

# Strategy Process

## Sensemaking and the strategy process

Session #2

September 18th, 2020

# A”

Aalto University  
School of Business



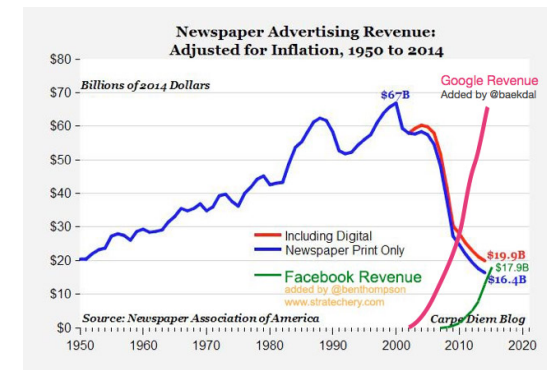
# Our agenda

- **The management cognition perspective to strategy**
- **Industry success factors as mental models (Tug-of-War)**
- **From mental models to sensemaking processes**
- **Political and cultural dynamics (Tug-of-War)**
- **Sensemaking as a versatile perspective on strategy process**

# Management cognition

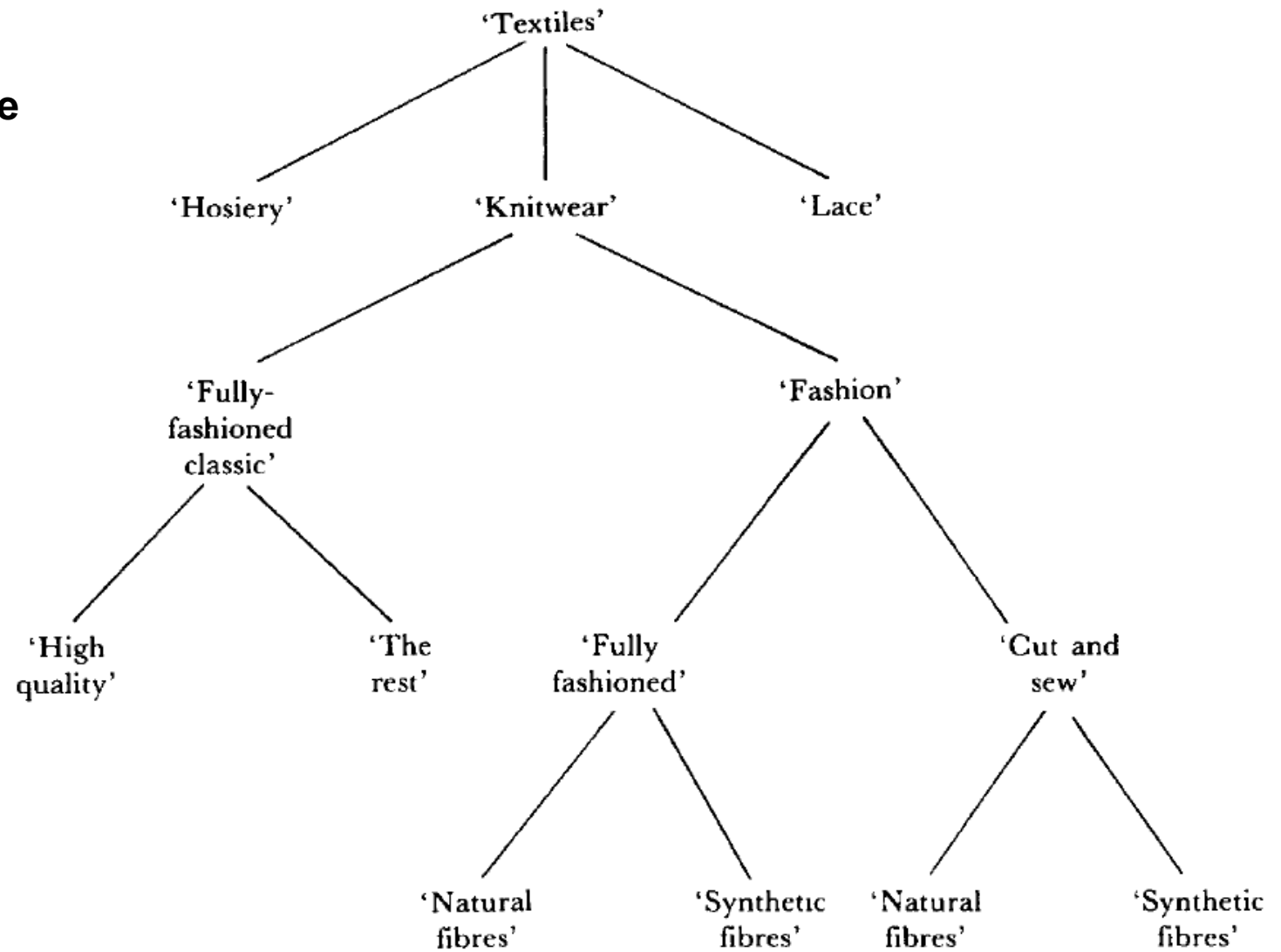


Understandings as more or less accurate descriptions of the world



Understandings as different kinds of maps or stories of the world

Was this an accurate description of the textile industry?



