

## PROSPECTIVE SENSEMAKING: STRATEGY-MAKING IN A PIONEERING FIRM

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### INTRODUCTION

Anticipating the future is a defining aspect of strategic decision-making (Gavetti, 2012; Hamel & Prahalad, 1994; Mintzberg, 1985; Tsoukas & Shepherd, 2009). Although there have been calls to study “foresight” (Hamel & Prahalad, 1996; see Tsoukas & Shepherd, 2004) and “prescience” (Corley & Gioia, 2011), the key processes involved in such prospective activities remain undertheorized. Moreover, when studies on strategy-making do account for anticipation, the main orientation is one of “adapting” to trends in an uncertain future (e.g. Burgelman, 1994, 2002). Very little empirical attention has been given to the possibility that a firm might “strive more actively to shape its environment...” (Ghemawat, 2010: 40), “construct” its opportunity space (Gavetti, 2011: 3), influence trends (Corley & Gioia, 2011) and invent the future (Kay, 1971; Narayanan & Fahey, 2004). These observations suggest both the theoretical and pragmatic value of focusing on the question: By what processes might firms influence or shape the future?

Following arguments that imbuing a forward-looking sensibility into the field of strategy would involve re-examining existing cognitive microfoundations of managerial behavior (Gavetti, 2012; Porac & Tschang, 2013), I adopted a grounded theory approach to investigate the processes associated with more bona fide “future-oriented” strategy-making processes. Operating on the assumption that firms not only try to adapt to the future, but sometimes also try to shape and construct it (Cunha, 2004; Gavetti, 2012; Hamel & Prahalad, 1994; Narayanan & Fahey, 2004), I conducted an in-depth longitudinal study of a pioneering firm that, over five decades, shaped the future of its industry landscape. Fabindia Overseas Pvt. Ltd. (“Fabindia” henceforth), established in 1960, served as an exemplary case for this study on prospection because Fabindia is widely acknowledged to have anticipated, created and shaped an ecosystem for handcrafted products in India and overseas over a period of five decades (Cherian, 2012; Ramachandran, Pant, & Pani, 2010; Tyabji, 2010).

### METHODOLOGY

Given the limited literature on prospection and the objective to examine basic assumptions about sensemaking, I employed a “grounded theory methodology” (Glaser and Strauss, 1967) — considered ideal for discovery and construction of new theory. Considering that theory building is served by selecting a case that best illuminates the processes that one is interested in theorizing about (see Eisenhardt & Graebner, 2007), I worked to identify an exemplar firm that demonstrably had shaped the future of its industry. Fabindia, a leading Indian handloom retailer, served as an ideal or “inspirational” case (see Siggelkow, 2006) for this study. Fabindia, established in 1960, is India’s largest retailer for handloom and handcrafted products, including apparel (its flagship brand), jewelry, furniture, furnishings, body care and organic food. With an exclusive focus on craft-based products, the 54 year-old firm sources from over 80,000 producers, and is widely acknowledged to have anticipated, created and shaped an ecosystem for handcrafted products in India and overseas.

*Data Sources and Data Collection Procedure.* I obtained in-depth insider access to the firm thrice over a period of eight years. During each period, I gathered real-time data in two extended phases—the first, from 2006 - 2009, and the second during an intensive four-month data-collection period in India during 2013 by one of the authors. Overall, between 2006 and 2013, I conducted 85 formal, semi-structured, open-ended interviews and over 50 informal interviews. This included in-depth interviews, of 45 – 180 minutes duration, with organization members (including top management team and Board members) and stakeholders (suppliers, partners, investors, consumers). Interviewees' tenure at Fabindia ranged from three years to over 45 years. Interviews with senior leadership at pivotal points in the organization's evolution—including the initiation as well as closure of one of the three cases of prospecting— offered invaluable insights. I relied on archival data—including corporate documents, case studies, company and executive biographies, press releases, annual reports, media reports, industry reports and so on—to supplement interview data and also triangulate the interviews with key informants and, mitigate possible “retrospective bias” in the interviews.

