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Aalto University

Emotions and strategy process

October, 2020

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Learning goals for today

- Understand the emotions people have towards strategy processes
- How we can manage these emotions
- Understanding of different dynamic capabilities

POLL



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Table 1. Psychological foundations of dynamic capabilities revisited

| Capability | Extant psychological foundations | Indicative supporting literature(s)† | Revised psychological foundations | Indicative supporting literature(s) |
|----------------------------|---|---|---|--|
| Sensing and shaping | Opportunity discovery and creation originate from the cognitive and creative ('right brain') capacities of individuals, requiring access to information and the ability to recognize, sense, and shape developments | Entrepreneurship literature; organizational search (e.g., March and Simon, 1958; Nelson and Winter, 1982) | Identifying and creating opportunities through searching, synthesizing, and filtering information stems from the interaction between reflexive (e.g., intuition, implicit association) and reflective (e.g., explicit reasoning) cognitive and emotional capabilities | Social cognitive neuroscience research on the interaction between reflexive and reflective systems (Lieberman, 2007) |
| | Recognizing, scanning, and shaping depend on individuals' cognitive capabilities and extant knowledge | Knowledge-based view of the firm (e.g., Grant, 1996); organizational learning (e.g., Levinthal and March, 1993) | Recognizing, scanning, and shaping depend on the capability to harness emotion to update mental representations (e.g., dissonance recognition) and skilled utilization of intuitive processes to synthesize information and form expert judgments | Cognition and capabilities literature (Gavetti, 2005); affective processes in learning (Lieberman, 2000) |
| Seizing | Seizing innovative investment choices requires managers to override 'dysfunctions of decision making' | Classical behavioral decision theory (e.g., Kahneman and Tversky, 1979) | Seizing opportunities requires the fostering of appropriate emotional reactions to new directions | Neuroeconomics: immediate emotions shape choice (Loewenstein <i>et al.</i> , 2008) |
| | Overcoming biases requires a cognitively sophisticated and disciplined approach to decision making | Classical behavioral decision theory (e.g., Kahneman and Tversky, 1979) | Cognitively effortful processes can exacerbate bias—alleviating bias and inertia requires both cognitive and emotional capabilities | Self-regulation (e.g., Ochsner <i>et al.</i> , 2002) and affective routes to de-escalation of commitment (e.g., Sivanathan <i>et al.</i> , 2008) |
| Reconfiguring | Top management ability to coordinate and execute strategic renewal and corporate change | Organizational structure and design and strategy and performance literatures (e.g., Bartlett and Ghoshal, 1993; Chandler, 1962) | Reconfiguration requires management of the transition and repeated redefinition of social identities by alleviating implicit bias and self-regulating emotional responses to identity threats caused by major change | Research on the neural basis of self and social identity processes (e.g., Derks <i>et al.</i> , 2008) |

Sensing and shaping

Identifying and creating opportunities through searching, synthesizing, and filtering information stems from the interaction between reflexive (e.g., intuition, implicit association) and reflective (e.g., explicit reasoning) cognitive and emotional capabilities

Recognizing, scanning, and shaping depend on the capability to harness emotion to update mental representations (e.g., dissonance recognition) and skilled utilization of intuitive processes to synthesize information and form expert judgments

Seizing

Seizing opportunities requires the fostering of appropriate emotional reactions to new directions

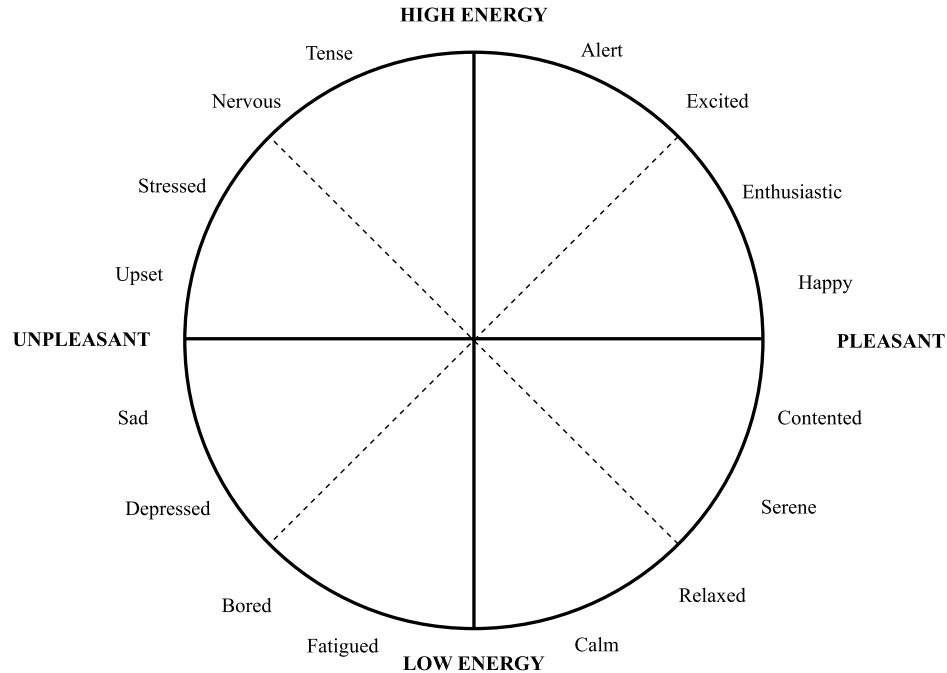
Cognitively effortful processes can exacerbate bias—alleviating bias and inertia requires both cognitive and emotional capabilities

Reconfiguring

Reconfiguration requires management of the transition and repeated redefinition of social identities by alleviating implicit bias and self-regulating emotional responses to identity threats caused by major change

Russells circumplex model of emotions

FIGURE I. The circumplex model of affect.