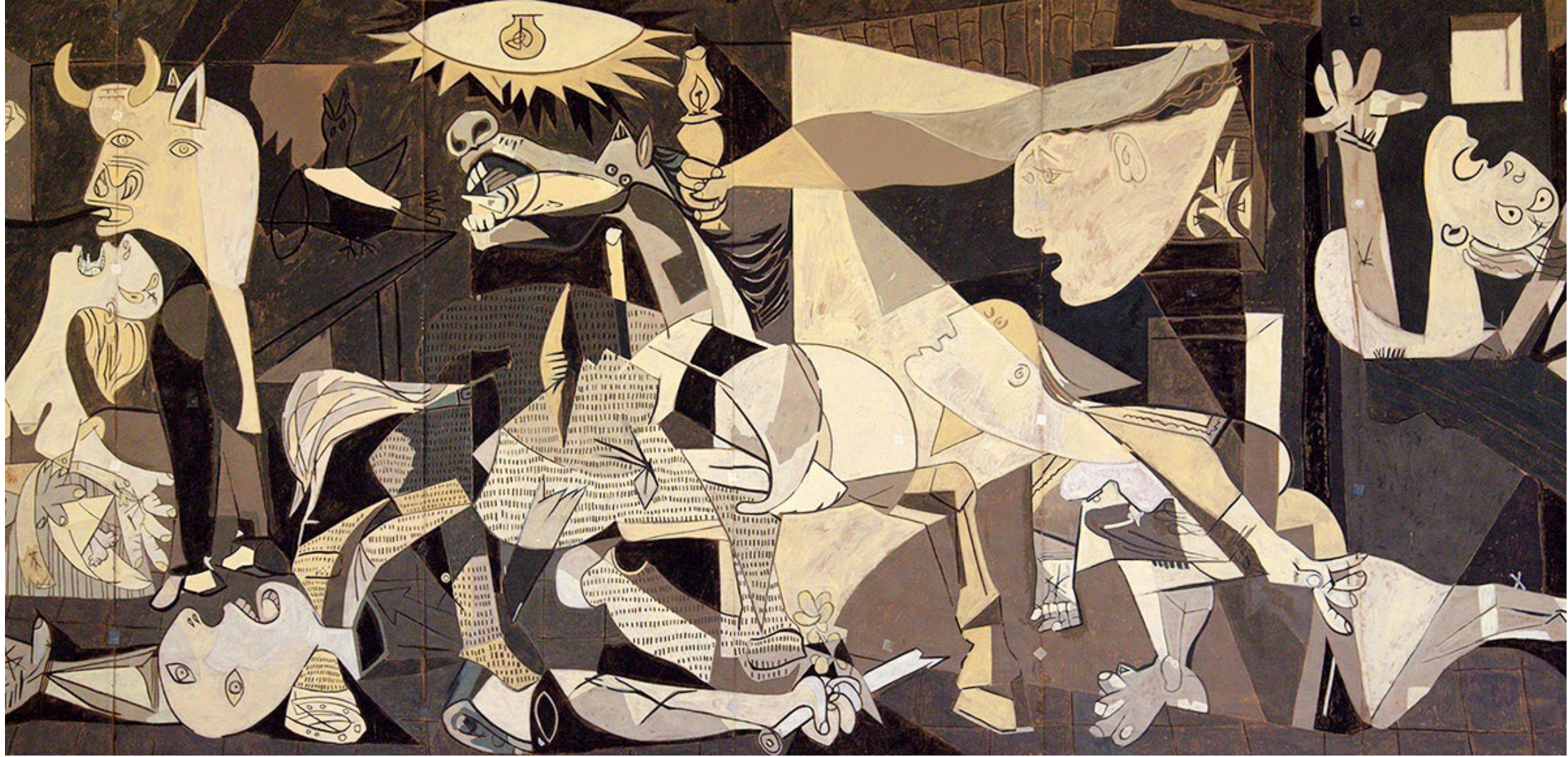
# Biases in management cognition

<https://youtu.be/RHmXPYX7czU>

## Examples:

- Self-serving bias: We understand the world in a way that makes us feel good.
- Confirmation bias: We seek information that confirms what we already believe. (also “motivated reasoning”)
- Sunk-cost fallacy: We throw good money after bad money
- Anchoring: We make estimates close to a value we have thought about

