two dimensions in the social space are related to the capital structure of the agents. In one dimension (the vertical dimension), agents are positioned based on their total volume of their capitals. In the other dimension (the horizontal dimension), positioning of the agents is based on the composition of the agents’ capitals, where in one extreme the economic capital shapes the majority of the agents’ capital compared to their cultural capital, and on the other extreme the cultural capital composes the majority of the agents’ capital.

The most important reality about the social life that the theory of social space is trying to present is the fact that social positions, and the value of different types of capitals are a relational property within that particular social world. In other words, contrary to objectivism that assumes social conditions, such as certain living conditions and properties of agents, universally function as the determinants of the agents’ practices, Bourdieu’s practice theory proposes that the value,
and the social power of a certain type of capital is not a unique and universal fact, but instead it gets its meaning and value from the contextual and cultural conditions, and particularly from the people who live in those conditions, and participate in constructing the meaning and values of social objects (Bohman 1997; Bourdieu 1985). The relational aspect of the social space means that agents evaluate their position related to other people in their society, and that this evaluation is time, and space dependent. Accordingly, if a particular property in a particular time was the distinctive attribute of a particular class of people (e.g. cellular phones in the early 90s were the distinctive attribute of very wealthy people), this same attribute’s value and position may change over the time, and other attributes get replaced with it. Similarly, the social position of social classes is not a unique property of that class, since these social positions are the result of the history of past symbolic struggles for definition and evaluation of capitals in that society. So, it is absolutely possible that the result of future struggles may change the values of capitals possessed by certain social groups, and results in transformation of their social position, and the whole structure of the social world (Bourdieu 1984; Bourdieu 1989; Bourdieu 1996).

Another important aspect of the social space is the fact that properties shaping the identity of a social class present themselves in a collective manner; i.e. contrary to objectivism, those properties have correlational relation rather than causal relation. It means that for example if we find that a group is more successful (defined by certain measured properties) in a certain social setting, we cannot conclude that success can be explained and predicted universally by studying a few of other properties of that successful social group, the way that objectivism performs its research. It is absolutely possible that the same properties identified as success factors in one setting can be found not so effective in other social, and cultural settings (Bourdieu 1984).
Bourdieu presents an analogy between the structure of the social space and the geographical space. Similar to the geographical space where one cannot be at the same time in two different geographical locations, one cannot occupy two opposite positions in the social space. Another analogy is related to moving in the social space; similar to the geographical space, moving in the social space takes time and effort, and it requires in some cases the exchange of one type of capital to other types, which in many cases may not be a straightforward task (Bourdieu 1985). However, it is important to keep track of movements of agents in the social space, because social classes in certain positions (i.e. living in certain conditions and conditionings) incorporate certain dispositions in the agents which by changing positions in the social space do not lose their effect on the attitudes and behaviors of the agents. For instance, one of the parameters that Bourdieu recorded in his data collection from subjects in his studies was the occupation, and certain other properties of their parents, which were used as the indicators of the past conditions and dispositions that the agents have experienced (Bourdieu 1984).

5.1.1.4) Dispositions, tastes, and schemes of perception and appreciation (The mental structure of the social classes):

These three concepts, are to some extent synonymous and were used interchangeably in Bourdieu’s theory. This topic is what integrates objectivism and subjectivism in Bourdieu’s theory. Using this topic Bourdieu aims to oppose to the objectivism’s ideology which provides a mechanistic view to the social interactions and to the practices of people, and at the same time he opposes the complete free subject viewpoint of subjectivism, which completely disregards the limitations of the social structures. Instead, Bourdieu provides a mechanism that allows agents to effectively differentiate themselves from the others, as suggested in the distinction topic, but at
the same time to do it in a manner understandable to all other agents who possess the knowledge of these objective distinctions (Bourdieu 1990). Furthermore, contrary to objectivism that completely disregards anything related to agents’ perception, and contrary to subjectivism that considers topics such as individual dispositions and taste as absolutely subjective and individualistic areas, Bourdieu provides an objective flavor to all these seemingly individual traits of people (Bourdieu 1977; Bourdieu 1984).

Bourdieu believes that tastes, dispositions, and attitudes of people in confronting social situations are not an individual’s qualities, but they are objective qualities shared by all members of the group. Objectivity of dispositions means that, at any moment, they are independent of the perception and will of the individual agents who constitute the group, because these schemes are the product of the objective structures that shape the social world. However, since the social world and its structures are the product of the history of past symbolic struggles of people in a society, Bourdieu confirms that agents can use their symbolic power to influence these schemes through the time (Bourdieu 1977; Bourdieu 1989). Bourdieu regards taste, and dispositions as evaluation mechanisms that people, unconsciously, use to judge different aspects of the social life, and that this judgement is the result of application of certain schemes of perception and appreciation to the attributes of the social objects. In fact, Bourdieu proposes that what allows people in a certain social class to present similar, distinctive, and predictable responses to the social situations (which results in combinations of similar parameters distinguishing social classes) is the fact that agents in each social class use shared schemes of perception and appreciation in their judgements, and their decision making (Bourdieu 1984; Bourdieu 1990). These shared schemes, which are the result of the history of past symbolic struggles for imposition of certain viewpoints to the social group, get objectified in all aspects of the physical
and cultural structure of a society. Accordingly, agents who live and participate in the social activities in a certain social setting, internalize the embedded schemes in the architecture of their society, and incorporate them into their daily practices and their structuring activities. Accordingly, these schemes are at the same time structured structures and structuring structures (Bourdieu 1977).

5.1.1.4.1) Schemes of perception and appreciation as evaluation criteria:

Bourdieu believes that decision to perform a practice is the result of a number of smaller and unconscious evaluation decisions. Any particular situation, is composed of a complex collection of social objects, such as people from different classes, goods, places, events, …. Therefore, in order to perform a practice, such as making a statement, or acquiring a particular good, one has to see whether this practice, or that good is compatible with the social class of the agent or not, considering the structural barriers that the contextual elements impose on this decision, such as the presence of other people (e.g. one’s boss) in that situation. These micro decisions are made based on a collection of shared schemes of perception and appreciation that help an individual to find her position in the social space, and accordingly to find the position of other people and objects in that space (Bourdieu 1984).

Schemes of perception and appreciation, according to Bourdieu, are internalized capabilities of agents, and therefore are part of their tacit knowledge which is not accessible by themselves to be explicated. Bourdieu calls them knowledge without concepts, because the majority of this knowledge may not have corresponding name in the language of those agents (Bourdieu 1984). However, part of those schemes that get objectified in the language of agents take the shape of a system of opposite adjectives which express “ultimate values of taste and
which can be applied equally well to a dish or a school exercise, a play or a painting, a joke or a walk, an accent or a garment, and so on” (Bourdieu 1977). “The network of oppositions between high (sublime, elevated, pure) and low (vulgar, low, modest), spiritual and material, fine (refined, elegant) and coarse (heavy, fat, crude, brutal), light (subtle, lively, sharp, adroit) and heavy (slow, thick, blunt, laborious, clumsy), free and forced, broad and narrow, or, in another dimension, between unique (rare, different, distinguished, exclusive, exceptional, singular, novel) and common (ordinary, banal, commonplace, trivial, routine), brilliant (intelligent) and dull (obscure, grey, mediocre)” (Bourdieu 1984) which are used in the common-sense language provide the means to evaluate each and every aspect of the social setting, and its compatibility to one’s position in the social space in vast areas of practice. Using these common-sense adjectives, one decides whether a particular social object (such as an activity or an expression) is lower, or higher than one’s social position, and accordingly unconsciously reaches to a point where one finds a matched practice with one’s social position. Bourdieu suggests that the origin of this network of opposite adjectives is the fundamental difference (in every social setting) between the dominant and the dominated, where the first adjective in each pair indicates the direction toward dominant properties, and the second adjective towards the dominated groups (Bourdieu 1984). Therefore, one can see the extreme interest of the dominants in inculcating this difference as taken-for-granted beliefs in the minds of all agents (dominant and dominated) living in that social setting.

As mentioned before, symbolic capital is nothing other than any type of capitals when it is known and appreciated by the group. However, expressing one’s social position based on the level of different capitals one possesses is not an easy task, especially the cultural capital is not easy to get expressed. There are several ways for expressing one’s position in the social space.
One of the most effective ways, especially related to the cultural capital, is the academic credentials, granted by officially authorized institutions that frees its holder from negotiation about her cultural capital in all her social struggles (Bourdieu 1989). But, in general, the most efficient way to reveal one’s position, is through the explicit properties of the agents. As explained before, the collection of properties of an agent connects her to a social class with high degrees of precision (although it is possible to fake this type of illustration in order to acquire interests related to a position without genuine merit). In this second way, schemes of perception and appreciation are those that are automatically, and actively used to evaluate the position of an agent based on evaluation of her observable properties (Bourdieu 1989).

5.1.1.4.2) Schemes of perception and appreciation as structured structures and structuring structures (Bourdieu 1977): Schemes of perception and appreciation are shared by all agents in a certain social class, and unless in situations of symbolic struggles, there is complete consensus between social agents on these beliefs, because usually they are out of the scope of negotiation in the society. Bourdieu calls this type of knowledge, or this type of taken for granted beliefs as “doxa” and asserts that this type of knowledge is the most effective phenomenon for sustaining the status quo of the social world. Because, these schemes, and the shared belief in their effectiveness in evaluation of the social world have direct correspondence in the structure of the social world, and agents who have had the experience of living within social settings structured based on these schemes find them as natural realities and make no objections and opposition against their impositions. Bourdieu believes that since these schemes are incorporated in the mental structure of agents through experiencing certain social conditions, and through acquiring certain implicit and explicit teaching and conditionings, they are
structured structures shaping the mindset of the certain people living in a certain social class, and therefore, all activities of agents in that social class are performed following the implications of these schemes.

Schemes of perception and appreciation are also structuring structures. It is because any structural product of the agents in a society, such as their houses or any type of cultural product of the group (art, music, social institutions, etc), follows the same schemes of perception and appreciation that are principles behind all actions and practices of agents in that society. For instance, in the Kabyla society (Bourdieu 1977) which Bourdieu studied in Algeria, the same principles of differentiation that classified the structure of the society (based on the superiority of men over women) were used in the structure of houses; i.e. the more prestigious spaces of the house (e.g. the upper floor) were allocated to men, while the basements (the dominated space) were the place of work of women.

5.1.1.5) The symbolic space:

The social space is the theoretical tool used by the researcher to learn about the social structure of the social world in terms of its constituting social classes, the objective power relations between those social classes, and the structure of capitals of agents in each social class. However, according to Bourdieu, capable agents in a society have an internalized, and tacit knowledge about these aspects of their social world, which allows them to adjust their practices to their social positions. This symbolic space represents the overall belief of the group about the powers and social position of all the agents (classified by their social classes) in that social setting. The shared, tacit, and objective knowledge about the position and power of oneself and the position and power of other agents creates a mentally internalized symbolic space for agents,
which in the equilibrium (no revolutionary structural transformations of the group), should correspond to a high degree to the structure of the objective social space explained before.

“Objective relations of power tend to reproduce themselves in relations of symbolic power” (Bourdieu 1989). Bourdieu explains this somewhat magical correspondence (between theoretical and practical spaces of power relations) by the use of schemes of perception and appreciation of the group. The reason for this correspondence is that both the social space and the schemes of perception and appreciation are generated based on the objective structure of the distribution of capitals between agents. To the extent that these schemes, which represent the overall expectations, attitudes, feel for the game, and feel for positions of people are based on the reality of the game, and the reality of objective power relations and actual distribution of capitals between agents, there would be high degrees of correspondence between the social space and the symbolic space (Bourdieu 1977; Bourdieu 1984). However, there may be times, especially in the midst of major structural transformations in a social field, where the two spaces do not match up correctly. In other words, when expectations of people about the relations of power between agents do not match their objective power relations or their actual capital distributions, there would be a mismatch between the two spaces of power relations. This lack of correspondence happens because schemes of perception and appreciation, according to Bourdieu, show a 

hysteresis effect. Which means that, since these schemes are product of the history of past struggles, they do not only represent the immediate structure of the social world, but to a large extent they represent the history of the field. So, immediate changes in the social structures of the social field do not represent itself in the dispositions, feelings, and appreciations of the group (Bourdieu 1977; Bourdieu 1990). In fact, people try their best to return the situation back to what they are used to it; i.e. the situation where the relations of power do match up with their schemes
of perception and appreciation. Part of the reason for this resistance is that any change in the schemes of perception, entails political change in the power relations between classes of agents, and the ones losing their power would use all their power to fight against the change, and to preserve the status quo (Bourdieu 1977).

5.1.1.5.2) Systems of classification (structuring quality of the language):

Remember that Bourdieu strongly opposed with Marx regarding the idea of automatic group formation, or the automatic mobilization of groups of people with similar social conditions for the sake of certain shared goals. Instead Bourdieu believes that mobilizing groups of agents is a political practice, which uses language as its most effective tool. Bourdieu explains the process of group generation and imposition of a viewpoint to a social setting. It has two aspects to it; an objective aspect and a subjective aspect. But before discussing any of those aspects one should consider group generation as an important type of symbolic struggle, where an agent (or a group of agents) possessing large symbolic capitals (which grants them the public approval or authorization to initiate new social classes, assign identifying names to those classes, and nominate people as belonging members to those classes), who take the position of the representatives of the group, start a political struggle for defining and legitimizing the new group within the society. This act of group generation and the resulting group, represent the objectification of a particular point of view which usually is in opposition to that of the dominant social classes. Now, regarding the objective aspect of group generation, one should consider the visible attributes of the generating group. It needs demonstrations about the quantitative aspects of the group; i.e. numbers of people belonging to the group. It also needs physical symbolic demonstrations such as certain tags, logos, and physical spaces representing the
institutionalization of the group. The subjective aspect of the group generation process deals with several issues. First, it needs to assign a name to the group that differentiates from the existing classifications. Second, it needs a theory which identifies the “principles of vision and division” (Bourdieu 1996). This theory provides the new principles of division within the society, a theory that divides the union. This type of theory would challenge the taken for granted beliefs about the position of certain groups of people, and would incentivize them to see themselves in a new way, differentiable from their belonging groups. Therefore, the subjective aspect of group generation not only grants a new name to the agents, but also provides a theory for transformation of their schemes of perception and appreciation. This action would almost always find resistance from the already established authorities, because challenging the schemes of perception would mean challenging the whole authority and the power relations established in the society. The fate of the new group depends on the outcome of the symbolic struggles between the established authorities (representing the dominant social groups), and the new party fighting for the structural change (Bourdieu 1989; Bourdieu and Wacquant 1992).

Therefore, according to Bourdieu, the common-sense language used in any social setting is one of the main political tools in the hand of the dominant for identification of legitimate social classes in that society. Because, the group generation practice may at the same time be an instance of symbolic struggles between the dominant social classes (who usually have the total authority for approval or disapproval of new social groups), and the dominated social classes who, in order to nominate themselves as a legal and authentic social class require to gain legal approval from the authorities. In case of disapproval of the authorities about the initiation of the new social class, they would use all their power to limit the appearance of any symbolic products, such as names, or flags that represent that unauthorized social entity. (Bourdieu 1984).
There are certain implications of the argument above. First, that schemes of perception and appreciation are the background principles on which the political practice of new group generation relies. Second, it implies that the legitimate schemes of perception and appreciation (imposed by the dominant social classes to the society) and their resulting social classifications are always organized towards inculcation of the political order in the mental structure of people, so that the dominated agents view the difference of power as a natural reality, taken for granted. Third, it implies that social classes are not always in agreement about the classification and hierarchization schemes imposed by the dominant classes to the society. Therefore, social classes are in constant struggle for imposition of their viewpoint as the legitimate classification and hierarchization schemes. Bourdieu believes that in this symbolic struggle, agents use their symbolic capital (granted to them by the public through the history of their struggles) as the main resource for imposing their viewpoints. Accordingly, agents use their symbolic capital to impose their judgement as the dominant, and the only legitimate one in the society (Bourdieu 1977; Bourdieu 1989).

However, in these symbolic struggles not all agents enjoy the same level of power for imposing their viewpoints, and therefore not all judgments have the same weight. In one end of the spectrum, the dominated agents, who own the least level of symbolic capital, would use strategies such as insults, slanders, rumors, and gossips to categorize people. In the other end stays the state who has is main source (similar to the central bank) for symbolic capital, and it has the authority to impose classification by granting official names (and such as official academic qualifications), and to empower agents to impose their viewpoint in certain and limited social spaces. So, an important goal for most of symbolic struggles is to get officially recognized by the state (Bourdieu 1984; Bourdieu 1989).
So far, we can see the generative power of language in making and shaping social structures of people. Bourdieu believes that common-sense language has structuring power beyond classes of people, to constitute classes of things, events, times, places, and also rules (Bourdieu 1977; Bourdieu 1984). In fact, in Bourdieu’s theory all explicated knowledge (including the education system) is part of the political task of objectification and inculcation of the dominant vision throughout the social world. Part of this objectification is through development of objective physical structures (such as the distribution of different types of capital in society), and the other part of this objectification is through generation of symbolic structures; i.e. use of language to name, and to categorize social objects of knowledge (Bourdieu 1984; Bourdieu 1985).

5.1.1.6) Fields of practice:

This section describes the second type of social structures in Bourdieu’s theory of practice which deals with the fields of practice and the objective and symbolic power relations between these fields. In fact, one can think about fields of practice as institutionalized agents who have individual agents as their constituting elements.

5.1.1.6.1) Fields, capitals, and interests: So far, we can see that individual agents did not have any specific interests or goals in their social life. They only acquired a specific combination of types of capital and occupied certain social positions in the social space accompanied with certain schemes of perception and appreciation. Bourdieu has not yet identified where do these capitals get generated and how can one move in the social space through acquiring more or different types of capitals. So, fields are social structures where
capitals get generated, and certain types of capitals get appreciated and are associated with social power. In fact, capitals are capabilities that find a field in the social space where it is appreciated. Therefore, the total volume of capital measured in the social space to find an agent’s social position is the collection of different types of capital acquired by the agent from different fields she is involved in. Also, certain types of capabilities may be considered capitals associated with social power in one social world, while the same capability is worthless in another society. Therefore, every field sets particular types of capital as its interest or its goal for practice and requires and appreciates certain types of capabilities or capitals as its operating fuel or energy. Interests are field specific, and are qualities, states, or capitals that are appreciated by the agents who are willing to invest their time and resources in order to enter the game to achieve those interests. As much as they may be found important and valuable to the members of the field, they may be found completely irrelevant or even irrational to the members of other fields (Bourdieu 1985; Bourdieu and Wacquant 1992).

