

Sensemaking, Wisdom And Decision Making In Marketing Strategy

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Abstract

The boundaries of the marketing discipline have broadened to encompass research areas that have informed managerial information use as an input to marketing strategy formulation. A logical extension of the research in information use is a consideration of the concept of decision-making. Sensemaking is intimately linked to decision-making through the formation of preferences, rules and expectations and it is *these* that shape interpretation of organizational issues as well as frame and order the information selected and gathered for decision-making about them. Recent work has suggested that good decision-making is an outcome of right thinking (Fodness 2005), of the way information is ‘held’ (Weick 2001) or the attitude towards knowledge and knowing (Small 2004). Weick (2001) has termed this an attitude of wisdom. We propose a model incorporating the variables of sensemaking, wisdom, decision-making and performance that essentially suggests that sensemaking antecedes decision-making and that increased levels of wisdom will increase the contribution that sensemaking makes to decision making. The quality of decision-making then affects the quality of organizational performance.

Keywords: wisdom; decision making, sensemaking.

Introduction

“We can be knowledgeable with other men’s knowledge, but we cannot be wise with other men’s wisdom.” (Montaigne cited in Fowers 2003).

Over the last two decades or so, the boundaries of the marketing discipline have broadened to encompass research areas that have informed managerial information use as an input to marketing strategy formulation. Research in areas such as market orientation (Kohli and Jaworski 1990), organization learning (Day 2002; Baker and Sinkula 1999), information processes in organizations (Moorman 1995), knowledge as an asset (Glazer 1991) and information use for firm performance (Souchon, Cadogan, Procter and Dewsnap, 2004) have positioned the marketing discipline at the forefront of emergent managerial practice in an information intense environment.

A logical extension of the research in information use in organizations is a consideration of the concept of decision-making. Marketing theorists have placed much more emphasis on the effective *use* of information to inform decisions as opposed to the management discipline (see March 1999) which tends to deal with the nature of decision-making itself. However, few marketers have researched decision-making and its impact on marketing strategy (for exception see Fodness 2005). For the most part in marketing research, information is deemed to be used in or for the purpose of decision-making in organizations (Moorman, 1995) and it is also assumed that good decision-making has a positive effect on organizational performance. One example is Moorman (1995) who measured the links between information processes in organizations and firm performance inferring the quality of decision making from the quality of performance outcomes (p. 330).

The quality of decision-making is vital for any organization and a large part of contemporary research on decision making in organizations is concerned with how decisions should be made (March 1999). Traditionally, the marketing discipline has described decision-making in terms of marketing planning that is, making decisions about marketing strategy and acting on those decisions (Greenley 1986). Marketing planning usually begins with a diagnosis of what is 'wrong', that is, problem definition and then possible options are considered to resolve the 'problem'. Various management authors describe decision-making in terms of a number of stages or steps (Mintzberg 1976). In particular, Longbottom (1972) and Mintzberg (1976) advocate that effective decision-making occurs where managers actively select situations that require decisions and seek information regarding those decisions. Presumably, this identification of problems or situations focuses the information selection and utilization efforts, thereby saving time and effort. Day (1994) further confirms this by stating that an absence of information overload will result in optimum decision-making conditions. What is common in the two approaches, is that managers appear to interpret and define the situation first, and then apply information gathered for the problem to further their understanding prior to making decisions. What is missing from the literature so far, is a critical evaluation of whether the interpretation of the situation or problem has any bearing on the information gathered and thence used in decision-making.

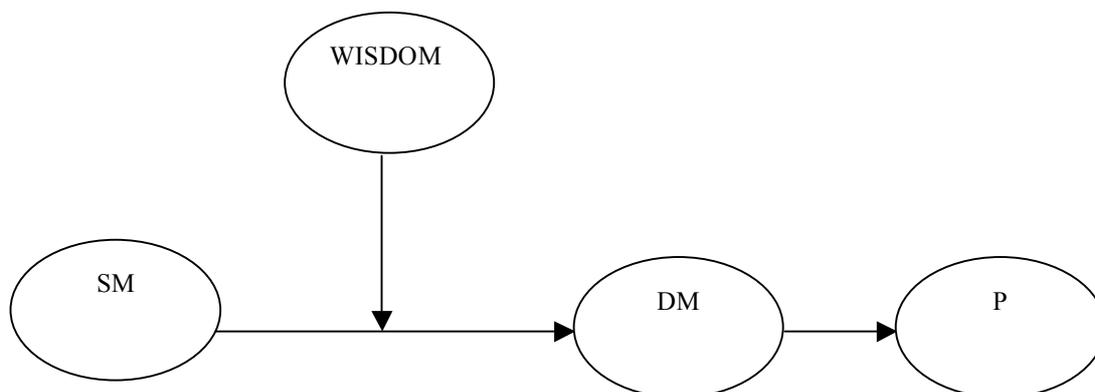
Interpretation in organizations has often been invoked using sensemaking as a synonym (Day 2002). However, Weick (1995) cautions against this, as 'interpretation' implies that the object to be interpreted, pre-exists. No presumptions like this are implied in sensemaking theory. In fact March (1999) states that sensemaking is intimately linked to decision-making through the formation of preferences, rules and expectations (p. 23). And it is *these* that shape interpretation of the 'situation' or 'problem' as well as frame and order the information selected and gathered by the organization for use in decision-making (Day 2002).