**Discuss: To what extent can we explain Scottish knitwear executives’ mental maps through these biases?**



# Strategy takes place in time

## Work on biases assumes an objective reality to exist

- But do the past and the future really exist?
- “Metaphysics of the presence”

## If the past and the future are gone, we are left with stories

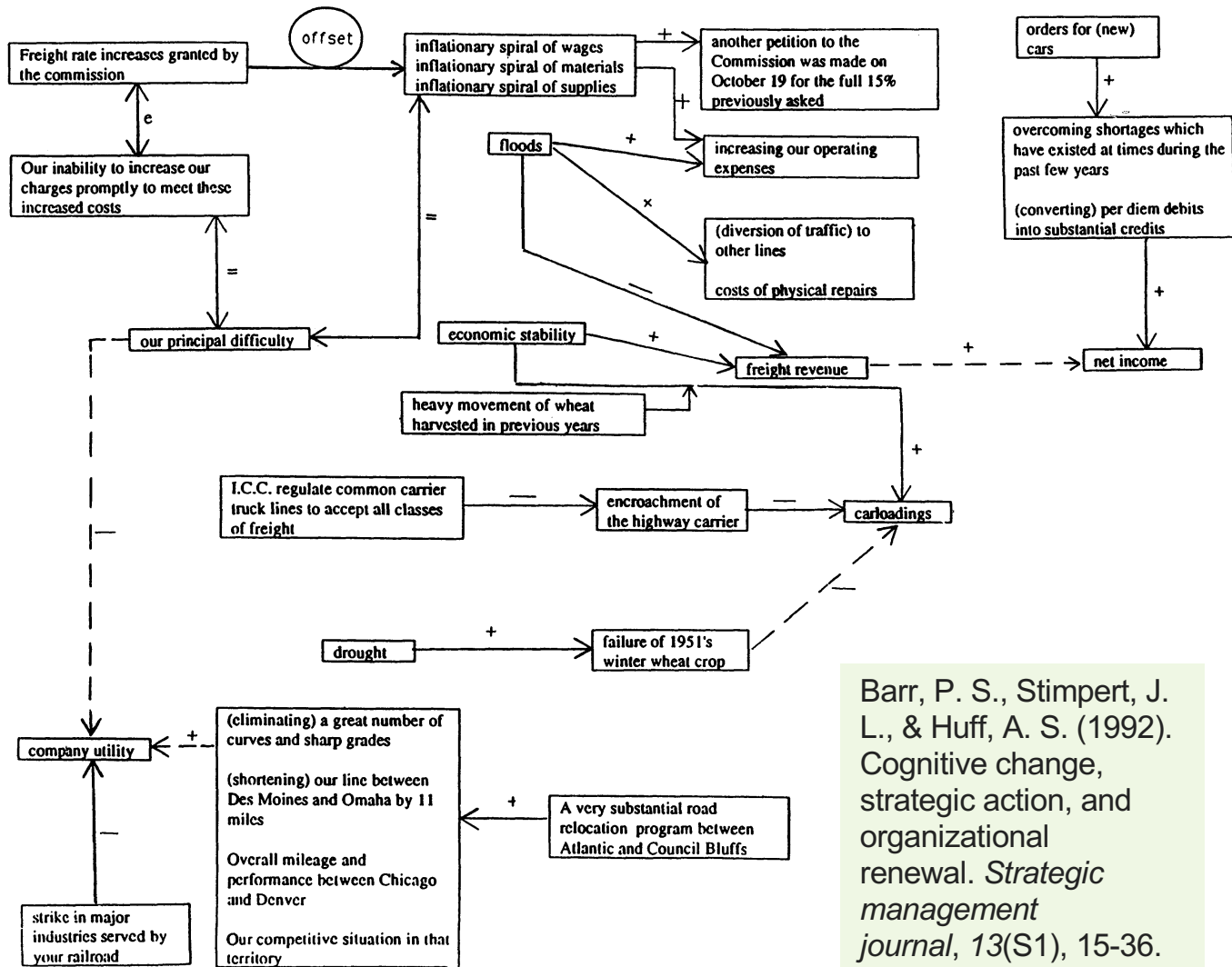
- Loose causal explanations that extend the evidence from the past and the present knowledge towards the future