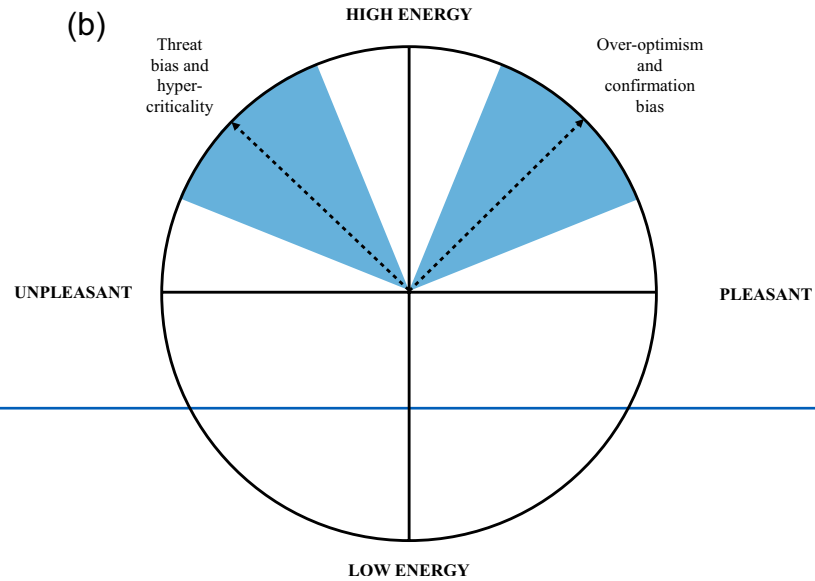
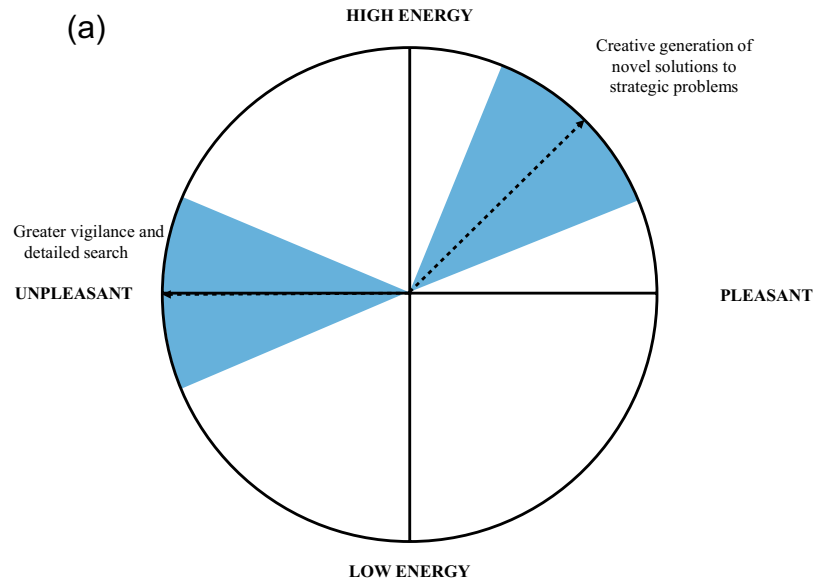
Reflection

In which organizations did you see most predominately sensing, seizing or reconfiguring/transforming?

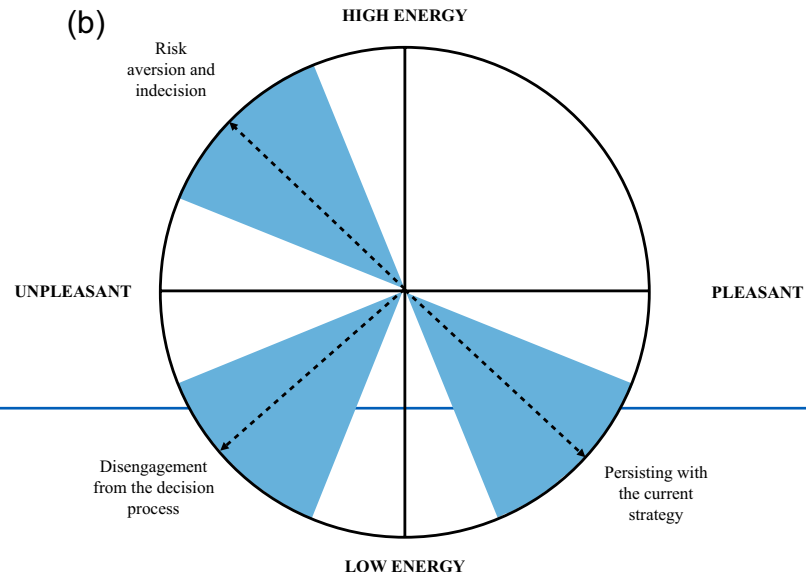
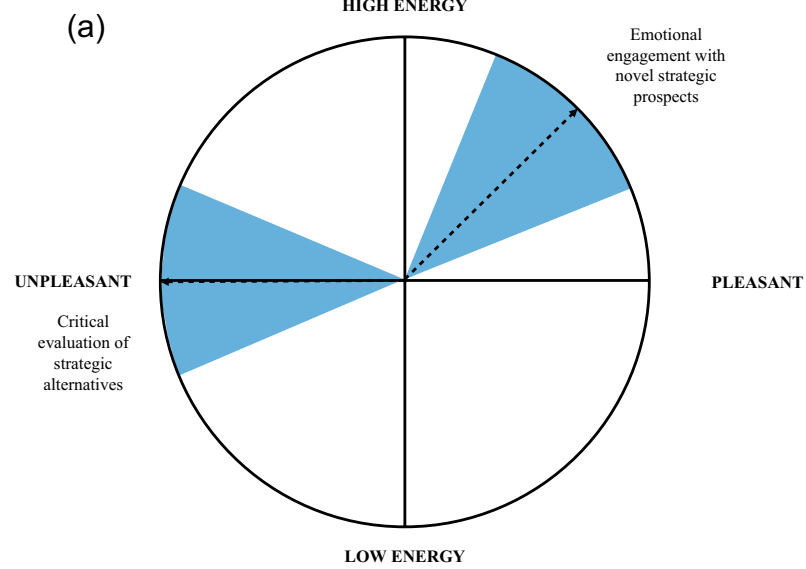
Choose one sensing, one seizing and one transforming. Discuss why these organizations.

