

# Strategy Process

## Lecture 3: Psychological forces in strategy making

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## DISCUSSION:

Why and how emotions can influence strategy making in organizations?

Give an example of a situation in which your emotions have influenced your choice. Why did you experience the emotion and how did it influence you?

BIGMM

TM = human

many people → Debate

EM → decision

pos /  
Moga

+/-

radical change

EM → affiliation

↓  
emotion

personal differences

EQ → they should  
help others

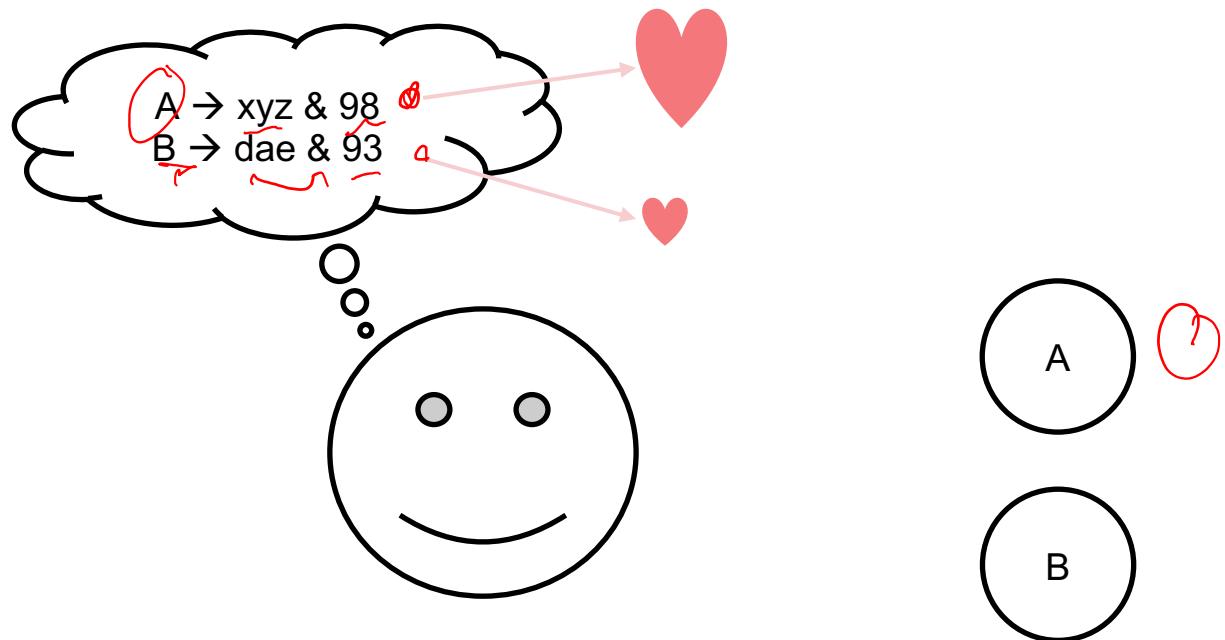
• challenged by subordinates

- personal identity threat

