

# MAKING SENSE OF SENIOR MANAGERS' 'NEED TO KNOW' IN A TRANSITION ECONOMY

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## Abstract

This paper uses the related concepts of 'sensemaking' and the process of 'knowing' to interpret and analyse the ways in which top managers in a transition economy – Ethiopia – learn how to 'make a difference' and thereby manage more effectively. At the organizational level of analysis a number of important differences were revealed in the ways in which these senior managers made sense of the business environment and of their own organizational strategies and capabilities. This paper examines factors explaining these differences and illuminates how top-level managers' judgements on key organisational issues are based upon their sensemaking, their interpretative work and the forms of knowledge which they utilise to frame their decision making.

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## 1 INTRODUCTION

This paper uses the related concepts of 'sensemaking' and the process of 'knowing' to interpret and analyse the ways in which top managers in a transition economy – Ethiopia – learn how to 'make a difference' and thereby manage more effectively. It constructs a bridge between Western interest in 'Business Knowledge' and case studies of what Ethiopia's top managers 'Need to Know' in order to do business.

The use of 'Business Knowledge', as a central organising theme for this research, stemmed from a UK government-funded research initiative. In 2003, the UK's Economic and Social Research Council (ESRC) launched a new programme called the Evolution of Business Knowledge (EBK). Against the background of interest in such things as the Knowledge Economy, Knowledge Workers and Knowledge Management, ESRC's EBK programme called for an investigation of management knowledge in action, organising knowledge for innovation, and making knowledge an asset.

Academics and practitioners, notably in the UK and USA, became interested in using the concept of Business Knowledge to explore how business organisations use knowledge to address the challenges and opportunities of competing in an increasingly interconnected world. But, in the process, the abstract noun 'knowledge' was often treated as if it were a concrete noun. Instead of focussing on what people *knew*, many people saw Business Knowledge as a freestanding entity: an object among other objects. It became acceptable to talk about knowledge as if it were a transferable commodity, which could be 'shared' or 'stored'. While concept of Business Knowledge may have potential, its supporters are not always clear what they mean by 'knowledge'. Specifically, they often use 'knowledge' – which is a challenging concept – when the term 'information' would be more precise. Thus, the research reported in this paper problematises this and reveals the processual nature of knowing using a sensemaking perspective.

The purpose of this paper is to explore the concept of 'knowing how to manage' within a transitional economy – Ethiopia. As an Ethiopian citizen with many years of experience of working in Ethiopia for Ethiopian organisations, before coming to the UK to study management, it was apparent that Western management models hardly fitted with managerial practices in Ethiopia. Nevertheless, Ethiopian managers (in common with managers elsewhere) *needed to know how to manage more effectively*. With this concept of 'needing to know' in mind, it seemed worthwhile considering how fresh thinking about knowledge in a British context might be used as a 'tool' for making sense of how managers in a transitional economy would seek to organise their cognitive world. Clearly, 'the process of knowing' is connected to 'knowledge' and the ESRC's high-profile concept of 'Business Knowledge' appeared to be a reasonable point of departure. At the heart of the investigation is 'strategic-level knowledge' – that is, top-level managers' knowing of their environment, organisation, business strategy,

organisational capabilities and other domains. This form of knowing underpins top-level managers' decision-making on these and related issues.

This paper analyses how a range of senior managers in five business organisations 'know' how to make sense of their task and institutional environmental situations, and their own organisation (its capabilities, limitations, knowledge base, strategy, structures and form and, other domains). Their sensemaking of external and internal signals form the prime subjects of the research. The paper seeks to explain the variety of ways in which managers 'know' and make sense of their environment and how they seek to understand and resolve the multiple influences and pressures they face.

## **2. THEORETICAL BACKDROP**

Sensemaking and 'knowing' are the two concepts primarily used to explore senior managers' 'need to know' for effective business management in a transition economy context. I briefly review these two related concepts.

### **2.1 Managers' Sensemaking**

The sensemaking lens is relevant for exploring the managers' knowing of their environment, organisational strategy and organizational capabilities. Sensemaking is distinguished by such things as "its genesis in disruptive ambiguity, its beginnings in acts of noticing and bracketing, its mixture of retrospect and prospect, its reliance on presumptions to guide action, its embedding in interdependence, and its culmination in articulation that shades into acting thinkingly" (Weick, et al, 2005: 413). Sensemaking is useful a 'tool' to explore managers' knowing and actions in an environment characterised by institutional voids and flux.