5.1.1.6.1) The agency of the field: Similar to human agents, fields of practice are a special type of agents, but an institutionalized one. Fields are groups of people who are working together to achieve a certain type of interest (for instance to produce a certain type product, to educate other people, or to defend the country), and at the same time compete with each other to earn the highest fraction of profits from the achievement of the interests. So, when viewed from outside of the field, one can see the field as a social agent responsible for fulfilling certain type of an interest (Bourdieu 1993b; Bourdieu and Wacquant 1992). Another analogy that Bourdieu uses for the fields of practice is the analogy of a marketplace. A marketplace is responsible for fulfilling a certain need of the society, but at the same time there are conflicts of power within
the marketplace to achieve higher market shares by individual agents (Bourdieu 1977; Bourdieu 1985).

5.1.1.6.3) Fields as objects of knowledge: fields are objective structures built and transformed by individual agents participating in the field; however, at any moment fields are independent from those agents as a stand-alone reality. Interests, positions, power structures, and required capitals of the fields are objects of knowledge which have been created through the history of past struggles between the agents who participated and invested in the interests of those fields. But the field and all its attributes are objects of knowledge that can lose their relevance in another society, or even in the same society at another time. They can also get borrowed by other social settings and applied in new contexts and with new agents (Bourdieu and Wacquant 1992). One of the major contributions of Bourdieu’s theory is his ability to differentiate natural objects from objects of knowledge.

5.1.1.6.3) Structure of the fields:

Fields have a hierarchical structure, both internally and externally (Bourdieu 1984; Bourdieu and Wacquant 1992). Internally they are composed of a group of subfields, which themselves can have their subfields as well. Externally they may be subfields of even higher-level fields, and can be participating, as an agent, with other midlevel fields, in a larger game defined by their higher level, parent field. For instance all the companies participating in the field of individual house development market, are as agents in the field of house development (Bourdieu 2005). At the lowest level, fields are composed of individual agents such as employees working in the marketing department of a house developing company.
The structure of a field is highly similar to the structure of the social space explained in the previous sections. It is composed of: 1) the social space of positions and power relations between agents (humans or subfields) in the field. 2) The specific interests sought after by the agents in the field. 3) schemes of perception and appreciation (tailored to the specific interests of the field) imposed to the agents in the field. 4) Symbolic capital of agents in the field. 5) The system of classifications imposed on the field (identifying legitimate classes of agents). Since these topics are partially described in the previous sections, the focus here is on some special aspects of the fields’ structure (Bourdieu 1993a; Bourdieu 1993b; Bourdieu 2005; Bourdieu and Wacquant 1992).

5.1.1.6.3.1) The field’s social space and power relations:

Similar to the social space explained for people, fields have a social space where agents (subfields or individuals) are classified based on their visible attributes and properties. The social space of people in a field is the same as the social space explained in section 5.1.1.3. Regarding the subfields, the properties considered for classifying the subfields are field dependent. For instance for fields of production one would look for properties such as number of employees, net income, number of items sold, the characteristics of their customers and so on (Bourdieu 2005). Using the data about these properties, one could classify participating agents into a multi-dimensional space (usually two) which classifies the agents based on the types of capital they possess and the configuration of different types of capital for every agent.

Regarding the power relations in fields of practice, Bourdieu regards the fields of practice as fields of forces (Bourdieu and Wacquant 1992) in which different groups of agents try to push the other group out of the game, and even within the same group agents apply these forces.
between each other to achieve higher interests out of the game. One can refer this property of the fields identified by Bourdieu as the “win-lose” effect of the fields:

**Win-Lose effect of the field:** In any field, agents, at the same time, contribute and compete with each other. They contribute with each other towards fulfilling the certain interest that justifies the existence of the field, for instance through sharing certain beliefs and sticking to certain regularities that govern the structure of the field and allow all agents to participate in the game. At the same time, they compete with each other on the profits generated within the game. In this competition, classes of agents with similar conditions, and similar schemes of perception and appreciation, are competing against other classes of agents. In this game different groups of agents devise different strategies to acquire larger share of the profits of the game, and at each moment, usually one class of agents (the dominant agents) take the winning share of the profits, at the expense of the losing groups. Bourdieu regards this effect one of the field effects he considers essential for the functioning of a field (Bourdieu 2005).

### 5.1.1.6.3.2) Schemes of perception and appreciation of the field:

Contrary to individual agents who shared particular schemes of perception and appreciation with agents within their social class, or adjacent social classes, in order to comprehend and evaluate the social world, the situation for fields of practice is somewhat more complicated. The specific structural relations of the fields require a multi-layer schemes of perception and appreciation to be applied to each field of practice:

First, the hierarchical structure of the fields imply that all the schemes of perception and appreciation applied to practices and structures of higher level fields get imposed to the all lower levels of subfields. For instance, the IT department of a large organization has to comply in its
operations with the schemes of perception and appreciation imposed by the top management to the whole organization (Bourdieu 1985).

Second, since each field has its own independently defined interests, the agents participating in the field have all the right to impose their own schemes of perception and appreciation for classifications and appreciations applied to all aspects of the field. For instance, the management of the IT department of an organization has the ability to impose new (IT related) schemes of perception and appreciations to all employees (and subfields) working under the IT department. Although they work below the level of higher level schemes, they have the organizing capability for the operations of agents in that particular field (Bourdieu 2005; Bourdieu and Wacquant 1992).

Third level of schemes is similar to schemes shared by individual agents occupying the same social class in the social space. Similar to individuals, classes of subfields constituting a social class in the social space of a higher-level field through their history of struggles with other classes of subfields generate dispositions and schemes of perception shared by all the subfields in that social class. For instance the group of house building companies who had large financial assets and strategic alliances with the government and large financial institutes made a particular social class of house builders in Bourdieu’s (2005) study of house market in France. They shared similar attributes, similar capital structures and used similar strategies and policies for their business.

So, an individual agent who is responsible to perform in any of these fields of practice, to be considered a competent agent in that field, is responsible to learn and internalize all these interrelated schemes of perception and appreciation, and to apply them smoothly and even unconsciously in her daily practices.
5.1.1.6.3.3) Symbolic capital of fields of practice:

Fields of practice fulfil certain interests. Usually the audience served by a field is a large community of agents far beyond the group of agents participating in that specific field of practice (such as fields of production, or education). This public aspect of the practice of the fields complicates identification of their symbolic capital. The symbolic capital of fields of practice has two aspects to it. On the one hand, the symbolic capital means the specific capitals required to operate in a field, recognized by competing subfields in that field’s social space. On the other hand, the symbolic capital is the recognition and the symbolic power the company has within its audience of agents served by the services of the field. Each of these types of symbolic capitals allow the holder field to impose its influence on the structure of the field through its symbolic struggles (Bourdieu 2005).

Bourdieu provides an example for different strategies that companies can implement in facing a changing demand from their audience. In his study of the house market, Bourdieu found at a certain moment large companies with long experience and significant symbolic capital started losing their market share due to a change in house buying preferences of people in France. Bourdieu proposed two possible scenarios for these large companies. On the one hand they could use their symbolic capital to change the preferences of house buyers by promoting the distinguishing properties of their houses. On the other hand, they could change the look and feel of their houses by applying some minor changes to their operations and specifically their marketing strategies, so that their products, basically built in the old fashion, artificially seem fulfilling the new demand criteria of their customers. Interestingly the majority of the companies took the second approach (Bourdieu 2005). In both of these scenarios, the companies would use
their symbolic capital within their customers (i.e. customers’ trust, and confidence), in order to achieve the winning position in the game in that field.

5.1.1.6.3.4) Symbolic struggles and systems of classification:

As discussed before, symbolic struggle are tensions between agents in a social space to impose their viewpoint as the only valid and legitimate perspective in the society. The result of application of a viewpoint in a social setting is a group of names identifying the legitimate social classes or categories that agents can assume themselves belonging to. Similar logic applies to the symbolic struggles between fields of practice. The larger, and more powerful fields would use their power, symbolic and otherwise, to influence the structure of the field, and the legitimate forms of practice. In many cases some of the players in the field would use their power to attract other social entities, such as the government or financial institutes, in order to influence the game and its structure to the benefit of that particular group of agents, and to limit or ban the practice of other fields (Bourdieu 2005).

However, the dominated agents can also use the help of influential and powerful agents, but not the dominant players, to help them improve their position in the field of practice. Bourdieu calls this phenomenon as the effect of homogeneity of social positions, where agents from two opposite positions devise strategies to collaborate in order to change the systems of classification, and schemes of appreciation of the field. For example, in the cases where groups of highly educated agents would act as the representatives of the dominated classes of low power social classes to protest against the dominant powers. Through these protests the representatives, supported by the masses of dominated agents, would use this power in order to impose new classification methods for example by asking for legitimization of new categories of practice or
by imposing new classification theories to their social space (Bourdieu 1985) (similar to what happened in the revolution of 1979 in Iran).

5.1.1.6.4) Field and history:

One of the properties that differentiate a group of people and provides it with a field effect is the history of the field. History plays in every aspect of a field. Capitals, interests, social structures of a field, and its schemes of perception and appreciation are all products of the history of past symbolic struggles within the field. Therefore, if any of these properties of a group of people working together cannot be understood unless one is familiar with the past history of the field, Bourdieu believes that this group is showing the field effect; i.e. can be considered a real field (Bourdieu and Wacquant 1992).

5.2) The practical knowledge (the structuring knowledge):

The structural knowledge supported the perception of the social world. In other words, perception of the social world requires familiarity with the objective structures that the society is built upon. Practical knowledge is the second category of knowledge that Bourdieu identifies. Practical knowledge is the ability of agents to have a clear sense of the game, and a sense for their position in the game, and to be able apply the right schemes of perception and appreciation relevant to a specific situation in order to make reasonable actions. So, in order to be considered a competent agent it is not enough to understand the structures of a social world like an outsider who observes the society from the outside. But the agents have to acquire the skills to apply this knowledge in their daily struggles, in real and practical situations. Bourdieu explains the difference between practical knowledge and perceptual knowledge as the difference between
the linguistic research when the researcher is studying his/her mother tongue vs. a foreign language, implying the study of language from the standpoint of the listening subject or the speaking subject. The speaking subject uses the language as “the means of action and expression”, and “it is with the language that he interprets speech” (Bourdieu 1977), while for the listening subject the distance secured by externality allows him/her to study the language as “a self-sufficient system, detached from real usage and totally stripped of its functions, inviting a purely passive understanding” (Bourdieu 1990).

Practical knowledge is the topic that completely distinguishes Bourdieu’s theory from objectivism. While objectivism assumes that the structure of the social world as a constant reality, Bourdieu’s theory recognizes the agency of agents in terms of the ability of the knowledgeable agents to participate in transformation and changing of all aspects of the social life; although he limits this changing power of agents within the boundaries defined by the structures of the social world itself, shared and consented by all of the group. Therefore, contrary to subjectivism’s free subjects, agents in Bourdieu’s theory have structured freedom, something that Bourdieu calls it “regulated improvisation” (Bourdieu 1977). The discussion of practical knowledge in Bourdieu’s theory is composed of two major concepts; habitus and strategies.

5.2.1) Habitus:

Habitus is the principle enabler of the agency of the agents. Using different structuring components, explained so far, Habitus would organize and direct all agents’ practices, representations (feelings and judgements), thoughts, strategies and actions (Bourdieu 1977; Bourdieu and Wacquant 1992). In one aspect habitus represents the mental structure of agents in Bourdieu’s theory. This is the place where the integration between the two perspectives of
objectivism and subjectivism actually happens. Bourdieu condemns the objectivism and subjectivism for their lack of attention to the practical knowledge of agents which grants them the ability to strategize within limiting structures. For Bourdieu, habitus represents the place of practical knowledge. It is the capacity acquired through the history of past experience, and by implicit and explicit learning about the schemes of practice that are expected to be observed by the competent agents, and about the art of strategy development within the structured context of a social field (Bourdieu 1977).

Contrary to the initial implication of the concept of habitus which grants it a changing and disrupting flavor, Bourdieu’s discussion of habitus reveals how habitus usually acts as a stabilizer, and structure preserver in a society. Despite the constant symbolic struggles in which a group of dominated agents intentionally try to influence the structure of the social space, in other instances habitus makes sure that the external forces do not make any significant change to the structure of the society. In other words, people are usually attached to their accustomed method of living, and are usually reluctant to the unfamiliar situations created due to imposed changes from inside or outside of the field, especially when these changes do not serve any interests of the participating agents. So, in the face of these types of changes, people usually improvise new strategies to cancel out the effects of this change and to return the structure back to their accustomed way. This is the hysteresis effect of habitus (explained in section 5.1.15) (Bourdieu 1977).

5.2.1.1) Habitus and the logic of practice:

Habitus is the mental structure of individual agents generated through their history of past experiences. In fact, contrary to the schemes of perception of the fields of practice, which are, at
any moment, unique and shared by all agents, habitus of individual agents may be different based on the history of their internalized structures and dispositions (Bourdieu 1977). That’s why the new members of a field require a significant period of training and experiencing in order to internalize the new schemes of perception and appreciation applied to that specific field of practice (Bourdieu 1986). Therefore, habitus is the internalized knowledge base of individual agents that enables them to act reasonably and effectively in all different fields they participate. Habitus of competent agents allows them to perceive the particularities of the situation, generate a relevant strategy and to make decisions about the right practices, thoughts, and expressions reasonable to the situation. In order to do that, habitus requires to master the following mental capabilities: “the feel for positions”, and “the feel for the game” (Bourdieu 1977; Bourdieu 1990).

The feels for the game and for positions are in fact mastery of two types of schemes of perception and appreciation. The feel for position, which indicates a sense for position of oneself and the other agents in a situation, together with the sense of other social objects (goods, places, events, and practices) is acquired through internalization of schemes of perception and appreciation objectified in all aspects of life of people living in similar conditions and conditionings in the social space (as explained in section 5.1.1.4.1). “That’s not for the like of us” phrase (used frequently by Bourdieu) reveals the fact that people have an internal mastery about their position (and position of other agents), and that constantly measure the compatibility of all aspects of their living style with the standards (schemes of perception and appreciation) that define their social position in the social space (Bourdieu 1977).

“The feel for the game” is the mastery of an agent to play a game competently. This mastery comes from experience of the agent in a field of practice. Fields of practice have a
complicated structure of interconnected and hierarchical schemes of perception and appreciation that competent agents are supposed to internalize in their history of practice in that field (Bourdieu and Wacquant 1992). The combination of these two sets of schemes of perception and appreciation generates a very significant amount of knowledge that agents have to master, as their second nature and apply them instantly and unconsciously in every moment in their lives (Bourdieu 1977; Bourdieu 1990). Accordingly, practical situations are incidents of decision making for agents where these two feelings (feel for the game and feel for position) imbedded in habitus of an agent would interact in order to reach to a reasonable strategy or action. Any situation logically happens in a certain field of practice which requires familiarity of the structures and schemes of that particular field. At the same time any strategy or practice should fit with the social position of the agent in the social space of positions (Bourdieu 1990).

The duality of the nature of habitus in terms of “feel for position”, and “feel for the game”, implies that there are two types of habitus discussed in Bourdieu’s theory (although Bourdieu never explicitly classifies habitus in this way). A habitus organizes the lifestyle of a group of agents constituting a social class, and a field specific habitus which organizes the activities of agents within that field of practice. The reason for this distinction is that Bourdieu wants to differentiate between the generic practices of agents fulfilling their duties as agents occupying certain positions in a particular field of practice, and at the same time, the traits and practices of agents aimed at “distinction”; i.e. aimed at explicating the social position of the agent, and the social distances between the agents in the social space, such as traits considering the manner of dressing, speaking, eating, or the types and attributes of goods consumed (Bourdieu 1984; Bourdieu 1990).
Habitus has a seminal position in Bourdieu’s theory. Bourdieu uses habitus to elaborate several central, and differentiating aspects of his theory using the peculiarities that the concept of habitus provides him. The following sections present some of the important aspects of habitus in Bourdieu’s theory.

5.2.1.2) Habitus and Internalization of externality and externalization of internality:

One of the major goals of Bourdieu from his theory was to reconcile the fundamental oppositions of objectivism and subjectivism (Bourdieu 1977; Bourdieu 1990). It seems that the concept of habitus is at the heart of this task. Bourdieu considers schemes of perception and appreciation as the principles of structuring or construction of the social world (Bourdieu 1984). Which means that the social reality, or the objective conditions of living are the result of application of these principles through the history of past structuring actions of agents living in that society. Therefore, objective structures of the social world are objective representations of those principles of structuring, and competent agents make immediate comprehension about the meaning, value, and function of those structures. In other words, in their daily experiences people use their schemes of perception and appreciation in order to comprehend the social world, and to make individual contributions to the structure of the social world. In Bourdieu’s terms, agents’ habitus in prescribing actions, thoughts and strategies is in fact “externalizing the internality” of the socialized agent, or he/she is objectifying the principles of structuring of that social setting in his/her activities (Bourdieu 1977).

At the same time, principles of perception and construction of the social world are part of its objective structure. Which means that these schemes are independent of the perception and will of individual agents (Bourdieu and Wacquant 1992). Therefore, as part of socialization of
agents, these schemes get inculcated in agents’ minds through the history of living within those objective structures (conditions of living), and through the implicit and explicit conditionings (teachings) that agents experience through their social life (Bourdieu 1977). Therefore, a new member to a social setting, in order to gain the capability (cultural capital) to comprehend the contest, structure and the practices of that environment needs to go through this “internalization of externality” process so that his/her habitus internalizes the principles of perception and structuring of this new and unfamiliar social setting (Bourdieu 1977; Bourdieu 1989). Figure 2 depicts habitus’ process of internalization of externality and externalization of internality.