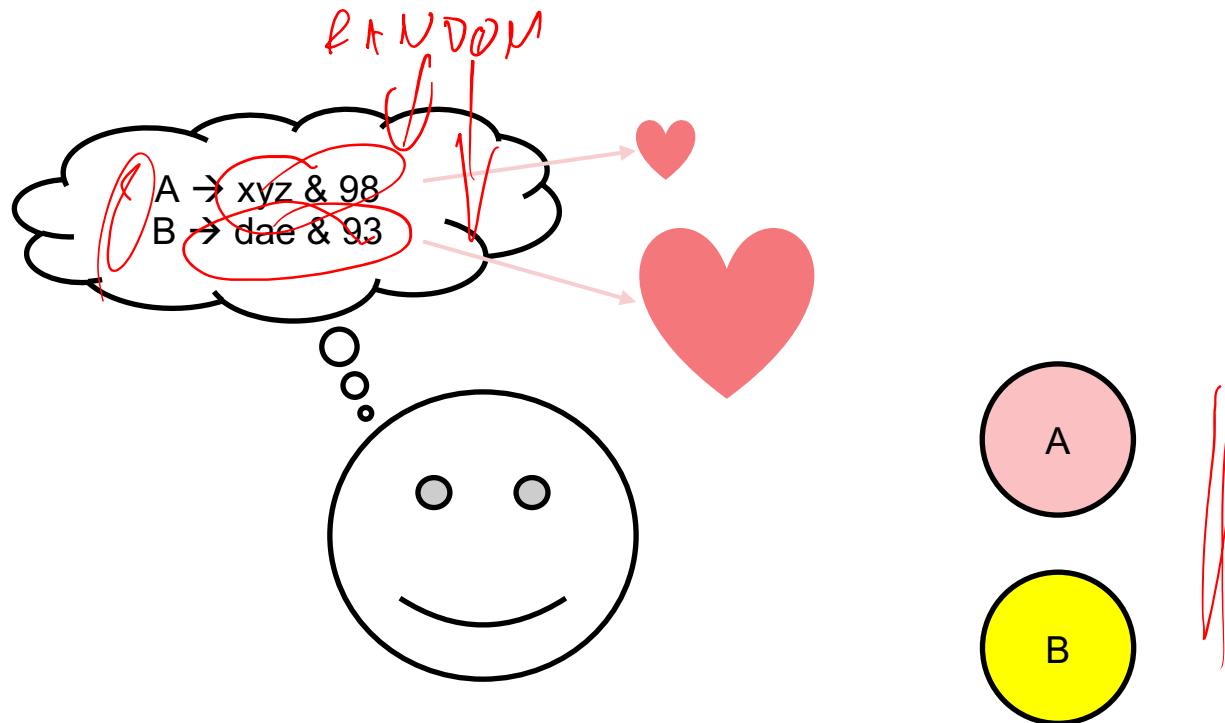
Misaffiliation



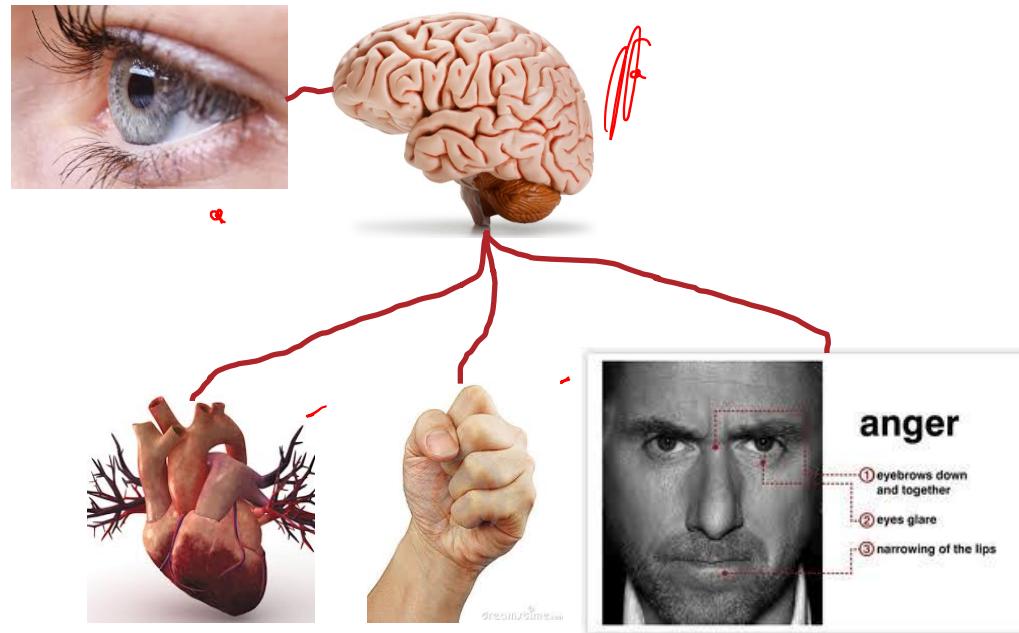
# Emotions influence choices and behaviors



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# Emotions are physiological reactions to the perceived environment



# Subjective, two-stage appraisal process generates emotions

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1. How will this situation influence my well-being and goal achievement?

my group

Good or bad

2. How can I cope with this situation? *in*

# Identity and emotions

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## Identity = who am I?

