Strategy Process

Lecture 5: Artificial intelligence and strategy making

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Recap of the formulation process

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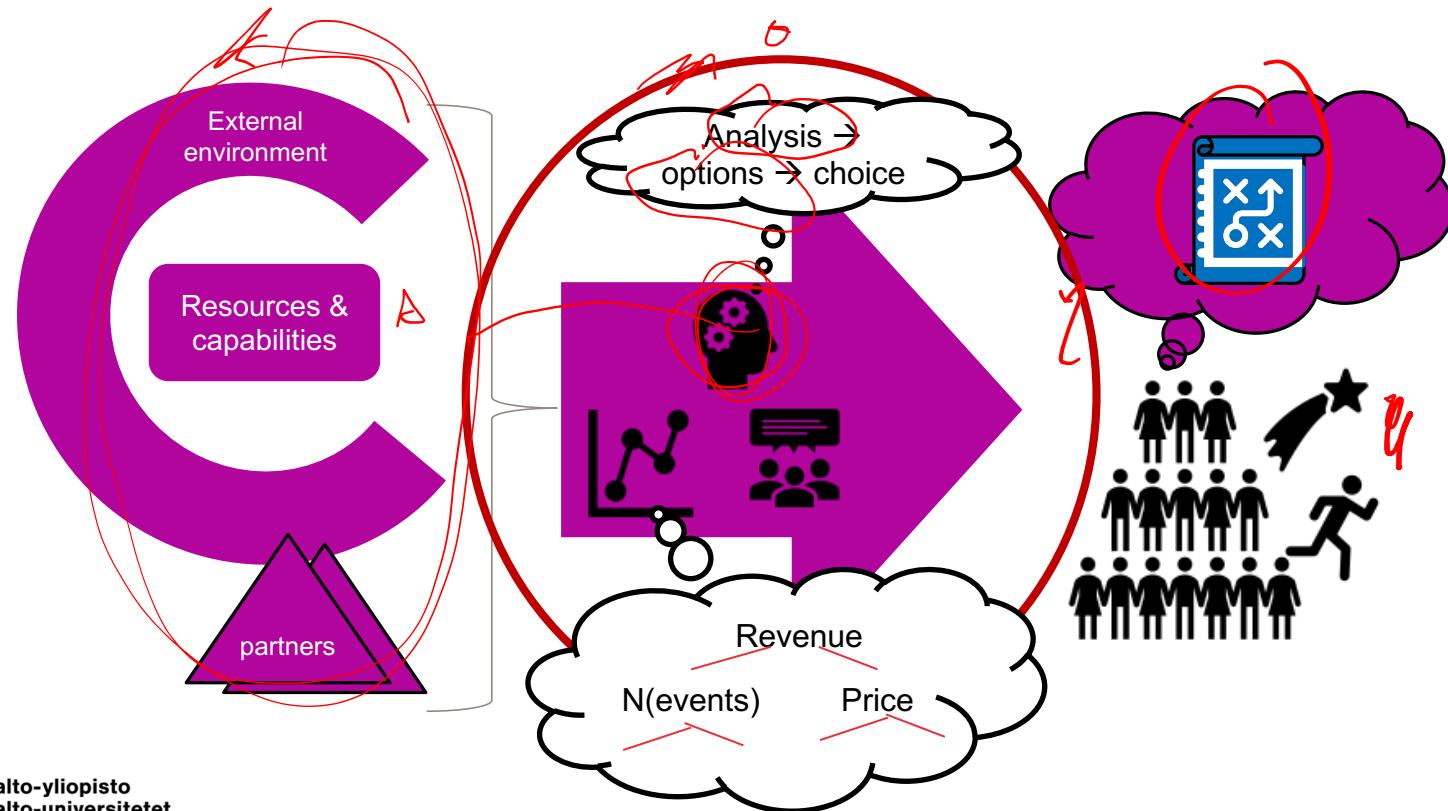
Recap of key challenges discussed

Bounded rationality

Satisficing search

Mental models

Assumptions

Quantification

Emotion regulation

Structure

- **Silos**

- **Hierarchy**

Team composition

- **Diverse perspectives**

- **Cohesion**

- **Information elaboration**

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Discussion: AI and bounded rationality?