Understanding the processes by which top-level managers in Ethiopia know how to make sense of ambiguous and turbulent environments takes the use of sensemaking into new territory. As many authors suggest, sensemaking occurs in organizations when members confront events, issues, and actions that are somehow surprising or confusing (Gioia & Thomas, 1996; Weick, 1993, 1995). As Weick argued, "The basic idea of sensemaking is that reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs" (1993: 635). Thus, sensemaking is a process of social construction (Berger & Luckmann, 1967) in which individuals attempt to interpret and explain sets of cues from their environments. This happens through the production of "accounts" and discursive constructions of reality that interpret or explain (Antaki, 1994), or through the "activation" of existing accounts (Gioia & Thomas, 1996; Volkema et al. 1996). In either case, sensemaking allows managers to deal with uncertainty and ambiguity by creating rational accounts of the world that enable action. They arrange the world that they experience in a way that makes sense to them.

At an organisational level, sensemaking is a fundamentally social process: organization members interpret their environment in and through interactions with others, constructing accounts that allow them to comprehend the world and act collectively (Isabella, 1990; Sackmann, 1991; Starbuck & Milliken, 1988; Weick & Roberts, 1993). Recent sensemaking research, however, has either tended to focus on its cognitive aspects (e.g., Griffith, 1999; Thomas et al., 1993) or has examined social processes that play out in extreme conditions or crisis situations (e.g., Brown, 2000; Gephart, 1993; Weick, 1993; Weick & Roberts, 1993) or conducted in organisations operating in high reliability or dynamic systems (Endsley, 1995). Less attention has been paid to the

sensemaking that occurs in a context where many of the features of the business environment which normally supply the assumed context for exploring managers' sensemaking are missing. Thus, this study seeks to fill this gap by exploring how senior managers engage in sensemaking from a variety of organizational positions, histories, personal backgrounds and contextual factors that create divergent frames of reference (Dutton & Dukerich, 1991; Gephart, 1993; Weick, 1995). In doing so it explores "the various contexts that shape [managers'] capabilities, aspirations and limitations" in turbulent environments (Ray, 2005:16).

A second important aspect of sensemaking in organizations is what it produces: accounts and the actions that are based on them. As discursive constructions of reality that provide members with ordered representations of previously unordered external cues, accounts describe or explain the world and thus make it meaningful (Antaki, 1994; Potter & Wetherell, 1987). They can take a wide variety of forms, such as descriptions of issues as political or strategic (Gioia and Chittipeddi, 1991), and explanations of the behaviour of forest fires (Weick, 1993). Accounts are critical resources that allow individuals to accomplish work and negotiate their day-to-day lives (Antaki, 1994; Boje, 1991; Gergen, 1999), constructing ordered relationships among sets of entities (events, people, actions, things) in ways that enable people to act or at least to decide to act (Sackmann, 1991; Starbuck & Milliken, 1988; Weick, 1993). The connection between accounts and action is particularly highlighted in small group studies: a critical part of Weick's explanation of the Mann Gulch disaster was the fire crew's failure to construct an account of the situation that would facilitate collective action. A similar dynamic occurs during organizational change (Gioia & Chittipeddi, 1991), in which accounts serve in facilitating collective transformation. Following these lines of arguments, this study investigates how the Ethiopian managers make sense of, provide account of their sensemaking and act upon, the sense they make of their organisations' internal and external environments.

The processes by which managers learn how to make sense of their experience shape managerial decision and actions: recent research in South Eastern European countries found that the most significant barrier from the business environment is managers' underdeveloped knowing about their businesses and this is a major blockade to a transition (Liargovas and Chionis, 2002). By implication, managers' knowing and acting, when developed appropriately, can 'make a difference' by making business organisations competitive and successful in a turbulent environment. This in turn, given the paucity of studies in managers' strategic level knowledge, offers a fruitful but challenging task of undertaking research on this crucial issue. Understanding how managers make sense of their external environment, know their businesses and define and implement criteria for business success is important for academia and practitioners alike. Thus, the research is of both theoretical and practical value.

