PERSPECTIVE PIECE

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THEORY-BASED VIEW IN STRATEGY: RECENT CONTRIBUTIONS AND OPPORTUNITIES FOR DEVELOPMENT

Visão baseada em teoria em estratégia: Contribuições recentes e oportunidades de avanços

Visión basada en la teoría en estrategia: Contribuciones recientes y oportunidades de desarrollo

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ABSTRACT

The Theory-Based View (TBV) has introduced a novel approach to strategy by suggesting that managers develop and assess logical pathways to address pressing problems and improve organizational performance. This article offers a concise review of the TBV, discussing new contributions that frame strategy as a theory of change and as a collective process of theorizing. It also outlines research questions, highlighting avenues for the further advancement of the TBV.

Keywords: theory-based view, problem formulation, theory of change, collective theorizing, strategy.

RESUMO

Uma nova abordagem em estratégia, denominada Visão Baseada em Teoria (VBT), propõe que gestores formulam e avaliam caminhos lógicos para resolver problemas prementes e mover a organização a um patamar de desempenho superior. O presente artigo faz uma breve revisão da VBT incluindo uma discussão sobre novas contribuições concebendo estratégia como teoria de mudança e processos coletivos de teorização. O artigo também sugere questões de pesquisa, indicando possíveis avanços futuros para a VBT.

Palavras-chave: visão baseada em teoria, formulação de problemas, teoria de mudança, teorização coletiva, estratégia.

RESUMEN

Un nuevo enfoque estratégico, denominado Visión Basada en la Teoría (VBT), propone que los gestores formulen y evalúen rutas lógicas para resolver problemas urgentes y llevar a la organización a un nivel de rendimiento superior. Este artículo ofrece una breve revisión de la VBT, incluyendo un debate sobre nuevas contribuciones, concibiendo la estrategia como teoría del cambio y procesos colectivos de teorización. El artículo también sugiere cuestiones de investigación que indican posibles avances futuros para la VBT.

Palabras clave: visión basada en la teoría, formulación de problemas, teoría del cambio, teorización colectiva, estrategia.

INTRODUCTION

Many definitions and approaches have been proposed for strategy as a field of research and teaching in administration (Barney & Mackey, 2018; Drnevich et al., 2020; Quintella & Cabral, 2007). The view focused on industries and competitors typically defines strategy as the pursuit of a desired market position through a set of unique and complementary activities (Porter, 1996; Siggelkow, 2003). The resource-based view, in turn, emphasizes the creation of valuable, organization-specific bundles of resources (Barney, 1991; Peteraf, 1993). Other perspectives highlight competencies (Jacobides & Winter, 2005; Teece et al., 1997), practices (Bromiley & Rau, 2014), and emergent processes that unfold over time (Mintzberg & Waters, 1985). Still others conceive of strategy more broadly as a set of overarching choices that guide subsequent organizational decisions, ensuring that "all decisions fit together, over time and at a point in time" (Steen, 2017, p. 2616).

A more recent approach, known as the Theory-Based View (TBV), has been proposed as a potential development that, in principle, can encompass different pathways through which organizations achieve superior performance (Felin & Zenger, 2017). In this view, strategy is conceived as the definition of a logical path (often based on cause-and-effect relationships) that leads to higher organizational performance. The conception of strategy as theory is not new. For instance, Barney (2002) defined strategy as a "theory of how to achieve high levels of performance in the markets and industries within which [the company] is operating" (p. 3). Although numerous theories aim to explain organizational performance, TBV is distinguished by its focus on the theorizing process itself and on how the resulting models can guide both strategy design and implementation.

The TBV sees strategy as a process in which managers identify gaps or problems and propose interventions intended to move the organization toward a position of greater perceived value (Felin et al., 2021; Felin & Zenger, 2017; MacLennan & Markides, 2021; Sørensen & Carroll, 2021; Zenger, 2013). For example, an organization confronted with the challenge of adapting to technological change or implementing processes aligned with sustainability standards may propose specific interventions, combinations of activities and resources, that improve performance, as measured by indicators reflecting the resolution of the identified problems. Such indicators might include the number of innovative products launched in response to technological shifts or an increase in production derived from environmentally clean processes.

