

**BEYOND SENSEGIVING: SENSEMAKING PATTERNS BY MANAGEMENT
GROUPS IN STRATEGIC INNOVATION AND CHANGE: AN
EXPLORATION, FRAMEWORK AND PROCESS MODEL**

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Beyond Sensegiving: Sensemaking patterns by management groups in strategic innovation and change: an exploration, framework and process model.

ABSTRACT

This paper is an exploration of how sensemaking patterns amongst management groups influence the actual practices of strategising over extended periods of time. Using an eight-year longitudinal case study of a single strategic issue, (a strategic marketing innovation in a division of a global financial services company), the paper aims to advance the work of Gioia and Chittipeddi (1991) by exploring the micro-processes of sensegiving and other sensemaking patterns amongst management groups. In the first order analysis, four different patterns of sensemaking are identified: sensegiving, fragmented sensemaking, polarised sensegiving and communal sensemaking. In the second order analysis the paper explores deeper explanations for each of the patterns of the sensemaking processes by examining contextual variables and triggers for each sensemaking pattern. Finally, a phased model is presented for discussion which links the four sensemaking patterns together over time and in so doing, identifies a number of theoretical issues in the strategising process such as the dynamic patterns of actions and interactions between senior and middle managers, the integration of micro-politics and sensegiving patterns, the study of social action in sensemaking beyond strategic conversations and communications, and the dynamic nature of consensus and diversity.

Key Words: Sensemaking, Innovation, Top Teams

INTRODUCTION

How do senior managers generate and shape innovations that affect an organisation's strategy? In the classic view, senior management influences strategic innovations through the allocation or withdrawal of resources for specific innovation projects. Rational actor perspectives (March and Simon 1958; Anderson 1983) explain this decision making as a judgement involving trade-offs between perceived risk and expected economic return. Bounded rationality (Cyert and March 1963) suggests that limits to the information availability and information processing capacity of senior management bias these judgements leading to sub-optimal outcomes. Political perspectives of decision-making (Pettigrew 1973; Pfeffer and Salancik 1974; Quinn 1980; Eisenhardt and Bourgeois 1988) suggest that such judgements are influenced by power structures and resource dependencies in the senior management group. Each of these perspectives assumes that senior managers shape innovations through choice, but provide different explanations for the process of making strategic innovation choices.

An interpretivist perspective (Daft and Weick 1984) suggests that senior managers play symbolic and interpretive roles in the innovation process. First, they might construct symbols and meanings that define the cognitive boundaries of 'legitimate' innovation throughout the organisation. Strategic plans, visions and mission statements are examples of symbolic outputs that 'give sense' to people throughout the organisation (Gioia and Chittipeddi 1991). Second, senior managers interact with proposals and actions from middle managers and the rest of the organisation in a way that may lead them to re-interpret and redefine the boundaries of legitimate innovation. Middle management innovations such as new business

processes and models, or new products and services may be the subject of sensemaking activities by senior management (Dougherty 1992) such that the legitimate boundaries of the organisation's activities may be expanded or re-focussed. Thus, senior and middle management are engaged in both sensegiving and sensemaking activities that influence and shape innovations in strategy (Floyd and Wooldridge 1992).

Using an eight year longitudinal case study of innovation in a global financial service company, this paper explores the patterns of sensemaking amongst management groups as they influence organisational innovation over time. At different points in time on the innovation journey, four different patterns of sensemaking are described: sensegiving, fragmented sensemaking, polarised sensegiving and communal sensemaking.

Sensemaking has been defined as a generic process exhibiting a number of characteristics or properties (Weick 1995). Gioia and Chittipedi (1991) extended this concept further by describing sensegiving as a pattern of sensemaking by senior management attempting to influence the perceptions of a new planning process. In this paper, the sensegiving and sensemaking concepts are extended by identifying and describing different patterns of sensemaking over a longer time period. These different patterns of sensemaking help us to understand the symbolic and interpretive roles of management groups in the innovating process, and in so doing, explain the symbolic processes of strategising by management groups.

THEORETICAL BACKGROUND

Macro level theories of strategic innovation processes suggest that both senior and middle managers can play important roles in shaping and giving meaning to strategic innovations (Burgelman 1983). Senior managers identify the need for entrepreneurship, design and manage entrepreneurial systems and institutionalise innovation. Middle managers are engaged in championing ideas, defining issues (Floyd and Wooldridge 1992), and taking action (Nutt 1989; Hart 1992). Senior managers can also provide retrospective rationalization of autonomous strategic initiatives and create boundaries for innovation activities (Floyd and Lane 2000).

More recent micro-level research has suggested that the interactions between senior and middle-level managers can play an important role in the strategising process (Balogun and Johnson 1998), although this depends on the degree of middle manager inclusion in strategic conversations and the positional power and status differences between senior and middle managers (Westley 1990). It is through such interactions that strategies can be shaped, re-interpreted, re-defined, re-articulated and represented, and that this process can be iterative, not just unidirectional. Many aspects of the innovation process rely on the iterative interactions amongst networks of influential individuals who become sufficiently committed to the ideas 'to transform them into good currency' (Van de Ven 1986). These social activities lead to an innovation's legitimisation and currency within the network, and ultimately to the definition and articulation of strategy. Thus, in strategising about innovations, interactions between senior and middle managers are likely to influence the strategic impact of the innovation.

Despite the importance of these interactions to the innovation process, and despite the micro-sociological tradition to ground social processes in micro-events (Goffman 1974) there is still surprisingly little empirical work that has been conducted to develop micro-theories of innovative strategy making. While one of the most basic units for analysing organisational life is conversation (Collins 1981), sensemaking (Weick 1969; Weick 1995) provides a broader symbolic lens to explore the social cognitions, actions and practices that make up the strategy innovation process at the micro level of analysis. Sensemaking, which derives from symbolic interaction theory (Blumer 1969), takes place through interpretations of symbolic actions and interactions that are socially constructed (Berger and Luckmann 1966).

A symbolic action can be any sign that represents some concept, an action, a lack of action, an event, a logo or slogan, an icon. Through the process of interaction, people attempt to construct meaningful explanations for symbolic processes and their actions within those processes. The problem with symbolic action is that they can have meaning at both the macro and micro levels of organisation. Wiley (1988) describes this as the macro-micro problem in sociology, where symbolic interaction can have meaning at the intrasubjective (within single individual), intersubjective (between individuals) and the generic level (the community). In recent organisation theory literature, intra-subjective level sensemaking research has also been informed by information processing literature and theories of cognition, such as the processes of attending to and noticing certain aspects of the environment (Starbuck and Milliken 1988), interpreting information and events, (Isabella 1990), relying on cognitive maps (Porac, Thomas, Wilson, Paton and Kanfer 1995), and senior management beliefs and schemas (Barr, Stimpert and Huff 1992; Thomas, Clark and Gioia 1993). Many of these studies measure cognitive aspects of sensemaking at the intra-subjective level,

but fail to make micro explanations of how these cognitions are intertwined with organisational action to 'make sense' of innovation and change in social environments.