The knowledge-based approaches to strategy have advocated that more knowledge and information lead to greater success (Bierly, Kessler and Christenson 2000). This assertion has met with much scepticism in practice. However, marketers have been more concerned with how managers *use* information (Deshpande 2001) for competitive advantage or increased firm performance generally. Czarniawska (2003) is famously quoted in her response to a manager who asked the academic community for more useable knowledge, "*But all knowledge is usable, horoscopes, the knowledge of the magic properties of crystals. Use is not an attribute of knowledge, but of a user*" (p. 354). If the best 'use' of knowledge potentially resides in the user, then what attributes do managers – users in the context of decision-making – need to make good decisions? Recent work has suggested that good decision-making is an outcome of right thinking (Fodness 2005), of the way information is 'held' (Weick 2001) or the attitude towards knowledge and knowing (Small 2004). Weick (2001) has termed this an attitude of wisdom.

Some early work is emerging that incorporates the notion of wisdom into organization learning theories (Small 2004; Weick 2001; Bierly *et al* 2000; Hendry 2000). Wisdom is an attitude toward knowledge rather than a body of thought. This is captured in Meacham's (1990, 210) statement that "*the essence of wisdom is in knowing that one does not know, in the appreciation that knowledge is fallible, in the balance between knowing and doubting*". Thus, we have the idea that people can act more or less wisely. The extent of wisdom used in decision-making by managers may account for the quality of decisions in organizations and therefore the quality of organization performance.

We therefore propose a model incorporating the variables of sensemaking, wisdom, decision-making and performance that essentially suggests that sensemaking antecedes decision-making and that increased levels of wisdom will increase the contribution that sensemaking makes to decision making. The quality of decision-making then affects the quality of organizational performance. See Figure 1 below.

Figure.1 The Moderating Effect of Wisdom on Sensemaking, Decision-making and Performance



Introduction to the model

The Link between Sensemaking and Decision-making.

“Decision making is intimately linked to sensemaking” (March 1999, 25). As individuals and organizations make decisions, they transform their preferences and their identities and shape the worlds they interpret. While sensemaking is both implied and stated in the literature as a part of the market learning process (Day 2002), it has not been explicitly modeled previously. Day (2002) modeled market driven learning processes and outlined sensemaking activities as part of those processes, stating that sensemaking is composed of activities that classify sort and simplify information collected in the context of application of mental frameworks to information ‘sensed’. So sensemaking activities are not organization learning or knowledge, but rather a set of organization processes that presumably could lead to organization learning and knowledge.

The concept of sensemaking (Weick 1995) offers a holistic explanation of how organizations make sense of informational signals by defining how people in organisations place stimuli into frameworks for understanding. It has emerged as a concept used by many researchers in diverse fields, particularly organization learning and knowledge use (Dougherty, Borelli, Munir and O’Sullivan, 2000) in organizations. Past research has shown that the way information is used has implications for decision-making and ultimately performance in organizations (Souchon *et al* 2004; Moorman 1995). Given that sensemaking processes are the ‘way’ information is framed for use, it is plausible that there are better frameworks for particular information in order to achieve appropriate understanding of a situation. This leads us to propose that:

P1: Quality of sensemaking positively affects the quality of decision making.

The Link between Decision-making and Performance.

In marketing theory, the quality of decision-making has been historically inferred from the quality of performance in organizations, rather than explicitly modeled and tested and this presents an incomplete description of the impact of information on competitive advantage and firm performance (Moorman 1995, 330). Four fundamental skills of decision-making processes are assessing beliefs, assessing values, combining beliefs and values and having meta-cognitive understanding of ones abilities (Parker *et al* 2005; Raiffa 1968). In addition, Parker *et al* (2005) and Levin *et al* (2000) found links between stable personal characteristics and decision processes, implying that decision-making competence is related to cognitive ability. Thus, we introduce the notion of a continuum of quality in decision-making in organizations based on the presence of these qualities in decision-makers. Therefore, good decisions that produce good performance in organizations should be an outcome of high levels of managerial and or organizational competence in decision-making processes. Following from this, high quality performance in organizations can be conceived as a consequence of high quality decisions by decision-makers. We therefore propose that,

P2: The quality of decision-making positively affects the quality of organizational performance.