- Drives all sensemaking and preferences
- Slow to change



## Identification = what am I part of

- For many people, their job is an important identification target and central to their identity
- Any change to the job is felt as a personal threat

d



## Identity consists of many elements

- Some of those elements are held more dear than others

Emotional contagion (e.g., Barbaresi, 2002) and  
**emotion cycles** (Hareli & Raffaeli, 2008)



# Shared attention

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TECH

## Nokia to Cut Up to 10,000 Jobs to Offset 5G Investment

Company will reduce workforce by up to 11% in latest restructuring plan



Chief Executive Pekka Lundmark wants Nokia to become a leader in 5G technology.  
PHOTO: RONI REKOMAA/BLOOMBERG NEWS

By [Stu Woo](#)  
March 16, 2021 9:01 am ET

PRINT AA TEXT

**Nokia** Corp. NOK -8.64% plans to cut between 5,000 and 10,000 jobs over the next two years, a move it said would make it more competitive in the 5G equipment market against rivals **Huawei Technologies** Co. and **Ericsson** AB.

## DISCUSSION:

ind → **org** level - setting  
- mutual rules  
- process

- regul ems before  
true happen

What are the key elements in emotion regulation? Describe and analyze a situation in which someone has regulated your emotions.

change own/other ems toward desired ems

① self-awareness

- mindfulness

- Reframe

• antecedent & resp focused

② up or down regulated

(always pos)

③ why an emotion is appearing in me?

④ choosing instrumental ems

PAUSE

1. controlling  
nature of  
em

2.  
timing

3.  
how experience  
use

EMPATHY

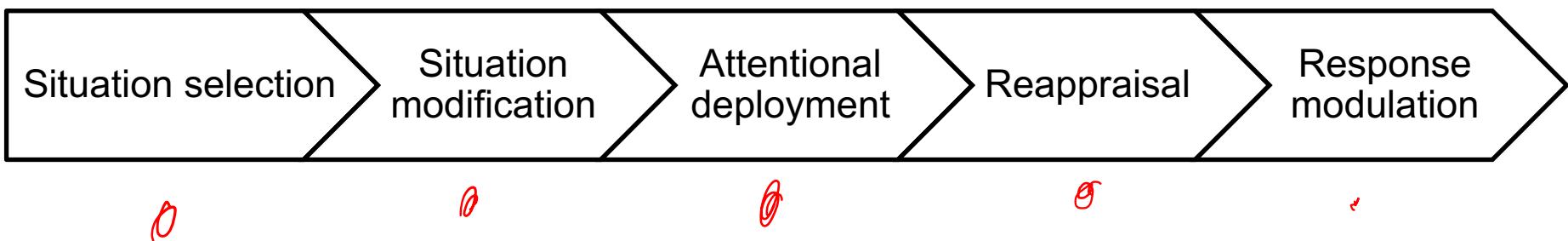
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# Five elements of emotion regulation (Gross, 1998)

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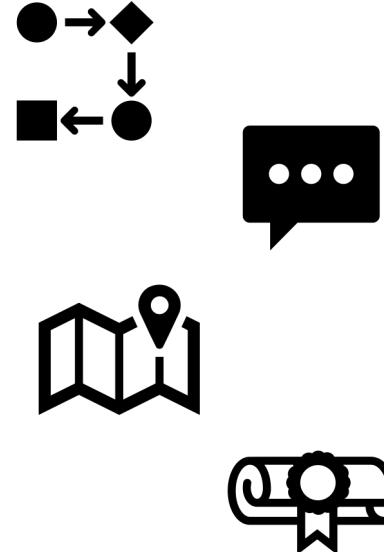
RESPC



# To manage emotions, you need to influence the subjective appraisals...

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1. How will this situation influence my (organization's) well-being and goal achievement?