Bounded rationality

Satisficing search

Mental models

Assumptions

Quantification

capacity
time limit → AI for routies
goes through
data

can remove in principle

10 min

can evaluate various simulh

objective view of world

no same biases

ML creates obj. MM

can get more accurate data,
even for things that are difficult

real-time updating

Upright

•Data
quality
•measurable

DM complexity
consistency

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Discussion: AI and bounded rationality?

see big picture ⎡ BR
                 ⎣ SS , quati

Ability to filter data, make unbiased decisions

⎡ un
⎨ assump.
⎣ q.

Judea Pearl

AI — real data ab-⎡
        ⎣ assump
          prediction

AI — possible factors
      having effect

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The Situation
(all potential environmental and organizational stimuli)

Cognitive Base

Values

Limited Field of Vision

Selective Perception

Interpretation

Managerial Perceptions

Strategic Choice
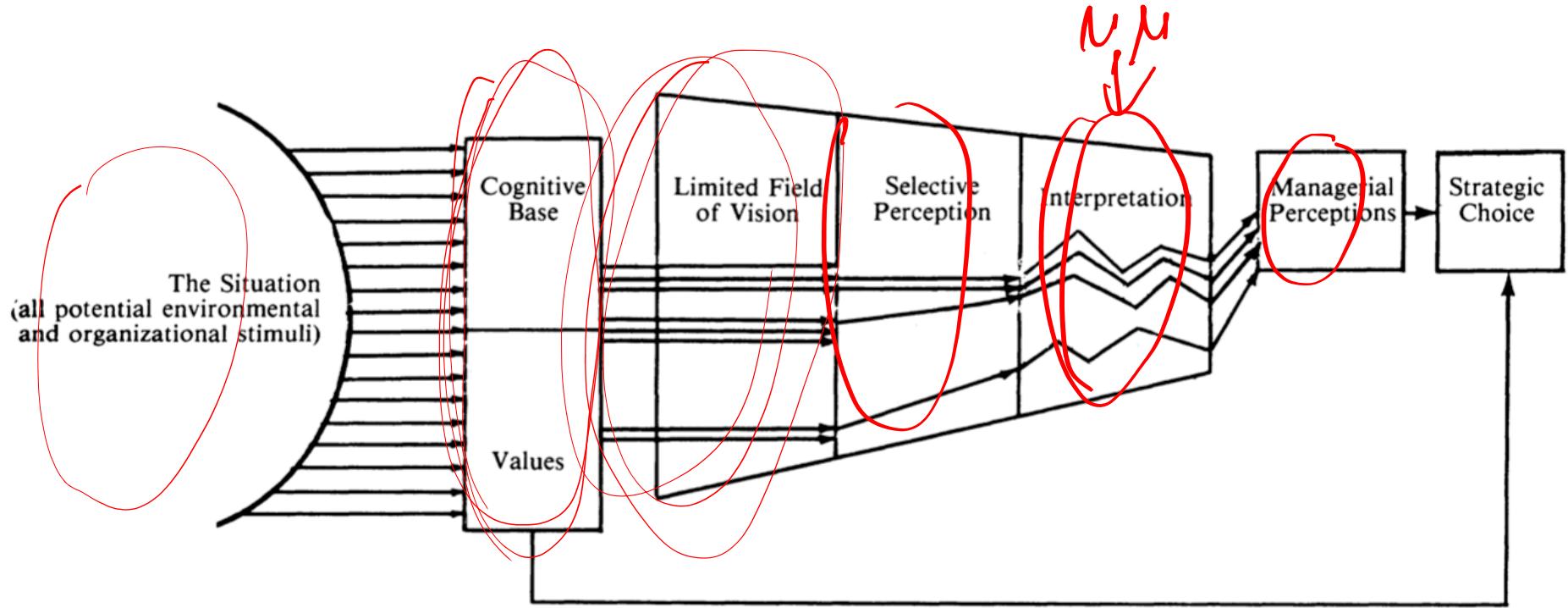
Build digital twins

- introduce digital twin thinking into your organization
- Build digital twin of your platform
- Connect AI and digital twins
- Reimagine your business with AI and digital twins

https://press.siemens.com/fi/fi/lehdistotiedote/siemens-ja-nestle-kehittavat-viisi-vuotta-juuan-tuotantolaitosta-yhdessa-ja-jakavat