![Figure 2: Habitus’ internalization of externality and internalization of externality](image)

**5.2.1.3) Habitus, lifestyles, viewpoints and symbolic struggles:**

Following the discussion of the previous section, an important question that raises immediately is that why different people have different perception, and different representations about the social reality, and accordingly would make different reactions to the social stimuli. Similar to objectivism, Bourdieu believes that the objective conditions of living (operationalized using the social class of agents in the social space) is the basic “reason” for this change of
perception and behavior. However, Bourdieu disagrees with objectivism in accepting that these conditions mechanically and instantly get transformed to those traits. But, he believes that these objective conditions get translated and obtain meaning through the schemes of perception and through the time may make lasting transformation to those same schemes, and therefore may change the perception and practice of agents living in those living conditions. Accordingly, people living in different objective conditions (people in distant social classes), and perhaps getting various conditionings (teachings) generate different, and maybe opposing schemes of perception and appreciation towards the social life, and accordingly would generate different viewpoints, perceptions, and lifestyles in their interactions with the social world (Bourdieu 1984; Bourdieu 1985; Bourdieu 1989).

5.2.1.3) Habitus, doxa, and symbolic struggles:

This difference in viewpoints (resulting from the difference in living conditions) results in various schemes of perception and appreciation, which means different principles of structuring of the social world. Therefore, agents from different social classes are in constant symbolic struggle to impose their viewpoint as the dominant vision in the social world. Accordingly, depending on what viewpoint receives the authority and power to impose the dominant and the only legitimate vision of the world, the structures of the social world, classification of agents, distribution of capitals, rules, and regulations would be different. (Bourdieu 1984; Bourdieu 1989). So, if symbolic struggles are a constant attribute of the social life, how is that possible that we don’t see a continuous chaos and transformation in the society? Bourdieu’s answer to this question is twofold: First, a successful classification theory imposed by the dominant group is one that reveals and confirms the objective power relations between
social classes captured in the social space (Bourdieu 1989). Second, the structural characteristics imposed by the dominant viewpoint, through the time would get internalized in agents’ schemes of perception and appreciation, and eventually agents would accept the assigned names, positions and power levels allocated to them by the dominant powers in a doxic mode of adherence (Acciaioli 1981); i.e. “accept the world as it is, taken for granted” (Bourdieu 1985). Specially since they find these attributes objectively represented in the social reality, they find them as natural, and usually not rebel against them (unless motivated by an institutionalized political movement) (Bourdieu 1989).

5.2.1.4) Habitus and predictability of practices:

One of the benefits of the introduction of internalized schemes of perception and appreciation is that, similar to objectivism, practice theory can provide predictability to the analysis of agents’ conducts without falling in the mechanistic trap of objectivism which removes the agency from agents. The shared schemes of perception and appreciation learned through the individual history of agents allow them (and allows the analyst) to analyze a situation and to predict possible reactions of the other agents, although with limited accuracy since the practical mastery of agents allows them to produce infinite responses that all fit the structured situation (Bourdieu 1977).

In fact, in acting based on the guiding of their schemes of perception and appreciation, agents are actively reproducing the objective living conditions (called “regularities” in Bourdieu’s terminology) that are the generators of their perception schemes that they learned through their history of past practices (Bourdieu 1990). Therefore, Bourdieu insists that, contrary to objectivism that regards the immediate objective conditions as the determinants of agents’
actions, it is the current conditions interpreted through the historically generated schemes that
generate the practices. Therefore, agents’ conduct cannot be deduced based on either the current
social conditions, or the historical conditions alone, but by relating the current social conditions
with the social condition of the generation of the schemes of habitus (Bourdieu 1977; Bourdieu
1990). And this is the reason that Bourdieu keeps track of the past conditions of living of agents
(where their initial habitus was generated) in his analysis of the social classes of agents
(Bourdieu 1984).

5.2.1.5) Habitus, and the logic of practice (analysis of situations):

Bourdieu identifies accumulation of power as the main motivation for social practices,
and he identifies four principal types of capitals (economic, cultural, social, and symbolic
capital) as the core generators of power in a social setting (Bourdieu 1985). At the same time
Bourdieu presents habitus as the main generator of practices and strategies which are directed
toward achieving those powers (Bourdieu 1977). The logic of practice for Bourdieu, contrary to
objectivism, is not based on the scientific rules or models of practice developed by aggregation
of data collected from different contexts and situations, synthesizing those information, and
generation of a universal model for practice. In other words, Bourdieu disagrees with the idea
that the social life has an objective structure independent of the agents, context, and the history
of agents involved in each situation. Instead, the logic of practice, for Bourdieu, is based on the
practical mastery of agents (operationalized by the concept of habitus) to analyze every aspect of
the situation, including the agents involved and the social position of those agents, the relevant
field of practice at the moment and the interests associated with that field, the history of past
interactions between the agents, and the social and cultural conditions of the situation of practice.
Using all these aspects of the situation, habitus seeks the schemes of perception and appreciation most pertinent to the situation (Bourdieu 1990). As mentioned before (section 5.1.1.4.1), schemes of perception and appreciation are groups of opposite adjectives that determine the social class of a social object, and identify the relational position of that object in the symbolic space of power relations in that particular field (Bourdieu 1985). Accordingly, identical words may take different meanings and different social evaluations depending on the field of practice, and agents in the situation are unconsciously aware of all these differences of evaluations, but the social scientist who aggregates all these instances of the use of the words and totalize them for the sake of making a comprehensive model would miss their practical meanings, and values (Bourdieu 1990).

In summary, Bourdieu’s discussion about the role of habitus in analysis of a situation is based on the four aspects of social power, regarding the four types of capitals involved in each situation. But, before explaining habitus’ analysis one should consider that contrary to subjectivism’s assumption that every action is the direct result of a conscious rationalization of the economic values of its performance, this analysis is generally unconscious and part of the second nature of the agents. In other words, agents perform what they out to do in each situation and basically by following their internalized schemes of perception and appreciation, and therefore without conscious reasoning and rationalization (Bourdieu 1990). Accordingly, the scenario of the analysis of habitus presented here is, to use Bourdieu’s terminology, the objectification of habitus’ operation (Bourdieu 1990). Therefore,

- Habitus, first, performs an economic analysis of the situations, in which it determines the economic interests involved in the situation (depending on the field of practice), and also
it considers the economic capitals the agent possesses vs. the required economic capitals required depending on the objectives of the agent (Bourdieu and Wacquant 1992).

- Second, habitus performs a similar analysis about the interests and requirements related to the cultural capital involved in the situation. However, in its cultural analysis habitus also has to consider the cultural conditions of achieving one’s objectives. In other word, habitus should consider the official and customary rules and expectations embedded in the situation and has to “disguise” the action as absolute following of the rules, and as disinterested. Bourdieu calls this aspect of analysis as “second order strategy” of an action (Bourdieu 1977).

- The third aspect of habitus’ analysis considers the history of past interactions between the agents involved in the situation, in which the social capital of agents is at stake. Bourdieu defines social capital as the “durable network of more or less institutionalized relationships of mutual acquaintance and recognition … which provides each of its members with the backing of the collectivity-owned capital…. The reproduction of social capital presupposes an unceasing effort of sociability, a continuous series of exchanges in which recognition is endlessly affirmed and reaffirmed” (Bourdieu 1986). Bourdieu believes that actions involving other agents, such as gift exchanges, are intrinsically either challenges for the other agents or ripostes to their past challenges. Therefore, depending on the history of the interacting agents, habitus should consider that the following action can have different meanings considering the participating agents, and the history of their past interactions. Based on this exchange of challenges and ripostes with other agents, one generates and maintains a "social capital", composed of practical kins with whom one maintains “the game of kinship” (Bourdieu 1977).
• Finally, habitus considers the symbolic aspect of the game (Bourdieu 1977). The feel for position of oneself and the position of other agents, and the tendency to keep the distance between agents from distant social classes, is the basis of this analysis, (see section 5.2.1.1). However, this feel for position has a group aspect to it as well. In other words, the agent may be acting on behalf of a group, such as a representative of an organization. In those moments besides considering one’s individual social position, one should consider the social position of the group he/she is representing and should take actions that reasonably represent that group’s social position as well. Bourdieu considers the inconsistency between the individual interests within the field to reserve or improve his/her power and the interest of the group (e.g. an organization) as one of the main aspects for analyzing the failure of the groups (Bourdieu 2005).

Considering all these aspects of the situation, habitus would inquire the pertinent schemes of perception, and would generate a reasonable strategy for action according to the conditions of the situation (Bourdieu 1990).

5.2.2) Strategies:

 Strategies are groups of actions aimed at achieving certain goals (Bourdieu 1977). As mentioned before, habitus of agents is composed of their “feel for the game”, and “feel for position”, and partly of dispositions representing their history of past experiences of the agent in different fields. Agents use this habitus as their main strategic resource in confrontation of different situations. In each situation, habitus considers the capitals of the agent, the other agents present in that situation, and the conditions and requirements of the field of practice in order to
plan a strategy to achieve certain goals or interests considered valuable in that field of practice (Bourdieu and Wacquant 1992). Bourdieu’s discussion of strategies implies that he considers two types of strategies;

1. The routinized strategies: common-sense and shared strategies that would apply to repetitive situations in a field of practice. These routines get stored in habitus, and are retrieved unconsciously, similar to a computer algorithm, whenever habitus perceive the situation as one of those well-known and repetitive situations of the daily life (Bourdieu 1993a).

2. “Regulated improvisations” (Bourdieu 1977): These are strategies that get shaped by habitus for newly encountered situations. In those situations, habitus would use its learned and internalized schemes of perception in order to analyze, perceive, and evaluate the characteristics (the urgency, importance, danger, …) of the situation. Then, habitus would use its “feel for the position”, and “feel for the game” capabilities in order to come up with an improvisation that fit with the structures of the field, and with the position of the agent within the social space.

5.2.2) Time and strategies:

One of the oppositions of Bourdieu with the scientific practice is the removal of time gaps between actions from their model building analysis. Bourdieu believes that these time gaps that social science disregards have significant meaning and values especially in strategy generation of agents. So, one of the important factors that habitus carefully considers in deciding what response to make to a situation is the scheduled timings between the events, so that the response is neither too soon nor too late for it to be effective and have the intended meaning to the situation (Bourdieu 1977).
6) Conclusion:

In conclusion, the difficulty of using Bourdieu's theory is in the fact that it is not a theory, dealing with just a single phenomenon. It is a comprehensive sociological theory that integrates all aspects of human social life. Bourdieu tries to reconcile objective and subjective sociology. Accordingly, he presents a framework that is capable: 1) to provide answers to both "why" and "how" questions, 2) to describe agents’ beliefs and objective structures together, 3) to provide analysis of individual as well as collective experience, 4) to make both qualitative and quantitative analysis, 5) to describe change and stability at the same time, 6) to make both macro and micro analysis, and 7) to describe mental and social structures together.

Bourdieu also has integrated ideas from major theoretical paradigms in the sociological studies and has been able to assembles all the major theoretical concepts and constructs described by them into his theory altogether. Accordingly, he is able to describe all the following aspects related to a society's culture described in different theoretical perspectives: Social classifications, objective functional groups and their relationships, power relations and political analysis, conflicts of interests, study of language and symbols, shared values and beliefs, analysis of practical knowledge, study of lifestyles, ....

Further, Bourdieu has introduced new concepts and constructs to the study of social life, that provides further analytical capabilities to his theory. His main contributions are: Introduction of history to the study of social life as the main "reason" for both social structures and group representations. Building a theory of knowledge based on “classification and hierarchization” concepts, and introduction of "time" as an important aspect of the social life, especially regarding strategy generation of agents, that has been ignored from sociological analysis.
Chapter 5:

Practice-based view (PBV) of the firm:

Introduction:

The theory of knowledge-based view of the firm, the basis of the field of knowledge management, introduces organizational knowledge as the most strategic resource of an organization, and the only potential source of sustainable competitive advantage for a firm (Grant 1996b). However, despite this general goal of the knowledge based view (i.e. sustainable competitive advantage), the field of knowledge management was unable to achieve it. This research proposes a “Practice-based view” of the firm, which is a theory of the firm built upon Bourdieu’s practice theory. The ultimate goal of practice-based view is to provide a theoretical framework for organizations to use their knowledge in order to compete effectively against their rivals.

Attaining sustainable competitive advantage is the ultimate goal of the field of strategic management. Industrial organization (IO) view, and resource-based view (RBV) of the firm are the two major paradigms of the field of strategic management.

The strategy development in Porter’s industrial organization method starts by analyzing the opportunities and threats in an industry. This analysis provides an expectation about the level of average profitability of that industry, and accordingly identifies the best possible positions for the firms in the industry that provide above normal profits for the firm. Based on the decided strategy and position in the industry, Porter’s industrial organization provides a general guideline or recipe for attaining that strategic position, which describes the actions and steps that the firms should take in order to achieve that goal (Porter 1985). The major underlying assumption in
industrial organization’s analysis is that it assumes a stable or perfectly predictable structure for the industry, which allows it to make long-term strategies for the firms based on the industry structure (Barney 1986c; Conner 1991). There are two basic problems with Porter’s industrial organization method; first, that its prescriptions are absolutely general for every firm in the industry, independent of its capabilities and limitations. Second, Porter's strategizing does not take contextual conditions into consideration, which means that its strategies are supposed to be applicable to every situation and context (i.e. time and space independent). Figure 1 shows industrial organization theory's strategy development model.

![Strategy Development Model](image)

*Figure 1: Industrial organization's strategy development process*

The resource-based view (RBV) found the first identified problem of Porter's industrial organization theory (i.e. strategy development independent of the firms’ capabilities) highly significant. Therefore, resource-based view takes a completely opposite direction in its strategy development practice and solely focuses on the internal resources and capabilities of the firm as the basis for strategizing. Resource-based view attempts to generate a strategic viewpoint for the managers based on the analysis of the firm’s capabilities and resources. This subjective viewpoint or vision about the capabilities of the firm allows its managers to make intuitive expectations about the profitability of the possible strategic movements, and to make decisions about the next best (i.e. most strategic) movements that outperform the expectations of the rest of
the industry, such as decision about a new investment, or decision about build or buy a new service or technology (Barney 1991; Conner 1991; Peteraf 1993).

Making individual decisions based on the understanding of the managers about the internal capacities of the firm ensures the sustainability of those capabilities and allows for diversification of a firm’s capabilities in compatible areas of practice. Resource-based view theorists, however, acknowledge that these subjective intuitions may not find the expected results in the real world, so they allow an important role for the “luck” in their analysis. The reason for this dependency on luck for resource-based view is that as an underlying assumption they believe that revolutionary innovations have the capacity to change the structure of the industry and the rules of the game immediately, and therefore, strategists cannot build their strategies based on the analysis of the industry structure, which is neither stable nor reliably predictable (Barney 1986b; Conner 1991). The problem with resource-based view’s analysis is that similar to industrial organization, it does not consider the contextual conditions under which the practice or action is conducted, which may have significant influence on the effectiveness of the resources in different conditions. Figure 2 shows resource-based view’s strategic management model.

![Figure 2: Resource-based view's strategic management model](image)

Overall, it is apparent that each one of industrial organization and resource-based view’s analysis considers an important aspect of the contextual structures under which firms perform, and that the output of both of these strategy development models are absolutely important for the
success of organizations in their competitive environments. However, one should also consider that industrial organization presents an objective, mechanistic, rule-based model for strategy development, while resource-based view performs an individualistic, subjective, perceptual model for strategy development. These two paradigms of social studies (i.e. objectivism, and subjectivism), according to Bourdieu, are fundamentally in absolute opposition (Bourdieu 1990), and may not integrate in a single study or analysis. Bourdieu’s theoretical contributions are his trial to reconcile the opposing viewpoints of objectivism and subjectivism into a theory of practice that takes into account both the structural attributes of the social life, and the perceptions and representations of people in their decision making. Using Bourdieu’s practice theory (Bourdieu 1977; Bourdieu 1984; Bourdieu 1990; Bourdieu and Wacquant 1992), this study tries to present a practice-based view of the firm (PBV) which integrates the analysis of industry structure of industrial organization, and internal resources of resource-based view, to provide strategic capabilities for the managers in both long-term and short term strategies for the firm.

As mentioned in the beginning of this introduction, the goal of the practice-based view of the firm is to use knowledge as the only means for strategy development, and that’s why it finds knowledge-based view of the firm an interesting reference point to start with. Knowledge-based view of the firm was developed as an amendment or an outgrowth of the resource-based view (RBV) of the firm (Grant 1996b). Resource-based view, similar to industrial organization is an economic theory of the firm. Therefore, the knowledge-based view’s perspective of knowledge is an economic one in which knowledge is considered as a type of precious resource controlled by individual knowers who should be grouped with other knowers in order to integrate their knowledges in such a way that makes the output production of the firm more effective and efficient. Further, with the same economic perspective of knowledge, organizations engaged in
knowledge management initiatives whose ultimate purpose was to mine the precious knowledge of employees, store it in the firm’s knowledge bases, and to share it with the rest of the organization members for improving their performance. Therefore, the field of knowledge-management which was built upon the knowledge-based view of the firm tried to manage the firm’s most important resource; i.e. knowledge (Alavi and Leidner 2001; Dalkir 2013). However, while the ultimate goal of the knowledge-based view of the firm, similar to resource-based view, is to achieve sustainable competitive advantage for the firm, the field of knowledge management almost ignored this strategic goal of knowledge-based view, and limited its focus on capturing, sharing, and reusing the firm’s employees’ knowledge. Again, based on the economic perspective of knowledge, the traditional theory and practice of knowledge-management generally focuses only on the technical, or “know-how” knowledge of the employees as the only valuable knowledge deserving management (Schultze and Leidner 2002; Thomas et al. 2001).

Beyond the lack of attention to the strategic aspects of knowledge in the theory and practice of traditional knowledge management, there are other important problems with this perspective. The first problem with this traditional view of knowledge management is that it takes an objectivist view to the concept of knowledge where it treats knowledge as a universal truth which once discovered can be applied to every context and by any other agent. Further, the individualistic nature of knowledge in the traditional knowledge management dismisses the importance of the shared, social and common-sense knowledge as an important aspect of organizational knowledge (Schultze and Leidner 2002; Thomas et al. 2001). Due to these shortcomings of the traditional knowledge management, a major portion of the knowledge-management literature calls for a movement towards a more social, and contextual perspective of
knowledge and knowledge management (Brown 1998; Brown and Duguid 2000; Huysman and Wulf 2006).