# Group exercise

**Exercise: Try to make sense of what factors will define the competitiveness of the mass market fashion industry in 2021?**

- This would include companies like Gap, H&M, Inditex, Nike, ...
- You have exactly 10 minutes and you must have a one-paragraph written explanation to submit





Barr, P. S., Stimpert, J. L., & Huff, A. S. (1992). Cognitive change, strategic action, and organizational renewal. *Strategic management journal*, 13(S1), 15-36.

Nadkarni, S., & Narayanan, V. K. (2007). Strategic schemas, strategic flexibility, and firm performance: The moderating role of industry clockspeed. *Strategic management journal*, 28(3), 243-270.

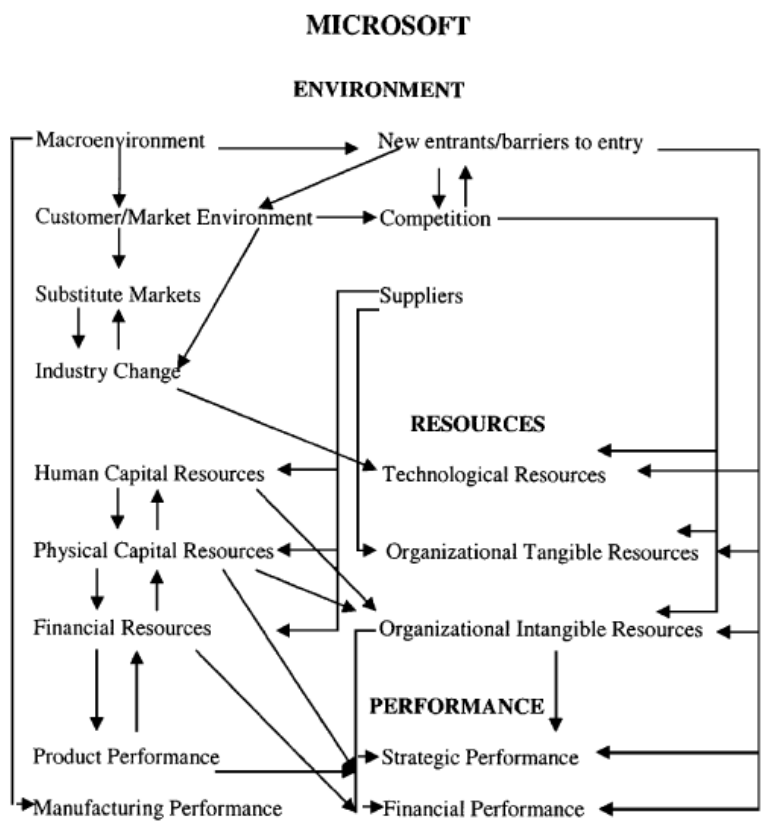


Figure 2. Cause map of the Rock Island, 1951

# Tug-of-War

**Consider the mental models in the Tug-of-War case. Please describe the central beliefs of different parties in the case study.**

- You can use causal mapping technique, but this is entirely optional.