*Data Analysis.* I first segregated raw data (interviews, press releases, media reports, case studies, industry reports) pertaining to each case. Within each case, I arrived at a process map by content analyzing the raw data using the coding approach developed by Gioia and his colleagues (see Gioia, Corley, and Hamilton, 2013) and then compared the three to develop a prototypical process model of prospective sensemaking at Fabindia. The coding process involved selecting, categorizing, and labeling all relevant data and, progressing from specific statements in the data (1<sup>st</sup>-order codes) to analytical- (2<sup>nd</sup>-order themes) and, eventually, distilled, 3<sup>rd</sup>-order theoretical concepts (overarching dimensions). I mapped the sequential relationships among the dimensions to arrive at a process model. I repeated this process for all the three cases. I then observed patterns in “deep processes” of organizing across the three process maps, and arrived at a unified grounded model of a prototypical instance of prospective sensemaking at Fabindia.

## FINDINGS

*Preview of the model.* Overall, the grounded model depicts the six phases that constitute prospective sensemaking in a pioneering firm. To reconcile my findings with extant conceptualization of sensemaking as a retrospective process, I mapped the six phases in an evolutionary epistemology. This led to an alternate portrayal of sensemaking as a process of “artificial evolution” (see Sarasvathy, 2003; Weick, 1989) with the possible sequence: creative enactment—retention—ecological change [I contrast this with the evolutionary sequence of the retrospective sensemaking model in the discussion]. As my findings suggested that the activity I came to term as “creative enactment” was the pivotal process in prospective sensemaking, I zoomed in on this set of activities to more deeply investigate the four dimensions that constitute the creative enactment process

This key process involved in prospective sensemaking, creative enactment, commenced with senior management not simply questioning status quo or taken-for-granted elements in the business landscape (“why are things this way?”) but, more importantly, imagining an alternate present (“how might things be instead?”) [Dimension]. The alternate was idealized, and constituted a synthesis of seemingly inconsistent and disparate elements in the current landscape (e.g., “scaling handloom production”—in an industry that inherently did not allow for economies of scale). Also significant was that this imagined alternate was accompanied by an intuited hypothesis about ways to

accomplish it (“this is probably how we can do it”), lending a sense of plausibility to it and an impetus for moving from imagination to action.

In the absence of a precedence and an obvious route to achieve this imagined alternate, the next phase of creative enactment involved concerted organization-wide action of “generating a plausible pathway” to the imagined alternate [Dimension 2] by acting on the intuited hypothesis. Across the three cases, this phase involved creating new products, practices and business models. This sub-process was *path dependent*, in that the successful validation of the hypothesis was contingent on developing organizational capabilities for the new task as well as mobilizing the support of stakeholders (both internal and external) and was also *tentative*, in that it involved acting on a hypothesis.

Translating idealized imagination into reality—of creating what is contextually and feasible, while still being consistent with the imagined alternate. This was managed by applying guiding principles [Dimension 3]. Such principles (e.g., “we should source directly from craftsmen and avoid middlemen”, “each retail store has to break-even in two months”; “each product should have at least one handcrafted element”), served as both enabling and restraining forces for the process of generating pathways—enabling exploration of new opportunities and adaptation to constraints, while ensuring that the objectives of the imagined alternate were not compromised. This process was both tacit (rules were widely shared and promoted, but rarely formally documented) and dynamic (some rules emerged and were revised in the course of generating pathways).

The process of generating the pathway did not guarantee that the imagined outcome would come to pass, however. Consequently, in this phase I observed efforts to reconcile emerging reality with the imagined outcome [Dimension 4]. This phase involved assessing emerging organizational outcomes (new products/new business models/new partnerships and so on) vis a vis the imagined outcomes and reflecting on (and revising) organizational choices pertaining to various aspects of the creative enactment process—i.e., pathways (“maybe our hypothesis is incorrect?”), capabilities (“the hypothesis seems correct, should we do something to execute it better?”), principles and rules (“are these standards valuable?”). Validated outcomes were consolidated until they stabilized and a new identity began to emerge—bringing closure to the creative enactment process.