2. How can I/we cope with this situation?

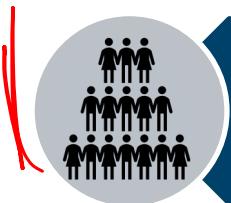
## DISCUSSION:

**How should one apply emotion regulation in an organizational setting?**

# Three types of fear



Executive fear → Paralysis and panic



Organizational fear → Rigidity and resistance

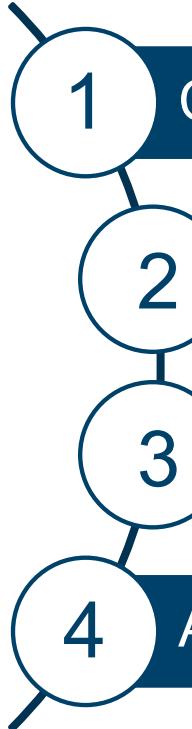


Partners' fear → Skepticism and distrust

# Executives: paralysis and panic



# Overcoming executive fear

- 
- 1 Create psychological safety and collective mindfulness
  - 2 Create and evaluate options
  - 3 Identify the smallest action with the highest impact for each option
  - 4 Approach potential partners early on

# Psychological safety

- Observe what happened. Avoid any judgment or criticism.
- State how you feel when you observe the situation.
- Articulate what need of yours is not satisfied
- Request a concrete action to meet that need
- Assume the best of intentions in the actions of others. Operate openly, honestly, and directly and expect others to do the same.
- Bad news is good news. No news is bad news. Good news is no news.
- Be prepared for a passionate debate, but do it in an informed and respectful way.
- Culture of candor: Direct feedback from everybody to anybody
- Always assume the best intentions of the giver.
- The feedback must be actionable



Nonviolent communication



NETFLIX

# Generate options

30 minutes



**Primary appraisal:**  
How will this  
influence me or my  
social unit

MONU

**Secondary appraisal:**  
How can I / we cope  
with this situation?

Run Slack Fight

Insight

Emotional  
reaction and  
action  
tendency

U

# Identify the smallest action with the highest impact for each option

- Any change requires several actions and can therefore feel overwhelming
- Actions and progress change emotions
- Small initial steps are therefore a way to start changing emotions
- Small steps also create a sense of continuity, which reduces identity threat
- "Playbooks" give further sense of control over the future

# Approach potential partners early on

- Getting partners onboard is a key uncertainty in many business models
- Interacting with partners makes you understand if they want to join or not → reduced uncertainty and fear & focus on interested partners
- Interactions also help you improve your offering, making it more likely partners wants to join
- No need to start with formal negotiations, but informal probing discussions

# Discussion: which of these practices have you used in your group assignments, etc.?

## ORG Practices

open communication

- freedom to speak up

- share ems.

- trust

weekly emotion survey

- collect info & concretize options before choosing

first meeting

- speak about good & bad emotions

• compulsory

Rotating roles  
→ facilitator  
⇒ ER

role in

own emotion  
to influence  
"followers'" ems.

# ORGANIZATIONAL FEAR: RIGIDITY AND RESISTANCE

- People in the organization also fear platforms
- They lose control of their task and identity
- They may worry about job loss
- Their fears can cause rigidity – they keep acting in the old way, despite good intention
- Sometimes there is also active resistance

When you asked [whether you have an R&D problem to share], they'd say, "You want me to tell you what I can't solve?" It was very much like they would be exposing some kind of incompetency if staff told us what they can't do [...] They thought, "You are asking others [on open innovation platforms] to solve it for us." You can see people physically uncomfortable with it in their body language.