When and how can negative emotions be productive?

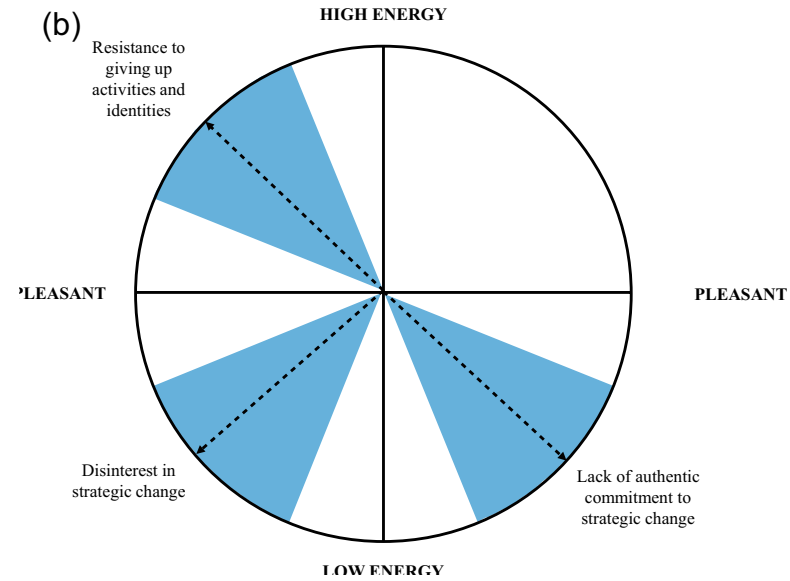
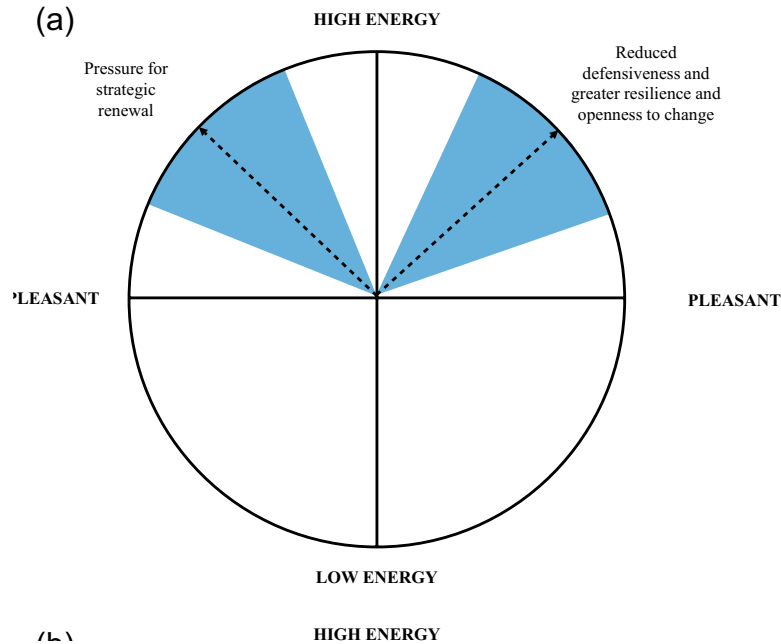
Sensing