Desirable outcomes were typically “retained” and promoted by “articulating a goal and strategy” (“this is how we will go forward”) [Dimension 5]. These processes that followed the key process of creative enactment involved more traditional and less-ambiguous processes of strategic planning and implementation—formalizing goals, fixing timelines, allocating resources and coordinating efforts. Even as the process of creative enactment unfolded, “new meanings”—exemplified in altered products, product categories, practices and business model—emerged on the landscape, attracting consumers, new entrants, suppliers, investors, etc. Eventually, the imagined alternate achieved a taken-for-grantedness in the business landscape, connoting “ecological change” and the realization of a transformed future for the business landscape [Dimension 6]

Overall, the grounded model depicts prospective sensemaking as a process of “artificial evolution”—represented by the sequence creative enactment—retention—ecological change—by which firms attempt to shape the ecology towards preferred ends. Specifically, my findings suggested “creative enactment”—a generative and reflexive process by which firms attempt to shape their environment in a non-linear, recursive, and dynamic manner—as pivotal to prospective thought and action.

Creative enactment was initiated by “imagining” an alternate to status quo—a process imbued with reflexivity (examining cause-effect relationships in industry structure, suggesting faultlines that led to status quo, articulating a value-based preference for an alternate

environment and hypothesizing about organizational actions that could lead to the alternate) and generativity (constructing an idealized alternate environment by creativity synthesizing seemingly disparate elements). As the imagined alternate has no precedence or well-defined pathways, the risk and ambiguity inherent to translating such an imagination into reality also requires creativity (in developing new products and practices by synthesizing diverse logics, and simultaneously developing new capabilities for it by mobilizing stakeholders) and reflexivity [disciplining the generation of pathways with ideals, and simultaneously reflecting, questioning (and at times, revising) assumptions, beliefs, and values embedded in organizational choices]. Overall, the ability to manage these complex, non-linear, recursive processes seems to be at the heart of the strategy-making at firms that are oriented to “shape” the future of their industry.

## DISCUSSION

I began this study with the aim of understanding how firms engage in prospective sense making and action taking, especially how they might actually work to shape the future: “What processes are involved in shaping a firm’s future?” The primary contribution of this study is a grounded process model of “prospective sensemaking” in a pioneering firm. The findings on the central role of (a revised view of) “imagination” in strategy-making contributes to the foundational assumptions about managerial cognition in the field by suggesting that that we consider such processes as not characterized merely by bounded rationality, but also as capable of “creative rationality.” Finally, the emergent concept of “creative enactment,” extends the existing sensemaking perspective to account specifically for prospective or forward-looking activities. Prospective Sensemaking. My ground-up theorization of the processes constituting prospective sensemaking enabled us to map the prospective sensemaking process as manifested in a pioneering firm. Additionally, juxtaposing the evolutionary epistemology—adopted in the original conceptualization of sensemaking— onto the grounded model helps delineate the fundamental differences between retrospective and prospective sensemaking processes —thereby offering the theoretical and empirical grounds to suggest a bona fide *prospective* form of sensemaking”.

Overall, in evolutionary terms, I observed prospective sensemaking to represent an “artificial” (Sarasvathy, 2003; Simon, 1969; Weick, 1989) process of evolution, by which firms proactively intervene in the present environmental context, disrupt the status quo, and create new meanings, new structures, and new realities. Where (retrospective) sensemaking is described as a “modified evolutionary process” of “ecological change—enactment—selection—retention” (Weick et. al., 2005), prospective sensemaking can be described as process of “artificial evolution” with the sequence: creative enactment—retention—ecological change. I base my discussion of the differences between retrospective and prospective sensemaking around this sequence.

Retention, a stage following enactment where previously validated actions become part of the organization’s formal strategy, is similar across both models of sensemaking. Ecological change, although substantively similar across the retrospective- and prospective- conceptualizations, is the last stage in the prospective sensemaking process. Ecological change is the aim and objective—and not just the trigger— of prospective sensemaking. This teleological and more agentic aspect of prospective sensemaking becomes clearer when we consider the processes that precede ecological change—“creative enactment”, the stage that is pivotal to extending extant conceptualizations of sensemaking to capture prospective thought and action.

*Creative Enactment.* I use the term “creative enactment” to refer to the set of processes, involving both cognition and action, by which firms attempt to generate new artefacts that shift the

status quo in the environment. Although the grounded model highlighted various themes that distinguish creative enactment from conceptualizations of retrospective enactment, I distill these differences to two deeply intertwined elements that I suggest not only define the essence of creative enactment but also constitute fundamental organizing processes that are under-recognized in the management literature—*imagination* and *reflexivity*.