## **Parties of interest**

- Robert Dodds, CFO
- Margie, head of a business line
- Tony, head of a business line (children's wear division)
- Ravi, potential SVP of procurement, manufacturing & logistics
- *(Jack Emmons, the CEO)*

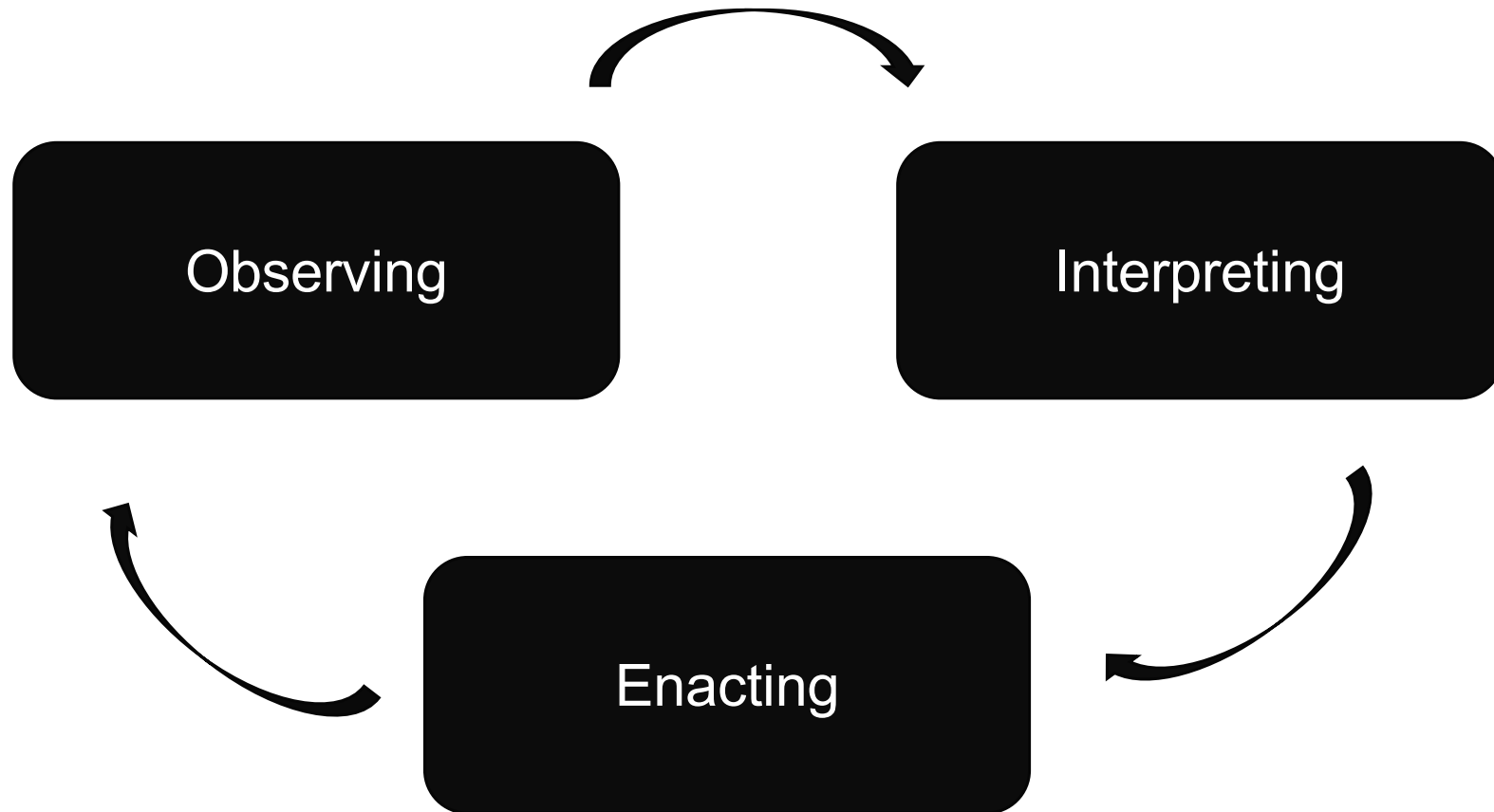
# How does strategy get made?