Practice-base view (PBV) of the firm finds organizational knowledge as the only means for strategic management. At the same time practice-based view finds the contributions of the theories of Porter’s industrial organization, resource-based view, and knowledge-based view as important and valuable in the process of strategy development for organizations. Accordingly, practice-based view finds each of these paradigms one major aspect of organizational knowledge. In other words, practice-based view finds the knowledge about industry structure introduced by Porter’s industrial organization, the knowledge about the firm’s internal resources and its implications in the form of managerial vision/intuition introduced by resource-based view, and the practical and know-how type of knowledge dealt with by knowledge-based view of the firm, as three essential types of organizational knowledge which all are fundamentally important in the process of strategic management. Practice-based view of the firm (PBV) uses Bourdieu’s practice theory to integrate all these aspects of organizational knowledge together, and to provide a new definition and description about each one of these types of knowledge in order to integrate the advantages of the three strategic perspectives explained and to avoid their pitfalls.

The outline of practice-based view’s discussion is as follows. It starts by introducing the basic assumptions of practice-based view. It moves then into describing the types of “power” recognized in practice-based view, which are the ultimate goal of practice-based view’s strategy development. The discussion then continues by describing the types of knowledge used in strategy development according to practice-based view, and the first type of knowledge would be structural knowledge. In this topic, practice-based view theory presents a framework for the
industry structure, which identifies producers, and consumers as the two major elements constituting a stepwise hierarchical structure for an industry. Then, based on this “producer-consumer” model of the industry structure, a set of generic strategies for the firms would be introduced. All of these generic strategies are based on the structural knowledge of the firms about their industry. Next, the internal structure of the firm would be discussed using the same notion of producer-consumer dichotomies. This structure allows the management to organize the relationships of the departments, while allowing certain freedom space for each department to set and implement its independent strategies. The next topic would be a discussion about the second strategic type of knowledge in practice-based view, which is the practical knowledge, and a theoretical model for practical knowledge would be presented. This type of knowledge expands the area of strategy development to include all agents in the organization as strategy developers, and to identify every purposeful action of any agent as a strategic move in the organization.

1. Basic Assumptions of Practice-based view (PBV):

   The theory of Practice-based view of the firm is an alternative to knowledge-based view, resource-based view, and Porter’s industrial organization theories. Its goal is to replace organizational knowledge as the only resource for strategy development. So, before discussing the details of practice-based view, one needs to understand about the basic assumptions of practice-based view:

   1. The most basic assumption of practice-based view, based on Bourdieu’s practice theory, is that the ultimate purpose of all human actions, including their strategy development, is to accumulate more power in a practice setting (e.g. a firm, industry, university, NGO, etc.). However, contrary to industrial organization, and resource-based view who limit their focus
on financial powers, practice-based view assumes that the types of power relevant to any practice setting is context dependent. In fact, strategy development in practice-based view is depending on whether an agent has the relevant power to influence the practice in a particular practice setting.

2. Practice-based view, similar to industrial organization, and resource-based view, is a relational theory (Bourdieu and Wacquant 1992; Dépelteau 2008), which means that the success of strategy development is not measured in terms of absolute value of economic profit or other types of capitals received, but in terms of the relational position that the agent would achieve, compared to its rivals, as the result of its strategic actions. Since the success of strategizing in practice-based view is not limited to economic profit, then strategizing in practice-based view is based on the relations of power (i.e. context dependent distributions of capitals) between agents in a practice setting (industry, firm, department, …). Therefore, the first step in strategy development in practice-based view is to be educated (knowledgeable) about the relations of power between the agents.

3. Contrary to industrial organization, and resource-based view, the goal of strategy development in practice-based view is not to achieve above average financial profit, but the goal of practice-based view’s strategizing is twofold: 1) to help the agents sustain their social position (i.e. their relational power level) despite the changes in the industry structure, and 2) to help the agents to set reasonable long-term goals for higher levels of relational power (i.e. higher social positions).

4. Practice-based view’s strategy development is not limited to the organizations’ managers. All parties who are influenced by the practice of the firm or industry are considered agents (individuals or groups) who have the capacity to make strategies.
5. Contrary to industrial organization, and resource-based view who grant full freedom and agency to the firm’s managers in their strategy development and absolute lack of agency to the subordinates in an organization, practice-based view assumes that all agents in a practice setting have certain levels of powers which they can use to influence the practical setting, and that the agents with the highest levels of power, or the dominant types of power (such as managers) have the largest influence to the practice settings. However, there is no absolute freedom in practice-based view, where even the top managers have limitations in their capacity to influence or change the course of practice.

6. While knowledge-based view assumes that the individual employees’ knowledge is the most strategic resource of the firm, practice-based view proposes that the type of knowledge relevant and important in any situation is the common-sense knowledge shared by all those agents who are knowledgeable about all the details of the structural and practical aspects of the practice in a particular context and social setting.

7. Practice-based view, following Bourdieu, assumes that all aspects of the social life are objects of knowledge shared by the competent agents (Bourdieu and Wacquant 1992). Therefore, within the analysis of practice-based view, industrial organization’s industry structure, and resource-based view’s internal resources of the firm are considered as aspects knowledge required for understanding the situation and for strategy development in that context.

8. Practice-based view assumes that the industry structure (similar to any other social structure) and its related common-sense knowledge is a product of the history of the group. In other words, agents within the group, in order to impose their influence on the structure of the social setting (e.g. an industry) would engage in structuring conflicts, called symbolic
struggles in Bourdieu’s terminology (Bourdieu 1985; Bourdieu 1989), in which agents would use all their symbolic power to influence the social structures in such a way that improves their social position and power.

9. In terms of the stability of the industry structure, practice-based view stands in the middle between industrial organization, and resource-based view. While industrial organization assumes a constant or perfectly predictable industry structure, resource-based view assumes instant and unpredictable changes to the industry structures. Practice-based view, however, assumes that the industry structure is the result of the symbolic struggles of the agents. So, any change introduced to the industry structure would be rejected by those who are privileged within the current social structures. The ultimate industry structure is the result of the conflicts between different groups of agents with conflicting interests towards the industry structure. So, although a change in the structure is possible, and a constant fact of the social life, it is not an instant revolution and requires one to go through a time-taking process of objectification and internalization in which the new structures need to get accepted and implemented in the social setting (e.g. the industry) and that people take them as the new norm and the new taken-for-granted realities (Bourdieu 1977; Bourdieu 1990).

2. **Types of power in practice-based view:**

Since the ultimate goal of strategizing in practice-based view is accumulation of power, one needs to understand the types of knowledge analyzed and concerned in practice-based view of the firm. According to Bourdieu’s theory, the relational power of an agent compared to other agents in a social setting is a function of the levels of the agent’s accumulated capitals, and Bourdieu identifies four types of capitals active in the dynamics of the social life: economic,
cultural, social and symbolic capitals (Bourdieu 1985; Bourdieu 1986). The social capital is the type of capital possessed by an agent as a member of a group depending on how well he/she complies with his/her duties relevant to other agents. Practice-based view’s analysis is more concerned on the competitive aspects of the social life. Therefore, the social capital is not considered part of the practice-based view’s analysis.

Practice-based view studies both the practical and the social aspects of organizational practice. Therefore, it identifies two generic types of power associated to an agent’s practice; i.e. practical power and symbolic power.

**Practical power**: is the power of an agent in development and implementation of practical and reasonable strategies. It is related to the level of the economic and cultural capitals identified in Bourdieu’s practice theory. In other words, practical power is depending on the one hand on the economic and physical resources controlled by an agent, and on the other hand on the mental capabilities and the “know-how” understandings of the agent. These resources identify the scope of strategizing of an agent; i.e. they identify the opportunities and limitations of the agent in terms of what types of strategies the agent potentially can generate and implement.

**Symbolic power**: According to Bourdieu, symbolic power is the agents’ capitals and powers recognized, accepted and appreciated by other agents. Symbolic power is the result of symbolic capitals acquired by an agent (Bourdieu 1985; Bourdieu 1986). Symbolic capital has two types; objectified and reputation-based. Objectified symbolic capital is the type of economic or cultural capital qualified and recognized by the official authorities, such as university diplomas or quality credentials granted to firms. Reputation-based symbolic capital is the
common-sense evaluation of the power and capabilities of an agent compared to other agents.

Symbolic power provides two types of opportunities for the firms;

1) The symbolic power works as a socially accepted *right* for the agents to use and preserve their technical capitals and powers. For instance, the medical degree granted to a physician works as a right for the physician to enter the operation room in a hospital, and to use the sensitive facilities in that room in a surgical practice.

2) The symbolic power provides the agents a certain capacity to influence the social structures in a society. In fact, according to Bourdieu, agents constantly engage in symbolic struggles which its ultimate goal is to alter the social structure to the benefit of themselves. In these social struggles, agents use their reputation and symbolic capital in order to convince the society about the corruption of the status quo, and the superiority of their vision and viewpoint in terms of the classification and structuration of the society.

Bourdieu claims that the symbolic power relations are the product of objective power relations. In practice-based view’s terms, symbolic power relations are the product of the practical power relations. However, it is important to understand how the practical power gets socially and officially recognized by the rest of the society (Bourdieu 1985; Bourdieu 1986; Bourdieu 1989).

2.1) **How practical power gets translated into symbolic power:**

Bourdieu asserts that the social life is organized based on the relations of power between agents, and as a competent agent in a society, the first thing agents learn is the relations of power between the members of that society (Bourdieu 1977; Bourdieu 1989). The power position of agents is so important that every aspect of the social life, including the interactions of agents
together, is organized according to the relations and the differences of power between the agents. Also, the basis of the power relations in the social life is the volume and the proportions of different types of capital possessed by an agent. However, it is practically impossible to measure or estimate the amount of different types of capital possessed by every other agent in a society. Therefore, Bourdieu claims that people mentally classify groups of agents into social classes using the physical and tangible properties of the agents as a proxy for the level of different types of capitals possessed by them. For this strategy to work, agents with similar capital structures and power positions should present similar properties and attributes so that other agents can reasonably recognize and classify them in their relevant social classes. Therefore, Bourdieu concludes that people living in certain conditions (in terms of chances of access to different types of resources) would be educated about their relative power position in the society compared to other classes of agents, and would also learn and internalize what properties and practices are compatible with their social position. Furthermore, agents would also learn how to differentiate people from other social classes based on their tangible properties, and would learn how to interact differently with agents from different social classes. Thus, Bourdieu claims that people intentionally exhibit distinctive properties in order to communicate their social position (Bourdieu 1984; Bourdieu 1990). Figure 3 exhibits the transition of practical power relations to symbolic power relations.

Using this general theory of the social life, Bourdieu concludes that the sociologists would need to start their analysis of the society by identifying the social classes of agents based on their physical and tangible properties such as their product consumption, the social activities they participate in, and the type and model of their practices such as their accents or their style of eating, walking, schooling and so on (Bourdieu 1984).
The important question, according to Bourdieu, is that how agents who do not know each other, and who have not been members of an organized group would show similar properties and would follow similar lifestyles? Bourdieu answers that with the concept of schemes of perception and appreciation (Bourdieu 1984; Bourdieu 1985; Bourdieu 1996). People who have lived in similar conditions (i.e. similar chances of access to certain social opportunities and resources), and have experienced similar conditionings (i.e. facing similar social situations and similar feedbacks from the society) would internalize the principles of the structuring of the society which shape the attributes of every aspect of the society, such as the houses, the official and customary rules, the social activities and so on. Bourdieu calls these principles of structuring of the society as “schemes of perception and appreciation”. These schemes of perception and appreciation are the underlying cause of the difference in the viewpoints of different classes of people in the society. Because, schemes of perception and appreciation work as evaluation criteria according to which people assess how good or bad, novel or ordinary, big or small, … the elements of a situation are, and based on this evaluation they would decide a strategy for a
reasonable response that would go well with the situation and with the social position of the agent.

2.2) How do schemes of perception and appreciation work?

As mentioned previously, schemes of perception and appreciation are the core element of the mental structures of agents in a field of practice and would work as evaluation criteria used by the agents in the field in assessing the attributes of a situation in order to decide how to respond to a particular situation. Schemes of perception and appreciation are the logical instrument of Bourdieu’s habitus or practical knowledge which help agents to make relevant strategies to particular situations (Bourdieu 1977; Bourdieu 1990). Bourdieu’s theory identifies two types of habitus, and accordingly two types of schemes of perception and appreciation in a field of practice; habitus of the field, and habitus of classes of agents within the field.

Any field of practice has a particular habitus associated to it which evaluates the social position of agents, and any object related to that field of practice. Every field of practice identifies certain capital types as its sought for “interests”, and accordingly identifies the social power and position of agents based on the types of capitals the agents possess. The schemes of perception and appreciation of a field of practice, then reveal the priorities of the field of practice in evaluation of the capitals and properties of the agents in that field of practice. Based on that evaluation, the social position and power relation of agents, and their properties get identified in the field (Bourdieu 1989; Bourdieu 1993a; Bourdieu and Wacquant 1992). In fact, according to Bourdieu, since the interests, and the priorities are imposed by the dominant agents in a field of practice, the ultimate evaluation system (schemes of perception and appreciation) of the field differentiates the dominant classes of agents and their properties from those of the dominated
agents. Figure 4 shows the evaluation of the schemes of perception and appreciation of a field of practice for a particular social object, compared to the position of a particular member of that field of practice.

Relations of power in a field of practice, according to Bourdieu is a shared and common-sense knowledge between the members of a field of practice. However, depending on the position of the agents in the social space, and depending on the capital structure of the agents in that class (their objective conditions and conditionings of living), the habitus of the agents would react differently in evaluation of the attractiveness of the attributes and properties of the social objects. Therefore, the taste of the agents (their judgement about attractiveness of the social objects) in a particular social class would depend on their capital structure, and their viewpoint about the priority of different interested capitals in that field of practice (Bourdieu 1984). For instance, agents with higher economic capitals are less price sensitive compared to other agents, and agents with high cultural capitals are more attracted to the creativity and skillfulness of the social objects. Figure 5 presents the evaluation system of agents of a particular social class, and their ranking of instances of a social class of objects based on their attractiveness for the agents of that particular social class.
Bourdieu suggests that schemes of perception and appreciation is part of the unconscious knowledge of the agents in a field of practice, and therefore they learn it through their experience in a field of practice, but they may not be able to communicate it. However, agents do use opposite adjectives in their field-specific language for ranking and evaluating social objects. So, Bourdieu concludes that the underlying schemes of perception and appreciation of agents which organize and control the perception, decision and practices of agents are the collection of dichotomies of oppositely valued adjectives that together define the evaluation schemes of agents in a social setting (Bourdieu 1990).
For instance, in the auto manufacturing industry, the evaluation criteria for assessment and comparison of vehicles contains elements such as performance, safety, technology and equipment, prestige, quality and aesthetics, costs, environmental impact, and so on. However, the importance and priority of these factors change depending on the contextual factors or the time and space of the evaluation practice. For example, in highly polluted countries, the environmental impact may have higher priority compared to the equipment and prestige factors. So, overall, in a particular social setting, depending on the contextual factors, the priority of different factors in assessment of the vehicles get prioritized as shown in figure 4. However, different classes of the consumers of the auto industry, depending on their economic and conditions and conditionings, would have differential preferences and tastes, and therefore, their evaluation process may assign different weights to the different evaluation criteria. For instance, executives of high tech companies may prefer luxury cars with the most innovative technologies (such as Tesla electric cars), while the executives of classic businesses such as jewelry may
prefer high prestige and age-old brands (such as Rolls-Royce, or Mercedes Benz). For these types of consumers, costs may not be a determining issue in their decision making process. Other buyers, such as technicians may put higher priority on affordable costs, performance, and durability measures, and do not pay much of attention to aesthetic and prestige factors. Figure 5 presents the ranking of different brands and models based on the evaluation criteria of a particular class of agents with a particular viewpoint. So, the overall idea of the theoretical model presented for schemes of perception in this section is to demonstrate that the mental structures of agents in a particular context is partially identified by the structural conditions imposed by the fields of practice they are involved in (such as the general evaluation criteria of the auto industry), and partially determined based on the shared understanding and evaluation criteria of the agents who share similar history of past experiences, and have similar economic and cultural conditions of living.

3. The Structural Knowledge:

Bourdieu’s practice theory defines the perceptual knowledge as the knowledge of agents about the social structures of the society. Perceptual knowledge has two major components, the social structures and the mental structures. The social structures determine the objective relations of power between agents in the society, whereas the mental structures identify the schemes of perception and appreciation shared by the agents occupying a social class in the social space (Bourdieu 1977; Bourdieu 1984; Bourdieu 1985). The practice-based view of the firm (PBV) identifies a correspondence between the social structures and Porter’s industrial structure, and between the mental structures and the resource-based view’s intuitions and expectations introduced by resource-based view (RBV). Therefore, the practice-based view starts
its discussion of strategy development by identifying its substitute for Porter’s industry structure, and then would introduce class-specific mental structures (schemes of perception and appreciation) associated to each class of agents in the industry.

**Practice-based view’s model of the industry structure:**

Porter’s industrial organization theory builds its strategy development process totally on its analysis of the structure of the industry. For Porter, the industry structure is composed of five elements, called the five competitive forces in the industry; the threat of new entry, the threat of substitutes, the bargaining power of the buyers, the bargaining power of the suppliers, and the rivalry among the firms within the industry. Another element of the industry structure for Porter is the industry segmentation, which identifies what types of buyers are present in the industry, and what types of products are offered to those buyers (Porter 1980; Porter 1985; Porter 1996).

Similar to Porter, this study will start by identifying the composing elements of the industry structure in practice-based view of the firm using Bourdieu’s theory. However, before explaining the structural analysis of practice-based view, it is important to present a short summary of Bourdieu’s social structure analysis tailored for the purpose of analysis of the industry structure.

**Summary of Bourdieu’s social structure analysis:**

Bourdieu’s practice theory identifies two types of social objects who participate in struggles for accumulating power in order to rise in the relational powers against other agents; individual people, and fields of practice (Bourdieu 1984; Bourdieu 1985; Bourdieu 2005; Bourdieu and Wacquant 1992). In fact, people struggle for power within the fields of practice,
but fields themselves (e.g. firms, universities, or industries) engage in power struggles in higher level, encompassing fields. Moreover, agency in Bourdieu’s theory is the capacity of agents to choose a reasonable goal and to use their already acquired power effectively in order to attain more power. Since people and fields both engage in the practice of power accumulation, this study refers to both, individuals and fields of practice, as agents.