## **2.2. Perspectives on Knowledge and Knowing**

This section aims at distinguishing between treating knowledge as a 'thing'—based on objectivist perspectives in which knowledge is an object among other objects—and a focus on 'the process of knowing'. There has been an overwhelming tendency in the West to see knowledge as a representation of what exists independently of the knower and the objectivist view of knowledge has proved popular. But, if you want to sustain the idea that knowledge—which has traditionally been regarded as an abstract noun—could be treated as if it were a concrete noun, it is important to specify the nature of 'the thing called knowledge'. And difficult questions would have to be answered: how could you determine the 'goodness' of a piece of knowledge?

Notwithstanding the popularity of objectivist views of knowledge as an object, it is often difficult to see what is meant by ‘knowledge’. However, if we switch our attention to the process of knowing, challenging conceptual issues associated with the objectification of knowledge can be avoided. Suddenly, it becomes possible to ask more straightforward questions about how people ‘know how to do things in practice’. Such a perspective on knowing is complementary to sensemaking. It is about ‘knowing how to do things’—such as making sense of the problem of how to manage effectively.

Many contributors to the management and business literature insist that Business Knowledge is important, but are often unclear about what they mean by ‘knowledge’. Part of the problem seems to be that the term knowledge is used in a casual way that means different things to different people. Another difficulty seems to be that ‘knowledge’ is often confused with ‘information’. Problems also arise if knowledge is defined in a way that is too general to be useful. One much-cited definition of knowledge, offered by Davenport and Prusak (1998: 5), suggested that many things count as knowledge.

“Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents but also in organizational routines, processes, practices and norms”.

While great thinkers, such as Immanuel Kant and Albert Einstein, have equated knowledge with experience, Davenport and Prusak want to add other things to experience, such as ‘values’ and ‘expert insight’. But one might object that ‘everything that is known’ is known in the course of personal experience. Where does experience stop and ‘values’ or ‘expert insight’ start? What could we claim to know that is outside our experience? Much of the Business Knowledge literature relies on the use of the abstract noun ‘knowledge’. But the type of knowledge that is discussed in the management and business literature often owes little to the realist notion of scientific knowledge as a ‘true’ picture of what really exists. Instead, it is often used in an altogether more casual way—for example, as a description of what supposedly knowledgeable people happen to think. Accordingly, so-called ‘explicit knowledge’ is often no more than a personal opinion—and the issue of ‘whose opinion we could trust and why’ is often overlooked. Nevertheless, talking about Business Knowledge has become popular. Indeed, “knowledge” has become the watchword of contemporary organizations (Orlikowski, 2002), and research interest in knowledge, knowledge-based organizations, and knowledge management has accelerated (Kogut and Zander 1992; Nonaka and Takeuchi 1995; Tsoukas 1996; Teece 1998).

Some researchers have been critical of a purely taxonomic perspective, arguing that it reifies knowledge by treating it as a stock or set of discrete elements. Furthermore, Tsoukas (1996: 14) observes that a taxonomic perspective does not recognize that “tacit and explicit knowledge are mutually constituted . . . [essentially] inseparable”. In particular, he argues that tacit knowledge “is the necessary component of all knowledge; it is not made up of discrete beans which may be ground, lost or reconstituted.” Along with others (Boland and Tenkasi 1995, Davenport and Prusak 1998, Cook and Brown 1999), he argues instead for an integrated approach that affords a view of organizational knowledge as processual, dispersed, and “inherently indeterminate” (1996: 22). Brown and Duguid (1998), while they share with Tsoukas (1996) a view of knowledge as emergent, depart from his integrationist focus by retaining a distinction between types of knowledge. In particular, they adapt Ryle’s (1949) articulation of ‘knowing that’ and ‘knowing how’ to argue that ‘know-how’ is different from ‘know-what’ in its

dispositional character. Thus, know-how is “the particular ability to put know-what into practice” (Brown and Duguid 1998:91). As such, it is a capability embedded in particular communities of practice (Brown and Duguid 1998:95). This allows know-how to be easily moved within and among communities with similar practices, but makes it “sticky” or difficult to move across communities of practice (Brown and Duguid 1998:100–102).