In this context, the value created by organizations is not confined to traditional measures of economic performance, but may also encompass a variety of other outcomes that demonstrate the resolution of problems faced by a broader group of relevant actors or stakeholders (Battilana et al., 2022; Boaventura et al., 2012; Comini et al., 2012; McGahan, 2023). In other words, the TBV proves adaptable to diverse objectives and forms of value that organizations may seek to achieve.

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This article aims to present some recent developments related to the TBV, connect them with other emerging debates in strategy, and briefly outline avenues for future research at the frontier of this topic.

THEORY-BASED VIEW (TVB)

The TBV, proposed by Zenger (2013) and further developed by Felin and Zenger (2017), aims to enhance understanding of how strategic theories can address challenges faced by managers, from issues specific to production activities or the demand side to broader systemic problems involving various interconnected causes (Baer et al., 2013; Dentoni et al., 2018; Grewatsch et al., 2023). Although different forms of theorizing do not necessarily involve establishing causal relationships (Cornelissen et al., 2021), the TBV's focus on well-defined problems and their solutions emphasizes processes where managers suggest alternative paths for organizations to improve their performance over time.

An important precursor to the TBV is the body of work on problem formulation and solution. From this perspective, although theory represents the solution to a given problem (or set of problems), the very definition of the problems to be addressed can also be considered part of the TBV framework (Felin et al., 2021). Anchoring strategy in problem definition is crucial because, as Simon (1973) emphasized, organizations often face complex, ill-defined problems with many interdependent variables. Furthermore, there is a risk of addressing problems that are of little relevance or that only partially reflect the challenges organizations encounter, a risk described as a "Type III error" (Kilmann & Mitroff, 1979).

The TBV has advanced on several fronts, including the study of processes for theory revision (Ehrig & Schmidt, 2022) and mechanisms of search and experimentation based on hypotheses formulated by managers (Felin et al., 2021; Zellweger & Zenger, 2023). Empirical research has also shown positive impacts on the training of managers and entrepreneurs by emphasizing the identification of problems, the formulation of theories to address them, and the subsequent evaluation of proposed hypotheses (Camuffo et al., 2020; Camuffo et al., Forthcoming). The TBV further builds on prior studies by mapping strategies as chains of causal relationships (MacLennan & Markides, 2021; Sørensen & Carroll, 2021; Sorenson, 2024), resulting, as discussed below, in a theory of change that explains how organizational performance can be improved through a logical sequence of actions aimed at solving identified problems.

STRATEGY AS PATHWAY TO CHANGE

Conceived as strategic theories that outline paths for change based on identified problems, the TBV facilitates a natural dialogue with the policy evaluation literature, which views theories as sequences of causal interventions aimed at solving problems deemed relevant (Bamberger &

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Mabry, 2019; Funnell & Rogers, 2011). From this viewpoint, an intervention is successful when it addresses "the problem it is designed to solve with the resources it has acquired" (McLaughlin & Jordan, 2010, p. 73). The use of theories of change has also expanded into the fields of social organizations and impact investing, which share a focus on mapping and solving urgent social and environmental issues (Jackson, 2013; Lam, 2020; Lazzarini & Barki, 2019; Lazzarini et al., 2015; Weiss, 1995).

In this context, the concept of organizational performance takes on a broader meaning. While organizations can generate and capture economic value (Brandenburger & Stuart, 1996) by providing solutions to important problems, theories of change may also include intermediate operational metrics (Ray et al., 2004) and, when relevant and appropriate, a wider range of systemic social and environmental indicators resulting from the implemented interventions (Battilana et al., 2022; Lazzarini, 2020; Mair & Marti, 2006). For example, in addressing a water scarcity issue, one can propose interventions to increase water supply (output), as well as performance indicators (outcomes) related to water quality, process energy efficiency, and other related factors.