The social property of sensemaking (Weick 1995) draws extensively on Blumer's symbolic interaction theory (Blumer 1969). Weick (1995, p43) describes from the micro perspective how social interactions may lead to the creation of a shared meaning about an innovation:

“...[a]n individual creates novel thoughts in the context of interaction with others, and then communicates them to a larger community. *If viable*, the larger community generalises these ideas such that they become part of culture. “

Social interactions are not limited to conversations and communications, although most research has focussed on this (Westley 1990). Social influence can appear in many different forms such that shared meaning is not what is crucial for collective action, but rather, it is the experience of the collective action that is shared (Czarniawska-Joerges 1992).

Gioia and Chittipeddi's (1991) study of strategic change in academia describes some of the micro-processes of social interaction by exploring the iterative processes of sensegiving and sensemaking during the initiation phase of top down change. They observed iterations between senior management sensegiving (action-oriented) and middle management sensemaking (cognition-oriented), and developed a model which makes an important contribution to understanding the micro-processes of organisational change and innovation through the sensemaking lens.

There are two limitations of this model. First the simplification of power as a form of social influence in sensegiving, and second, middle management's cognitive role in the sensemaking process leads to consensus about strategy. Two other

researchers have addressed these issues, but to date they have not been integrated. Westley (1990) explored the roles of middle managers in strategic conversations, and found that their inclusion in more dominant coalitions would sustain middle management involvement in strategy making. Fiol (1994) separated the concept of consensus in organisations into consensus about content interpretations of innovation and consensus in the framing of communications about the innovation. Her model suggests that organisational members can develop diverse interpretations about content while sharing the same communications framing.

The research question posed at the beginning of this paper suggests that the strategy innovation process needs more interpretive research at the micro-level to explain how the interactions between managers and management groups play a significant role in the innovation process. Using empirical data from a single longitudinal case study, this paper aims to advance the theory developed by Gioia and Chittipeddi (1991) to describe different patterns of sensemaking as they occur over time. By drawing on the work of Westley (1990) and Fiol (1994) the framework is then explored more deeply so that they may better explain the micro-processes of the strategising process.

A CASE OF STRATEGIC INNOVATION: THE RESEARCH SITE

This study examines the introduction of a top down strategic innovation in a strategic business unit (SBU) of a major multinational insurance company, Insureco. The SBU operated in a mature market that is known for its extreme competitiveness and offers all ranges of general (non-Life) insurance products, which included property, casualty, and motor fleet. The Commercial SBU was recognised in its

market for being a specialist motor fleet insurer. Along with four other SBUs, it was formed in 1991 when a global strategy of building closer relationships with customers emerged from the global headquarters, creating greater decentralisation.

The strategic innovation chosen for in depth analysis was the introduction of target marketing. Target marketing, as a strategic innovation, provides an interesting subject for research using a sensemaking lens. First, unlike a new product or technology, it is an abstract management concept - a way of thinking about customers using a classification process - and can only be made concrete through interpreted action. It involves segmenting a market into groups of customers with distinctive sets of needs that can be met by balancing the 'marketing mix' (product, price, promotion and distribution) for each segment more efficiently, arguably leading to greater profitability. Because of its conceptual nature, the precise meaning of target marketing was determined by the actions of middle managers.

Target marketing was new to the insurance market in which Insureco was operating. It is important to stress that the process of selling commercial insurance, assessing risks and servicing claims was a highly routine process that had been relatively unchanged for decades. This routine involved an Insureco account executive building relationships with intermediary (the broker) who provided annual renewals to the account executive each time a client's policy was due. Typically the intermediary would approach three separate insurance companies to bid for the account. The account executive of the Insurance company would then approach the relevant product underwriter in his office to 'price' the account. The account executive placed pressure on the underwriter to reduce the price, while the claims department put pressure on the underwriter to keep the prices high. Hence, the potential for

interdepartmental conflict was very high. Insureco had little idea of who their end customers were. For example, their information systems would not permit them to determine how many separate policies they had with each customer.

In the Commercial SBU's market, all business was transacted through intermediaries. A typical manager's schema for the market would comprise a set of valued intermediary relationships servicing a mass of undifferentiated customers. There was little or no attempt at cross-selling products, for example. When the general manager of the Commercial SBU returned from a management development programme, he had reconceptualised the meaning of 'customer needs', and the logic and reasoning behind target marketing became clear to him.

'I can recall vividly when the penny dropped for me as if it happened yesterday: it was in the second week of the [*In-company Management Development Course*]: I can remember the moment exactly, it was a Wednesday.....it was as though a curtain was drawn back.... I had been really struggling with it up until then. Up till then I really thought I knew, as an insurance person, what our customer's needs were, as distinct from what the customers thought their needs really were. -General Manager interview, 1993.

The General Manager commissioned a consultant's report to recommend how Commercial SBU should make choices around market segmentation and target markets, and how these choices should be implemented. The consultants recommended segmentation by industry (creating a strong cognitive schema from then on around customers' industries), and their report became an essential guide for many senior and middle managers.

Different interpretations of what target marketing strategy meant, and why it should be adopted began to emerge, however. After three years, the General Manager sensed the lack of common understanding, and used his authority to clearly redefine the target marketing strategy and its importance to the SBU's objectives. This led to a silent split in the division, with half the senior and middle management aligning their

views with the general manager, and the other half quietly undermining its implementation, because they believed target marketing was flawed for Insureco. After seven years, a new member of the senior management team initiated a consultative learning process, and a middle ground was defined and accepted. A year later a new CEO was appointed and the entire strategy was virtually disbanded.

The strategic outcomes from the target marketing innovation are not obvious. The final data collection suggested three strategic outcomes. First Commercial SBU had developed a strategic capability to build, store and share customer knowledge, and to relate to customers in unique ways, (a capability they did not have beforehand). Second, they had built a 'brand' presence in the food and beverage and local government sectors where they had little presence at all prior to target marketing. Third, they had lost a number of customers from unspecified industries, some of whom had been highly profitable. The full case study description (Table 1) provides an outline of events surrounding the adoption and implementation of a strategic marketing innovation over seven years beginning in 1991.

INSERT TABLE 1 ABOUT HERE

METHODS

Strategy process research has begun to make use of longitudinal case research that addresses central evolutionary processes and purposeful transformational processes, rather than cross sectional studies (Chakravarthy and Doz 1992). The data for this case study are drawn from 50 interviews with senior managers, middle managers and service teams at Insureco between July 1992 and April 1998. The

initial purpose of the interviews was to develop a series of case studies to facilitate change management process within the global organization. The data collection and case development initiative was funded by Insureco. As the cases were to be used for leadership development at the headquarters of the organisation, their preparation was part of a multinational innovation diffusion process. While all parties agreed that the research should demonstrate the successes and challenges of managing change and adopting innovations, the data collection set out to explore failures and challenges. These interviews provide a rich source for longitudinal sensemaking research.

The CEO was interviewed twice over a six-year period. All divisional General Managers (one level below the CEO) were interviewed at least twice and occasionally three times. Two former CEOs were also interviewed. Divisional management team members and middle managers were interviewed between one and four times. Team leaders and members were also interviewed. Occasionally team members were interviewed in teams or in pairs. Interviews lasted between one and two hours. The data set comprises a set of longitudinal interviews with a cross section of individuals throughout the organisation.

