Explanation

So what can be explained by contextualized explanation? This methodology is able to explain an outcome state at a specific moment in space and time. This outcome state can refer to one or more levels of aggregation, from, for instance, the mindset of an individual strategist, to firm performance, or to the state of the environment. This outcome state basically is the final event of a sequence that has led up to it. Contextualized explanation can also explain whether continuity or change has been realized by comparing an earlier (starting) event with the outcome event, or by examining the variety and regularity by which events occur over the course of time. It does mean that an outcome state is just one moment in time in a continuous process, although – in the case of continuity in the process – this state of affairs can extend over quite a long period.

What is there to explain it with? What is it that an outcome is a consequence of? In its most basic form, an explanation is found in the course of events, which preceded the outcome event. More specifically, the explanation can be further specified in terms of the material, formal, final, and efficient causes that generated each event in the event sequence, and with these causes affected by previous events; creating a causal chain. This tends to result in an elaborate and detailed narrative, which sometimes is summed up in a simple statement. Chandler's (1962) extensive case studies of the emergence of the M-form were summed up by "structure follows strategy." Pettigrew's (1985) elaborate case study of strategic change at ICI created the insight that the management process is a matter of "politics of meaning."

It could be that a specific key event in the sequence can be identified, which by itself can be earmarked as a turning point or tipping point (Gladwell, 2000) without which the subsequent event sequence and outcome would not have happened. Nevertheless, further questions can always be asked about the event sequence that preceded this key event and what it was about the causal chain that contributed to this key event to become so pivotal. For instance, the Challenger disaster was such a turning point for NASA. But there was a specific course of events that led to the disaster to happen in the first place (Vaughan, 1990).

The "unique event sequence" is one end of the scale. At the other end of the scale, there is the social mechanism explanation. Outcomes can be explained in terms of the degree to which event sequences form recurrent patterns, and more specifically in the reasons for this social mechanism to stay in place and continue to operate. The investigation into collusion in the Dutch construction industry (Sminia, 2011) is an example here. Everybody in the industry continued to act in a specific way because these activities maintained the circumstances that prompted everybody involved to act in the same way over and over again. Event sequences generated by a social mechanism tend to keep a causal chain intact, which acts as a vicious or virtuous circle, or a self-denying or self-confirming prophecy.

This continuum between unique event sequence and social mechanism is found at the level of "actual domain." By definition, any contextualized explanation is

limited in time and space, although the time and the sphere to which especially the social mechanism applies can be quite long and substantial. Underlying the actual domain is the "real domain," where the generative mechanisms exist. An additional layer of explanation refers to the generative mechanisms of life cycle, teleology, dialectics, or evolution, which can all operate and drive a process on. However, whether they do is determined by the sequence of events as it takes shape at the actual level. The process course itself can be driven by but can also prevent any of these generative mechanisms to drive the process.

Contextualized explanation is a multi-causal, multi-layered and an essentially contingent affair (Miller and Tsang, 2010; Welch *et al.*, 2011). There very rarely is a single cause – if ever – that explains an outcome. What is expected is a configuration of causes associated with events, which over a period of time combine into a particular conjunction of circumstances. It reflects the multi-faceted nature of social reality (Poole and Van de Ven, 1989). But this configuration is not a random occurrence. Ultimately the attributes of events in terms of causes and consequences, and the chronological and spatial order, in which they appear at the actual level of social reality, are responsible for how an outcome is realized. In short, it is the course of events, which determines how social reality takes shape.

How to set up a research project?

Research questions can be derived from existing variance-based strategy theory. Any presumed or empirically tested relationship between a set of variables warrants the "how" question. How is the relationship between two or more variables realized? What process is responsible for this relationship to apparently exist? There are numerous calls in the strategy literature to query to process by which things are realized (e.g. Foss, 1998; Maritan and Peteraf, 2011; Pettigrew, 1992; Porter, 1991; Shanley and Peteraf, 2006; Sminia and de Rond, 2012).

In fact, the "how" question can take on the form of at least four different and more specific questions that intend to query the process by which an outcome is realized (Van de Ven and Sminia, 2012). There is the question of "How did we get there?", putting the focus on the past. The "What is occurring?" question asks about what is happening right now. The "Where are we going?" question asks about a possible outcome in the future. And finally the "What should we do?" question wonders about the possibilities for interventions in the process to reach a preferred outcome. Although they differ with regard to their temporal orientation, they all require an understanding of how the process works.

A good justification for asking the "how" question and employing contextualized explanation is the appearance of an anomaly (Miller and Tsang, 2010; Van de Ven, 2007, Welch *et al.*, 2011). This can be an actual anomaly, an unexplained phenomenon or outcome that defies current theoretical insights. For instance, in Sminia (2003), the failure of a new sports TV channel was investigated because existing theory could not account for this to have happened. A theoretical anomaly, an inconsistency within a theory or among rival theories, can also act as

a justification. This was the case in Sminia (2011). Institutional continuity as the normal state of affairs was questioned because contradiction as a reason for institutional change had been put forward as so endemic to institutions that continuity should be seen as an exceptional state.

Drawing on incomplete theory and doing empirical research to come up with an explanation means that the overall orientation of the research project is abductive (sometimes also referred to as retroductive) (Langley and Tsoukas, 2010; Klag and Langley, 2013; Van de Ven, 2007; Welch *et al.*, 2011). There is going to be a constant comparison between existing theory and data to eventually arrive at a new theoretical insight that answers the "how" question and dissolves the anomaly. However, this does not preclude that there are possibilities to test existing theory (Miller and Tsang, 2010; Tsang, 2013).

What data to collect?

Empirical work for contextualized explanations involves the collection of raw incident data. This, however, is not without its problems. There is a temptation to just go in and record everything that happens. This will lead to data asphyxiation (Pettigrew, 1990). Moreover, it will not be possible to record everything anyway and the researcher is very likely to end up with data that do not refer to the research question. It pays therefore to think in advance what activities need to be recorded. However, because of the processual nature of contextualized explanation, the data obviously should be longitudinal.

An incident as an instance of activity to be recorded and analyzed is a somewhat troublesome notion. What is it that makes such an instance an incident? As Langley observed, an incident can "include a bad year, a merger, a decision, a meeting, a conversation, or a handshake" (1999: 693). At one extreme end, an incident can be one individual or agent doing one particular thing, with incident data collected as fine grained as recording all the instances when somebody does something. The process then is conceived as the actions and reactions of all these individual participants. At the other end, incidents can be as coarse as a firm disposing and acquiring one subsidiary after another, with the process conceived as firms contracting and expanding in this way. This is referred to as granularity. It is just one of the many issues that should be considered when collecting incident data.

With contextualized explanation requiring abduction as the overall research orientation, data collection should be informed by the (incomplete) theoretical insights on which the project is based. It also is required to collect data beyond what the (incomplete) theory would indicate because creating an opportunity for the empirical domain to inform the actual domain is very much part of the inquiry. It is relatively easy to collect incident data on the basis of pre-conceived theoretical insights because the theory will tell what to look for. It is more difficult to decide what data to collect beyond that.