Building on the idea of strategy as a theory of change, Lazzarini et al. (2024) propose strategic theories that consist of a chain of interventions designed to solve a problem, thereby generating progress toward higher performance. From this perspective, interventions encompass a package of inputs and activities that culminate in indicators reflecting the resolution of the identified problem. This framework also connects to other approaches to strategy. Inputs relate to the resources organizations deploy (Barney, 1991), while activities correspond to systems of practices (Bloom & Reenen, 2010; Bromiley & Rau, 2014; Porter, 1996; Siggelkow, 2003), which themselves depend on the resources employed (Ghemawat, 1999).

From an operational standpoint, theories can be represented as directed graphs. Following Axelrod's (1976) foundational work and subsequent research on causal maps (Abell, 2004; Davies, 2018; Georgiou, 2009; Khelil, 2021; Sorenson, 2024), strategic theories can be modeled as elements ("nodes") linked by cause-and-effect relationships ("arrows" or "loops"). This graphical representation also resonates with the literature on directed acyclic graphs (DAGs), as discussed by Pearl and Mackenzie (2018), which have been applied in TBV-related studies (Durand & Vaara, 2009; Ellsaesser et al., 2014). In their traditional formulation, theories of change involve unidirectional, acyclic relationships: inputs influence activities, which affect outputs and outcomes that serve as indicators of problem resolution. However, cyclical theories of change can also be conceived, incorporating simultaneous variable determination and self-reinforcing mechanisms, common, for example, in system dynamics models (Kampmann, 2012; Saleh et al., 2010).

Once a theory has been mapped, the next step is to identify its structural attributes that are strategically relevant. Felin and Zenger (2017) originally emphasized the strategic benefits of developing concise theories with high refutability (aligned with Popper, 1969), as well as proposing new causal links. Lazzarini et al. (2024), however, describe these attributes more broadly, recognizing that they can both help and hinder problem-solving. For example, theories with more causal relationships provide a broader view of the organizational environment (Kauffman et al., 2000;

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Levinthal, 1997), thereby supporting the design and analysis of systemic interventions. At the same time, in contexts of bounded rationality (Simon, 1957), an abundance of causal paths can obstruct communication and implementation (Benner & Zenger, 2016). Similarly, when multiple causal channels lead to the same outcome, a situation of equifinality (Fiss, 2007; Bertalanffy, 1968), the framework allows for exploring alternative routes to solve a problem, but it also makes falsification more difficult; isolating specific causal pathways and controlling for alternatives becomes necessary. In summary, future advances in the TBV could help clarify how different theories, with various attributes, carry multiple strategic implications.

COLLECTIVELY CONCEIVED THEORIES

Organizations often face complex problems that cannot be solved through the actions of a single actor and that generate an intricate web of interrelated issues (Dentoni et al., 2018; George et al., 2016). For instance, promoting urban development in a given location typically requires addressing multiple interconnected challenges related to infrastructure, health, education, security, and more (Fundação Tide Setubal, 2021; Leite et al., 2020). The activities of firms in these settings are also intertwined with public policies shaped through collaborative governance, involving government, civil society organizations, and affected communities (Bryson et al., 2017; Osborne, 2006). Although the TBV initially focuses on firms and their ability to achieve distinct performance through specialized theories, a potential extension of this perspective involves recognizing the role of multiple actors collaborating in the theorizing process.

Collaborative efforts can help develop a theory of change in many ways. Cornelissen et al. (2021) highlight different ways of theorizing. Explanatory approaches focus on cause-and-effect relationships, typologies, configurations, and explanatory processes, aligning closely with the TBV's idea of strategy as a theory of change. In this approach, involving various actors, especially when dealing with complex, poorly defined problems (Freire et al., 2022), enriches not only problem formulation but also the design of interventions to solve them.