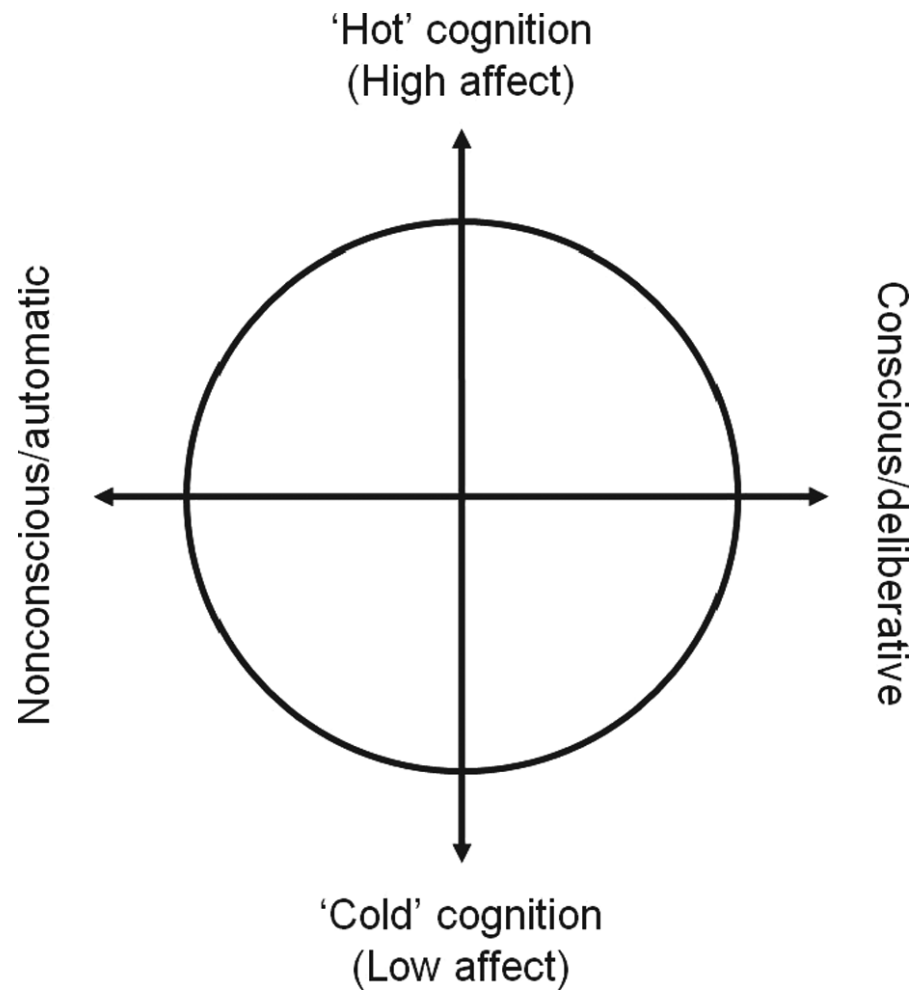


Seizing



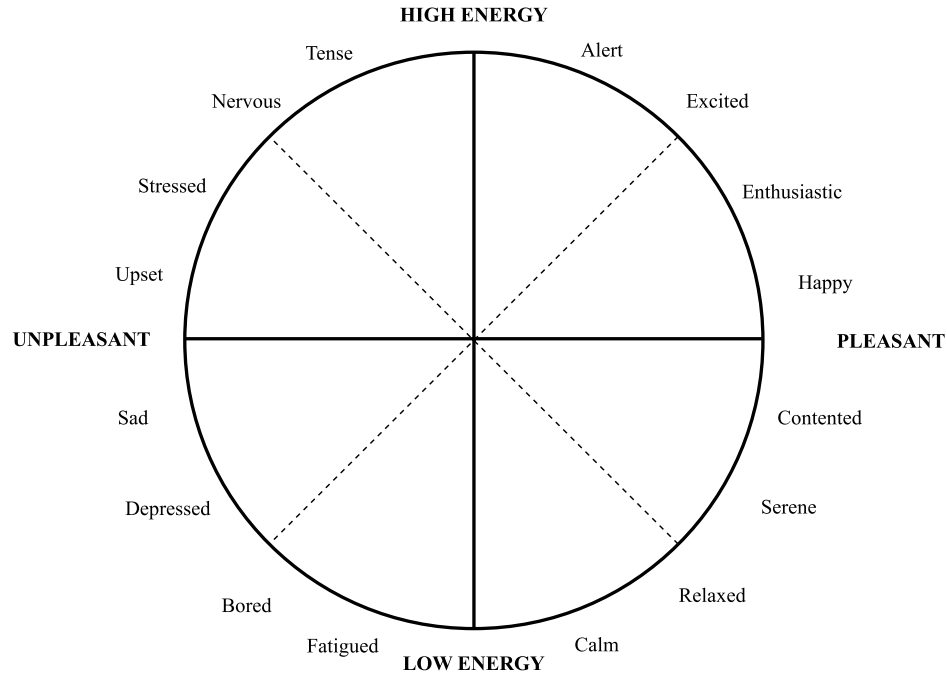
Reconfiguring





Russells circumplex model of emotions

FIGURE I. The circumplex model of affect.



Break

POLL:

What makes transformation tricky?