In accordance with exploratory research principles, interview schedules were developed in advance over the five years, and were revised as issues emerged. Tape recordings were made of most interviews and interview notes were taken during the interviews; interviews were transcribed within a few weeks and analysed for the change case studies and then archived. The author conducted most of the interviews personally, although in a majority of the top management interviews (CEOs, Divisional General Managers), another researcher was present.

Interviews, field notes and internal documentation that related to the target marketing innovation were reanalysed using NVivo, a qualitative data analysis package. In total, 35 interview transcriptions were selected and used for in-depth analysis. The analysis is presented at two levels.

FIRST ORDER ANALYSIS: FOUR SENSEMAKING PATTERNS

The first level analysis of the Insureco data led to the identification of four different patterns of sensemaking: *sensegiving*, *fragmented sensemaking*, *polarised sensegiving* and *communal sensemaking*. The purpose of this level of analysis is to draw on the rich data set to establish and illustrate the distinctiveness of these sensemaking patterns.

Sensegiving

Gioia and Chittipeddi (1991), have defined sensegiving as senior managers influencing the way people perceive and understand a change or innovation. Sensegiving by senior management is iterative with sensemaking by middle managers who interpret and understand the messages from senior management. They suggest that sensegiving takes place during the initiation of strategic change and innovation, and that middle managers have an inclination to agree with the essence of the proposed changes.

Senior Management Sensegiving: Following his visit to the Executive

Education conference, the General Manager then began own *sensegiving* process:

'When we got back, [from the management development course] I tore up the strategic plans we had prepared to date. We had all thought they were pretty good. We had got in a marketing consultant, but our fundamental understanding was wrong. When we wrote the mission and vision statement, the word customer was used all the time, and therefore we thought we were customer focused. But when we came to developing the strategy, and devising the structure, we

kept on resorting to product-based terminology. We kept coming back to what we already had.
-General Manager interview, 1993

This description of the General Manager's own actions illustrates several aspects of the sensegiving process in strategising. It highlights the use of language to control meaning in directing change (*'the word customer'*), as well as the use of symbolic language about actions (*'tore up'* strategic plans). It also highlights this general manager's recognition of how pervasive underlying cognitive structures and schemas are (*'we kept resorting to product based terminology'* (and not customer-based terminology), despite his own beliefs that his schemas had substantially shifted.

As noted by Gioia and Chitipeddi (1991), strategic plans, mission statements and visions play an important role in the sensegiving process by senior management, because they are legitimate and powerful sources of language and symbolism. Senior management at Insureco used the divisional strategic plan as a symbol of coherence in the strategy, but the data suggest that middle management were less influenced by the strategic plan, and more influenced by senior management actions and verbal communications.

Consulting documents became important sources of sensegiving in the process. The distribution of an external consultant's market research report became the focus of sensegiving activity as it suggested a new way of categorising the market for commercial insurance as clusters of industry-based customers with common needs. For the General Manager, however, this report was only exploratory

Once the [Consulting Company] report had been produced it became very clear that there wasn't enough detailed information for us to do anything with. All it did was give us the idea that there were opportunities. It became more of an idea. It really gave us every evidence ...that there were opportunities to differentiate ourselves.

In the first two years of target marketing, (1991-93), this document was, for most middle managers, 'the strategy', and not to be questioned, even against their own better judgement. The logic and reasoning in it remained unchallenged for several years.

We took on board what [Consulting Company] said and we said that was fact. And you'd have to question that now that perhaps we were a little bit, perhaps naive because they had the top ten things [in the buying decision], price was [ranked] eight or something. And we know in the real world, price is not going to be number eight, price is going to be two or three.

-Middle Manager interview, 1998

Senior managers also 'gave sense' through other symbolic actions, such as decisions about promotions or resource allocations. For example, in 1993, the general manager appointed a number of younger 'mavericks' to senior roles in the Division and reportedly told a Division conference:

'Take a look around the room now and see who has been appointed to the key roles. These people are the future of this Division' – (Interview, field manager, 1994)

Middle Management Sensegiving: Following the period of senior management sensegiving, two middle managers also became involved in giving sense to the rest of the SBU. They did this through their design and legitimisation of structures and systems that encouraged target marketing mindsets. Four actions taken by them highlight the role middle managers can play in attempting to shape and legitimise the meaning of an innovation. First, they redesigned a customer information system so that information could be retrieved based on customers, rather than products. This database was then used to store knowledge by customer, although it was never used as such. Second, they proposed a performance management objective that would reward people who sold business in selected target markets. Third they introduced a system of visiting customers, which had never been done before in the industry. Finally they proposed a radical restructuring of field offices such that they

were organised around target industries, rather than functions (Claims, underwriting, sales) and product lines. In 1994 this restructuring was implemented in the three largest field offices. These 'systems' were discussed widely amongst the staff of the SBU.

Fragmented Sensemaking

Gioia and Chittipedi (1991) suggest that sensegiving is an iterative process that relies on upwards sensemaking from middle managers and other stakeholders over time. However, close examination of the Insureco case suggests that in 1993, two years after the initial sensegiving by the General Manager and consultants, middle managers engaged in fragmented sensemaking. This fragmentation of meaning and action was evident in different forms: it involved action, language and communication, such as expressing concern for the practical challenges and barriers that the target marketing strategy presented. These patterns of different actions and responses centred around the strategy or its concept, and formed the basis of a *fragmented sensemaking* pattern.

Fragmented Actions by Middle Managers: The consultant's report had identified three industries that would offer Insureco profitable opportunities: Food and Beverage, Health, and Transport. Each of these industries received a symbolic launch during the first three years of target marketing. While there was much alignment around this strategy in the Head Office, interviews in 1994 with middle management revealed a number of other segments outside these three segments were also being targeted, as well as 'product' segments. These different segments were being targeted because of the different context that middle managers were working in. For example, one middle manager noticed that when he analysed his portfolio of clients, over 25%

of his business came from local government industries. With senior managers, he then created legitimacy for a 'local government' as a target industry. The interview data also reveal other middle managers talking about their 'printing industry segment', or their 'mining equipment segment', or the 'Directors and Officers Liability' segment, (a new product segment), none of which were officially sanctioned by senior management as a target market.

Fragmented Beliefs by Intermediaries. Stakeholders outside the Commercial SBU had difficulty understanding what the new strategy meant, and what it meant for them. A key external stakeholder whose interpretations carried some importance were the intermediaries. Initially, they believed that target marketing meant that Insureco wanted to deal with customers directly, (an interpretation of the visits to customers) leaving the intermediaries out of the supply chain. This belief was corrected by Insureco staff, but was replaced with another belief, that the target marketing strategy meant that Insureco *only* wants to do business in the food & beverage, health, and transport industries, and therefore offered the renewal of existing Insureco business outside these industries to other clients.