*Imagining.* Although imagining is a common term, and obviously not new to the management literature, per se, it is a notion that benefits from a revised conceptualization. Imagining can be tentatively defined as a cognitive process of purposefully generating counterfactuals or alternatives to a present reality (see Byrne, 2010). Weick invokes the idea of imagining to explain how sensemaking works in the context of future-oriented actions—where “sense is made of future events by imagining that they have already occurred and then infusing this ‘elapsed’ experience with meaning” (Gioia & Mehra, 1996: . Byrne’s (2010) observation that the process of imagining has a wide repertoire, ranging from imagining the mundane to imagining the radically novel (“creative imagination”) suggests however that the type of imagination invoked in “future-perfect thinking” processes appears relevant and feasible in the context of a future that is more familiar and whose image can be projected from memory. A memory-based imagination may be less feasible when the future that one is working towards is pioneering – i.e., is intended to break from the status quo and has no prior referents.

I use the term “creative imagining” to refer to cognitive processes focused on constructing an alternate to the status quo—an act that typically involves synthesis of diverse elements (some of which are seen as contradictory or conflicting with the status quo) to create a novel idea that is irreducible to its individual parts. My findings on synthesis-based creative imagining, as distinct from memory-based imagination or projection characteristic of future-perfect thinking, resonates with Wundt’s exposition of the capacity of the human mind for “creative synthesis”— the ability to combine disparate mental events to create entirely new and unpredictable conceptions. Although synthesis, by definition, is less amenable to reduction to its principal components, my findings suggest that it stems from deep experience and understanding of the status quo as well as exposure to alternate knowledge systems, that when coupled with idealized values, not only spurs dissatisfaction with certain elements in status quo, but also enables the actor to see faultlines in it and imagine an alternate to it. Although creative imagining gives prospective sensemaking its distinctive generative and divergent quality, it is the aspect of reflexivity that lends it directionality and purpose—themes less associated with the behavior of decision-makers in the retrospective sensemaking perspective.

*Reflexivity.* Enactment, the idea that actions and environments are recursively and mutually constituted, was central to Weick’s conceptualization of sensemaking. In contrast to the notion of a “passive actor”, the concept of enactment suggests a process that, although non-routine, is typically also not actively reflective. Actions are essentially pre-determined—not by an external environment but instead by the actor’s past experiences (as reified in the actor’s identity and habits). My findings on prospective sensemaking suggest instead the key role of reflexivity, a process of investigating (and influencing) cause-effect relationships in social structures, through complex, non-linear, and recursive processes deliberating the link between organizational actions and environments, reflecting on and challenging previously unexamined practices, expressing a value-based preference for an alternate environment, enacting the alternate by applying principles, and selecting outcomes that align with imagination—processes that involve continual reflection (and revision) of organizational choices and assumptions. My findings suggest that reflexivity not only imbues prospective sensemaking with directionality and purpose—teleological elements missing in retrospective sensemaking—but also elevates it to a metacognitive process.

The idea that actors can proactively try to create ecological change is closely tied with the ontological assumption that the environment can be influenced/shaped. Prospective sensemaking might be more prevalent among firms managed by leaders who actively subscribe to a more subjective and constructivist ontology. In other words, where the model of retrospective sensemaking—“intended to break the stranglehold that decision making and rational models have had on organizational theory” (Weick, 2003: 186)—uncovered the subjective modes of decision-making of a seemingly objective decision-maker, the model of prospective sensemaking provides insight into the more reflexive and creative ways of decision-making of a constructivist decision-maker.

## **CONCLUSION**

With the larger agenda of stimulating and shaping discourse around “forward-looking” or prospective behavior, I employed a longitudinal, grounded-theory approach to investigate the processes by which firms anticipate the future and, more importantly, seek to shape it. The emergent concept of “creative enactment”, offered the grounds to extend the traditional sensemaking perspective, which is deeply rooted in retrospective processes, to account for prospection or forward-looking activities— particularly those intended to shape the future.

## **REFERENCES AVAILABLE FROM THE AUTHOR**