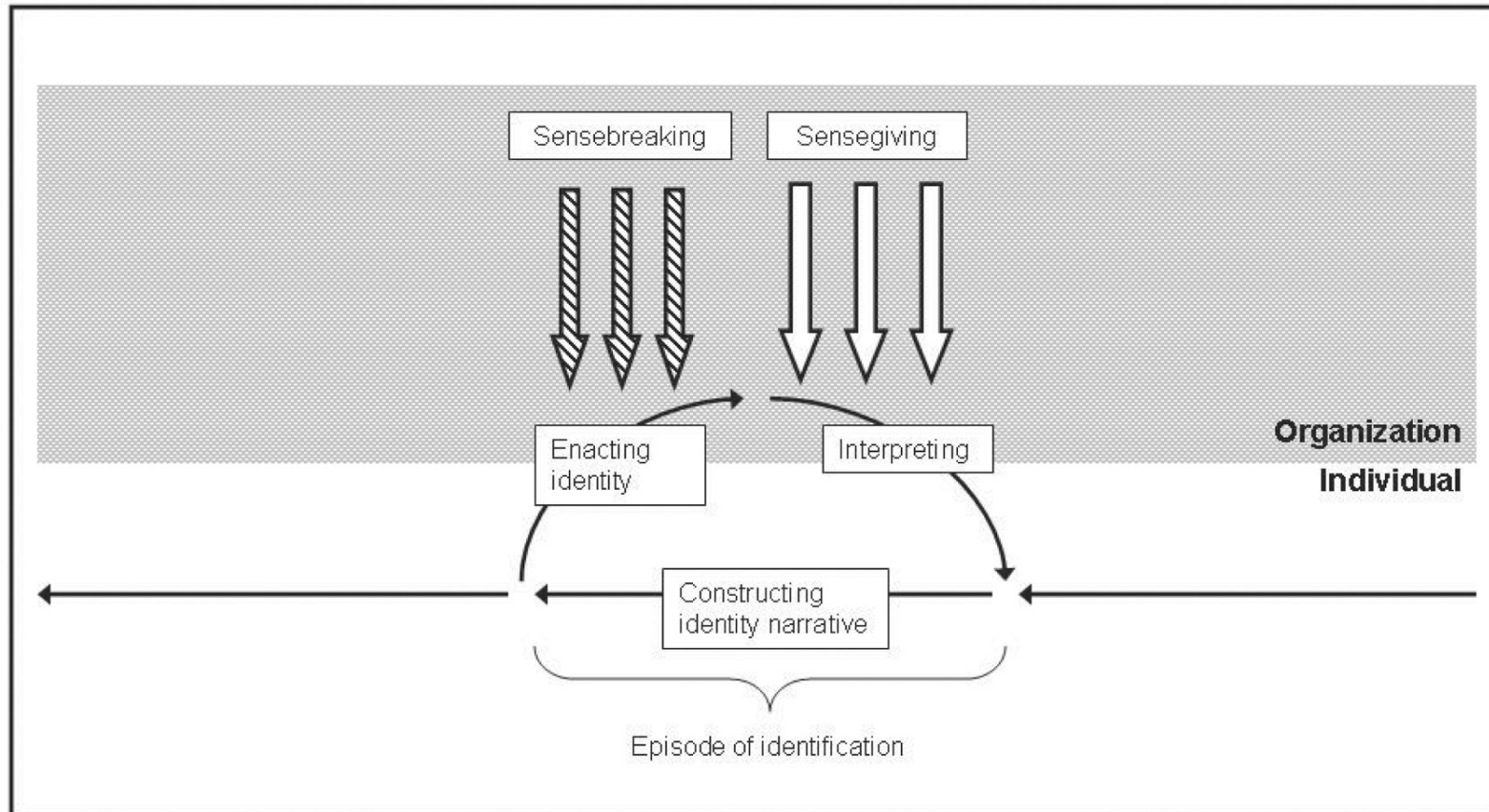
History in the team

History of a profession

Social conflicts

Own needs

Different ways of leading

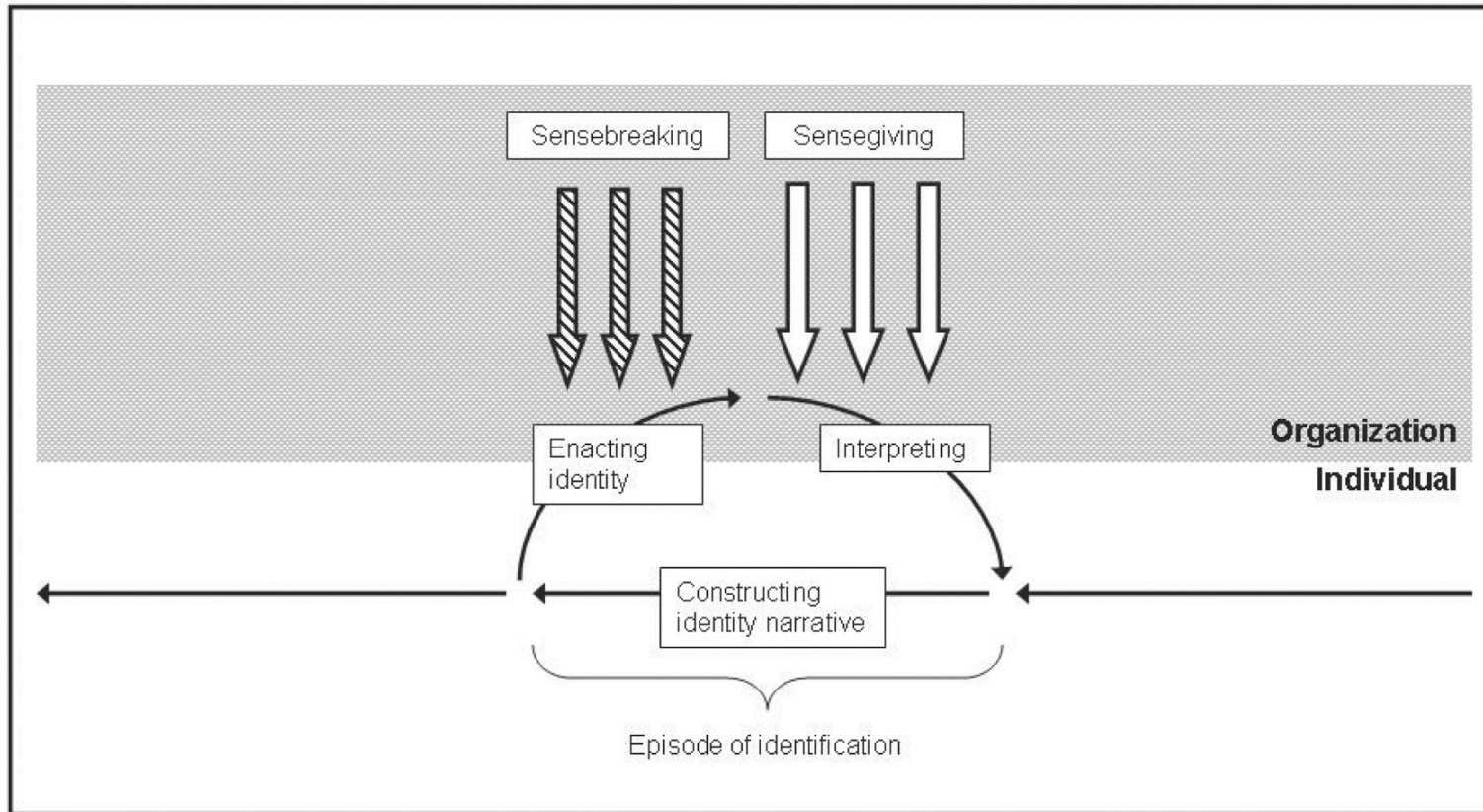


Compare and contrast

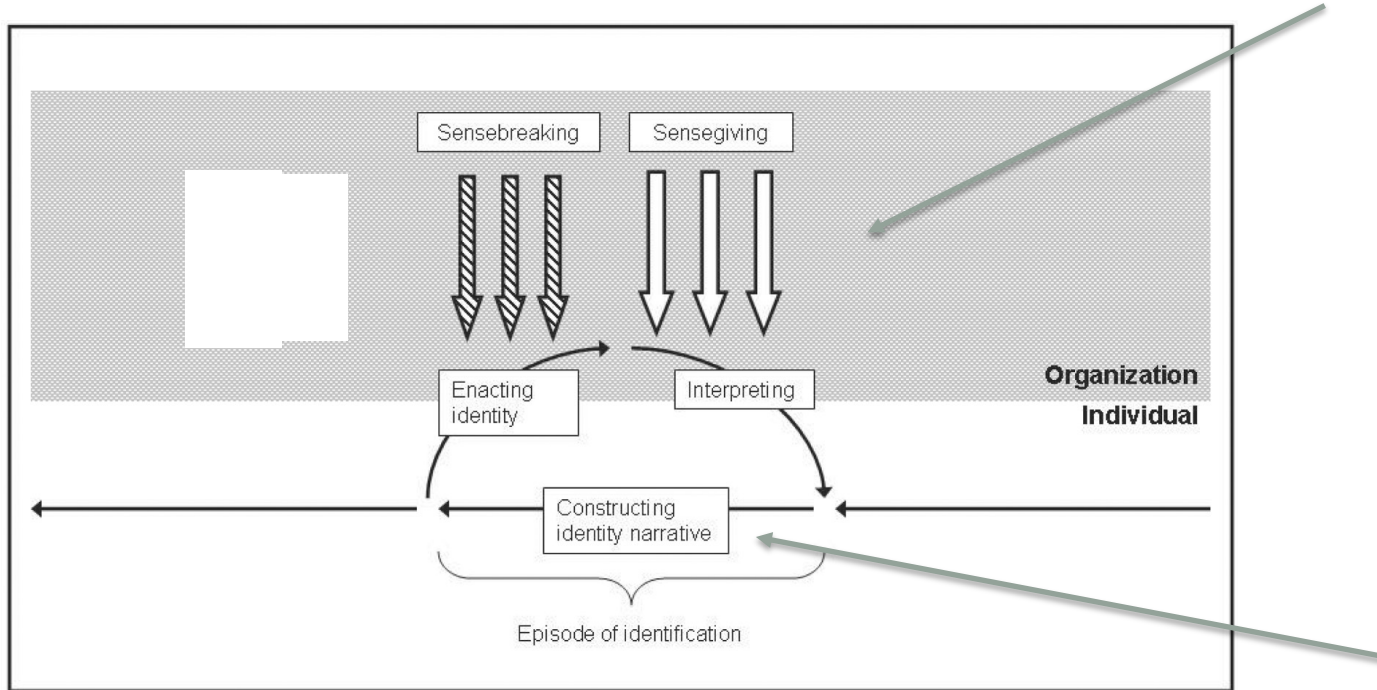
<https://www.youtube.com/watch?v=WO4tlrjBDkk>