In these two cases (Scottish Knitwear, Voici Brands), which one has a stronger impact on strategy?

- (1) Mental model of the world the company operates in
- (2) Carefully weighted choice between strategic alternatives

What determines the relative weight of these considerations across industries?

# Sensemaking process



# Political factors (Lukes)

Three kinds of power:

**1. Domination (hard):**

- “I force you to...”

**2. Influence (soft):**

- “I convince you to...”

**3. Agenda setting (contextual)**

- “The real problem is not poverty, but economic growth...”

**Also: Systemic power (structures) and episodic power (actions)**

**Q: How did power influence sensemaking in the Bay City?**

# Bay City model

What were the central strategic concepts in:

- Tug of War case?
- Scottish Knitwear?

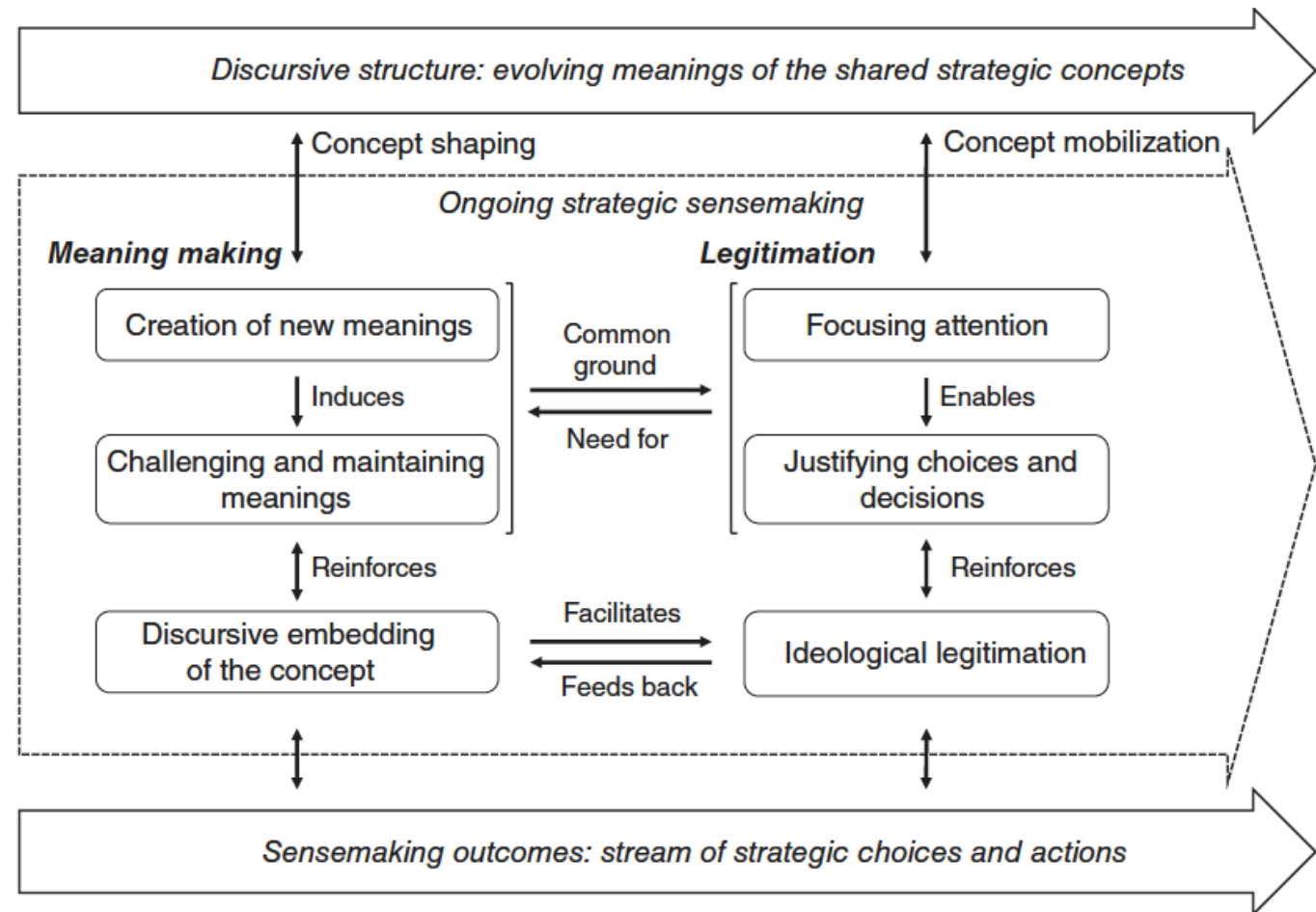
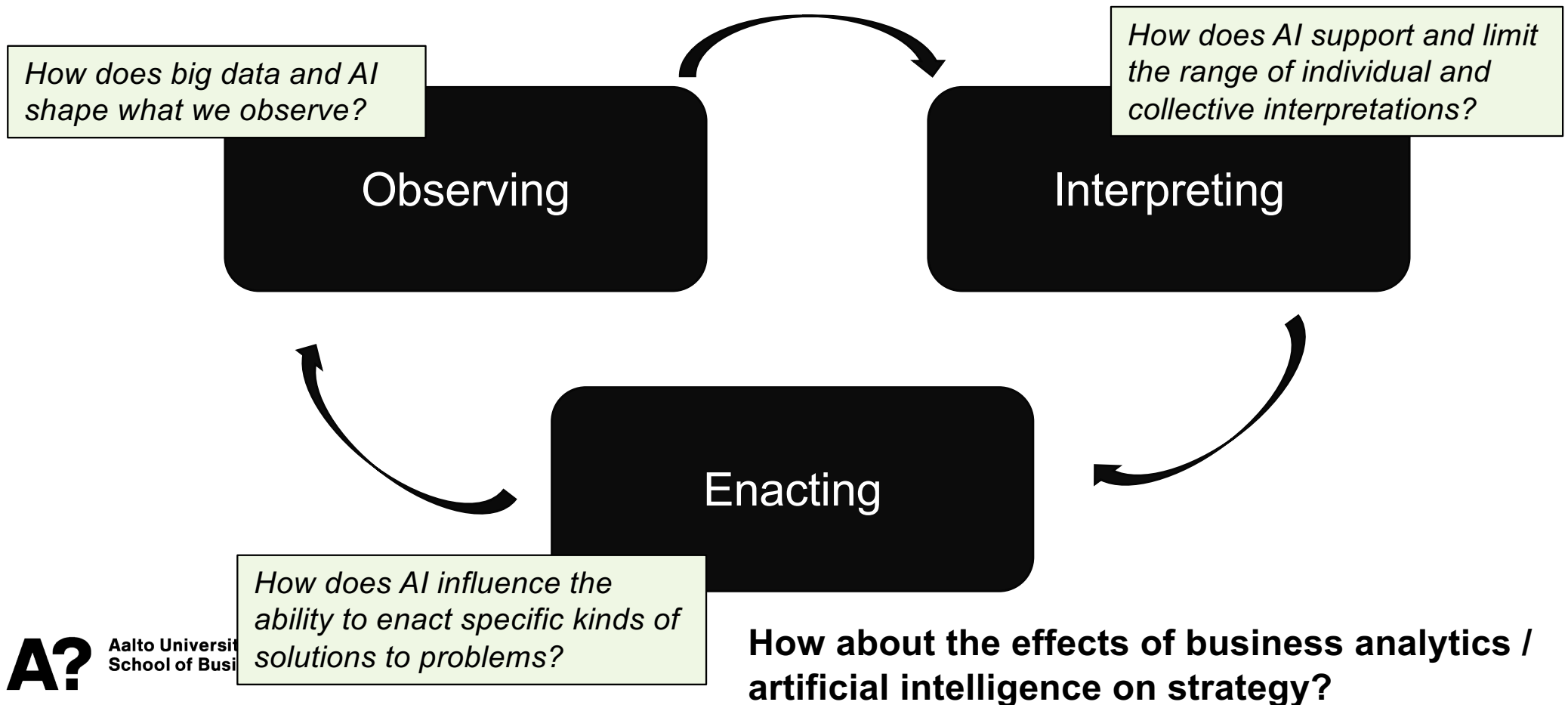
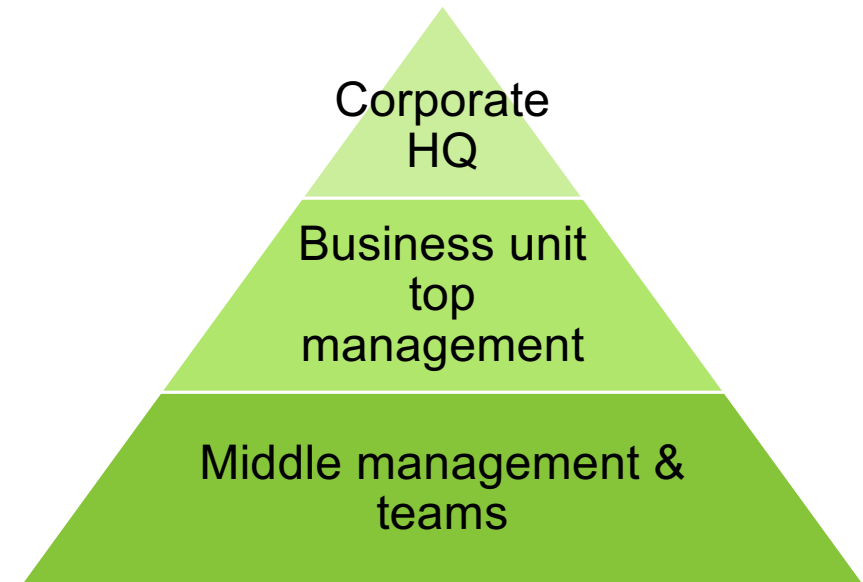