Interpretive approaches, by contrast, emphasize reflection and the generation of new insights into local contexts, while emancipatory approaches adopt a transformative and normative focus, challenging existing structures and interpretations. From this standpoint, theorizing can serve as a process through which community actors strengthen their own autonomy. Affected communities and other stakeholders can therefore play a central role in problem identification and solution design, while drawing on the analytical support of technical experts, organizational managers, and policymakers, who can help abstract general problems and facilitate the evaluation and generalization of proposed actions (Strang & Meyer, 1993).

Collective theorizing, while interpretive and emancipatory, can also serve as a basis for explanatory efforts that suggest causal pathways to addressing issues across different contexts. In this way, it can connect various modes of theorizing: not only the causal and problem-focused approach highlighted by the TBV, but also more open-ended processes where participants use

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theorizing as a "strategy for making sense of the world" (Strang & Meyer, 1993, p. 493). Through these processes, communities and stakeholders can develop their own abilities to identify, frame, and solve problems (Peredo & Chrisman, 2006).

SOME QUESTIONS FOR FUTURE DEVELOPMENTS IN TBV

As a fast-growing approach, there are opportunities for major advancements in TBV. Below are some guiding questions for future contributions:

How can theory attributes be measured and evaluated? Despite some progress discussed above, there is still space to examine not only the normative attributes of theories (for instance, the trade-offs between developing more complex theories versus simpler, more easily understood ones) but also ways to measure these attributes. Such efforts would help operationalize theory and provide a consolidated framework to guide empirical research.

How do managers perceive the attributes of theories? Once attributes are measurable, it is possible to investigate how managers perceive and respond to theories with different characteristics. For example, some managers may favor theories that offer multiple pathways for solving a problem and generating outcomes (high equifinality), while others may prefer single, straightforward causal channels that facilitate testing and replication.

How can managers' ability to formulate and implement theories be strengthened? Although some studies demonstrate the impact of training and empowering managers in theorizing and experimentation (Camuffo et al., 2020; Camuffo et al., Forthcoming), there is room to examine targeted actions focusing on specific stages of capability development. For instance, research could distinguish between interventions aimed at problem identification, channel establishment for solutions, design of implementation methods, and subsequent evaluation and corrective actions. A detailed analysis of these steps could illuminate the mechanisms through which managers adopt and articulate strategic theorizing.

How can theories be proposed, articulated, and communicated across organizational levels? This is particularly relevant in complex organizations composed of multiple subunits, each facing distinct problems and, therefore, distinct theories. A discussion along these lines could enrich studies of corporate strategy, which often requires alignment across business units. A well-defined corporate theory can guide subunits in identifying and solving problems, while theorizing at the subunit level may, in turn, inform and refine the overarching corporate theory.

How can cooperation and coordination procedures be established for complex theories requiring the interaction of multiple actors and organizations? There remains considerable scope to explore reciprocal mechanisms, previously discussed, that involve community theorizing supported by experts with technical knowledge in problem formulation and theory development. Key questions in this context include determining which actors or stakeholders should participate, and what decision-making and deliberative mechanisms could be established to address divergences of opinion and accommodate necessary adaptations throughout the process.

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These questions do not exhaust the research avenues opened by TBV in its effort to advance our understanding of how organizations and managers frame problems, design potential solutions, and develop competencies through theorizing. Pursuing this agenda can substantially deepen our comprehension of how managers confront challenges and define pathways to move their organizations toward superior performance – a central and enduring concern of strategy research.

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CONFLICTS OF INTEREST

The author has no conflict of interest to declare.

DATA AVAILABILITY

The dataset supporting the results of this study is available through the references.

AUTHORS' CONTRIBUTION

Sergio G. Lazzarini: Conceptualization; Validation; Visualization; Writing – original draft; Writing – review & editing.