Many of the problems associated with defining knowledge can be avoided if we shift our attention from the abstract noun ‘knowledge’ to the ‘process of knowing’. Instead of worrying about what knowledge ‘is’, in terms of a ‘thing’ that is assumed to exist, we can consider what people ‘know how to do’—in practice. Knowledge, irrespective of how knowledge is defined, is ‘in the heads of persons and the knowing subject has not alternative other than to construct what he or she knows using his/her experience” (Glaserfeld, 2002:1). Rather than trying to objectify what a person knows, we can ask different questions about what he or she ‘knows how to do’. Could that person, for example, make sense of managerial challenges and manage effectively?

A focus on knowing is important for my study in a number of ways. First, managers’ ‘knowing’ is seen as impacting on the ways they notice and bracket key organisational issues and make judgement about appropriate strategies (Salaman and Storey, 2006). Second, since managers to be studied were making sense of their situations amidst several influences and tensions, the nature and form of knowledge they held may provide an opportunity to draw some implications on taxonomic approaches to classifying knowledge. The rationale for this is that there may be differences between the types and usefulness of knowledge held by managers and the ways this knowledge is used for organizational actions may not follow the prescriptions of the knowledge-based views. Third, it also helps to examine managerial discourse on their claim about knowing something and their ability or not in using that knowledge in their day-to-day managerial practices.

### **3 RESEARCH METHODS**

This article is based on 40 semi-structured interviews of senior managers drawn from five commercial organizations in Ethiopia. These were two banks and three manufacturing and exporting businesses. One of the banks was an incumbent state-owned institution and the other a newly formed private bank. Two of the exporting businesses were state owned and one was private. Two were tanneries and one was a garment-making enterprise. Each of the businesses apart from the private bank had over thirty years experience. They were each of medium to a large size. The profile of organizations and the demographic characteristics of senior managers are shown in table 1.

**Table 1 The Profile of the Business Organizations**

<b>Organizations Profile</b>	<b>State bank</b>	<b>Private bank</b>	<b>State leather</b>	<b>Private leather</b>	<b>State garment</b>
<b>Sector</b>	Financial	Financial	Manufacturing export	Manufacturing export	Manufacturing export
<b>Year of establishment</b>	1963	1995	1975	1972	1971
<b>Number of interviewees</b>	11	11	7	5	6

The key research question investigated in this paper is: *“How do managers in a transition economy make sense of, and act upon, their environments and the development of plausible strategic responses?”* More specifically: How and what did the Ethiopian managers regard as important aspects of the environment? How did they make judgments about plausible strategic responses? What strategizing knowledge did these managers’ have, and were they responsive, active, and proactive? What were the evolving forms of managers’ knowledge?

The interviews were recorded and transcribed; they were analysed qualitatively and triangulated with internal documents and reports. The analysis of data was done iteratively: transcripts were read thoroughly, summarized and emerging themes and patterns were coded and this was enriched with memos, field notes, and secondary sources. Then condensations of themes were done to create core themes for analysis. The inductive analytic approach was used to understand the senior managers’ interpretation of the external environment, strategic response development and of the required business knowledge and capabilities.

#### **4 MAIN FINDINGS**

A number of important findings emerged from this research. The main findings at organisational level can be summarised as follows and then discussed.

- 1) Managers’ knowledge of environment ranged from some managers considering it as conducive and stable to others interpreting it as unpredictable, uncertain and threatening for the operation of their businesses. These interpretations and ‘knowing’ of environment, in turn, led managers to having different levels of confidence and trust (high to low) in the Ethiopian government’s commitment to fully market-oriented economic system.
- 2) Managers’ level of responsiveness to environmental situations ranged from reactive, defensive and survival oriented responses to more proactive/active ones. For most managers the notions of strategy and strategizing practices were problematic, ambiguous but also emergent. However, emerging dominant logics were useful as simplifying and filtering mechanism to the strategic responses they were making. Guided by the emerging dominant logics, managers emphasised the use of clusters of strategies, core strategy varying across organisations, to make their organisations successful and competitive.

- 3) While some managers were increasingly becoming familiar with a formal, politically influenced strategy process, others did not have a well defined strategy development processes. The latter types of managers experienced less formal implicit and incremental strategy processes.
- 4) Evolving forms of managers' knowledge ranged from more formal, explicit, in resourceful enterprises to more practical, situated and located knowledge in the less resourceful ones.