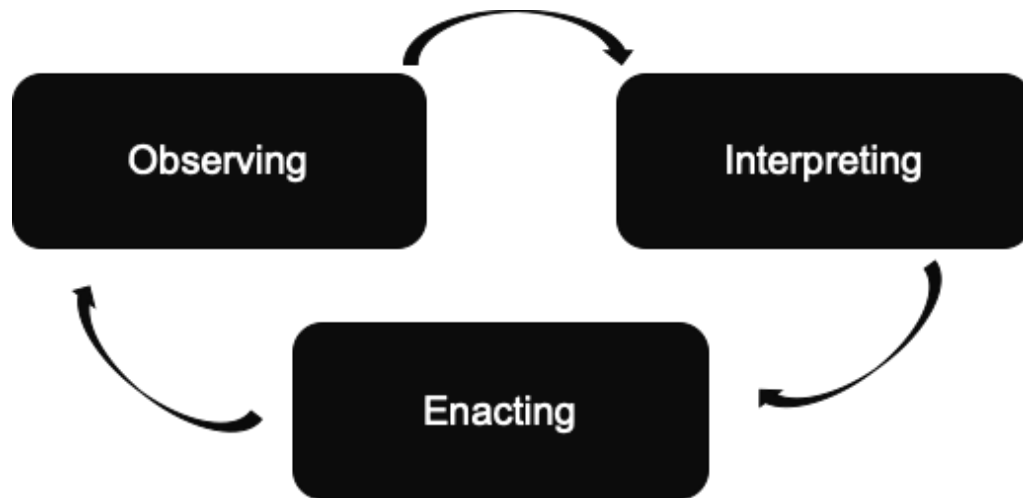


FIGURE 3 Model of strategic concept use in strategic sensemaking

# Versatile framework to understand how various factors influence strategy process



# COVID-19 impact



**Q: Consider the strategy process at a company of your choice (e.g. Air France, Volkswagen, McDonalds). How could these corporations improve their sensemaking about the pandemic?**



# Conclusion



**This should set you up nicely for session #3 by Nina Granqvist!**