Fragmented meaning of 'target marketing'. The precise meaning and actions associated with the terms in the consulting report were open to interpretation. A marketing expert would define target marketing as the segmentation of a total market into segments, so that the more attractive (profitable) segments can be identified and targeted by the marketing effort in terms of price and promotion. Target marketing was considered effective when the market segment is dominated by the supplier. Shifts in the use of language and labels about target marketing suggest that the meaning of target marketing was not shared. For example, initially, a number of

people understood target marketing in terms of concepts with which they were familiar, such as **niche marketing**. The term '**target industries**' also replaced the term 'target marketing' as the term for the strategy in general use.

The label **target customers** was then used by some people, particularly those working with very large corporate customers where a segment might only be two or three companies. This meant they would not need to conduct market research on the industry, (an action that was new to them), but would research specific clients outside the legitimate segments as they had always done. By 1995, the term '**preferred industries**' rather than target industries gained currency amongst those a number of middle managers who felt there was too much focus on the three target industries, This was done to minimise the brokers and other perceptions' that Insureco was only interested in customers from target segments. At the same time, the term **non-target industries** became a prevalent label amongst a number of middle managers to give focus to profitable business that was outside the non-target industries.

With the exceptions of the term 'target industries', the use of these terms was fragmented across time and individuals. The data also suggest their usage was deliberate.

Fragmented Reasoning: The data suggest a conflicting set of reasons were used to explain why target marketing was being introduced. One line of reasoning (traced to the CEO) argued that cost reduction was the main objective: the cost of selling new business was too high, and the cost of retaining existing business was much lower, and target marketing would lead to higher retention rates. This line of reasoning conflicted with the actions of middle managers, who, as noted above, rejected existing

business that did not fit into 'target industries', and accepted large quantities of new business that did fit with the target industries.

A second line of reasoning for target marketing was a strategy of differentiation. Some saw the innovation as an opportunity to 'differentiate Insureco from our competitors' and therefore 'make greater profits through our differentiated offerings'. Differentiated offerings involved 'better customer service'. A third line of reasoning was knowledge based. Pricing risks is highly knowledge dependent and the General Manager of Commercial SBU was of the view that target marketing would lead to greater customer knowledge, enabling underwriters to price risks with greater accuracy. This pricing, it was believed, would help them overcome the soft and hard business cycles.

Polarised Sensegiving

Following the period of fragmented sensemaking, strong attitudes and beliefs about the target industries strategy developed amongst the top team. The target marketing innovation was the central issue that, over time, divided the top management team in Commercial Division and ultimately stymied the widespread institutionalisation and practice of the target marketing innovation the way it was initially envisioned. What emerged over the 1995-97 period was a fault-line (Lau and Murnighan 1998) in the senior management group with four senior executives aligned with the General Manager and the target marketing strategy (the legitimate subgroup) and the remaining five aligned around a different emphasis and interpretation of target marketing (the illegitimate subgroup).

This polarisation led to different sets of conversations taking place within the senior management group which in turn created significant confusion amongst middle managers in the field offices amongst those who were developing or implementing reciprocal innovations.

Interviewer: what were the main factors that contributed to [target industries] not getting as far as it could have?

Senior Manager: I think it's the duplicity of the communication. Just two completely different stories being told at the senior level. I think that was the hindrance to it all

- (Interview, Senior Manager, 1997)

As the two sub-groups emerged, sensemaking within each of the subgroups led to a shared set of beliefs and attitudes about target marketing. Between the two subgroups, the attitudes and beliefs were in stark contrast. This polarisation was made evident through the language, symbols and actions and was most evident in their interpretation of performance results. In 1995, while revenue had grown by 20% in target industries, and fallen by 20% in business outside target industries, the underwriting result (revenue less claims) suffered a significant fall. This provided evidence for both sub-groups to support their beliefs and assumptions. Table 2 sets out the different language symbols, and actions of the two subgroups that emerged.

INSERT TABLE 2 ABOUT HERE

In polarised sensegiving, members of the illegitimate subgroup were confronted with the need to publicly conform to the legitimate subgroup's needs, while still holding illegitimate views:

A cone of silence has been lowered over the subject of target marketing.

- (Interview Senior Management Group Underwriter, 1996)

He (the assistant general manager) was fairly public in stating that he had one foot in and one foot out and he was willing to jump based on which ever way it went. But he would toe the line if it was from [*the general manager's*] point of view, maybe for survival. And that clearly is still the case today..they would have a conversation *with [the general manager]* and say yes yes

yes, this makes sense, but have a totally different one with the [*acting general manager*] As the GM is not involved in the day to day stuff ...he's not actually seeing the behaviours and the way they actually transact their business. - (Interview, *Middle Manager, 1997*)

In terms of strategic impact, *polarised sensemaking* appears to have stifled further innovation. Very few new ideas were tried and tested in this climate, and significantly, no product innovations or new market segments were developed.

Communal Sensemaking

In 1997, the decision to restructure the field offices into a more centralised structure led to the breakdown of the polarised subgroups in head office. Middle managers in the field office began to see that target marketing was just one approach in the overall strategy. This sensemaking pattern involved horizontal interactions, in that it did not involve people from head office, but rather, it emerged from interactions amongst field managers, making it a communal sensemaking process. Metaphors were used on several occasions when people were asked about target marketing in its context:

I think what happened is that a couple of years ago, we had people who were evangelical about target marketing, and the pendulum had swung too far...now the pendulum has come back to the middle and there is some sanity...(Interview, Senior Management Underwriter, 1997)

It is possible that the evolution of communal sensemaking was facilitated by a new member of the divisional senior management group who came to the division and saw the need to have better alignment in the understanding of target marketing. He saw managers and staff in the field offices confused by the conflicting messages coming from Head Office. He commissioned a 'Target Industry Review' process that had two aims: to ask people to share their views about the effectiveness of target marketing as an innovation, and to determine what could be learnt from the eight-year

implementation process. This gave most people the opportunity to engage in retrospective sensemaking:

I believe we're on the right track now...we are not encouraging our people out in the branches to just focus on target industries...I think that's what the strategic plan would say anyway...I'm not trying to quote the strategic plan. I think that's where we are now, really. We will target our clients selectively and over time more and more of those clients will fall into target industry segments in which we desire but it's up to us, if we don't keep researching and developing our understanding of specific industries we will then create that perception that all we're interested in is that half a dozen. - (Head Office Underwriter - 1997)

Communal sensemaking in the field offices moved middle managers towards an aligned view of what target marketing was, although some blurring of the target marketing concept and its execution resurfaced in a more tolerant mode.

It is more reasonable now, boundaries around target industries are looser...they have begun to follow the bible less (-Interview, Field Office Manager, 1997).

The outcomes of communal sensemaking involved cognitive shifts as well as actions consistent with a reorientation. Strategically, a middle ground was identified, and the field offices were restructured once again, to reflect broader target industry groups such as service based customers (transport, local government and health), and manufacturing (food and beverage, mining equipment, printing).

INSERT FIGURE 1 ABOUT HERE

SECOND ORDER ANALYSIS: EXPLAINING THE SENSEMAKING PATTERNS

The four sensemaking patterns identified in the first order analysis provide a classification framework for the micro-processes of innovation strategising. Using this framework, the second order analysis explores each pattern more deeply to develop an explanation for each pattern observed.

Sensegiving and Polarised Sensegiving.