Agents, in Bourdieu’s theory, engage in two main practices; producing products and services in fields of practice, and consuming products and services produced in other fields of practice. According to Bourdieu’s “distinction” theory (Bourdieu 1984), agents perform both of these generic actions consistent with their social positions in the society, and the position of agents in the society is basically defined according to the agents’ level of accumulated capitals in their past power struggles. Therefore, in analyzing the social structure, Bourdieu first identifies the social position of producers (e.g. firms), and the social position of consumers (e.g. individual buyers) (Bourdieu 2005; Bourdieu and Wacquant 1992). Social position of agents represents the relational position of agents in terms of their capitals. Bourdieu uses economic capital and cultural capital as the two generic capitals which have the capacity to effectively classify social agents and to identify their social positions (Bourdieu 1984; Bourdieu 1996). So, Bourdieu uses the consumption patterns of agents as a proxy for their capital structure. In other words, Bourdieu collects data about the products the agents consume in order to statistically classify agents into a two dimensional space, which he calls it the social space. Then, he argues that the two dimensions of the social space almost always represent the structure of the cultural and economic capitals of the classes of agents (Bourdieu and Wacquant 1992). Therefore, products (or services), not only statistically identify the position of agents in the social space, but also work as a medium connecting the social space of consumers to the social space of producers. It,
then, means that products also have a social space corresponding to the social spaces of producers and consumers. Bourdieu, then, concludes that rather than being derived by the microeconomics’ supply and demand graphs, producers are already in a corresponding position with their consumers. That’s why Bourdieu proposes that rather than adjusting their production with the demand, as proposed by microeconomics, producers are usually driven by their intuitive drive for producing products that fit their own tastes. Almost always these products find their targeted customers who have similar tastes because they are from similar social positions (Bourdieu 1984).

Figure 6 presents the correspondence relationship between producers, products and consumers, based on Bourdieu’s theory.

Moreover, fields of practice, in Bourdieu’s theory have a hierarchical structure, which means that smaller subfields are encompassed with the larger fields. Members of each field of practice have a particular interest, which is the particular types of capitals that are considered as instances of power in that field. The higher the level of the field within the hierarchy, the more abstractly is defined its interest, and its types of capitals. As we descend the hierarchy, the types of interests and the associated capitals get more specific and more precisely defined.
Accordingly, the unique identifier of the fields of practice is their particular definition of “interests” and the particular types of economic and cultural capitals that get identified based on those interests. Furthermore, other than the hierarchical relationship of fields with their subfields, Bourdieu identifies fields of practice as independent from each other. This means that Bourdieu believes that fields have clear borders through which certain agents get accepted and others do not, and therefore fields do not get partially mixed up or combined together (Bourdieu 1993a; Bourdieu 1993b; Bourdieu 2005; Bourdieu and Wacquant 1992).

Based on the explained structural elements of the Bourdieu’s theory, the next section presents the analysis of the industry structure of practice-based view of the firm.

3.1) Practice-based view’s theoretical framework for industry structure:

Similar to Porter’s industrial organization theory, practice-based view starts by analyzing the objective structure of the industry. However, rather than identifying the competitive forces applied to the firms within the industry, practice-based view assumes the whole industry, and its composing firms as an individual member within the general structure of the larger society. Therefore, the relationships between the industries (e.g. suppliers and producers) are defined in a higher level of analysis of the social structure. In fact, practice-based view’s structural analysis is a two dimensional analysis; a vertical and a horizontal analysis. In the horizontal dimension, practice-based view analyzes three types of relationships: the relationships between producers, the relationship between the consumers, and the way products act as the link between the producers and the consumers. Through the products, both the producers and consumers can influence each other, and this interaction is also part of the analysis of industry structure in practice-based view. In the vertical dimension, practice-based view describes the relation of the
industry with the rival industries, and with the supplier industries. The reason that practice-based view of the firm labels the clients of an industry as *consumers* rather than customers or buyers is the fact that those terms imply an economic view to the clients, which would represent practice-based view as an economic theory of strategic management similar to Porter’s industry organization and resource-based view theories. However, the concern of practice-based view is not limited to the economic practices of organizations, and therefore, clients of an industry or a firm analyzed by practice-based view may not even financially pay for consuming their products, such as the students of public schools, visitors of a non-for-profit museum, or clients of an NGO.

Figure 7 shows the industry structure for a particular firm “ABC”.

*Figure 7: The industry structure for firm ABC*
3.1.1) Practice-based view’s horizontal structure:

Similar to resource-based view (Conner 1991), in practice-based view, agents, in their power seeking practices, acquire inputs to produce outputs. Therefore, the two major elements of the industry structure for practice-based view are the producers and the consumers. The horizontal structure of an industry, shows the social space of the rival firms participating in the industry, and the social space of the customers of the industry. The social space of the rival firms within an industry represent the “field” concept of Bourdieu’s theory (Bourdieu 2005; Bourdieu and Wacquant 1992). For Bourdieu, fields are groups of agents who have a particular interest (i.e. producing a particular output), share similar required capitals (i.e. similar capabilities, resources, or inputs), and compete against each other for the shared profits of the field (i.e. capitals/powers gained as the results of the delivery of the outputs of the industry to its consumers). Therefore, the producers in an industry are rivals against each other for higher shares of the industry’s profits. However, the intensity of the rivalry depends on the position of the firm in the social space of its industry. In other words, not all competitions are of the same level (Bourdieu 2005). For instance, the local grocery store in a suburb area is potentially a rival of giant grocery store chains such as Walmart, but, in fact, the real competition of the store is with the other small grocery stores in that same area. Thus, one should start the analysis of the industry structure by identifying the firms that group together in terms of their capital proportions and power levels in order to identify the social classes in the industry.

The other component of the horizontal structure is the social space of the consumers. For instance, for the consumer goods, the social space of consumers would be the social classes of people constituting the social space of the society. Farmers, skilled workers, teachers, commercial employees, private sector executives, and … are examples of classes of agents that
Bourdieu found as constituting classes of the social space of France in 1960s (Bourdieu 1984). Similar to other social spaces, the principle of classification of agents is their capital structure, and identification of social classes of people in a social space would be based on their tangible properties such as their consumption patterns (Bourdieu 1984; Bourdieu and Wacquant 1992).

It is true that the social space of consumers should be identical for all consumer products industries. In other words, the same social classes of people such as farmers, teachers, executives, etc. are those who are considered the potential customers of all consumer products. However, the types of products that agents would consume from every producer industry would be different. Similar to the relationship of producers, products, and consumers described in figure 6, practice-based view’s analysis of the horizontal structure of the industry would include the analysis of the classes of products consumed by each class of consumers. In other words, after classification of producers and consumers based on their tangible properties, the next step in the process of strategy development for a firm would be identification of all different types of products produced in the producing industry, and classification of the products based on their consumer groups. Furthermore, it is important to understand the link between classes of products and classes of producers in the industry.

The analysis of the horizontal structure of the industry would provide the firm with the knowledge about what other firms are the closest and the most immediate rivals of the firm in the industry, what classes of firms are not direct rivals but close enough who could be considered as high probability potential rivals, and what classes of firms are considered as distant rivals who are not likely to enter into a direct competition with the firm. Further, this analysis identifies the collection of all products that the direct rivals of the firm are producing, and which teaches the firm about the possibilities for innovation and new product development using the same level of
capabilities and resources. The analysis of the horizontal structure also informs the firm about the classes of consumers who have been well served and satisfied, and those consumer groups whose needs are not well satisfied and considered. This analysis opens up the opportunity for innovation in terms of identification of the requirements and needs of potential consumers who the industry had not identified and served previously.

Porter states that the most important question in strategy development is identification of what customers to serve, which of their needs to fulfil, and with what price (Porter 1996). The social classification of products and consumers objectively identifies both the classes of consumers with similar needs and lifestyles, and the classes of products consumed by each class of the consumers. A firm within an industry, however, has certain capabilities, certain limitations and certain goals and motivations. The more important question raised by practice-based view, then is that how a firm which is already serving particular groups of customers through its set of products can make sure that it clearly understands the needs and requirements of other classes of customers who have not previously been served effectively, and that the final product would fit their needs and tastes?

Schemes of perception and appreciation as the link between consumers and producers

According to Bourdieu every class of social agents would have their own mental structures generated through the history of that group of agents going through similar conditions of living and having similar experiences of conditioning happened in similar situations of their practice (Bourdieu 1977). Bourdieu calls this mental structure as habitus, tastes, dispositions, schemes of perception and appreciation, and structuring structures interchangeably (Bourdieu
The underlying purpose of these mental structures is to provide an evaluating scheme for agents in that social class to assess the different situations similarly, and to make reasonable, and well-known responses to the common-sense situations. An important aspect of these mental structures is the “taste” of social agents, which is the application of schemes of perception and appreciation to the products consumed by the agents. Apparently, products have certain properties, and those properties would get evaluated and assessed by the shared schemes of perception and appreciation of the members of the social class, and the ultimate decision would be an overall similar consumption patterns between agents of that social class (Bourdieu 1984).

On the other hand, from the producers’ standpoint, the mental structures, or schemes of perception and appreciation do not only work as “taste” for product consumption, but also for production practices. The producer agents (i.e. firms in an industry) would also use their schemes of perception and appreciation to evaluate which inputs to use, which production practices to perform, and with what look and feel to present their final products (Bourdieu 1984; Bourdieu 1990; Bourdieu 2005). The schemes of perception and appreciation of a particular producing firm (i.e. its mental structure) are composed of two parts: the first part is those schemes of perception and appreciation shared with the other firms within the same social class of producers in the industry, internalized through the shared history of past experiences of production practices (Bourdieu 2005). The second part is composed of the unique mental model and habitus of the firm created through the history of past experiences of agents within the firm (Bourdieu 1990). Independent of the sources of these schemes of perception and appreciation, the strategic decision is to find a close match between schemes of perception and appreciation of the firm, and
the tastes and evaluation schemes of classes of consumers in the consumer social space who are supposed to be served by the firm’s products (Bourdieu 1984; Bourdieu 1990).

Contrary to Porter’s strategizing practice which did not differentiate classes of customers based on their mental and cultural structures, practice-based view finds it not possible to satisfy all classes of consumers by any firm due to the fundamental differences in evaluation schemes between producers and consumers. Therefore, the major strategic decision after identification of the horizontal structure of the industry is to find the right match between classes of producers and classes of consumers, through development of products that are feasible for the firm to produce considering its resources and capabilities.

3.1.2) Practice-based view’s vertical structure of the industry:

The vertical structure of the industry in practice-based view theory is composed of two types of structures; the pure hierarchical structure, and the stepwise-hierarchical structure. The purpose of the pure hierarchical structure is identification of the mental structure of the agents in fields of practice, and the purpose of the stepwise-hierarchical structure is identification of the inter-relationships between fields of practice.

a) Practice-based view’s “pure-hierarchical” structure of the industry:

Bourdieu’s fields of practice have a hierarchical structure, which means that a larger field is composed of smaller subfields (Bourdieu 1977; Bourdieu 1993b; Bourdieu 2005; McKinnon et al. 2011). For example, car manufacturing companies compose a subfield within the vehicle industry in which manufacturers of trucks, buses, and industrial vehicles constitutes other subfields. Vehicle industry and all of its subfields itself may be categorized under the heavy
industries category which includes primary industries such as agriculture, mining, petroleum, etc., and other manufacturing industries such as arms, shipbuilding, aerospace, … industries. Figure 8 shows the encompassing nature of the larger fields and the ultimate hierarchical relationship of the large fields and their subfields.

![Diagram of Field ABC and its subfields](image)

*Figure 8: The pure-hierarchical version of the vertical structure of the industry*

The whole purpose of this hierarchical categorization of industries and fields of practice is to better understand the mental structures of the agents in those fields. In other words, schemes of perception and appreciation of the fields of practice which generate the mental structure of the agents in those fields has a hierarchical structure. The higher the level of the field of practice, the more abstract the evaluation schemes are, and the lower the level of the field, the more detailed the schemes would become. Also, the schemes of the higher level fields do transfer and apply to the lower level fields. It is possible that the descended schemes of perception and appreciation in the subfields acquire differential meanings and applications depending on their different contexts of application, however, the same linguistic terms would be used between all subfields of a larger fields to refer to somewhat similar evaluation schemes of the fields of practice (Bourdieu
(1977; Bourdieu 1990). For instance, in all manufacturing industries certain opposite concepts are shared such as machines/people, shop floors/offices, workers/managers, inputs/outputs, raw materials/finished products, shipping/importing, high quality/low quality, early/late etc. These higher level schemes of perception and appreciation get defined in a more detailed fashion in the subfields depending on the specific requirements of the subfield and the sub-industry.

b) Practice-based view’s “stepwise-hierarchical” structure of the industry:

The goal of practice-based view’s stepwise-hierarchical structure is to go beyond analyzing the direct rivals and consumers of the firm, into the analysis of the whole supply chain of an industry. In other words, for a firm to make strategic decisions, it is not enough to only consider its own resources, its direct rivals, and its consumers. At the first step, it also needs to consider and analyze the structure of its rival industries (which potentially can enter the industry’s business), and the structure of the supplying industries. Furthermore, it is potentially recommendable to further ascend the “producer-consumer” hierarchy to consider the competitor industries of the firm’s suppliers, and the suppliers of the suppliers, and so on. Conversely, one can descend the producer-consumer hierarchy to analyze the consumer industries of the firm’s consumers, and the consumers of those consuming industries as well.

There are two important aspects of analyzing the supplier industries: 1) the structure of those industries in terms of the classification of firms composing the different sectors of that industry, and 2) the classes of consumers of those industries, and specifically which class of consumers the firm belongs to. The first aspect of supplier analysis considers the social space of competing firms in the supplier industries. Knowledge about the structure of supplier industries would inform the firm about the real bargaining power of the suppliers (one of the major
competitive forces of Porter’s industrial organization theory (Porter 1979)). For instance, if the firm learns about the different sectors of the supplier industry, and the constituting firms in those sector, it would allow the firm to find out about opportunities for negotiation with other sectors of the supplier industry to produce a tailored product that would fit the needs of the firm, and with better prices than the current suppliers. Therefore, it is important not only to understand about our direct supplier firms, but also about other firms within the same social class of suppliers, and about the other potential suppliers with differential products but with similar (or close) schemes of perception and appreciation as that of the firm in order to consider them as substitutes of the firm’s current suppliers.

For the second aspect of the supplier industry structure (their consumer space), figure 7 provides an explanatory representation. For instance, as shown in figure 7, an X industry would potentially be considered as a single buyer within the consumers of each of its suppliers. Therefore, it is important to understand what other industries are within the same social class of consumers of the industry’s suppliers. Because, these other industries would constitute businesses that have the most relative interests as that of industry X, and therefore, can easily become potential competitors or substitutes for the products of industry X. For instance, if we consider firm ABC in figure 7 as a car manufacturing company, then industry X would be considered the automotive industry. There are two layers of suppliers to the automotive industry; the first layer is about those suppliers who supply the automotive industry with the completed, and finished components and parts which get assembled in the final products, such as battery systems, electronic controllers, tires, transmission systems and so on. The second layer suppliers are the raw material suppliers such as metal or plastic suppliers, who usually supply their products to the first layer suppliers of the automotive industry. While suppliers of the first layer
(part manufacturers) are more tailored specifically for the automotive industry and the very close rival industries (such as motorcycle manufacturers, or truck and bus manufacturers), the second layer suppliers (raw material suppliers) do make business with much more varied types of industries such as aircraft manufacturers, shipbuilders, and other industrial machinery manufacturers. So, the analysis of the supplier industries’ consumers provides the firm (e.g. ABC) with the knowledge about what other industries are more technically closer to the firm’s industry, and which would be considered as potential competitors (e.g. motorcycle, or truck and bus manufacturers). This same analysis would inform the firm about the industries (such as aircraft, industrial machinery, or ship manufacturers) which are competing against the firm’s industry (e.g. automotive industry) for getting better deals from the large suppliers (e.g. raw material suppliers). This illustrative example reveals another important aspect of the vertical industry structure, which is the fact that the industry structure has a stepwise hierarchical structure. For example, the car manufacturer ABC in figure 7 is part of the automotive industry (industry X) which is one of the consumers of the parts-building industry as one of its supplier. The parts-building industry is itself one of the consumers of the raw material industry as one of its suppliers, and so on.
The vertical industry analysis of practice-based view identifies the relationship of the industry with other industries which together compose the general structure of the society. The stepwise hierarchical structure of the industry introduced by practice-based view is a theoretical contribution and an extension to Bourdieu’s practice theory. Because, Bourdieu’s theory introduces only two types of social spaces, the space of individual people, and the space of fields of practice, such as firms, or schools, and so on (Bourdieu 1984; Bourdieu 2005; Bourdieu and Wacquant 1992). Bourdieu’s fields of practice generate capitals, and the generated capitals in terms of products (tangible or intangible) get consumed by individual people. Furthermore, the fields of practice have a hierarchical structure in Bourdieu’s theory where smaller fields are subfields of larger fields. For example, individual homebuilders are subfields within the
homebuilding industry, which itself is a member of the industries under the government (Bourdieu 2005). So, there is a common complaint in the literature about Bourdieu’s theory that it does not consider the details of the relationships of the fields of practice (McKinnon et al. 2011). Practice-based view tries to fill this gap of Bourdieu's structural analysis through the stepwise hierarchical structure of the fields of practice (figure 9).

Furthermore, the importance of this stepwise hierarchical analysis of industry structure is that at every level, one can generate a dialectical relationship of suppliers and buyers within and between different industries. This would convert the five different forces of Porter into two major forces of producers and consumers, and makes a more detailed analysis of all parties involved in the hierarchy of industries that may have interactions together possible.