Source: Lifshitz-Assaf, 2018, Administrative Science Quarterly

# Lead emotions during strategy execution

1

Involve members of the organization in the option creation and evaluation

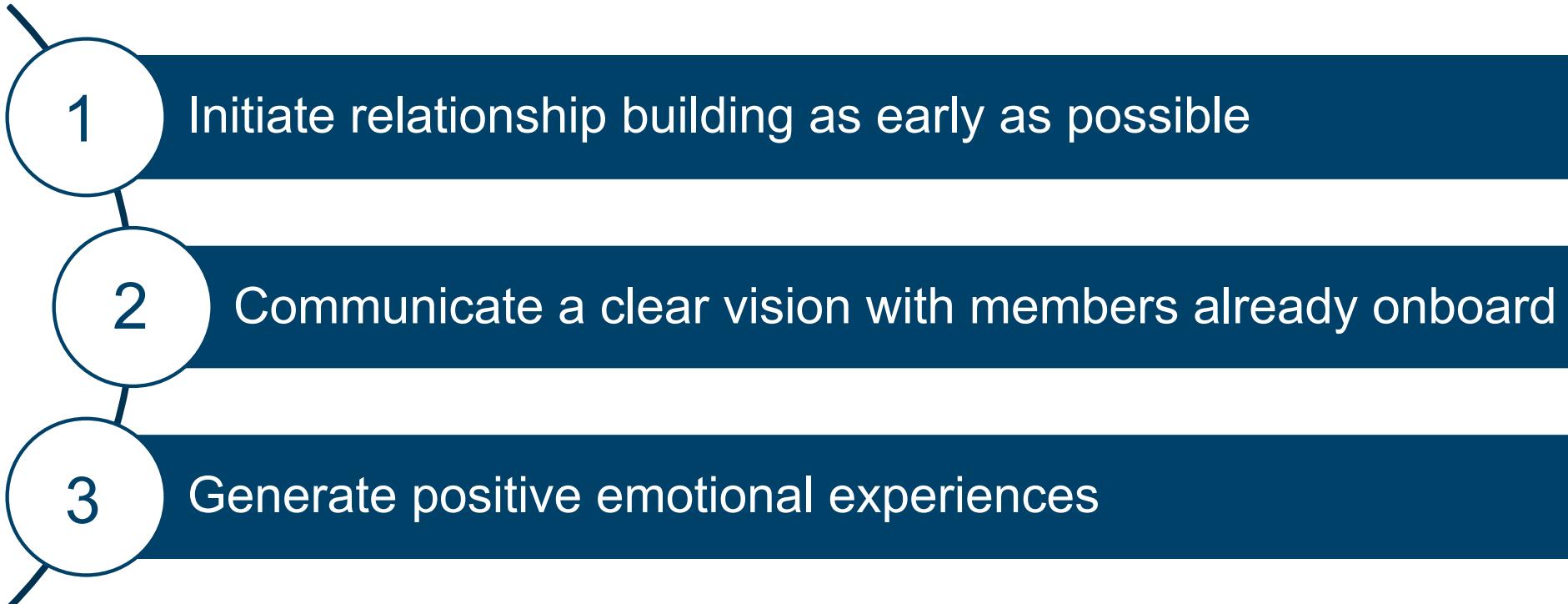
2

Emphasize continuity in communication

3

Support and enable learning

# Help partners overcome their fears



1 Initiate relationship building as early as possible

2 Communicate a clear vision with members already onboard

3 Generate positive emotional experiences

# Additional reading

<https://hbr.org/2018/05/how-nokia-embraced-the-emotional-side-of-strategy>

<https://knowledge.insead.edu/strategy/who-killed-nokia-nokia-did-4268>

<https://knowledge.insead.edu/strategy/how-nokia-bounced-back-with-the-help-of-the-board-10211>

<https://knowledge.insead.edu/strategy/what-could-have-saved-nokia-and-what-can-other-companies-learn-3220>

<https://journals.sagepub.com/doi/abs/10.1177/0001839215606951>

# Next week

Why and how does organizational structure influence what information strategic decision makers consider?

*structure  
=  
roles & goals*

3

Why and how does organizational structure influence how strategic decision makers interpret the information they consider?

4

How organizational structure influences students' vs. professors' perceptions of what is relevant for Aalto University?

*or*

3

Why and how does top management team composition influence what information they consider?

*or*

3

Why and how does top management team composition influence how they interpret the information they consider?

4

How the composition of your group assignment team has influenced your information scanning and interpretations?

*if  
or*

3

# Thank you!