The Insureco case suggests that sensegiving may be a complex interactive processes of sensemaking. It confirms Gioia and Chitipreddi's model (1991) of sensegiving in that middle manager's interpretations are influenced by senior management sensegiving, and that senior management, in turn are influenced by middle management sensegiving through middle management actions.

The case study also suggests that the model of sensegiving defined by Gioia and Chittipedi (1991) may need to be developed and advanced to include the effect of coalition formation in the micro-strategising process. Patterns of polarised sensegiving appear to emerge when leaders of two subgroups provide different but plausible interpretations of past actions. Followers join the leaders through conversations within the subgroup, where the actions of the other subgroup are discussed and interpreted as being strategically inappropriate. Through these conversations, each subgroup specifies, explicitly or implicitly, their preferred strategic alternative, which opposes the other subgroup. For the illegitimate subgroup at Insureco, which was led by the Assistant General Manager, their preferred strategic alternative was the dismantling of the field office structure and the abandonment of further development of new target markets. For the legitimate subgroup, led by the General Manager, the preferred alternative was ongoing development of new target markets. In polarised sensegiving, an individual's sense of belonging within a subgroup strengthens. This identity construction becomes the basis of sensemaking activities within the coalition, as a more generic understanding emerges (Wiley 1988).

This polarised sensegiving pattern also describes an apparent failure of sensemaking between subgroups (Weick 1993) at the organisational level, where

failed sensemaking is defined as the inability to reach generic understanding and aligned action within a community. The strategising process at this level did not evolve as rapidly as it did with fragmented sensemaking. In this way, polarised sensemaking represents a failure to create new and shared understandings between conflicting groups.

The reason for the emergence of polarised sensemaking at Insureco is not entirely obvious, but is worthy of further exploration. In 1995, the General Manager, who led the legitimate coalition, came under increasing pressure from the Global Headquarters to continue implementing target marketing (65% of all business had to be in target markets by 1998). Many participants in the illegitimate coalition suggested the most direct cause could be traced to the General Manager's communication to all senior staff aimed at limiting the fragmented interpretations of target marketing in an effort to achieve alignment. He made it clear that formal questioning or opposition to the strategy was unacceptable. This very directive piece of sensegiving may have inadvertently created polarisation by sending dissenting voices into collective hiding. While this may have been the immediate trigger, the data also suggest that the illegitimate subgroup leaders had already formed their views about target marketing following the introduction sensegiving structures and systems by two middle managers, noted in the first order analysis. While the new field office structure diluted the underwriting expertise in the business, (and a possible perception of loss of status), the illegitimate coalition, made up mostly of underwriters, frequently referred to the supporting beliefs and actions of the intermediaries, who were perceived by them to be 'the customer'. The entrenched power of the institutional routines in the insurance supply chain provided a powerful alternative source of legitimisation, as the restructuring of the field offices made interactions

between intermediaries and sales staff more complex and frustrating for intermediaries. The illegitimate coalition attributed the drop in performance in 1995 to 'bad' business (high claims) in the target markets.

These micro-processes suggests that these factors led to the creation of the illegitimate sub-group, and further to an extended period of polarised sensegiving, as informal and behind the scenes questioning and opposition continued. Each group recognised the difficulty of trying to change the relatively intransigent attitudes and beliefs of the other groups.

The micro-processes of polarised sensegiving can be explained by institutional theories of micropolitics in the strategy formation process (Narayanan and Fahey 1982). Polarised sensegiving is based on the conception of politics and coalition formation as an institutional process. Institutional processes suggest that the coalition formation is driven by the creation of separate identities more than the calculation of maximised access to resources. Identities are implemented by separate cognitive processes of interpretation, but unlike resource dependency, a deeper sense of community prevails (March and Olsen 1989).

Fragmented sensemaking

Fragmented sensemaking is driven by middle management actions and language. There is little 'senior management sensegiving' associated with fragmented sensemaking, as senior management adopts a 'support' climate (West and Anderson 1996). Fragmented sensemaking is likely to occur when an innovation is new to a context or field, and so the meaning and consequences of the innovation are uncertain and open for enactment, or when senior management does not fully understand the

implications and meaning of the innovation themselves. Fragmented sensemaking requires middle managers to become action generators (Starbuck 1983). It is also highly dynamic and evolutionary, where some interpretations and actions gain more currency than others. Meaning and understanding are created intersubjectively, rather than generically, (Wiley 1988). Blumer's theory of symbolic interaction (1969) may inform our understanding of the micro-processes that underpin this concept:

In the face of the actions of others one may abandon an intention or purpose, revise it, check or suspend it, intensify it or replace it. The actions of others enter to set what one plans to do, may oppose or prevent such plans, and may demand a very different set of plans (p.8)

When senior and middle managers engage in fragmented sensemaking patterns, it reflects a strategising process that leads to innovative action and diverse interpretations. The underlying structure of fragmented sensemaking appears to be unformed or premature; no one has experience of the strategy and what it means in practice. Experience and action alone can provide a more complete meaning of strategy.

As noted earlier, the extensive literature on alignment and shared cognitions has drawn extensively on managerial communications as the basis for understanding the micro-processes of consensus and diversity in the cognitions of organisational members (Westley, 1990). Fragmented sensemaking attempts to describe a similar phenomena, but also attempts to advance the literature by including the role of diverse autonomous actions (such as establishing a local government target market, or identifying a new product). Fragmented sensemaking suggests that these actions then become the basis for conversations and interactions that create diverse cognitions (such as multiple labels for target marketing), an essential part of the strategy innovating process.

The process of innovating strategy can be experienced as either a ‘cognition first’ process, where senior managers make sense of innovations with middle managers through fragmented strategic conversations and communications, or it can be experienced as an action generating process where autonomous actions by middle managers are the subject of fragmented strategic conversations (Starbuck 1983) between senior and middle managers.

Communal Sensemaking

Communal sensemaking creates alignment and generic understanding (Wiley 1988; Drazin, Glynn and Kazanjian 1999). It is more, however, than a process of sharing thoughts and experiences. Alignment suggests a more varied set of inputs than sharing (Weick, 1995). The first order analysis suggested that communal sensemaking was facilitated by an intervention from an outsider observer or consultant with the specific purpose of creating shared learning from the expressed conflict and confusion about what target marketing is or should be. As Weick notes, (1995), incongruity in organisations is the basis for sensemaking occasions. By employing consultative processes and organisational development techniques, an open dialogue was created amongst people with different beliefs and assumptions. A shared framing (Fiol 1994) was redefined, with target marketing being one seen as one of many ways to build knowledge about customers. This creates revisions to each person’s understanding of the strategic choices in the organisation. The process of communal sensemaking is therefore one of co-determination, free of direct attempts at influencing, and creating alignment out of conflicting and competing actions and cognitions.

While many of the aspects of communal sensemaking reflect the existing literature on sensemaking and learning, the sequence and timing of communal

sensemaking in the innovation strategising process is an important addition.

Sensemaking about incongruous events often takes place through conversations that follow the event. Communal sensemaking, as defined in the first order analysis, may not have been possible following the initial sensegiving about target marketing, which must have seemed incongruous when compared with the entrenched routines of the Insurance Industry. Communal sensemaking requires conflicting or competing events and interpretations of those events to emerge. In the innovation strategising process, it will follow fragmented or polarised sensemaking activities.