**Comparison of the analysis of the industry structure in practice-based view vs. Porter’s industrial organization theory**

To compare practice-based view’s industry structure with that of Porter’s industrial organization theory as a reference, the horizontal structure of practice-based view identifies the rivals of the firm, and its buyers, however, it immediately identifies which class of the firms, or which segment of the industry includes the direct rivals of the firm, and which segment of the buyers are the most relevant to the practice of the firm. Further, it identifies what types of products would best fit the needs of the firm’s most relevant and valuable customers. The vertical structure then identifies the group of rival industries who have the greatest potential to introduce relevant substitutes to the firm’s industry. Further, it identifies the group of similar industries which have the most similar needs in terms of inputs. Therefore, it provides the opportunity for the firms to make inter-industry alliances to reduce the forces of the suppliers.
The vertical analysis also makes it possible for the firm to study the social space of the supplier industries in order to find segments of the industry which may supply the inputs required with more appropriate conditions. The last element of Porter’s industry structure is the ‘new entry’ threat. Having identified the industry structure in the horizontal and vertical dimensions, one can exactly identify the position of the new entrant firm. It allows the firm to identify whether the new firm would be classified within the exact same segment of the industry as that of the firm, a distant segment, or even a supplier or a customer.

**Comparison of the analysis of the agents’ mental structures in practice-based view vs. resource-based view theories**

The central argument of resource-based view theory is that due to instant changes of the industry structure which are not practically predictable, managers need to use their own perception, intuition, acuity or vision to predict which actions would yield above normal profits for the firm. Thus, resource-based view claims that this vision and intuition cannot be acquired through analysis of the industry structure, and managers need to focus on the internal resources of the firm in order to achieve this capacity. For that purpose, resource-based view proposes that managers who go through the process of identifying valuable, rare, inimitable, and non-substitutable resources (VRIN resources) of the firm, would acquire an intuition that would help them assess the profitability of the next movements of the firm. For instance, this intuition allows the managers to predict which new investments to make, which ones of the resources to make and which ones to outsource (buy), or to which new industries the firm can successfully (extra-profitably) expand.
Practice-based view theory, which is based on Bourdieu's practice theory, admits that mental structures of agents in an industry are shaped by the volume and composition of their resources. However, practice-based view claims that these resources and capitals provide certain chances of access to social opportunities for the agents. Moreover, such social opportunities (or limitations) are not unique to an individual agent, but shared by the group of agents who have similar structure (composition) of capitals and resources, and therefore, would go through similar conditions of living, and would face similar conditioning experiences. These shared conditions and conditionings of living, through the history of past experiences of the agents who live in those conditions, would generate similar mental structures for that group of people. Accordingly, they would view the social world similarly, and therefore would evaluate all objects of the social world such as people, places, things, events, times, etc. in the same manner.

Overall, one can see that practice-based view integrates the industry structure analysis with identification of mental structures of the agents constituting a social setting. In other words, since practice-based view objectively identifies the position and relations of power of classes of agents based on the capital structure of the agents occupying those social positions, it can relate the mental structures of classes of agents to their objective power positions within the structure of the social setting (e.g. the industry). Therefore, practice-based view achieves the objectives of Porters’ industrial organization, and resource-based view simultaneously.

4. Practice-based view’s strategy development:

The framework of the industry structure for practice-based view of the firm presented in the previous sections captured a static outline of the structure of the interacting firms in the fields of practice. In other words, the industry structure captures a momentary snapshot of the structure
of the social space of the agents. However, contrary to Porter’s industrial organization theory which in its strategy development practice assumes that the industry structure is either stable or perfectly predictable (Conner 1991), practice-based view proposes that strategy development is the trial of agents to influence or change the structure and the layout of the social space in a way that favors their power position, which may encounter a major restructuring of the social space at the expense of the other agents’ positions. In other words, in practice-based view, strategy development is the trial of agents to acquire higher power positions compared to their peer agents, and at the same time to preserve their power position against the internal and external factors or practices that would influence the structure of power relations in the industry.

Practice-based view’s framework of industry structure is an expansion of the social structure of fields of practice borrowed from Bourdieu’s practice theory. Accordingly, before discussing the process of strategy development in practice-based view, one needs to better understand the dynamics of changing social structures of the fields of practice according to Bourdieu’s practice theory.

**Bourdieu’s principles of structuration in fields of practice:**

According to Bourdieu’s practice theory, fields of practice are social spaces in which certain types of capitals are considered as valuable, and which generate power for agents in that field. The specific outline of the distribution of those types of capitals generates objectively differentiable classes of agents with distinguishable capital proportions. The structure of capital distributions in a field of practice would constitute certain power relations between agents belonging to those social classes(Bourdieu 1985; Bourdieu 1993b; Bourdieu 1996; Bourdieu and Wacquant 1992). These objective differences between the conditions of living of members of
different social classes (e.g. the difference between conditions of the rich upper class of people, and poor working class) through the time internalize differential mental structures and evaluation schemes (i.e. schemes of perception and appreciation) in members of those social classes that would work as the generating schemes for distinctive attributes (properties) and practices of people in those social classes. In fact, schemes of perception and appreciation are the taken-for-granted beliefs (or Doxa, in Bourdieu’s terminology) shared among people of that social class about the value relations between social objects. In other words, occupants of different social classes would evaluate the social objects (people, things, places, times, etc.) differently depending on their shared schemes of perception and appreciation (Bourdieu 1977; Bourdieu 1990). Therefore, in confronting similar situations constituted of similar social objects, they would make objectively differentiable reactions depending on their social positions, and their schemes of perception and appreciation. As long as the objective differences between the capital structure of the occupants of different social classes is preserved, their internalized evaluation schemes would generate similar attributes and practices, which in turn reproduce and reinforce the objective differences of the agents of those social classes (Bourdieu 1984). Figure 10 depicts the process of structuration in a field of practice.
As long as the objective differences between different social classes is preserved, the occupants of the dominant social classes would keep acquiring the winning share of the capitals and powers generated in the field of practice, and the dominated classes would gain the low-level shares. So, it is in the favor of the dominant classes to keep the objective differences unchanged (preserve the status quo), and it is a permanent goal for the dominated classes to change the objective differences to their favor. In fact, an important aspect of strategizing in Bourdieu's theory is this type of structural changes (Bourdieu 1985; Bourdieu 1989).

Bourdieu claims that what keeps the status quo active is the fact that the dominant classes have all the power to impose their viewpoint to the structuring practices of the fields of practice. Imposing a viewpoint of a social class to a field of practice, according to Bourdieu, means that the members of that class have the power to identify what instances of economic, and cultural capitals are recognized as valuable in that field of practice, and which capitals would generate power for their owners (Bourdieu 1977; Bourdieu 1985; Bourdieu 1989).
Further, imposing a viewpoint entails classification of social objects based on the schemes of perception and appreciation of the dominant class. In other words, the dominant group have the capacity to identify the officially accepted and recognized social classes and to apply classifying names and labels to the occupants of those social classes. The act of classification of social objects happens in multiple ways (Bourdieu 1984; Bourdieu 1989). First, the dominant class identify the naming conventions of the field of practice through recognizing the objective differences of agents in a social setting. For instance, classifying people into men-women, young-old, black-white, and so on are examples of the most basic types of naming conventions imposed on the officially recognized objective differences of the agents in a society. On the other hand, other types of objective differences may not be accepted as legitimate depending on the viewpoint of the dominant class. For instance, in every society certain types of languages, religions, political viewpoints, or ethnical minorities are considered officially accepted, and the other types or classifications are not recognized. Unless a group of people or social objects have a common-sense name, they practically do not exist. So, an important aspect of domination in a field of practice is the monopoly over its common-sense naming conventions (Bourdieu 1984; Bourdieu 1989; Bourdieu 1990).

Official, or customary rules of a field of practice is another aspect of classification practices of the dominant group. For instance, the fact that the limit of the weight of a luggage in an international flight is 50 lbs. is an example of naming convention imposed by the dominant groups in the airline industry. In other words, choosing the number 50 is an act of classification for objectively differentiating luggage into allowed, and disallowed classes (Bourdieu 1977; Bourdieu 1984).
Classification practices are not limited to the linguistic aspects of the social structures. Official classification of social objects requires practices of objectification in which the new class of objects get objectively differentiated through brands, logos, look and feels, and other types of tangible properties which identifies and distinguishes the objects of that social class from other groups (Bourdieu 1989). For instance, major car manufacturers embed certain signature design elements in all of their car models that distinguish their brand from the rivals.

Bourdieu claims that all these acts of imposition of a viewpoint to a field of practice follow a particular “theory of practice”, which is the principle of vision and division in a social setting. For instance, in his analysis of the Kabyla people of Berbers in Algeria, Bourdieu identifies gender difference as the underlying principle of division of all aspects of the social life of the Kabyla people. Bourdieu finds this underlying theory and principle of vision and division inscribed implicitly in all social objects involved in the life of the Kabyla people such as the structure of their homes, the style of their walking, and talking, the schedule of social activities of their people during the day, and even in the style, and scheduling of their agricultural practices. Sometimes the classifying theory of practice is apparent in a social setting, and in other cases, Bourdieu asserts that it is the duty of the sociologist to discover the theory and principle of vision and division in a social setting (Bourdieu 1977).

**Symbolic struggles and structural change:** Contrary to resource-based view (RBV) (Barney 1991; Barney 1986b; Barney 1986c; Conner 1991), Bourdieu does not believe that social and structural change is an instant and revolutionary phenomenon that happens accidentally, and that the “luck” is what determines the fate of businesses in revolutionary changes of the structure. Instead, Bourdieu claims that structural change is a time-taking process
(Bourdieu 1977) that requires practical and symbolic capitals in order to get involved in political struggles against the dominant viewpoint and its structuring practices. Bourdieu calls these structure changing political activities as symbolic struggles. Symbolic struggles are the conflicts of the dominated agents with the dominant classes for imposing their viewpoints as the legitimate principle of vision and division of the society. Symbolic struggles involve two types of activities; the objectification activities and the symbolic activities. For instance, a not officially recognized minority group, in order get its social and official recognition in that society needs to engage in the symbolic struggles. For that purpose, it first needs to prove its tangible existence through demonstrations and public gatherings in which large crowds of people belonging to that group demonstrate their quantitative advantage. Furthermore, the group needs to present itself symbolically through assigning a particular name to its members, designing certain logos, distinguishing lifestyle of their members and so on (Bourdieu 1985; Bourdieu 1989; Bourdieu and Wacquant 1992).

An important factor in symbolic struggles is identification of a group's theory of practice. Bourdieu claims that sometimes the theory of practice, and the new principles of vision and division (Bourdieu 1977) that the representatives of a group identify as their underlying belief system has the potential of group making. He claims, for instance, that Karl Marx’s theory, rather than identifying and explaining the underlying principles of division of the society (classifying the society into the two classes of proletariat and bourgeoisie), it worked as the underlying cause of the whole political movements of the socialism. Bourdieu, calls this mobilizing potential of theories of practice as “the theory effect” (Bourdieu 1985; Bourdieu 1996).

Accordingly, the explicit or implicit theories of practice have the potential of group making and structuring. These theories of practice stem from the schemes of perception and
appreciation of the agents living in particular conditions and go through specific conditioning experience (Bourdieu 1977). The mobilizing capacity of theories of practice provide the group with the power to engage in symbolic struggles with the dominant powers in order to change the social structures of the field of practice, and to introduce new realities and new classification scheme for the social setting (Bourdieu 1985; Bourdieu 1989). The ultimate social structure, and the socially accepted classification systems of a field of practice at any moment, according to Bourdieu, is the result of the history of past symbolic struggles and conflicts of the social classes for imposing their viewpoints to the social setting (Bourdieu and Wacquant 1992).

The influence of the external factors on the social structures: It has been explained that changes in the objective structures (i.e. the objective differences of power shown in figure 10) of fields of practice have the capacity to influence the schemes of perception and appreciation of the agents in different classes of the social space. These changes in the objective and subjective structures of the social space would ultimately influence the capability of agents of different classes to engage in symbolic struggles for influencing the social structures. However, the change in the objective power relations is not always the product of internal struggles of the agents. It is possible that change originates from the outside of the group and has lasting effects on the internal structures of the field of practice. For instance, new and innovative technologies, economic or environmental problems, governmental policies and so on have the capacity to empower certain classes of agents while harming other classes of agents (Bourdieu 1977; Bourdieu 2005). However, despite all these changes, Bourdieu asserts that these contextual changes do not show their influence immediately on the behaviors and practices of agents. Because, these changes need to go through the process of internalization for agents during which
they obtain a common-sense definition, meaning and evaluation for the agents of a particular field of practice and its constituting social classes (Bourdieu 1985). During this internalization process, it is possible that the change has the capacity to influence the schemes of perception and appreciation of the groups of people, and accordingly have its effect on the behaviors and practices of agents in a field of practice. So, the major difference between Bourdieu’s practice theory and the resource-based view’s perception about the social change is in the fact that Bourdieu claims that social agents, unlike physical objects, do not respond to the environmental changes immediately (Bourdieu 1990). Instead, people grant higher weight to the historical backgrounds over which their mental structures have been built, and only through a time-taking process of dealing and struggling with the new and changed contextual conditions, people make alterations in their evaluation schemes of perception and appreciation and may change their actual behavior (Bourdieu 1977).

With this theoretical background about the dynamics of change in the fields of practice based on Bourdieu’s practice theory, the next section will explain practice-based view’s model of strategy development, and the generic strategies defined under this process.

4.1) Strategy development in practice-based view:

Practice-based view proposes two generic types of strategies for firms in a field of practice. The first type of strategies assumes the industry structure as stable and tries to achieve higher power position for the firm in the industry through accumulation of legitimized powers. The second type of strategies engage in symbolic struggles for imposing a change in the structure of the industry, and the relations of power between social classes of participating firms.
Structure-preserving strategies:

The social space of the industries (fields of practice) captures the objective relations of power between classes of the agents in that industry. Structure-preserving strategies in practice-based view of the firm involve moving to higher power positions in the social space of the industry while preserving the general structure (i.e. power relations between classes) of the industry. Moving in the social space of an industry (i.e. moving from one social space to another) entails acquiring certain levels of the valued capitals in the industry through the time, and to learn about the new schemes of perception and appreciation of the agents of the new social class. For instance, as the employees get more experienced in their profession, they acquire more practical capital/power (cultural and economic capital needed for their practice), they get granted more symbolic power (e.g. titled positions such as managers, executives, etc.) in their space, and at the same time, they learn how to think, talk and behave as a more experienced and more prestigious agent in their professional social space. Similarly, a small and local workshop can grow to a small or medium class factory through investments in more sophisticated machinery and equipment, and also through hiring experienced employees who know how to run a professional factory. Plus, the managers of the workshop, in order to be successful in their new and more prestigious position as the managers of a factory, should acquire the habitus, taste, practical, and cultural capitals shared by the executives of similar class factories. So, it is not enough to only acquire the practical capitals to be accepted as a competent agent in a social position, but also one needs to internalize the social and cultural structures of the new social position as one's new mental structures in order to be able to think and act properly and reasonably depending on one’s social position. The process of a structure preserving strategy is shown in figure 11.
As a producer, however, moving to a new social position in the industry usually involves interacting with new types (classes) of suppliers and consumers. Accordingly, another aspect of knowledge that the strategy developing agent has to consider is understanding about schemes of perception and appreciation of those groups of consumers and suppliers. In other words, different consumers have different vision and expectation about the product they obtain from the producing industry. Accordingly, dealing with new consumers requires delivering products with properties tailored for the taste of those new consumers. Furthermore, joining to a new social class of producers entails dealing with new suppliers. However, this time the firm is a consumer of the products of the supplying industry. So, it needs to learn about the taste, and schemes of evaluation of supplied products shared with the firms within the same class of consumers of the
supplying industry. Furthermore, it needs to evaluate how the schemes of perception and appreciation of the supplying companies match with the evaluation schemes of the firm itself.

It is important to know about these cultural differences before making decision about moving to a new social position in the industry, because otherwise it is possible that the firm finds itself forced to change its cultural values (schemes of perception and appreciation) to fit those of its new suppliers or consumers, and these cultural shifts may lead to the ultimate failure of the organization due to the imbalance between the original cultural values and theory of practice based on which the organization was built, and the newly imposed cultural values and theory of practice.

Bourdieu, however, proposes an alternative strategy for firms who want to move to a new social position, or who need to deal with the changed schemes of perception and appreciation of customers, but do not want to change their schemes of perception or their practical procedures. He proposes that in order to proceed with this strategy, firms may find ways to change the look and feel of their products to seem matching or fitting the new evaluation schemes of the customers, but in fact designed and built using the original schemes and procedures of the producing firm. In his analysis of the home-building firms in France in 1960s, he found that in facing a major shift in the tastes of their customers regarding their preferred home style, almost all companies who used different schemes of perception and appreciation in their home-building practice, made minor changes to the outlook of their produced homes, while in fact using the same old material and techniques they used to build their homes before the change of tastes happened (Bourdieu 2005). This strategy can in fact be considered a short term strategy for facing a structural change in an industry. However, in the long run, firms need to consider real changes in their product development schemes and practices, since non-genuine actions would
get caught by the customers, and would result in losing symbolic position and power of the firm between its consumers, and may result in the failure of the firm.

An example of a successful repositioning of a business within its industry is “Starbucks” company. The company started in 1971 by a group of coffee lovers as a local coffeehouse in Seattle selling high-quality roasted coffee beans. After being sold in 1986 to a new manager – Howard Schultz – who was a professional businessman with an experience in international marketing, expertise in real estate market, and a genuine love for high quality coffee, the local Starbucks cafe turned into an international coffeehouse chain. Schultz brought with him his expertise in international marketing and real estate to expand the local stores of Starbucks to hundreds of new places all over the northern America, and later to many countries in the world all owned by the company itself. The combined expertise of the original founders of the company in making high quality coffee together with Schultz's international business expertise resulted in a dramatic expansion of the company from a local coffee house in Seattle to a successful international coffeehouse chain (Koehn and Grundy 2001).

An example of a failed expansion to a new position in the industry without acquiring the required expertise, and without having the right schemes of perception and appreciation of the new position in the industry is Google's expansion into the social networking area – “Google+”. Feeling threatened by the fast expansion of Facebook, Google's managers decided to build their own social networking platform. Their fear was that if Facebook continues its growth the same way it did (in 2011), they will soon take over Google’s share of the online advertising market, and ultimately will lead Google to lose large market shares in that market. Therefore, Google’s managers located a large group of its best engineers from all departments in a separate building and assigned them with the task to make a product to beat Facebook. Additionally, in order to
mobilize all efforts throughout the organization towards the success of this initiative, Google also attached all employees’ bonuses to the success of its social networking platform. Google’s engineers actually built the product with lots of impressive features in it, hoping that the users will find the collection of Google+’s features more interesting than that of Facebook, and therefore will leave their Facebook accounts to use the new Google+ service. However, after three years of its launch, and due to disappointing rate of usage of the system, Google decided to reduce its focus on Google+, and to untangle its many services that were forcefully attached to the users’ Google+ accounts. Google’s senior executive in charge of Google+, Vic Gundotra, also resigned due to his failure to deliver a successful social networking for the company (Baldoni 2018; Eadicicco 2015).