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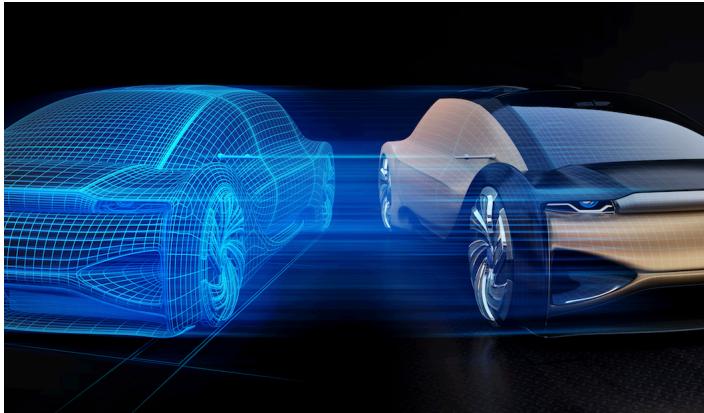
Discussion: AI and emotions?

NOKIA period 1

AI not panacea

Trust

present bias reduced

[hierarchy → TMT pressure → ems. ~~take over~~ → Bad decision

AI → reduce TMT pressure

reduce local pressure

AI → Be(?) decision

us

transparency → available for DM

→ forward

• fear would make MM distort input / manipulate

• AI would nudge attention outwards

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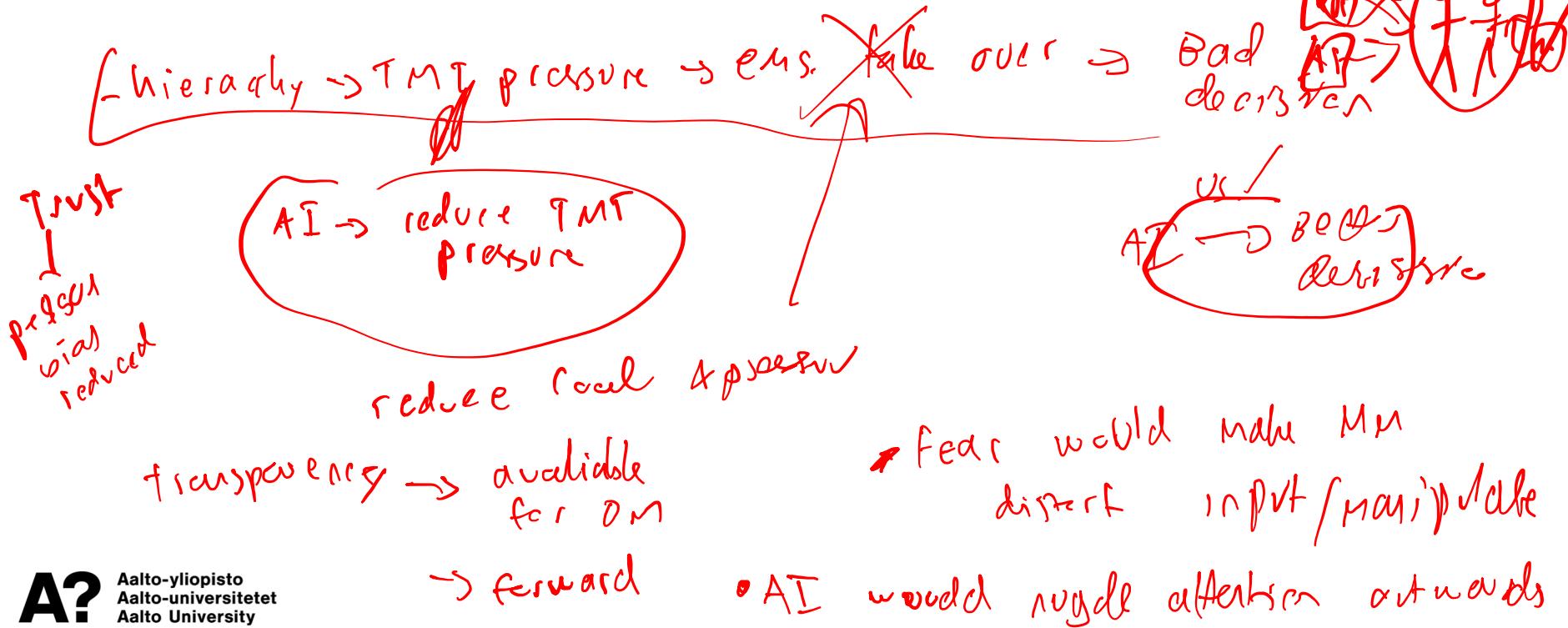
14:45