The sequence of four sensemaking patterns at Insureco suggest a phased sequence of innovation strategising (See Figure 2). This sequence suggests that top down strategic innovation is initiated by senior management sensegiving. Because the sensegiving is incomplete, fragmented sensemaking is triggered if senior management permit liberal interpretation of the innovation through middle management action. This has the effect of creating a number of interpretations of what the innovation might mean in different parts of the organisation, but these fragments are unified by a common frame (Fiol, 1994). Throughout the fragmented sensemaking, senior management reforms and rearticulates what *they* mean by the innovation, and after time, they begin to give legitimacy to the actions of one group of middle managers as being the preferred strategic interpretation. This can have the negative effect of triggering polarised sensemaking particularly if performance results are ambiguous. Polarised sensemaking develops when a leader with an opposing interpretation to senior management emerges and attracts followers. It can be exacerbated if senior management controls and limits strategic conversations, preventing further discussion of concerns and issues. Communal sensemaking emerges through horizontal

conversations about conflicting and competing interpretations, and leads to a shared understanding of what the strategic innovation means.

DISCUSSION: BEYOND SENSEGIVING AND TOWARDS A THEORY SENSEMAKING PATTERNS IN THE STRATEGISING PROCESS

Gioia and Chittipeddi (1991) presented an iterative model of strategic change using sensemaking and sensegiving between different levels of management. The above analysis has explained how the strategic innovation process can be informed by a micro-analysis of distinctive sensemaking patterns. The analysis also implies a sequence of sensemaking patterns in the overall innovation strategising process.

A more general phased model is suggested by the sequence of sensemaking patterns. It suggests that the iterative strategy innovation processes of sensegiving and sensemaking (Gioia and Chittipeddi 1991) are interrupted by fragmented sensemaking and/or polarised sensegiving (see figure 3). Fragmented sensemaking is informed by patterns of simultaneous consensus and diversity, while polarised sensemaking is informed by institutional theories of micro-politics.

The phased model raises a number of issues for advancing theory of micro-strategy and strategising. First, the explanations of each of the sensemaking patterns suggest that strategy innovation is dependent on actions and interactions among and between senior and middle managers, and that these actions and interactions are broader than conversations and communications, and include autonomous acts that reflect different cognitive structures, but which also act as a basis for further sensemaking. Second, while the impact of power and influence has led to the identification of sensegiving in strategic change, (Gioia and Chittipeddi 1991), the formation of coalitions based on subgroups of shared interpretations of actions and

inactions led to the identification of polarised sensegiving. In contrast, communal sensemaking led to the dissolution of the coalitions, and was distinguished by a process of co-determination through horizontal interactions. The third issue raised by the phased model is the advances to theories of diversity and consensus during the strategy innovation processes (Fiol 1994). At different points, the degree of alignment about the target marketing concept varied (Jess Hansen 2001). Fragmented sensemaking and polarised sensegiving patterns were defined by multiple conflicting actions and interpretations, while communal sensemaking led to increasing alignment of interpretation. In the phased model, therefore, we see diversity and consensus as a dynamic process.

Finally, the impact of different sensemaking patterns on strategic outcomes requires some discussion. As noted earlier in this paper, the strategic outcomes of the target marketing innovation were reported to be in the SBU staff's relationships with and knowledge of their customers. The gap between the intended consequences (target marketing is to increase customer retention, and reduce costs of selling) and the retrospective sensemaking of actual strategic outcomes in 1998 might be attributed to the sequence of sensemaking patterns (Balogun and Johnson 1998). The case study has suggested that fragmented sensemaking encouraged innovative strategic actions. It is also possible that polarised sensegiving, while slowing the evolution and emergence of strategic innovation, helped the organisation define the critical strategic issues associated with target marketing through dialectic processes, allowing resolution through communal sensemaking. It may also be possible for either polarised sensegiving or fragmented sensemaking to be missing from the process, but not both.

Implications for future research and practice

Future research might extend the work in this paper in three directions: First, there is a need to develop propositions about the contextual factors (including, but not limited to power and influence) that are associated with each of the sensemaking patterns. Contextual factors that are likely to be significant in sensemaking activities include diversity (Hambrick and Mason 1984), information processing structure (Thomas and McDaniel 1990), support for innovation (West and Anderson 1996), image and identity (Dutton 1999). Second, the phased model of sensemaking patterns needs to be tested with real strategy innovation processes in large organisations. Third, the sensemaking framework and process model should be applied to other domains and events, such as strategic change as well as industry level change. For example, it may be possible to explain the emergence of new industries, technologies and fields using the four pattern process model. Finally, this paper has tried to integrate our understanding of the role of power and coalitions into the sensemaking process. This extends previous research proposing that the management of meaning has a significant role to play in the innovation legitimisation process (Dougherty and Hardy 1996) by providing an analysis of the sensemaking processes through which meaning and action unfolded in a senior management initiated innovation. Further investigation of micro-politics and coalition formation with the sensemaking perspective is necessary.

The implications for managers from this research is limited to cases of top down innovation. First, this research raises the question as to whether top down innovation can be managed. The phased model suggests that innovation outcomes can be shaped through sensegiving, but patterns of fragmented sensemaking and polarised sensegiving cannot be directly controlled by senior managers. Over time, intended and

unintended strategic outcomes can be expected. Second, fragmented sensegiving is critical to exploring the uncertainties that exist around an innovation, and the role of senior managers is limited to articulating their own interpretations of middle managers' actions. Polarised sensemaking, however, needs to be closely monitored, and opportunities to initiate communal sensemaking should be considered. Third, this research has examined the often under-emphasised role of middle managers in the strategy innovation process. Middle managers form the basis of fragmented and communal sensemaking through their autonomous actions and their horizontal interactions. Senior and middle managers need to recognise the potential role of middle managers in each of the sensemaking patterns of innovation strategising. Finally, this research suggests the efficacy of communal sensemaking as a form of organised learning. This requires intervention, but not by senior managers, as their direct involvement is likely to be interpreted as sensegiving.

CONCLUSIONS

This paper has attempted to advance our understanding of how the making of innovative strategies occurs in large organisations. The four patterns of sensemaking framework, and the phased model provide a micro foundation for future analysis of the strategising process at the organisational level and potentially, the industry level. Three new sensemaking patterns add to Gioia and Chittipeddi's sensegiving and sensemaking model (1991). It provides an analysis of sensemaking within and between management groups over an extended period time, and speculates that sensemaking patterns in management groups influence the strategic outcomes of organisations. In summary, it has aimed to progress our understanding of how patterns of strategy making emerge through thought and action over time.