#### **4.1 Certainty/uncertainty of Managers' Knowledge of 'Environment'**

The external environment was seen as threatening, uncertain, and unpredictable by most managers. For a minority it was understood as improving in relation to the success of their business. Key aspects of this and evidences supporting these points are explained below.

This study results showed that different managers made sense of the environment in different ways and their knowing of it was subject to changes depending on the changing roles and contexts. Although managers' knowledge of the environment displayed its path-dependence, it was also influenced by how they interpreted and enacted the environment in which their managerial practices are situated. For instance, managers operating either in policy protected or policy encouraged businesses interpreted the environment as conducive, munificent and stable. Especially most managers from the state-owned enterprises had views that the political/ policy environment is relatively providing an opportunity for them (with exception of the 2005 political instability). The state-owned bank managers' accounts suggested that flourishing micro financing institutions; an increase in the number of small and medium enterprises; the state infrastructure development projects; the establishment of a Specialized Monitoring Agency for public financial institutions; foreclosure law for banks to be opportunities to expand their banking business. For managers in both tannery organisations, however, it was the high international reputation of the Ethiopian sheepskins and goatskins that was seen as providing opportunities. The banks managers knew the competitive environment to be conducive due to the absence of new entrants to the banking industry because of increased capital ceilings and a policy barrier that prohibited the entry of foreign financial institutions.

Managers knew, to a certain extent, the dynamics of the Ethiopian government's reforms programmes, centralisation of the political control, and devolution of power and de-centralization of implementation of policies to the regional states. The two top-level managers' interpretation of environmental situations demonstrates how these managers held uncertain knowledge about the dynamism and unpredictability of the environment. This point is supported by the evidence as illustrated briefly here.

“Rules and regulations change over time affecting current project decisions or the implementation of the approved ones” (Managing Director, Private Leather Co, 2004)

And

“All in all forecasting and predicting the business environment is very difficult in Ethiopia: all the political and regulatory changes are unpredictable and we can't foresee what would happen next” (Vice President, PB, 2005)



Hence, managers knew that some aspects of the institutional environment were dynamically changing while others were static or slow to evolve, and these became the cause of significant uncertainty for them and their businesses, as was the case in Russia (Puffer and McCarthy 2001, Stoner-Weiss 1997).

Managers reported that recent improvements in macro-economic and policy environments were overshadowed by uncertainty and challenges coming from the micro environments. Managers raised issues related to license and registration, customs, tax, land acquisition and ownership right, property right protections by police or judicial systems etc, and said that lots of things remain constraining. The following quote from the managing director of the leather manufacturing company is illustrative:

“How would I get licenses from the ministries, how would I pay my taxes, how would I go to the court and get judgment ... These are things to be desired; and a lot remains to be done in that direction. When things come down to the grass roots level, there are still institutional settings which are not in place”. (President, EMIA, 2004)

Furthermore, even at the macro level, the reported frequent changes especially, in the policy, legal and regulatory environments resulted in eroded business confidence in long-term investment. Thus, most top-level managers had less trust in the deinstitutionalization trajectory.

#### **4.2 Formal, Politically Influenced Versus Less Formal Strategy Process**

In the state-owned enterprises, managers' strategizing knowledge was highly influenced by the ongoing politics and policies. Power relation was evident in the sensemaking of these managers. In most cases changes and strategy templates were imposed from the above and these served as acts of expression of power which subsequently shaped what these managers accepted, take for granted and enacted. In the state bank, managers used western management and strategic planning concepts (framework), aided by consultants, for organisational diagnosis and strategy development. These external stakeholders required the state-owned bank to undergo a restructuring programme which included compliance with the range of 'modern management practices' such as strategy development and business process reengineering. In the other extreme, however, managers in the state garment were not able to articulate their business strategy and were less familiar with 'modern' management practices than other state-owned enterprises' managers in the sample. In private business organisations, the concept of 'strategy' itself was problematical and was not yet fully understood by managers. Managers, thus, engaged in less formal, survival-oriented and incremental strategy process. The private bank managers, however, tended to use intuitive and incremental approaches to identify strategic issues. Executive and board levels management then intensively discuss and debate on these identified strategic issues.