4 min.

Discussion: AI, organizational structure, and team composition?

Silos

Hierarchy

Team selection (composition)

Diverse perspectives

Cohesion

Information elaboration

Handwritten annotations:

select / evaluating team members — data flavor

AI can break silos END ↔ END process

interdependencies but functions → see across silos

AS an explla view

- create random teams
or - Human + AI together selecting team → soft

leaders freel

- rationaly allocation

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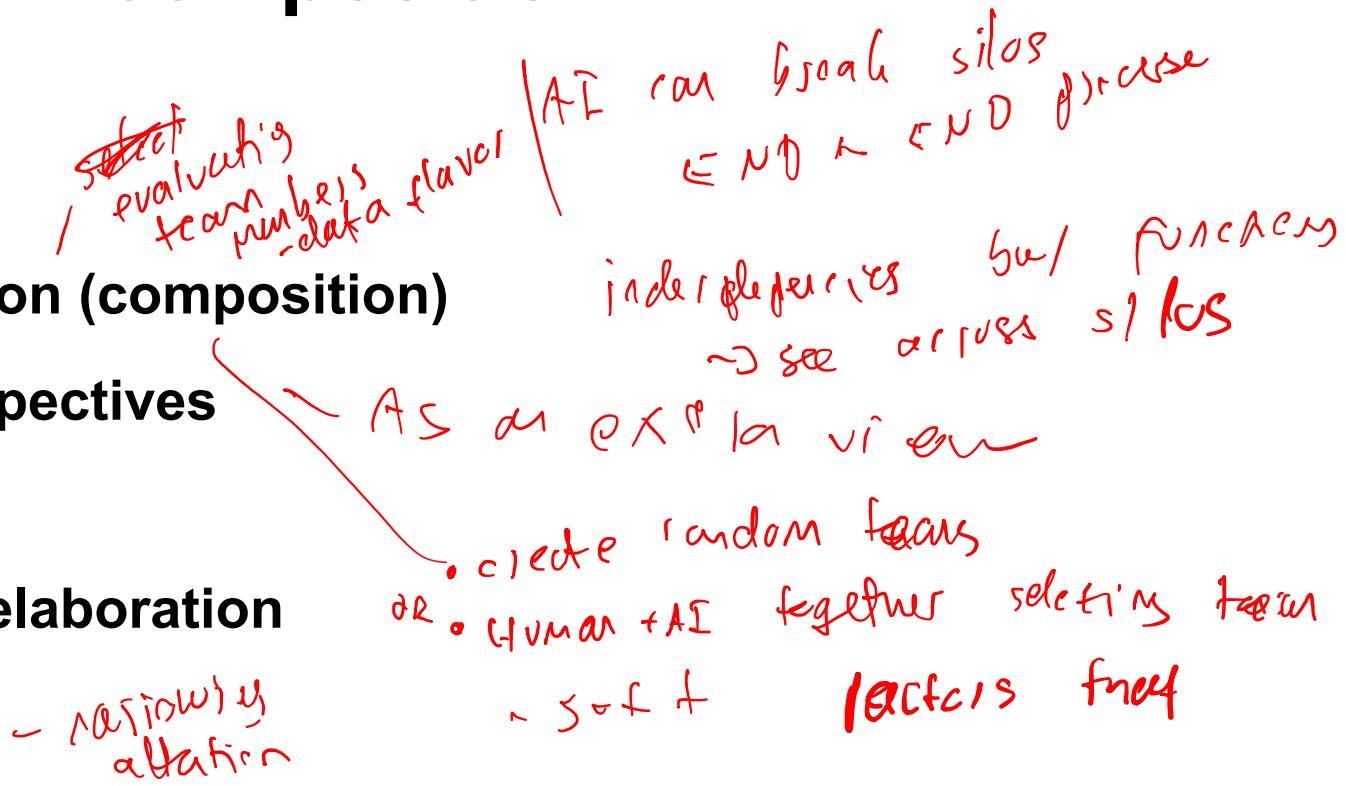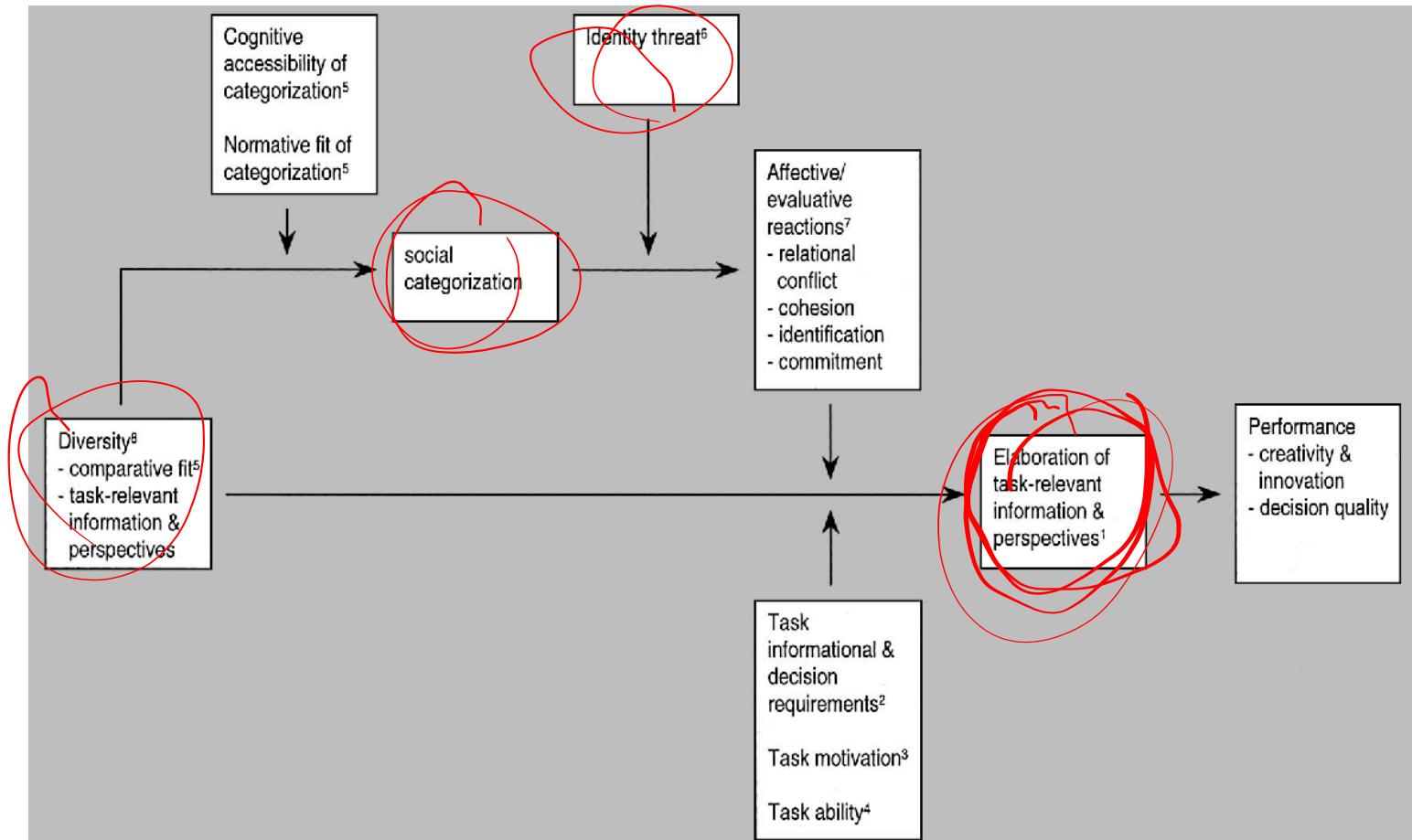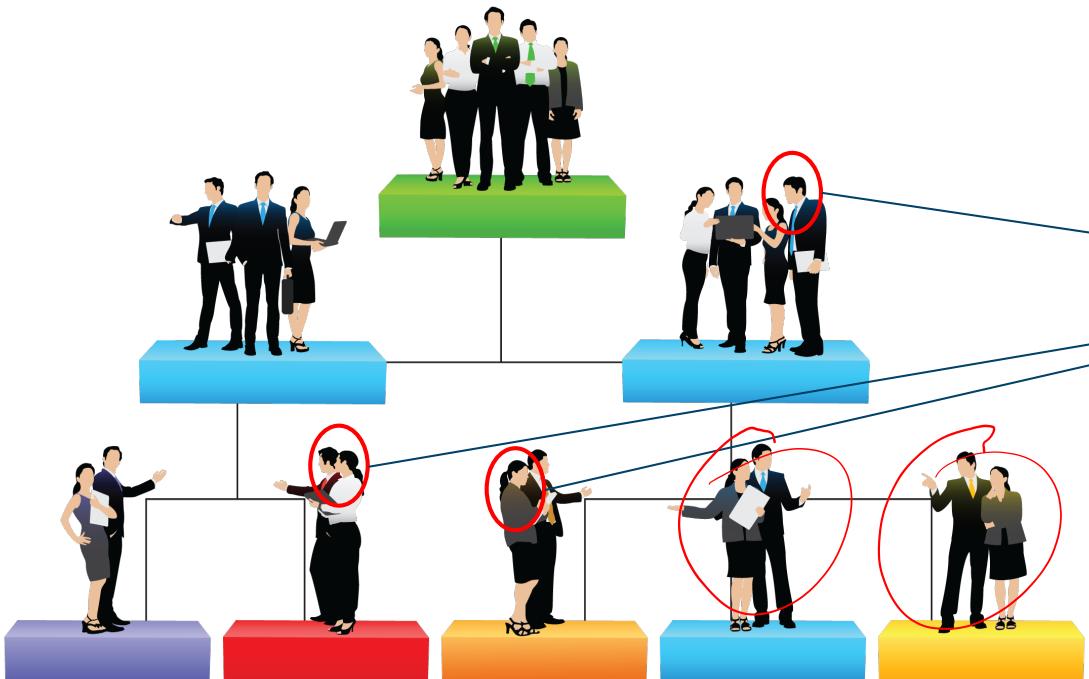
Optimal team for new project or client case

