

Guest Editorial:

Sense Making, Dilemmas, and Solutions in Strategic Management

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Abstract

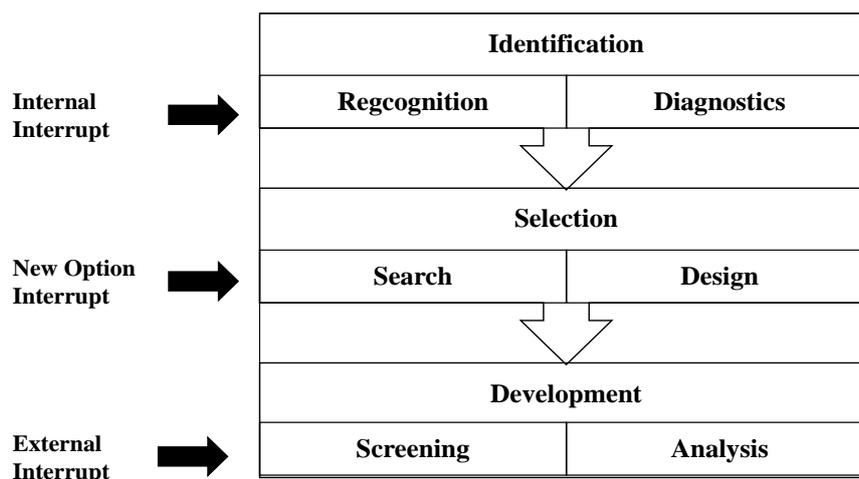
This introduction provides an overview of the motivation of this issue. It focuses on the conceptual frameworks and tools available to business managers that can be applied to deal with complex problems in an environment of increasing uncertainty and risk. The article concludes that innovative ways to find the basic structure of seemingly unstructured processes, combined with knowledge drawn from professional experience can facilitate the identification and selection of alternatives that lead to superior results.

Key words: decision system analysis; qualitative comparative analysis; sensemaking; strategy; true experiment

Introduction

This article serves as an introduction to the theoretical background for the study of decision making under uncertainty. Under those circumstances CEO's and business managers have to define strategies with limited time and based upon sometimes unreliable information. The decisions are made in conditions "that have not been encountered in quite the same form and for which no predetermined and explicit set of ordered responses exists in the organization." (Mintzberg, et al., 1976). According to Mintzberg et al., finding the basic structure of an apparently "unstructured" process is composed of 12 elements: 3 central phases, 3 sets of supporting routines, and 6 sets of dynamic factors, as illustrated in Figure 1.

Figure 1. A General Model of the Strategic Decision Process



Source: Adapted by the Editors.

This kind of sense making includes both descriptive and normative processes that turn uncertainty into a structured risk analysis process, which allows managers to avoid potential losses, but and achieve superior results. In such a context, people adaptive use of simple heuristics to exploit the information structure can lead to fast analysis that improve executive decision-making, clearly indicating that complex problems do not necessarily require complex analysis and calculations (Gigerenzer et al. 2011).

Sense making to convert circumstances into a situation that is comprehended explicitly can serve as “springboard into action” (Weick et al. 2005). Identifying the right antecedents and decision rules are key in crafting options and selecting courses of action. The implementation of the chosen alternative requires to turn the seemingly intuitive solution into a sound and well planned procedure to take into account both structural and dynamic aspects of the problem.

Who actually does what, when, where, and how in organizations can be answered by using the perspective and set of conceptual tools of system dynamics. A rigorous modelling method can be used to build formal computer simulations of complex systems and use them to design more effective policies and organizations (Sterman 2000). The adequate problem articulation and the formulation of a dynamic hypothesis, followed by the formulation, simulation and testing of a model lead to effective policy design an evaluation. System dynamics modeling has also been used in learning processes that focus on the transfer of the insights and reasoning behind a strategy forming process (Snabe & Größler 2007).

The evaluation of the outcomes requires establishes what configuration of causes and processes lead to the observed outcomes. Identifying when it is a poorly designed solution or poorly implemented one can led to identify the operational steps/remedies that will work. This is particularly important to overcome the incompetency and incompetency training when these are the main factors of negative outcomes (Woodside 2012).

Introduction to the Four Articles

Information Spillover, Profit Opportunities and Return Deviations Analysis: The Case of Cross-Listed BHP Billiton

Roger Su, Ronghua Yi, Keith Hooper, and Amitabh Dutta test the hypothesis of efficient markets by analyzing the spillover effects of shares listed in one more international markets that are traded at different prices or exhibit different return deviations from the market. They use the case of BHP Billiton, the world’s largest mining company, listed on both Australian and United Kingdom stock exchanges.

The authors apply use regression analysis to determine the direction of the spillover effect, based on the assumption that it may start from markets that open earlier due their time zone. They also try to determine if it is mainly short-term investors that profit from arbitrage opportunities, and if individual factors among the market fundamentals may explain the different return deviations. They conclude that

it is investors that hold medium-term positions that benefit more from price differences, and that it is the whole set of market risks that explain the differences in deviations from the market returns.

Modelling the Risk Profiles of Clients in the Fight against Money Laundering and Terrorism Financing

Arnoldo R. Camacho proposes a solution to the challenge faced by Financial Intermediaries (FIs) to take action in the fight against Money Laundering (ML) and Terrorism Financing (TF). The study presents the criteria that would allow FIs to make sense by using experience-based typologies to identify illegitimate capital inflows and introduces the requirements to define risk profiles based on strong criteria.

A dynamic process is to develop an algorithm to find the basic structure of an unstructured process, using limited information to plan the response to the challenge. The study applies multivariate analysis techniques and link analysis to generate strong risk profiles to generate a time, resource and cost effective process to effectively comply with the international standards and regulatory requirements. The proposed solution is tested by using data from Mercado de Valores S.A, one of the leading brokerage houses in Costa Rica, and recommendations are made for further research.

Making Sense in Transforming Data from Marketing Experiments into Information: Statistical, Algorithm, and Isomorphic-Management Modeling

Arch G. Woodside, Alexandre Schpektor, and Xin Xia study is an example of how to build isomorphic-management models by transforming findings from tests of algorithm and statistical models into cognitions-in-context modeling for management decisions. The study shows how to use tools to construct effective contingency-decisions, recognizing that human rational behavior requires recognizing the influence of configurations of cognitions and contexts.

The study illustrates the high value in using both multiple regression analysis (MRA) and an algorithm approach (fuzzy set qualitative comparative analysis or fsQCA) for acquiring unique and complementary information from marketing data. The study is unique and valuable in actually showing how configural analysis complements statistical analysis, and demonstrating how to convert algorithm and statistical modeling into isomorphic management models.

Making Sense of Complex Marketing Decision Systems: Decision System Analysis

Roger Marshall, David Bibby, and Kyung Hee Na Woon Bong present a brief history of the development of Decision System Analysis (DSA). DSA as a process of data that involves gathering, condensing as a flow chart for a specific decision. DSA is compared to similar analytical techniques as Cognitive Mapping to illustrate the similarities they bear. The authors suggest that compiling several flow charts

from an industry can serve not only as a guide to decision makers, but also give useful insights to theorists.

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