In the process, while some managers in a number of organisations tried actively to enact the environment, other managers were more cautious and preferred to hold a 'wait and see' attitude. Thus, the ways these managers engaged in strategizing practice were reflections of what these managers in circumstances *judged* as appropriate actions, response and behaviour to deal with complex or ambiguous situations. Thus, managers were attempting to interpret and explain sets of cues from the environments that influence their choice making behaviours.

### **4.3 Proactive to Defensive, Imitative, Strategic Responses**

The finding of this research showed that the top-level managers in the state-owned and privately owned enterprises varied in the level of responsiveness to environmental situations. Did these managers have a very clear understanding of the purposes of their organisations and appropriate strategy tools to achieve these? What strategizing knowledge did they have? This subsection makes discussions on these vital issues.

The closer thematic analyses of data pointed to how the interviewed managers were struggling to manage their businesses with varying level of responsiveness. It became evident that how managers' interpreted their organisational capabilities, its resources and limitations as well as the industry context, influenced how they responded to the environmental situations. For instance, managers in resourceful enterprises operating in policy encouraged businesses were, to a certain extent, proactive and opportunistic while those managers in enterprises lacking sufficient (without) resources and operating in opened-up sectors engaged in defensive and reactive responses. Thus, how did managers know the strategic features of the contents of their strategy?

With regard to the content of strategy, this study found that managers' presumptions and beliefs about what it takes for their organisations to be successful, i.e., their dominant logics, were varied and in consequence they pursued different strategies. At organisational level, what managers defined as core strategy for their respective organisations were as follows: the state bank – to defend market share through improvements; private bank - organic growth through branch expansion and improved service delivery; state tannery- market penetration through partner formation; private tannery - capacity expansion; and, state garment – no articulated strategy. Not all the managers, however, discussed whether or not these were multiple, independent, strategies or if they anticipate synergies/links among them and therefore a part of a true 'logic'.

However, the above discussion does not reveal the whole story. Managers' knowledge of 'appropriate' strategy alternatives and tools was contested as well as characterised by ambiguities and strategic confusion. This is discussed below taking the cases of three organisations as examples.

The state bank managers, with the help of consultants and driven by the country's financial sector reform program, engaged in an organization-wide transformation programme. Some of the expected consequences of this ongoing strategic change were a changed organisational structure; the introduction of new products and services supported by customer friendly banking technology; and the handling of valued customers by relationship managers (Corporate Relationship Department). The bank, five years back, became the first and the only bank to pioneer ATM services in the country but without adequate feasibility studies or systematic strategic analysis. The taken-for-granted assumption by the then managers was that their bank would attract more valued, wealthy customers; outperform competitors and regain its market share; decrease the branch work load and could appropriate a first mover advantage were not realised. Still, learning from the past unsuccessful strategic decisions seems none or minimal. As per the accounts of senior presidents of the bank, there were more new products in the pipeline, including local currency card, electronic purse, consumer credit, warehouse receipts, and real estate financing that needs careful business analyses because they would target entirely different set of customers. However, there were no new product development teams in place despite the fact that these envisaged new products tend to be unique with distinctive features and targeting requiring careful management at each stage of their development. More of the intended new products' likely attraction to traditional customers could be doubtful as they would be technology

driven, and customers in the country were said to be less adaptable to new products (EEA, 2004). Thus, on the face of these analyses, these could be ineffective changes that result in no fundamental transformative change. The bank in the process of recovering from performance problems and confronted with ambiguity, showed signs of strategic vacillations (Hambrick and D'Aveni, 1988) and an excessive risk willingness but the success of its endeavours remained to be seen.

The state garment managers were keen to undertake organisational restructuring starting with defensive adjustments aimed at survival under changing environmental situations. These were seen in their desire to lay off what they perceived as old and inefficient workers and to introduce a product mix based on made-to-order arrangements. While these managers succeeded in entering the US and Greek markets in a very limited scope, they were not able to undertake organisational restructuring and lay off workers due to government labour policy constraints. The account of the general manager explains why they were not successful in their proposed change:

Because the factory is state-owned, I can't say to my employees that they're 'aged' and hence fired as well as I can't hire new ones. I have no authority/power on this. The existing labour law as well as the government policy doesn't help me to execute this. I have to keep these people working even though they're inefficient and account for high overheads cost. We weren't successful in our proposal to undertake organisational restructuring (GM, State Garment, 2004).