<https://www.youtube.com/watch?v=unriGoZSu8c&t=103s>

Different ways of leading

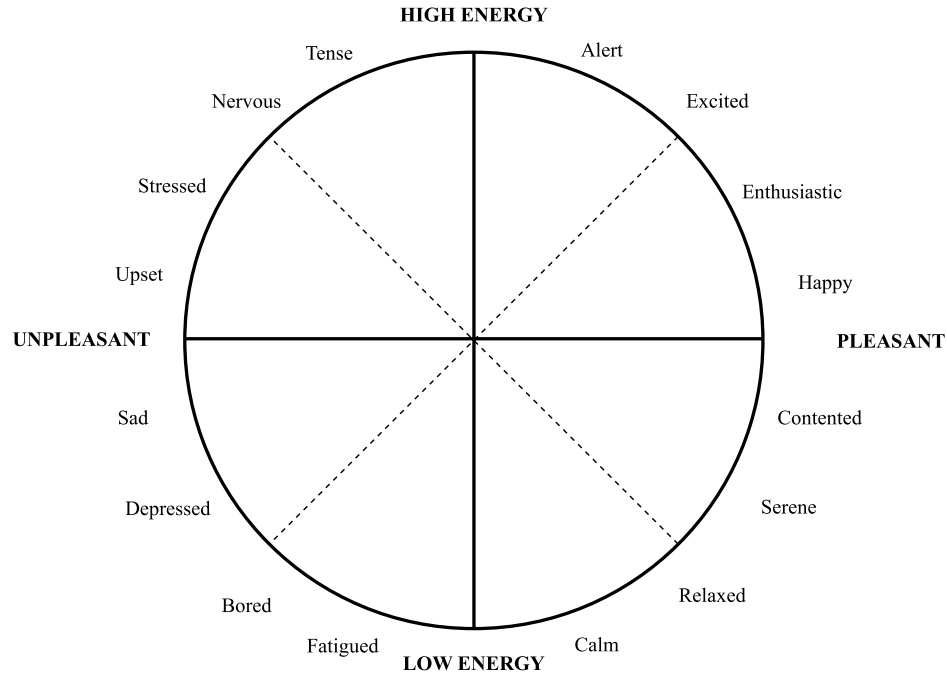


**Why are emotions managed differently in these organizations?
List three ways (for both organizations) in which identities change.**



Russells circumplex model of emotions

FIGURE I. The circumplex model of affect.