Appendix A : Interview History

Interview set and date data collection completed	Interviews Completed	Interviews Used	Deliverable following data collection	Research Issue
Interview set 1: December, 1992	30, senior and middle management	4	Teaching Case Study,	Change management at Subsidiary level in the period 1988-1992
Interview set 2 October, 1993	5 middle management	2	Teaching Case Study	Tracking introduction of target marketing in the Focal Division (Commercial Division)
Interview set 3: October, 1994	16 middle management, team leaders	6	Teaching Case Study and Organisational Learning	Tracking the introduction of administrative innovations in the Focal Division such as structure, training and systems in Commercial Division
Interview set 4: November, 1996	25, senior and middle management	2	Learning History	Tracking the impact of human resource development strategies across the entire organisation
Interview set 5 April, 1998	10, Senior and middle management	10	Organisational Review	Review of target marketing innovation in Commercial Division .

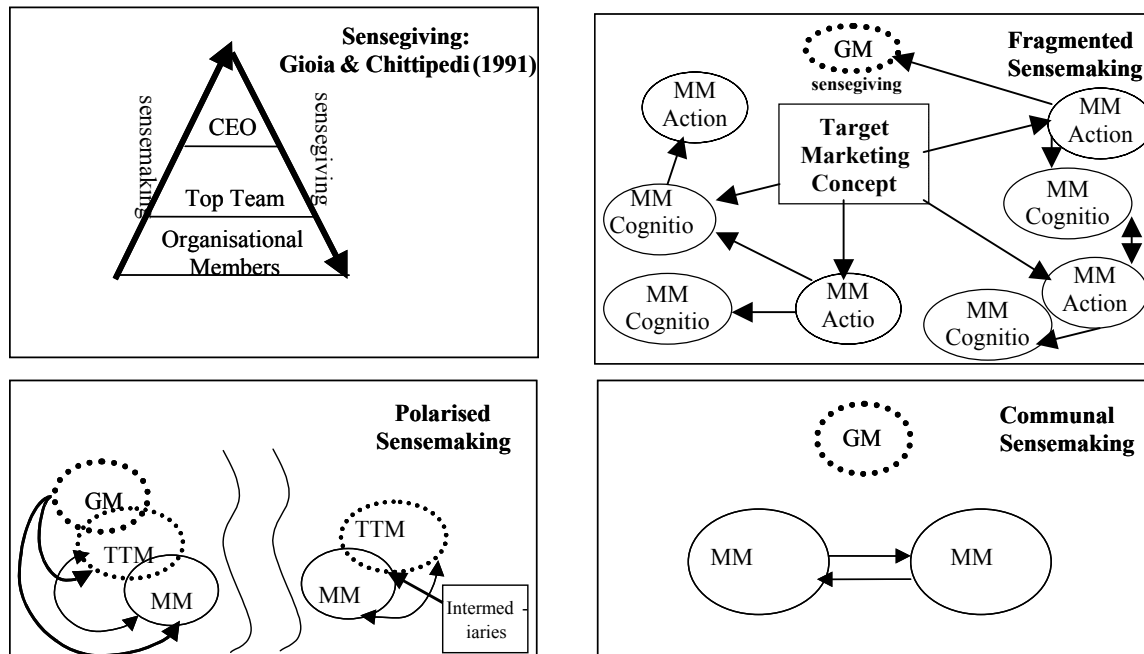
TABLE 1: EVENT DISPLAY: INSURECO

	Currency	Early Legitimacy	Late Legitimacy	Institutionalisation	Decay
	1989-1990	1991-1992	1993-1994	1995-1998	
INSURECO CEO, COO and Top Team	New Global CEO, and new CEO define the new strategic agenda: getting closer to the customer, through target marketing. First priority: Reduce Strike Rates	CEO is replaced, but target marketing strategy remains the same.	Global Corporate imperative: 65% of business in target markets by 1998 Market Research Reports commissioned in other divisions.		
Commercial Division General Manager	1989: General Manager completes Executive Education course. 1990: Commercial Division created.	Market Research Report commissioned. Identifies opportunities in various industries. Target Market Strategy developed by general manager.	1993: Promotions for maverick underwriters. 1994: General Manager appointed to head Corporate Development on a two year basis. Replaced by assistant General Manager.	1996: General Manager returns from secondment as Corporate Development Head; Removes manager of Branch C. Priority shifts from strike rates to increasing retention rates.	
Commercial Division Top Team	Commercial Division Top Team appointed, comprising senior underwriters.	Marketing Manager joins team. Develops Transport and Food and Beverage as target industries. Food and Beverage Launch very successful.	1993: Marketing Manager transferred to Global Head Office. 1994: Health Industry launched and fails within 3 months. 1994: Local Government Industry emerges as new target industry.	Market research report no longer 'the bible'. New Target Industries examined, but little progress. Two innovation champions promoted to Head Office Roles. Senior Management Team is fragmented over target industries. 1997: Insureco HR Manager appointed to Senior Management Team as Manager of Branch Operations.	1998: Former HR Manager proposes consultative review of Target Industries Strategy, leading to a common understanding 1999: Half the senior Management group leave organisation
Commercial Division Field Managers	'Maverick' underwriters in the motor fleet department develop the idea of visiting customers.	Scepticism, with the exception of the mavericks.	Maverick managers develop new field office structures and performance systems. They trial the new structure in branch A, and it is copied in branch B and C. Maverick managers complain that assistant general manager (now general manager) is slowing the implementation.	Field Managers accuse Head Office of being 'out of touch' with field office needs with regard to target marketing.	2000 Commercial Division Operations integrated with other Divisions

TABLE 2: LANGUAGE AND SYMBOLS OF POLARISED SENSEMAKING SUB-GROUPS

'Illegitimate' subgroup beliefs	'Legitimate' subgroup beliefs
A process for helping to target individual customers	A process for winning new business in new industries by understanding the common needs of customers in those industries
Product innovation is not possible in insurance - its too easy for competitors to copy	Product innovation was hard to do without the support of underwriters, but service innovations are working
Product pricing is subject to the ebbs and flows of the industry cycles	Product pricing is determined by how well we knew the customer and how much they valued as knowing them
Intermediaries are not interested in cross selling	Cross selling is hard to do as the underwriters will not cross subsidise each other's risks for the sake of a total customer account
Food and beverage initiative worked, but the other target industries are not any more successful than the rest of the business.	Each of the target industries have been successful, if you look at satisfaction ratings with the exception of health, which fell over because we didn't have the right product expertise
Insureco has lost so much good business because there was too much emphasis on target marketing	Insureco got rid of a lot of bad business because target marketing has forced us to look closely at our customers