Thus, managers were not able to engage in the deeper strategic and organizational restructuring that would have been the means to build a new, competitive business. These managers had no articulated strategy and strategizing process, and were reactive. As a result, the empirical evidence pointed to continuity rather than radical change. This finding accords with the studies of Wright et al., 1988 and Newman and Nollen, 1998.

On the other hand, the private bank managers claimed that they were capable, well experienced and have had good relationships with their shareholders and customers. One of the senior presidents commented that they "have good management capability and that is why we have sustained growth and profitability every year". They have been using these relationships to enact the environment and engage in growth strategies that puts their company as prospector (proactive). On a wider plane, however, a number of managers' narratives revealed the prevalence of opportunistic and survival-oriented strategies by maintaining informal relationship based on ethnic political ideology to get better services and to mitigate institutional pressures. In this case managers' situated and located knowledge was important.

To encapsulate the discussion so far, what managers knew, and how they came to know, influenced and guided the ways they saw, noticed, interpreted and responded to internal and external organisational issues. But it could be true also, sometimes, that the knowledge they held was fallible, was partial and not necessarily (always) useful for organisational purposes. Moreover, the discussion thus far implied that the state-owned enterprises' managers were acting based on their preconceptions about 'appropriate' strategy to deal with uncertainty. As Weick et al., (2005:306) aptly described "people don't know what is the 'appropriate action' until they take some actions and see what happens". Hence, these managers were trying to learn from their experience and action that are underpinned by their preconceptions. Power relations also shaped what these managers enacted, their identities and what they believed as 'appropriate' organisational actions in their context.

#### 4.4 Formal, Theoretical Versus Practical Knowledge

One of the key issues investigated in this study was the identification of the evolving forms of knowledge in a study context. From the data analysis, it was found that the nature of knowledge held and used by managers could be located in a continuum from formal, theoretical, to practical knowledge.

During transformation attempts existing knowledge of managers is often rendered inadequate and open to modification or replacement. Because the setting involved the imposition of a new way of working and managing, as well as an attempt to change management style, managers were expected to have an 'appropriate' combination of theoretical and practical knowledge. These forms of knowledge are discussed below.

**Formal, Explicit, Knowledge:** Managers in some organisations were exposed to explicit and technical knowledge through MBA programmes, consultancy works and formal training. Given external pressures and influences, these managers, to a certain extent, regarded the adoption of 'modern management practices' and concepts as important, as the following quote demonstrates

“We're working towards introducing and incorporating the 'best international banking practices' in our operation from around the world". I'm sure it will make a difference” (Manager, Bank Transformation, State Bank, 2004).

The adoption of western business practices and frameworks was considered useful by these managers for two purposes: first, it enhances their knowledge base to operate in a marketized and competitive environment; and second, it provides a better chance for their enterprises to satisfy the efficiency or normative imperatives they are assumed to face. For instance, the state bank managers, with the support of consultants strove to adopt 'international best practices' and undertook 'organisational transformation'. One of the senior managers echoed: “we are undertaking business process reengineering (BPR) to improve processes in operational areas and to bring in excellence to the banking services”. The president of the State bank also stated that “consultancy services significantly contributed in complementing our efforts of institutional transformation”. Similarly, the state tannery managers were adopting new procedures and systems from the partner foreign company that took over the management of the enterprise in 2005.

Hence, more emphasis was given to focus on the transmission and reception of formal codified knowledge because doing management tasks required certain skills (e.g. marketing and strategizing, customer servicing) that had not existed before. New management functions such as restructuring, relationship management, managing transformation, customer-orientation, etc., driven by consultancy works and pressured from the mighty international financial institutions and donor organisations, these managers tended to see the direct inscription of technical knowledge and procedures as the viable means of transforming their companies into Western-style business organizations. In such instance, knowledge acquisition was based on an implicit, sometimes explicit, understanding of the internal process of management learning as imitation.