Be aware of the identities...

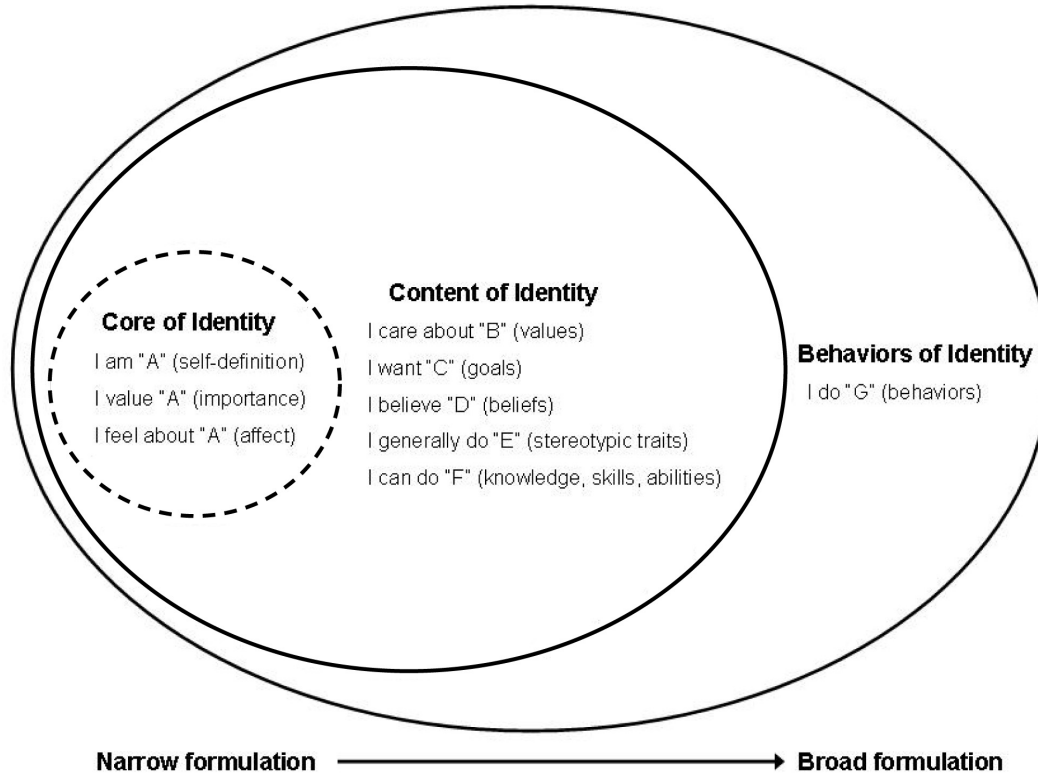
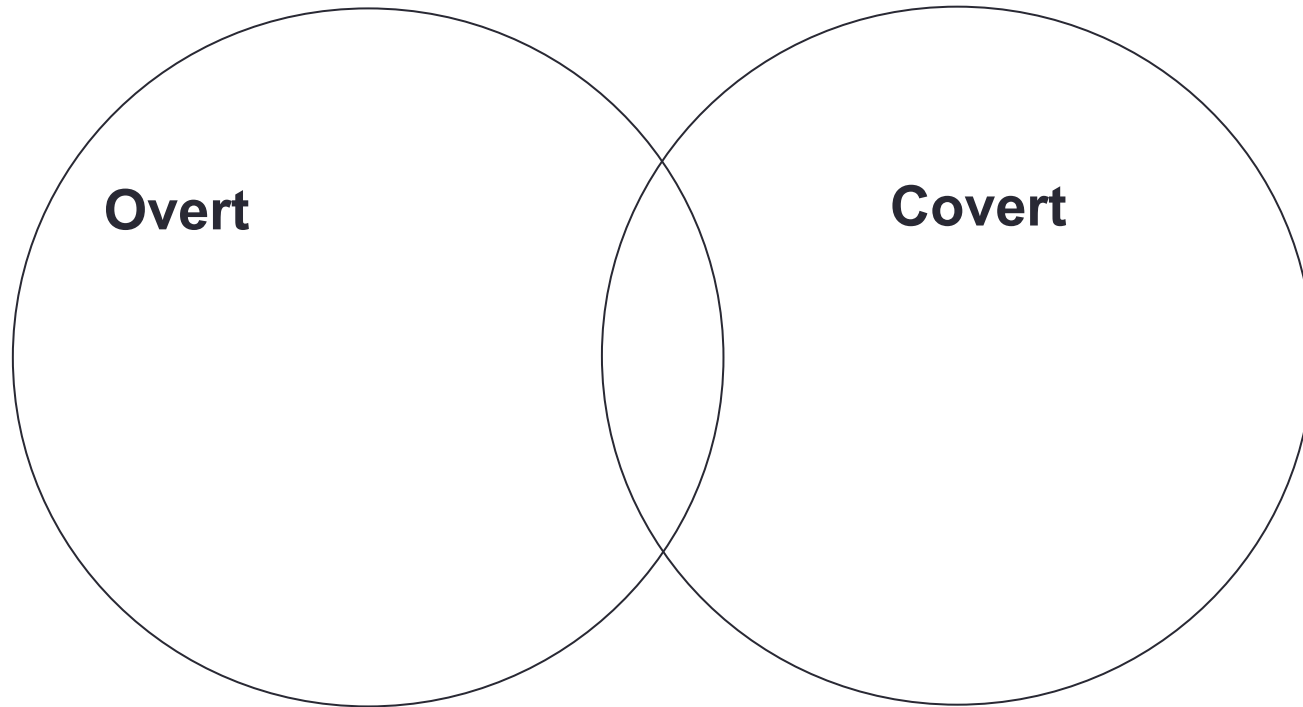


