

# Chapter 16

## Formulation Is Implementation

### The Performativity of Valuation and Business Modelling in New Ventures

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#### **ABSTRACT**

*This paper investigates the interaction between finance and strategy practices from a performativity point of view. It reports on the combined enactment of the valuation practice and the business modelling practice during a process of new venture creation. In doing so, these practices which are normally associated with capturing a reality out there for the purpose of formulating intentions and decision-making, are recast as contributing to implementation already in that through their performativity, enacting these practices add to a reality that is always in the process of becoming. Therefore, the paper argues that managers should recognize the performative nature of their practices. Research should be directed at understanding how the performativity of theories, tools, and the practices that ensue combine and contribute to management activity.*

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## **MAD STATEMENT**

This paper argues against strategy and finance practices as decision-making tools and techniques for the purpose of formulating intentions that are then subsequently implemented. We argue that these practices are implementation activities already because these have the capability to contribute to generating change just by enacting them. This proposition is quite disruptive for finance and strategy regarding what the tools and techniques coming out of these fields of study can do for practicing managers. It is also disruptive for change management. We propose to understand strategy, finance, and change management as an ongoing process of becoming in which managers and change agents can intervene by way of enacting a management tool or technique to attempt to have an effect.

## **INTRODUCTION**

For some time now, strategy is not necessarily seen as something that a firm has, but as something that the people in the firm do (Jarzabkowski et al., 2007; Johnson et al., 2003). As part of the ‘practice-turn’ in the social sciences (Schatzki et al., 2001), strategy and the strategy process have been investigated under the ‘Strategy-as-Practice’ banner (Golsorkhi et al., 2015; Jarzabkowski et al., 2022). This turns the attention towards how practices are enacted to understand why firms perform in the way they do. However, the field of finance has not been touched by the practice-turn yet. That is despite finance practices like strategy practices featuring prominently in many firms, prompting questions regarding how their enactment helps us explain and understand their effects, especially when finance and strategy meet.

The relationship between practices in the realms of finance and strategy is often understood as a matter of both gathering and processing information to inform each other to make the right decisions. Since the business policy days at Harvard Business School (Uyterhoeven et al., 1973), the textbook understanding of strategy is that it requires an assessment of what a firm is capable of in light of the environment that the firm has to deal with (e.g. Johnson et al., 2017; Thompson et al., 2019). Part of this assessment covers financial parameters, which can be appreciated by enacting finance practices. The other way around, assessing the financial state of affairs of a firm requires the firm’s strategy to be taken into account (e.g. Damodaran, 2018; Melicher & Norton, 2013). The expectation is that once a plan is formulated this is then to be implemented through a process of deliberate and managed change.

Interestingly, this textbook approach to the strategy-finance nexus and the associated distinction between formulation and implementation as two sequential steps has been amended long ago by research that points not only at the organizational

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