*Managers' practical knowledge* is used here to mean reasoning or justifications about what and how they do the management job and whether the doing of it brings desires and hopes for success of some sort. Practical knowledge thus can be taken as a reflection of the relationship between purposes and goals. As expected a priori, this study found that managers lacked prior knowledge of, and training, how to operate in a market oriented economy and hence had only a rule-based, undifferentiated outline of business management in their minds, rather than the refined understanding of it. Thus, managers tended to use varieties of practical knowledge that were situated and located

to run their businesses. This observation was more evident in manufacturing and exporting enterprises than banking organisations.

**Managers' situated knowledge:** Ethiopian managers' work differed in the context, processes, and purposes of their practices because the context of managers was said to be situated in particular problems encountered in everyday activities. As such, managers tried to develop an understanding of the problems and tasks that arise in particular situations - for instance, the urgency to become customer-oriented; addressing performance problems; increasing efficiency - and of means-ends activities that make up their solutions. These managers' knowledge of their practice was typically customised, connected to experience, and directed to the dynamics of particular situations (Aram & Salipante, 2003). Thus, these managers' situated knowledge was instrumental to them to deal with the specific situations encountered in particular cases and hence forms an aspect of their practical knowledge. However, managers' situated knowledge usefulness depended on to the extent to which these managers were able to change their mindset and belief systems with changing environmental situations. In other words, the situated knowledge was dynamic, fluid and could vary from situation to situation.

**Local knowledge:** The interviewed managers had direct experience of how things work (or not) in their circumstances. Their local knowledge had a direct bearing on practice because it was cognizant of local issues that frame these managers' thinking and drive their behaviour in a particular locale. Thus, local knowledge or located knowledge became a variety of practical knowledge. For example, one aspect of managers' local knowledge was that it enabled the identification of and access to critical resources such as land, credit, information, etc. Interviewed managers differed in the ways they came to have local knowledge and held different knowledge. Managers in state-owned enterprises used their connection to the government (resource dependence, accountability, planning, reporting, meetings and party membership) to form and use local knowledge. Managers in private businesses also had their version of practical knowledge. For this group of managers, identifying key resource controllers in the environment and understanding the prevailing institutional framework that might influence their decisions and actions was informed by their local knowledge. These managers' local knowledge, thus, was instrumental for them to identify and establish good relationship with local input suppliers.

## 5. CONCLUSIONS

This study's findings show how managers knew to make distinctions within a collective domain of action and made sense of the shared experiences in different ways. Their knowing and sensemaking activities enabled them to exercise judgement on key organisational issues and to interpret institutional frameworks in which their managerial practices were situated. They held uncertain, differentiated, contested and fluid knowledge about their organisation and its environment. Their knowledge was shaped and constructed in deep-rooted social, historical and cultural fabrics (context). Managers used their knowledge as an active process of interpretation, re-interpretations, and sense making of the dynamic and extremely uncertain situations they were in drawing on their past experience, repertoire of assumptions and context.

The study found that at the national level, the nature of the Ethiopian top-level managers' knowing that underpins their decision-making on and acting upon key organisational issues and the 'knowing' of environment was found to echo the

uncertainties that defined their environment – *but* some managers were more effective than others in mastering the ability to draw on their experience to produce a useful repertoire of assumptions, beliefs and interpretive practices drawn from past experience. At the organizational level of analysis a number of important differences were revealed in the ways in which these senior managers made sense of the business environment and of their own organizational strategies and capabilities. Four main factors seemed to explain these differences. These were: (a) the degree of perceived reliance on the state for legitimacy and critical resources; (b) the extent to which managers were exposed to market pressures; (c) path dependence; and (d) managers' interpretive orientations.

This paper contributes to the ongoing debates on how top-level managers' judgements on key organisational issues are based upon their sensemaking, their interpretative work and the forms of knowledge which they utilise to frame their decision making. The paper adds to the conceptualisation and understanding of the nature of managers' knowledge in general and how, in particular, managers make sense of and act upon what they know in a transition economy context. On a wider plane also, this paper represents a serious attempts to span the cultural divide between, on the one hand, Anglo-centric debates about knowledge and knowing, and, on the other, the Ethiopian business practice. Hence, it offers a novel alternative to the idea that management should be as 'scientific as possible' by illuminating the variety of ways in which different people make sense of experiences in different ways.

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