FIGURE 1: GRAPHIC REPRESENTATIONS OF FOUR PATTERNS OF SENSEMAKING



*MM= Middle Manager
 TTM= Top Team Member
 GM = General Manager*

FIGURE 2: PHASED SENSEMAKING SEQUENCE AT INSURECO

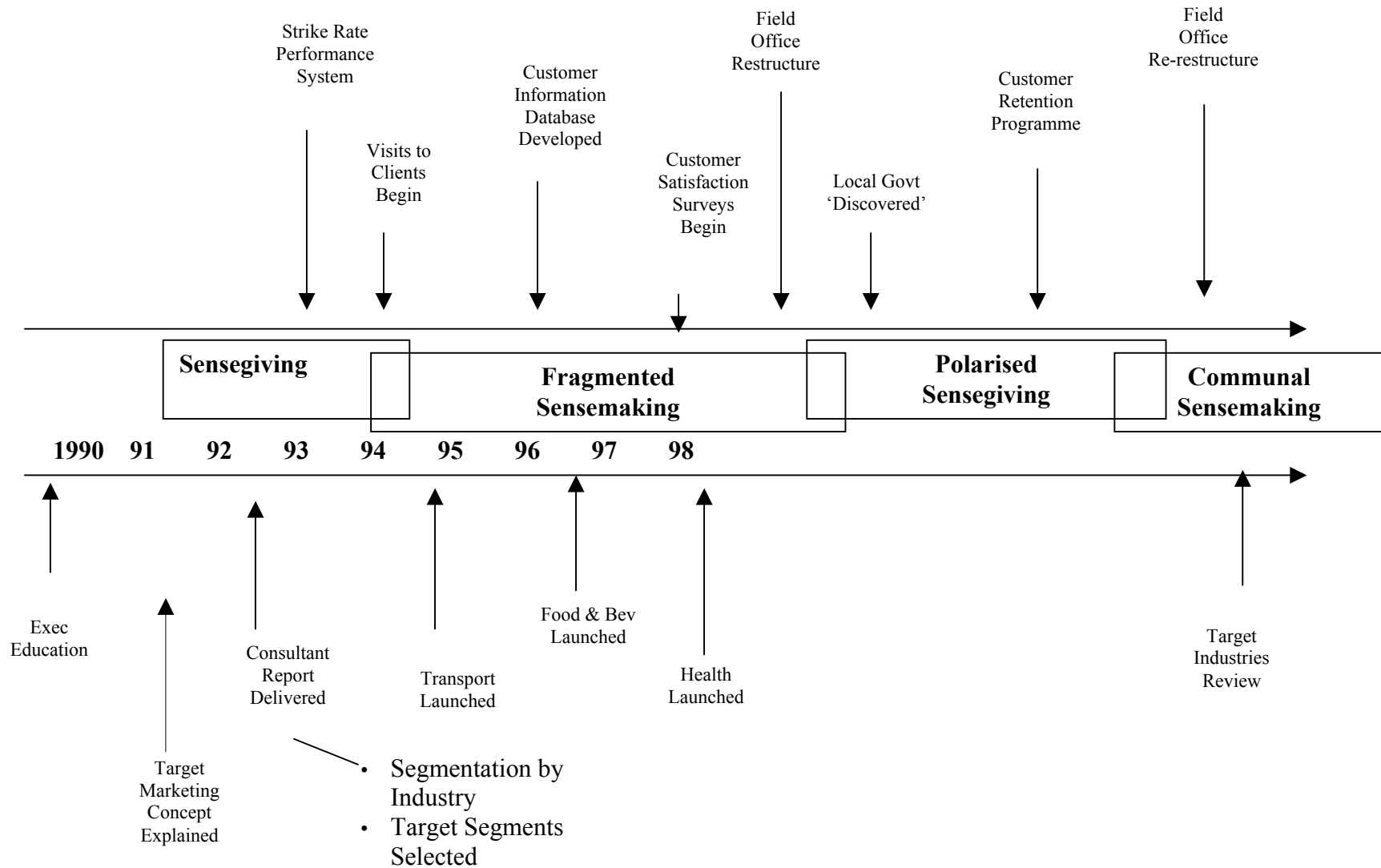
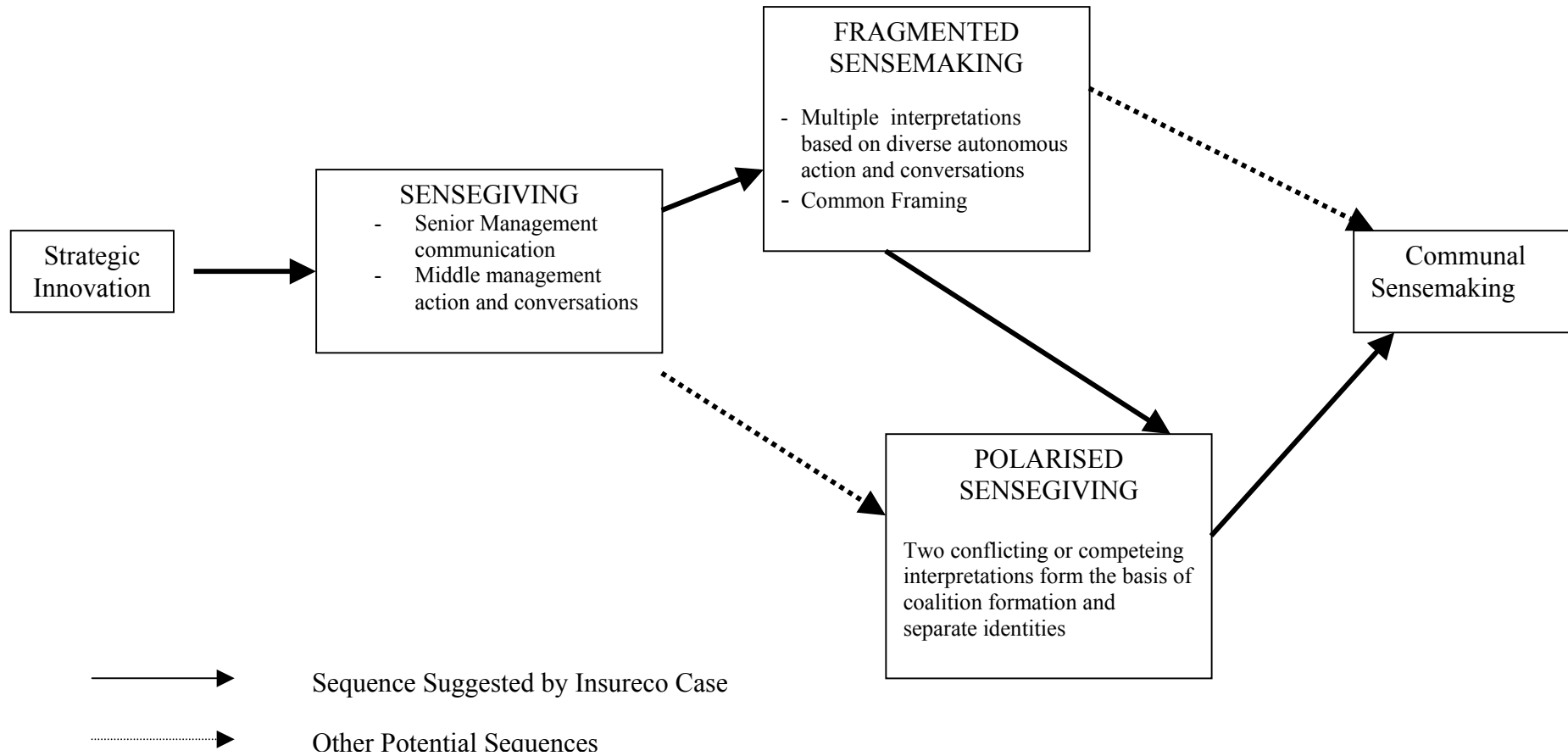


FIGURE 3: A MODEL OF SENSEMAKING PATTERNS FOR INNOVATION STRATEGISING



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