Handwritten annotations:
- Language
- ~~bonus~~
- Chief
- topic
- must take all
- parameters
- Futurice
- BubbleBuster

Asikainen, A (2020), *Aiding Software Project Staffing by Utilizing Recommendation Systems*, Master's Thesis, Aalto University. Available from https://aaltodoc.aalto.fi/bitstream/handle/123456789/46107/master_Asikainen_Aleksi_2020.pdf?sequence=1&isAllowed=y

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Challenges in AI use

Personal experience in using AI?

- Data privacy ~ Fear / lach of trust
  ~ Siri, etc.

Maps accuracy
Push failure

What was challenging?

- power over own selefion

- partial results, errors, bias, limitations → }

prediction
accuracy
trust

errors → lose trust

humans to
over-ride model
collection human
in loop

- lach of contextual knowledge
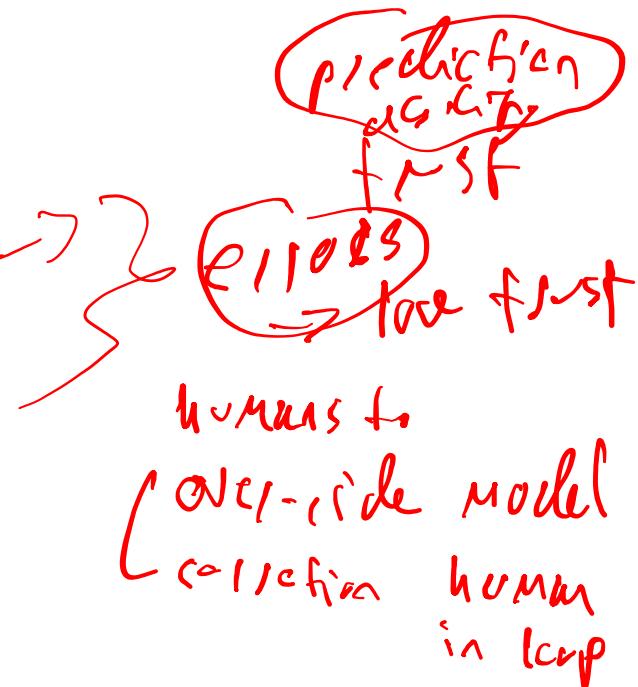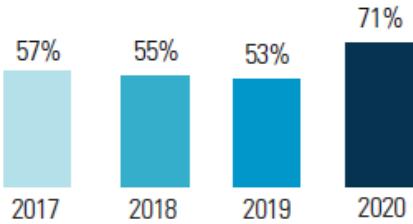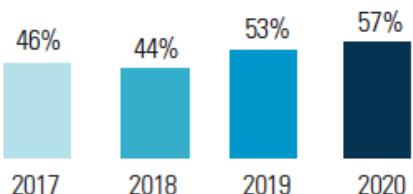
S. Ransbotham, S. Khodabandeh, D. Kiron, F. Candelon, M. Chu, and B. LaFountain, "Expanding AI's Impact With Organizational Learning," *MIT Sloan Management Review* and Boston Consulting Group, October 2020.

FIGURE 7: BUSINESS PROCESS CHANGE CONNECTS TO AI OUTCOMES

Organizations that extensively change business processes when integrating AI solutions are five times as likely to realize significant financial benefits.

5x more likely to realize significant financial benefits as those making no or small changes to few business processes

4%	4%	15%	20%
No changes to any business processes	Small changes to few business processes	Small changes to many business processes	Extensive changes to many business processes

S. Ransbotham, S. Khodabandeh, D. Kiron, F. Candelon, M. Chu, and B. LaFountain, "Expanding AI's Impact With Organizational Learning," *MIT Sloan Management Review* and Boston Consulting Group, October 2020.

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Using new tools within old processes

"How can we override the automatic feature and do everything manually instead"

"Let me email you the file I downloaded from Teams"

"The marketing department will discuss this in two weeks and get back to you"

G machine   G machine

G machine   G machine

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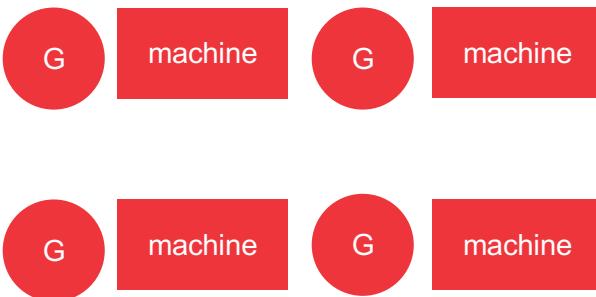
Thank you for your participation!

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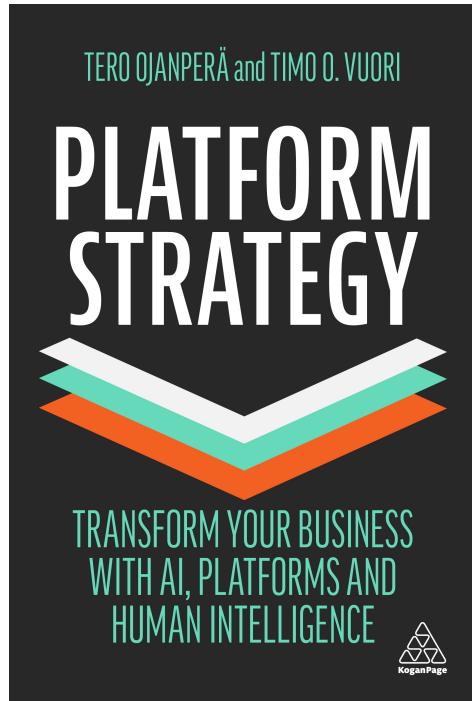
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