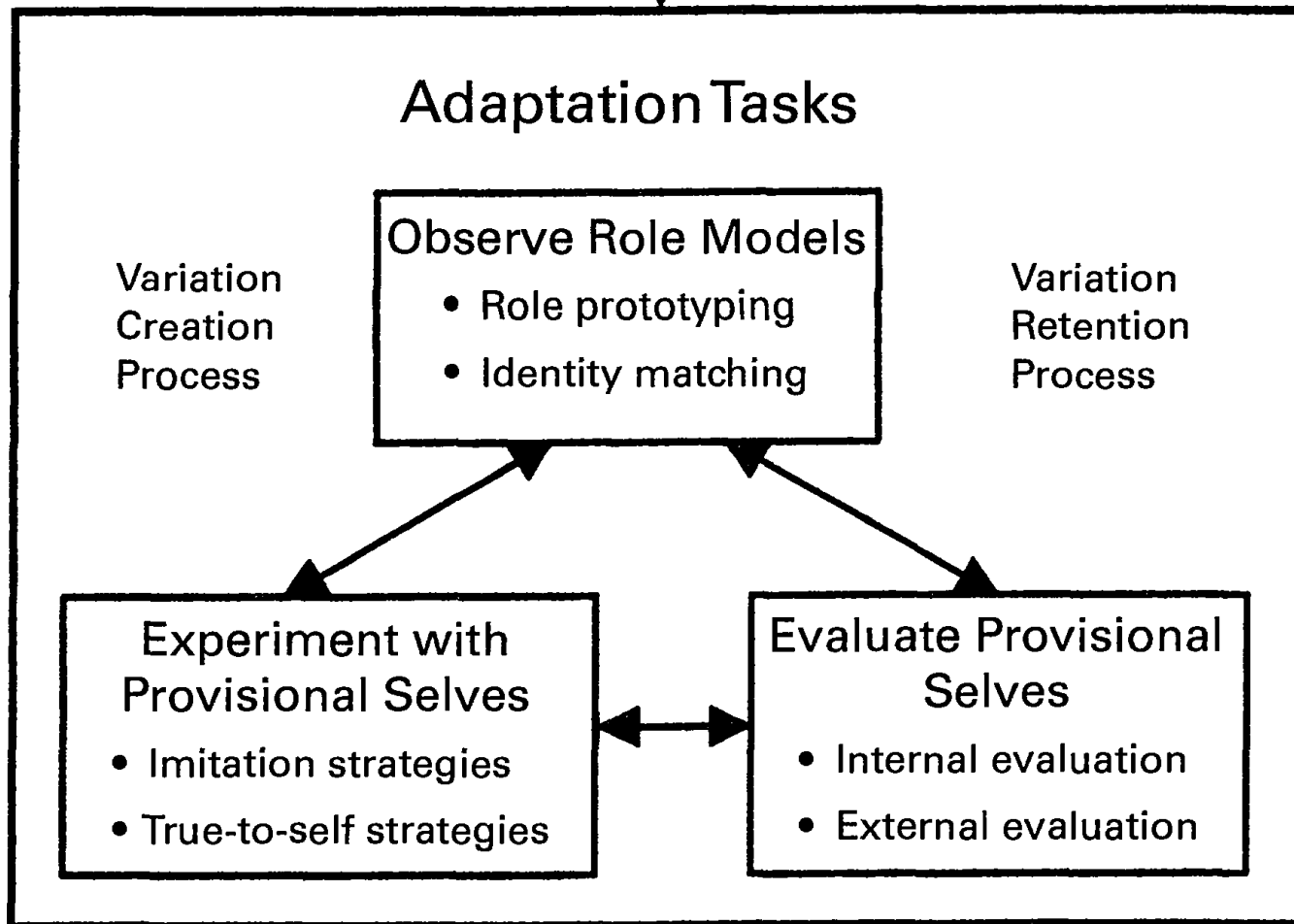
TABLE 6. Regulating Emotion to Accelerate Strategic Adaptation: Transforming.

| Emotional Challenges | Emotion Regulation Needs | Practical Illustrations |
|---|---|---|
| <i>Reducing resistance to identity-threatening strategic change</i> | Down-regulate identity-threatening anxiety, up-regulate positive self-worth | Use self-affirmation to up-regulate positive emotions by affirming and bolstering enduring aspects of identity that fit with the proposed changes in the firm's strategic direction. Create opportunities for collective affirmation, sharing stories of identity-affirmation from previous strategic changes. |

Emotion Regulation Needs

Down-regulate identity-
threatening anxiety, up-regulate
positive self-worth





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Additional references

Powell, T. C., Lovallo, D., & Fox, C. R. (2011). Behavioral strategy. *Strategic Management Journal*, 32(13), 1369-1386.

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