Apparently, Google did have the technical expertise to make an online product that can deliver high quality service to its users. Google also was dedicated enough and put all its efforts to make the move successful. But it failed. It seems that the only thing Google missed was a good understanding about the new mental model, and the new schemes of perception and appreciation required for working in the new area of online social networking. Facebook on the other hand was built by a group of young students and engineers who did not have much of a professional experience in developing high quality web applications. But they had the internal enthusiasm and passion for connecting people together and to share ideas and photos with other people. So, one can see the apparent difference between the young Facebook, compared to the giant Google in delivering a successful social networking service was in their viewpoint, mental structures, and in summary their difference in their schemes of perception and appreciation.
Structure-changing strategies:

The discussion of the practice-based view’s industry structure (figure 7) described the structure of three different social spaces that a firm needs to learn about before being able to generate strategies: the social space of its suppliers, the social space of the rival firms in the producing industry and the higher level rival industries, and the social space of its consumers. Structure-changing strategies are those strategies that have the goal and potential for imposing changes to the social structure of any of those three social spaces of agents mentioned above. In fact, the goal of structure-changing strategies is influencing the social position, and power of an agent within its social space through influencing the consumers’ space, the suppliers’ space, or the space of its rivals. Accordingly, there are different types of structure-changing strategies depending on which social space is the target of the strategy making practice.

The major differentiating factor of strategy development in practice-based view compared to Porter’s industrial organization, and resource-based view theories is the fact that the strategy development goals of practice-based view are not limited to differentiating the firm’s practices in such a way not imitable or comprehensible by the rival firms. Rather, a major goal of practice-theory is either to lead classes of rivals who accept to follow the firm’s guidance as a representable of their business model, or to lead the firm’s consumer classes to engage in symbolic struggles in order to differentiate themselves in their social space. The achievement of the firm in these strategies involving symbolic struggles is the symbolic capital and power that firm obtains due to the symbolic position granted to the firm as the leading representative of the groups of rival firms in the industry or groups of suppliers or consumers who work with the firm. This achievement of symbolic power allows the firm to influence the industry’s structure and
business model; a strategic achievement overlooked by the industrial organization and resource-based view theories.

**Note:** Production and consumption are cultural practices: Before explaining the details of structure-changing strategies, it is important to note that the relationships of producers and consumers are not just economic or practical relationships. Rather, these relationships are also cultural relationships. In other words, producing a product (a tangible or intangible artefact), according to Bourdieu, is a practice of a producing agent which follows the same schemes of perception and appreciation that the other actions of the agent would follow. Products are representatives of the viewpoint, habitus, and dispositions of the producing agents (Bourdieu 1977; Bourdieu 1984; Bourdieu 1990). And, therefore, when a producer delivers (or sells) its product to its consumers, in fact, together with the product, the producer is exporting its cultural values to the consumer agent. In other words, products do not come alone, but they bring with them the cultural influence of the producer agent to the consuming agent. Similarly, consuming products is also a cultural practice, in which the consumer agent imports the cultural and symbolic byproducts of the acquired product. For instance, introduction of automobiles to the rural areas made major social and structural changes to the lifestyle of people. Starting from the style of roads, to the pattern of agricultural activities have all been affected dramatically by introduction of this new product. In fact, one can think of the underlying theory of practice in car manufacturing companies (and generally in all modern manufacturing industries) is “large quantities in short time”, which is apparently against or at least very different from the lifestyle of the traditional rural areas. So, when this theory gets applied to a new social setting, it would have major structural effects on the relations of power, and on the theory of practice of those
people, and ultimately to their schemes of perception and appreciation. These major changes, however, would entail large conflicts between the newly advantaged groups with those who suffered their social position due to this change applied by the new product. So, if a firm does not consider these cultural effects of acquiring products (any type of tangible or intangible artefacts that could include concepts such as lifestyle, production method, technology, etc.), then it has to deal with the unanticipated cultural conflicts between the agents constituting the organization. These unanticipated cultural and symbolic struggles may lead to the failure of the firm.

With this cultural aspect of production-consumption relationship in mind, practice-based view proposes generic strategies for a firm that manages and organizes the relationship of the firm with its suppliers and consumers. This same cultural aspect of production and consumption, as will be discussed in the following sections, is a fundamental aspect of the structure and management of internal relationships of the agents in a firm as well.

I. Influencing the consumers’ space:

Depending on what type of capital represented by the product supplied to the consumer, the strategic decision of the producing firm should be different. As explained in section 2, practice-based view identifies two generic types of capitals obtained and used by the agents in their activities and struggles; the practical capital, and the symbolic capital. The practical capitals are the inputs or capabilities that agents use in their production practices. The symbolic capital or power is the capacity of an agent to influence a group of other agents. It is based on the common-sense knowledge about the social position of the agent (i.e. social respect) that the agent has acquired during its past experience. Bourdieu’s distinction theory implies that agents would choose certain distinctive properties and perform certain distinctive practices which informs
other agents about the social and symbolic position of the agents. These distinctive and differentiating products, according to Bourdieu, are considered part of the symbolic capital of the agent (Bourdieu 1984; Bourdieu 1986; Bourdieu 1989).

Based on this classification of the products, two general strategies are suggested by practice-based view for influencing the consumers’ social space: increasing the differentiation, and decreasing the differentiation.

- **Increasing the differentiation:** in this strategy, the firm studies the social space of the consumers, and would find classes of agents not well represented in their social space. Then, the firm would help those social classes in their symbolic struggles for official recognition through supplying them with products that work as symbolic capitals for the agents. In other words, the products would work as distinctive properties of the agents that identify their distinctive position in the social space, and their distinctive viewpoints and values. For instance, Harley Davidson’s motorcycles are not just transportation vehicles for its consumers. Rather, they are symbols and distinctive attribute of a specific lifestyle of agents with certain schemes of perception and appreciation. The power of this strategy is that since the firm has helped its consumers in their symbolic struggles, it would find a high symbolic power within the social classes of its consumers. It means that the firm becomes the representative or to some extent the leader of the social classes of its consumers. Accordingly, if the firm introduces a new type of products, even in new industries, it can make sure that those same consumer classes would be the consumers of its new products. For instance, Harley Davidson’s varieties of products in other industries such as fashion get used by the same customer base of its motorcycles. However, the problem with this strategy is that due to cultural association of the products of the firm
and the viewpoint and lifestyle of its consumers, other customers from other social classes would keep their distance and probably avoid using the firm’s product even if they have better practical features.

- **Reducing the differentiation:** while the main purpose of the symbolic products is to help consumers in their distinction practices, the practical products’ goal is rarely distinction of the agents. For instance, grocery stores rarely provide customers with distinctive, and classifying products. Therefore, a firm in these industries should try to reduce the differentiation of products in order to satisfy the common practical needs of the largest population of consumers possible. Walmart is a perfect example of this strategy. Rarely anyone would shop in Walmart for distinctive products. However, it can satisfy the common grocery needs of the majority of social classes of agents. Therefore, companies like Walmart can expand their consumer space by providing less differentiated products that can satisfy the largest population possible. The problem with this strategy is that the loyalty of customers to the brand is not high, and the substitute products get easily replaced by the products of the firm.

**II. Influencing the suppliers’ space:**

In these strategies, the firm uses its symbolic power in the industry in order to influence the supplying industries how to do business with the firm’s industry. Similar to the strategies directed towards the consumers’ space, the strategies aimed at the supplier space have two general types of “increasing the differentiation” and “decreasing the differentiation”. However, this time the target audience is the firm’s rivals within the same industry rather than the suppliers’ industries.
- **Increasing the differentiation:** In this strategy, the firm analyzes the space of the supplier industries, or even may fetch unconventional inputs from new industries in order to find suppliers that can help the firm in its symbolic struggle for differentiation within its industry. In other words, the firm’s intention is to introduce a new strategic position, or a new social class within the industry which is differentiable in terms of its products or its production processes. Therefore, as an additional differentiation factor, the firm would use distinctive inputs from specific suppliers who agree to support the firm in its symbolic struggle. An example of this type of strategy is the introduction of financial services to the homebuilding industry (Bourdieu 2005). Customers who could not afford paying for homes in full princes could then afford to pay for loans provided by these new homebuilder companies who were backed by banks and other financing companies. In order for this strategy to succeed, however, it is usually not enough to find the right suppliers. The strategizing firm should work with other rivals within the industry with similar power positions and with similar schemes of perception and appreciation in order to lead them to the new business model supported by the new suppliers. So, the firm would act as the representative of the new class of firms who want to differentiate their business and make a new social class in their industry. The successful application of this strategy would increase the differentiation in the firm’s industry.

- **Reducing the differentiation:** In this strategy, the firm analyzes the social space of its supplier industries, and also the space of their customers (to which the firm’s industry belongs). The purpose is for the firm to use its symbolic power in the industry in order to make alliances within the industry and with the rival industries (within the space of
suppliers’ consumers) in order to reduce the differentiations in the space of suppliers’ consumers so that the newly allied classes of consumers would make a giant class of consumers who cover a significant portion of the suppliers’ consumer space. As a result of this strategy, the newly formed social class of consumers would become a more attractive target for the suppliers, and at the same time would grant higher bargaining power to the allied firms to impose their pricing requirements on the supplier firms. As a result, the joined industries would be able to decrease their costs and to improve their efficiency. This strategy may not add any significant economic advantage to the firm compared to its rivals in the industry. However, if the firm succeeds in its strategy, it would acquire a much greater symbolic influencing power in the industry, and would become the representative of the whole industry, and the allied industries to negotiate with the suppliers. Furthermore, this symbolic power allows the firm to impose certain policies and business processes on the suppliers, and the consumers which has the goal of influencing the overall structure of the industry to the favor of the leading firm.

5. The internal structure of the firm:

The internal structure of the firm within the industry is a special case in which there is a more powerful direct control imposed by the top management of the firm over the rest of the departments and units within the firm. However, contrary to the industrial organization, and resource-based view theories, the controlling power of the top managers in the firm, in practice-based view, does not cancel out or refutes the potential of strategy development and structure building from the subordinate units (such as the departments within the firm). The goal here is to setup a competitive context within the firm that each department while abiding to the general
rules and structures of the firm can have the needed freedom to make strategies for expansion, and innovation in its particular field of interest. To achieve that goal, practice-based view proposes two types of structures within the firm, a “producer-consumer” relationship between the departments, and an overarching pure-hierarchical structure of the whole firm.

**The producer-consumer relationship of the departments:** In the structure of a firm, practice-based view considers each department as an instance, a small unit, or a small firm from the industry it belongs to. For instance, the IT department or the car design departments within an auto manufacturing firm are exemplar units or small firms in the IT, and design industries that are instantiated in that auto manufacturing company. Therefore, similar to the relationship of firms from different industries, the relationship of different departments would be an instance of the producer-consumer relationship between different industries. Each department within the firm is at the same time a producer and a consumer of other departments within the firm. However, there is a difference between departments regarding their consumers space. In any industry, the specific departments who produce for the outside consumer groups are the focal departments within the firm, and their products are those that determine the social position of the firm within its industry. The rest of the departments (e.g. the IT department in a car manufacturing company) are supportive departments within the company whose consumers are only limited to the other departments of the company itself. While the consumers of the products of the supportive departments are limited to the other departments within the company, their suppliers can and should be the same as those of other firms within the industry of the department. This means that departments should fetch a competitive position within their own industries in order to achieve competitive prices and strategic relationships with other firms.
within their industries. Furthermore, it entails that departments should have a certain level of autonomy and freedom to make strategic choices, and decisions as an active member of their industries. Figure 12 shows the producer-consumer relationships of the departments within a firm.

The overarching pure-hierarchical structure of the company: Despite the producer-consumer relationship of the different departments within the firm, practice-based view identifies the overall structure of the agents within the firm as a pure-hierarchical structure. Because, unlike the symbolic struggles in the industry in which the firms compete with their rivals in order to obtain the supreme symbolic positions in order to impose their viewpoints to the structuration of the industry, in a particular firm there should be no ambiguity about the supreme symbolic power and position of the top management and their ability in imposition of their viewpoint to the structure of the firm. Therefore, the role of the top management is to identify the firm’s theory of practice and its general schemes of perception and appreciation (i.e. its evaluation system), to identify which departments are the primary producers of the firm (i.e. identify the

Figure 12: The producer-consumer relationships of the departments within a firm
core business of the firm) and which departments are supporting the primary ones, and to set the investment level to the practice of each department within the firm.

However, despite the general authority of the top management in identification of the structure and relationship of the different departments within the firm, it is also one of the managers’ top duties to make sure that each department has a certain level of required autonomy for its strategy development, and structure building. In other words, after setting the general theory of the firm, and the power positions and the relationships of the different departments, it is important that the top management makes sure that nothing removes or contradicts the freedom space of the departments for structure and strategy development, and their plans for improving in their own industries. For instance, the management should always consider what consequences their strategic decisions would have on the practices and schemes of perception of each of the departments within the firm. They should avoid conflicts of interest by considering whether those decisions would contradict the schemes of perception and appreciation of their underlying departments or not.

Within the departments also, the structure of the agents is a pure hierarchical structure, where the department would have a number of business subunits, and those subunits would be composed of smaller groups of agents, and each group would be composed of individual agents. Similar to the top managers of the firm, the managers of the departments should have the full authority to identify the theory of practice for the department and the overall schemes of perception and appreciation within the department. However, both of these structuring elements of the practice of the department should be defined complying with the general theory of practice and schemes of perception and appreciation of the firm, defined by the firm’s top management. Department managers should also allow a freedom space for the smaller business units to apply
their own schemes of perception and appreciation, adding additional discipline and organization to those smaller units of practice. Figure 13 presents the pure-hierarchical structure of the firm.

![Diagram of the firm's structure](image)

**Figure 13: The overarching pure-hierarchical structure of the firm**

Having identified the internal structure of the firms, practice-based view provides suggestions for a number of major strategic decisions of a firm such as the famous “make or buy” strategy or diversification strategies.

**Make or buy strategies:** Departments are instances of their industries within the firm. So, in the strategic decisions of build or buy, the department is considered one of the producing firms within its industry which has to compete with the rest of the industry for provision of the product for the firm. The firm then would consume products of the department that has the right properties and a competitive price, and would outsource the other products that the department is not so competitive in their production. However, the underlying assumption of this proposition is that the department has been offered the opportunity of at least similar level of investment for producing the product internally as that is allowed to the external firm for providing the product for the firm. In that case, if the department is not able to make the product with a competitive price and quality as its rivals, the firm should consider outsourcing.

**Diversification strategies:** The management should make sure that the departments would have the capacity to use their freedom in order to improve in their industry. If a
department reaches to a competitive position in its industry in terms of its product offerings, then, the management should consider diversification to the industry of the department, provided that the schemes of perception and appreciation of the industry, and the social class that the firm would join do not conflict with those of the firm itself. For instance, Amazon entered the data center industry with its Amazon Web Services (AWS) product after its datacenters proved competitive in that industry’s practice. Similarly, Google entered the online video streaming industry with its YouTube service, after finding enough web processing and bandwidth capacities to support this type of new business.

6. The practical knowledge

The field of knowledge management, built upon the knowledge based view theory, and considers the most valuable type of knowledge in an organization as the “know-how” type of knowledge possessed by the individual employees of the firm (Grant 1996b). Therefore, it identifies the task of knowledge management as capturing the, “know how” knowledge of the employees and to share that captured knowledge with the rest of the organization, assuming that as soon as the other agents consume the transmitted documents containing knowledge, they can learn how to change the course of their actions successfully. However, ironically, knowledge-based view assumes a generally non-disclosable (tacit) attribute for the “know-how” knowledge, which makes it a bodily knowledge of the individuals that can transmit mostly through the practice, and rarely through discourse or documentation (Polanyi 1966a; Polanyi 1966b). Accordingly, the knowledge-based view never tries to analyze the structure and composition of the “know-how” knowledge.
Practice-based view’s analysis of the “know-how” type of knowledge, based on the concept of practical knowledge introduced by Bourdieu’s practice theory, tries to uncover the anatomy of the practical (“know-how”) knowledge of the agents, in order to understand how do the competent agents analyze the situation and make their strategies and decisions relevant to the properties of the situation.

Practical knowledge is the basis of the “agency” of the agents within the “structures”:

Bourdieu’s perceptual (or structural) knowledge is the capacity of the agents to classify the social agents and their properties (i.e. their practices, and their product consumption, etc.) and to rank the order of the position of social objects according to the schemes of perception and appreciation relevant to the field of practice and the social class of agents within that field (Bourdieu 1984; Bourdieu 1990). Bourdieu regards the perceptual knowledge as the backbone of the agent’s practical knowledge, which is the strategy development capacity of the competent agents (Bourdieu 1977).

An important contribution of Bourdieu’s theory is to reconcile the opposition of the objectivism and subjectivism parties of the social sciences. The two major theories of the strategic management, i.e. industrial organization, and resource-based view, can be considered as instances of objectivism and subjectivism respectively. While industrial organization theory pays its whole attention to the analysis of industry structures in its strategy development, ignoring the capabilities and resources of firm itself, resource-based view’s approach to strategy development is based on the intuition, perception and expectation of the firm’s management about the capabilities and resources of the firm for profit making, ignoring everything beyond the boundaries of the firm. Bourdieu’s practical knowledge can be considered as a glue between the
two strategy development approaches of industrial organization and resource-based view theories of the firm. In other words, Bourdieu believes that social agents are not rule followers or model executers, as supposed by the objectivism. Further, according to Bourdieu, agents do not make conscious rationalization about the reasons for their actions, as suggested by subjectivism. Rather, agents in each situation perform what they are expected to do. In other words, competent agents through their past experience in a field of practice have internalized the capacity to understand the situation and to know what reasonable actions they are expected to perform in response to the commonsense situations (Bourdieu 1990).