The Moderating Influence of Wisdom.

Marketing literature has not yet examined the concept of wisdom, although it is beginning to emerge in organization learning research (Small 2004; Weick 2001; Bierly *et al* 2000; Hendry 2000). Wisdom is defined as the ability or the result of an ability to think and act utilizing knowledge, experience, understanding, common sense and insight (Makins, *Chief Editor*, 1998). It is associated with human qualities such as reason, judgment, discernment, prudence and sagacity.

Wisdom is manifest in the characteristics of reflection, which is understood as the consideration of events in the light of their grounds and consequences (Small 2004) and in judgment, or the exercise of wise decision making or making sensible, reasonable and intelligent choices (James 1963 cited in Weick 2001). Reflection associated with wisdom involves the articulation of 'the big picture' that results from a grasp of multiple connections. It is implied in current thinking of cause maps (Huff, 1990), interactive complexity, causal interdependence and systems (Perrow, 1986). To be wise is to think about the systemic qualities of ones actions and to envision long causal chains among components in the system. Judgment is about the process of enacting wise thinking. "*Wisdom is the capacity of judging rightly in matters relating to life and conduct*", (Oxford Dictionary 1989). Judgment or the appraisal of ends, when incorporated into wisdom contributes that rare quality of discernment of facts or conditions that are not obvious, as well as those that are discernible, and an ability to comprehend the significance of those facts and conditions (Weick 2001).

The essence of wisdom then, "*lies not in what is known, but [rather] in the way that knowledge is held, and in how that knowledge is put to use. To be wise is not to know particular facts, but to know without excessive confidence or excessive cautiousness*" (Meacham 1990, 185). Meacham's ideas are relevant to organization learning and knowledge creation (See Nonaka and Takeuchi 1995) in that wisdom can be defined conceptually as balancing knowing and doubting, or behaviorally, as balancing confidence and caution (Weick 2001). According to Sternberg (1997), who focuses on wisdom in relation to other

constructs such as creativity and intelligence, subjects manifesting wisdom possess a meta-cognitive style that allows them to recognize *simultaneously* what they know and what they don't know, as well as the limits of what can be known, to appreciate ambiguity and face it as part of experience and strive for deeper understanding of problems and events.

By *simultaneously* exercising both confidence and caution rather than an intermediary state, wise managers recognize that the information and knowledge they possess is fallible. Yet at the same time, it may be necessary in order to move forward, for managers to act (preceded by decisions to act), knowing that fallible information may be all that they have and that it can be re-combined as new knowledge, upon reflection, as they adapt to changing contexts.

Sensemaking involves ordering and framing of information in order to identify the nature of 'the problem'. Wisdom is about an attitude of reflection and deliberation toward that framework and the meanings it invokes as it becomes transformed into what is known or can be known, yet at the same time making cautious judgments that inform decisions from which actions proceed. Therefore, wisdom applied to sensemaking processes should lead to increased quality of decision-making in organizations. We propose that,

P3: Increased levels of wisdom will increase the contribution that sensemaking makes to decision making.

Managerial Implications and Conclusions

For managers, choosing the best course of action often means rapid adaptation to a dynamic context from which the 'problem' is derived. In some market environments, many managers also operate in multiple contingency mode, whereby they must be prepared simultaneously for a range of as yet unknown and unknowable possibilities, all requiring a range of adaptive responses. Clearly, this requires high-level sensemaking processes to discern multiple connections and long range causal chains, and also the application of wisdom so that excessive caution and confidence are balanced when informing decision-making. Managers can exercise wisdom when engaged in sensemaking processes, by holding caution and confidence simultaneously, by expressing each state and applying each to the range of possible adaptive responses to possible market contexts.

We have offered a conceptual model of the moderating effect of wisdom on sensemaking in organizations and its impact on the quality of decision-making and consequently organization performance. Further research is recommended in order that the model be empirically tested. A logical first step would be operationalizing sensemaking, wisdom and decision making as its constituent parts. These variables are complex and embedded in human behavioural theories. As such, an interdisciplinary approach is recommended. Detailed literature from other disciplines already exists, for example in decision-making and personal wisdom. This could inform further research within the marketing discipline for the operationalization process.

It is without question, that marketing has broadened the boundaries of our understanding in the fields of organization learning, knowledge and information use. Its contribution has been through rich empirical research and a scientific approach. And it is these capabilities that it must now leverage in the pursuit of understanding the operation of wisdom in organizations.

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