Bourdieu’s practical knowledge solves the opposition of the dichotomy of structure and agency discussion in the social sciences. Bourdieu’s practical knowledge determines the agency of the human agents as the “structured improvisation” (Bourdieu 1977), meaning that the agency of the agents is defined within the limits of the objective structures of the society. However, in each situation, the agent has certain scope of freedom for enforcing his/her agency, and therefore, can make infinite different choices of reasonable actions that go well with the structures in the situation, and with the position of the agent within the structures. With this “structured improvisation”, Bourdieu is able to provide a middle solution between the unlimited freedom of the subjectivism, and mechanical rule-follower agents of the subjectivism.

Practical knowledge (habitus) for Bourdieu is therefore the capacity of agents to:

1. Analyze the situation (Bourdieu 1977): analyzing a situation means classification and hierarchization of the social objects consisting the situation. Social objects relevant to a situation consist of people and their social positions, places, things, events, times and practices. The competent agent is able to understand the commonsense situations in a
field of practice (composed of the mentioned social objects) and to evaluate the importance of its elements.

2. Identify the schemes of perception and appreciation pertinent to a situation (Bourdieu 1990): in Bourdieu’s analysis all perceptions and evaluations are performed using the schemes of perception and appreciation pertinent to a social class, or a field of practice. So, to analyze a situation, one needs to understand the social position of agents involved in the situation, and the schemes of perception and appreciation associated with their social position (Bourdieu 1984), and also one needs to understand what field of practice the situation is happening in, and have the competence to analyze the situation based on the schemes of perception and appreciation pertinent to that field of practice (Bourdieu and Wacquant 1992).

3. Select the right strategy, or generate a reasonable strategy to act in response to the situation (Bourdieu 1990): according to Bourdieu, strategies are groups of actions with a certain goal. One can deduct two classes of strategies from Bourdieu’s discussion; first, is the well-known strategies, with commonsense names, practiced frequently by the group members in response to well-known situations (such as routines). The second group of strategies are what Bourdieu calls them the “regulated improvisations” that get created (usually unconsciously) in response to non-routine situations (Bourdieu 1977). In both cases, the capacity of strategizing is an important aspect of the practical knowledge. It means that the agent has the capability to competently identify the right schemes of perception and appreciation pertinent to the situation, is capable to use those schemes to analyze the situation, considering all its constituting components, and is able to evaluate
and use the relevant well-known strategies, or to generate on-the-spot strategies reasonable to the situation.

The following section presents a theoretical framework for the concept of practical knowledge within the scope of practice-based view of the firm, and as an extension to Bourdieu’s perception of practical knowledge.

6.1) The “Triple-S” (situation-schemes of perception and appreciation-strategy) framework of practical knowledge

The three major problems of knowledge management are: 1) The strategic (valuable) knowledge of the organization is the “know-how” knowledge of employees which cannot be easily explicated and transmitted to other agents. 2) The strategic knowledge is the knowledge of individual employees rather than the shared knowledge of the groups. 3) The knowledge management takes an economic approach to the concept of knowledge, leaving the social and contextual aspects of knowledge unattended. The goal of the “triple-s” framework of practical (“know-how”) knowledge is to solve all of these problems.

Based on Bourdieu’s conception of practical knowledge, the triple-s framework is composed of three basic elements; situation, schemes of perception and appreciation, and strategy.

- “Situation”: provides a detailed description of the social objects composing the constituting elements of a particular contextual setting. The situation element of the framework solves the lack of attention to the contextual factors in knowledge management. The constituting elements of a situation, according to Bourdieu’s practice theory are (Bourdieu 1977; Bourdieu 1990):
Things: socially recognized, named, and evaluated (i.e. with common-sense social position) physical objects in a situation. For instance, furniture, lighting, equipment, tools, clothing, machinery, and … constitute the things of the situation.

Places: socially recognized, named, and evaluated physical locations such as court, university, city, home, and ….

Times: the collection of socially differentiated, named, and evaluated periods of time such as a season, holidays, a session, a day, …

People: and their named and evaluated social positions such as father, boss, friend, spouse, physician, professor, ….

Classification systems, or theories of practice: religion, fields of practice (law, IT, …), democracy, capitalism, ….

History: the course of past known and evaluated (and probably named such as world war 2) events. Birth, marriage, death, victory, ….

• “Schemes of perception and appreciation”: provide the evaluation criteria for assessing the elements of the situation. For example, when we refer to things as recognized, named, and evaluated physical objects, we mean that the agents have a common-sense understanding about those objects, and about their social position in the social space of objects relevant to a field of practice. As described in section 2.2, schemes of perception and appreciation in practice-based view are two-valued decision tree flowcharts that precisely identify the social position of a social object in its social space. This evaluation process unconsciously happens in competent agents’ minds, i.e. for those who have internalized the schemes of perception and appreciation relevant to a particular situation.
The equivalent of these flowcharts, according to Bourdieu (Bourdieu 1977), are the opposite adjectives used by the agents in a particular field of practice for evaluation of social objects. As described in section 3.2.1.a, the mental structure of agents follows a pure hierarchical structure, which means that schemes of perception and appreciation have a hierarchical structure. The higher level schemes do apply to the lower level fields of practice, while at each lower level the schemes of perception and appreciation get better defined and expanded for evaluation of more specific social objects. Schemes of perception and appreciation imply that knowledge is the shared attribute of the group of agents rather than the capability of individual agents.

- **Strategies**: are the reasonable, and socially understandable response of agents to the known situations. Strategies are the application of agents’ agency to social situations, and they compose of a group of goal-oriented actions of agents in those situations.

The structure of the “triple-s” framework is shown in figure 14. This figure implicitly reveals the underlying propositions of practice-based theory for practical knowledge of the agents in a field of practice. The triple-s framework for practical knowledge is built based on the following propositions:

**Proposition 1a**: Situations are field-specific.

**Proposition 1b**: Situations of a field are class-dependent.
At the top of figure 14, the social space of classes of agents in a field of practice is shown. A class ABC is of agents the focus of this analysis. For class ABC, a space of situations is presented in the bottom left corner of figure 14. Which means that for each group of agents in a particular field of practice, there are class-dependent practical situations which identify the space of specific situations that may happen during the practice of the agents of that social class. Practice-based view proposes that situations in a field of practice have two major aspects to them: a practical aspect and a symbolic aspect. The practical aspect deals with the technical
aspects of the problem or situation at hand. Strategies for solving these aspects of the situation are usually based on the practical capitals (economic and cultural capitals) needed for that situation. On the other hand, the symbolic aspect of the situation deals with the people involved in that situation. Therefore, the solution or strategy should consider the symbolic concerns of those agents. In other words, people involved in a situation require that the solution or the product of the strategy presents symbolic properties that go well with the social position of the participants of the situation. It implies that, the situation with higher symbolic capital compared to technical capital is one in which the problem is more about the social position of agents rather than the technical problem of organizing and integrating physical things. For instance, if a technical solution for the parking problem of a group of employees of a prestigious company in a crowded area of a town provides a solution that requires long waiting times, or dirty parking places, the solution would not be accepted, or there would be many complains and non-satisfaction by the agents involved in the problem.

**Proposition 2:** Situations are classified based on the types of capitals required from the solution. In other words, the practical and symbolic capitals involved in a situation are the basis for its classification.

Similar to Bourdieu’s classification of agents in the social space based on their tangible properties, practice-based view’s triple-s framework suggests classification of the situations based on their properties. In other words, through collection of data about the values of time, place, things, people, … related to the possible situations in a field of practice, one can statistically identify the space of situations relevant to a field of practice.
**Proposition 3:** Situations can be statistically classified based on the values of their tangible properties.

Another analogy of the triple-s framework with Bourdieu’s social classes theory is the fact that practice-theory claims that classes of situations related to a field of practice have their own schemes of perception and appreciation. For instance, in the higher education industry, a class of situation is dealing with the process of evaluation of the students. Evaluation method (test vs. proposal), test format (essay vs. multiple choice), test condition (take-home vs. attended), … may be considered as evaluation criteria (schemes of perception and appreciation) for the practice of student evaluation in the universities.

**Proposition 4:** classes of situations have specific schemes of perception and appreciation associate to them.

The next aspect of practical knowledge in practice-based view is related to the space of solutions or strategies relevant to each class of situations. According to Bourdieu, the agency of agents means that considering all the limiting structural aspects of a situation, competent agents can make infinite types of strategies for dealing with a situation (Bourdieu 1977). The bottom right corner of figure 14 shows the space of strategies relevant to a class of situations. Bourdieu identifies time as an important determinant of agents’ strategy, abandoned by the social sciences, and therefore, he insists that sociologists have to make sure that they consider time in their analysis of the strategies of agents (Bourdieu 1977; Bourdieu 1990). Practice-based view suggests that another aspect of strategy identifier is the cost of the strategy in terms of the economic and cultural capitals needed for implementation of the strategy. Together, time and
cost combinations identify a space of possible strategies for each class of situations. Furthermore, since in each class of agents, there may be groups of different agents with different conditions in terms of their capital structures (for instance for classes of situations in higher level fields that contain subfields as their members) the social position of the solution should symbolically match with the social class of the agents involved. So, the space of strategies is categorized based on groups of strategies corresponding to the same situations happened to different classes of agents in the field of practice.

**Proposition 5:** Each class of situations has a corresponding space of groups of possible strategies.

**Proposition 6:** The space of groups of strategies is classified based on the time-cost requirements of the strategy, and categorized based on the social position (quality) of the required strategy.

Furthermore, similar to the industry structure’s pure-hierarchical structure, practice-based view’s triple-s framework for practical knowledge would have a pure hierarchical structure. As explained in section 3.1.2.a, the pure-hierarchical structure of the industry presents the mental structure of the agents in the industries, and sub-industries. The important aspect of the pure-hierarchical structure is the hierarchical nature of the schemes of perception and appreciation applied to the fields of practice. The higher level fields present the abstract and general schemes of perception and appreciation applied to all the lower level fields. As the fields descend the hierarchical structure (the smaller encompassed fields within the higher and encompassing fields), the schemes of perception and appreciation get more specific and detailed which help the agents precisely evaluate the situation and its constituting elements.
Practice-based view’s triple-s framework suggests that situations and their corresponding spaces of strategies also follow a pure-hierarchical structure, where the higher levels classes of situations get defined in an abstract and general fashion (with limited details about the elements of the situation) and as the analysis descends the hierarchy, the classes of situation get more detailed and the situations get more complicated. The difference between the high-level classes of situations with the lower level situations is in the fact that the higher level situations describe the shared situations shared between all the subfields of the high level field. And therefore, the space of strategies related to these high-level situations present abstract and general solutions for situations that may happen in all the fields and industries that descend the high level field or industry. For instance, a situation defined in the organizational level would have little details about the people involved, things, places, times of performance of practices. Similarly, the schemes of perception and appreciation, and the strategies proposed for dealing with the situation would be defined in a very abstract high level fashion. Also, only situations that have applicability on the whole organizational level (i.e. applicable in all departments) would be defined in that level.

**Proposition 7:** Similar to the pure-hierarchical structure of the industry, the triple-s framework of the practical knowledge has a hierarchical structure.

**The triple-s framework and knowledge sharing:** Through the hierarchical organization of the “Triple-S” bundles of the practical knowledge, it is possible to effectively share the generated knowledge in one context to other relevant contexts. For instance, the knowledge created about the details of a new and particular situation that happened during the interaction with one of the customers of the company in a small shop in one of the hundreds of cities that a
large company operates can inform about a general new trend in the business, and if this knowledge gets appropriately captured (the details of the elements of the situation get collected carefully), and appropriately gets abstracted to higher levels of the hierarchy of the practical knowledge, it can help the whole organization to engage in finding strategies for its solution, and if the solution gets created in another small shop in another area of the country, this knowledge can be shared effectively with the rest of the organization through abstracting the situation (removing the details of the situation), abstracting the generated strategy and sharing it with a higher level of the knowledge base of the organization. Therefore, other agents facing the same situation, can contextualize the situation and the strategy and apply it to their specific context, based on their specific schemes of perception and appreciation.
Chapter 6:

Discussion and future research:

The theory of practice-based view of the firm is an application and expansion of the sociological “practice theory” of the French sociologist Pierre Bourdieu to the fields of knowledge management and strategic management. A literature review of the fields of knowledge management and strategic management revealed the fact that the major problem of those fields is their pure economic and technical perspective to the knowledge and practice of firms and organizations, leaving all human-related aspects of the social life and practice in the organizations unexplored. The traditional knowledge management and strategic management theory and practice made no significant distinction between people and other objects constituting the context of the organizations. Practice-based view, based on the ideas borrowed from Bourdieu’s practice theory, makes the social and symbolic aspects of the practice as important or even more important than the technical aspects of practice. This particular emphasis on the social and cultural aspects of the organizational practice (alongside its technical aspects) is apparent in the two types of power (practical and symbolic powers) defined in the discussion of practice-based view of the firm. Another human aspect of practice-based view of the firm is the fact that this theory represents all aspects of the organizational practice, including the highly sought for economic profits, as objects of knowledge constituted by the social agents within that organization and reinforced by their repeated application as taken-for-granted beliefs in the practice of organizational agents. Therefore, one can summarize the goal of practice-based view
as to add social, cultural, political and contextual flavor to the analysis of the organizational studies.

The major contribution of practice-based view is that it proved, that it is possible to conduct an analysis of the technical and social aspects of the practice of organizations at the same time. For social aspects of practice, practice-based view showed that it is possible to use pure statistical methods to capture and identify the social and cultural categories constituting the different viewpoints of the agents constituting the elements of the industry structure of an organization. However, this statistical classification of the cultural differences of the agents is based on the objective technical capabilities of the agents in an industry. This statistical analysis provides a positivistic flavor to the area of social studies which usually have been considered the realm of normative studies.

Furthermore, practice-based view proposes a structure similar to a decision tree for the analysis of the mental structures and value systems (schemes of perception and appreciation) of the different social classes of agents who were distinguished using the statistical analysis. This proposed structure for the mental structures of people allows for introduction of these mental structures (i.e. the decision tree like structures) to the computer systems which then can be used by knowledge management systems that can help agents in their strategy development and decision making.

The triple-s framework is a trial to satisfy the ideal goal of knowledge management which is the provision of the right knowledge to the right people at the right time (Thomas et al. 2001). Provided that a practice-based knowledge management system has been built which has specific built-in capabilities for identification of social classes of agents based on the data about their tangible attributes, and provided that this knowledge management system has the capability
to capture the schemes of perception and appreciation based on the decision-tree-like structures introduced in the practice-based theory of the firm, then the system would be able to analyze the situation, assess the relevant schemes of perception and appreciation and to provide the most relevant classes of strategies based on the attributes of the situation.

The stepwise-hierarchical structure of producer-consumer couples introduced in the practice-based view of the firm, together with the idea of symbolic power borrowed from Bourdieu’s practice theory allows for provision of a novel perspective to the practice of strategy development and power generation for an organization. Therefore, practice-based view introduces a new and novel type of rivalry to the managerial studies in which groups of rival firms can make alliances based on their social positions and power relationships in which they can make higher influences on their rivals, suppliers and buyers, and can influence the social and cultural structures of the industry to their benefit. These alliances, however, always are built around the representative agents who have significant symbolic capitals and powers using which they can impose their structuring influence on the structure of the different elements of the industry.

**Implications for managers:**

The purpose of the practice-based theory of the firm is to add a social layer of analysis to the traditional technical perspectives of organizational management. Therefore, the result of application of practice-based view to an organizational setting will be the combination of the technical and social aspects of the organizational practice together. In order to achieve this goal, practice-based view proposes a data-oriented approach to both the technical and social analysis of the firm’s internal and external conditions.
In other words, practice-based view suggests the organizations to make a statistical analysis of the social structures of their industry using the data collected from the tangible properties of their rivals, their consumers, their suppliers, and their rival industries. Then, based on that data, they identify the exact position of the firm within the social structure of their industry. Then, they need to process the mental structures of their own social class in the industry, their current and potential future consumers, their rival industries, and their suppliers in order to make sure that their current products and their production process match the expectations of their consumers, and their suppliers. They also need to make sure that their practices are considered reasonable and professional within their own class of practice in their industry. Furthermore, based on this data collected, the firms would decide on their long-term strategies that would involve decisions such as their future social position within the industry, and the required alliances with the consumers, suppliers, or their rivals.

Furthermore, practice-based view proposes the organizations’ management to make similar statistical analysis for each of their departments and find out about the social position of each department within its own industry’s social space. Then, the firms can make strategic decisions on issues such as “make or buy”, or “diversification” strategies based on the power position of the department within its industry.

The most important proposal of practice-based view for the top managers of the organizations is to allow freedom space to their subordinate departments and business units to set their priorities, strategies, and structures for their practices. This strategy would empower the subordinates to use this opportunity to engage in knowledge creation, innovation and power generation for their own department and for the whole organization.
**Future research:**

There are different areas of research that can get benefited from the theoretical propositions of practice-based view of the firm. First, and most apparently is the area of knowledge management. Practice-based view can be used as a kernel theory for development of a knowledge management system which uses the structural elements introduced in the practice-based theory of the firm, and which can apply them to a computer system that can implement them in order to help organizations in managing the categories of knowledge identified in practice-based view of the firm.

Another area that would directly be influenced by practice-based theory is the field of strategic management. Empirical research in the area of strategic management can use the practice-based view of the firm in order to show how practice-based organizational knowledge can improve the strategy development practice of organizations.

Additionally, practice-based view can be used in the field of organizational management in order to explain and predict the effect of different managerial decisions on the performance of the organizations.

The “triple-s” framework of practice-based view of the firm makes a set of propositions that require empirical verification and justification. For instance, the third proposition of the triple-s framework claims that the space of situations associated to a particular social class in a field of practice can be statistically identified and classified based on the tangible properties of the situations. For instance, a situation such as an “exam” in the field of education has certain identical properties that distinguishes it from other situations in that field such as “a session”, “a presentation”, “a graduation ceremony”, and so on. So, a series of empirical research, for instance, can assess how well classes of situations in different fields of practice can be identified.
and distinguished based on the data collected about the tangible and measurable properties of those situations. The same studies can also assess whether or not these classes of situations are categorized based on the required level of symbolic and economic capitals for their solutions (proposition 2).
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