

# Behavioral Strategy: What's hot and What's not

A review

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# Agenda

- Topic and questions
- Methods
- Results
- Statistics
- Observations
- Codification
- Findings & discussion
- Future challenges

# Topic & questions

## Academic debate

- Organizational adaptation: voluntarism vs. determinism (Astley and Van de Ven, 1983)
- Foundations: methodological individualism (Weber, 1949, Simmel, 1974) vs. collectivism (Durkheim, 1962)

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Stemming from a voluntaristic perspective, but going beyond the Upper Echelons theory (Hambrick and Mason, 1984), and starting from microfoundations to scale up at the organizational level, Behavioral Strategy



*merges cognitive and social psychology with strategic management theory and practice*

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## State of the art

- 3 main paradigms with an immense volume of research output on theoretical level
- limited application on practical one

## Research questions

*What has been written and how has it been written about behavioral strategy?*

# Methods

The *systematic literature review method* (Cook et al. 1997; Cooper 1998; Denyer and Tranfield 2008; Tranfield et al. 2003)

1. **Database:** EBSCOhost;
2. **Type of citations:** only peer reviewed articles of academic journals, written in English;
3. **Primary keywords:** 12 words in title or abstract for the substantive relevance on behavioral strategy issues;
4. **Additional keywords:** other additional 6 keywords, reinforcing substantive relevance on managerial issues;
5. **Additional keywords 2:** other additional 5 keywords, reinforcing substantive relevance on strategical outcomes;
6. **Reading of the abstracts:** for taking into account only those articles that fit the purpose of the research;
7. **Reading of the texts:** for strengthening the results of previous phase;
8. **Confirming the outcome:** by using a “snowballing” technique.

“behavioral strategy” or “upper echelons” or “heuristics” or “bounded rationality” or “emotion\*” or “cognit\*” or “microfoundation\*” or “narcissism” or “hubris” or “neuroscience” or “cognitive psychology” or “social psychology”

“firm\*” or “CEO” or “board\*” or “corporation\*” or “top management team\*” or “enterp\*” or “compan\*”

“heterogeneity” or “performance\*” or “outcome\*” or “competitive advantage” or “opportunit\*”

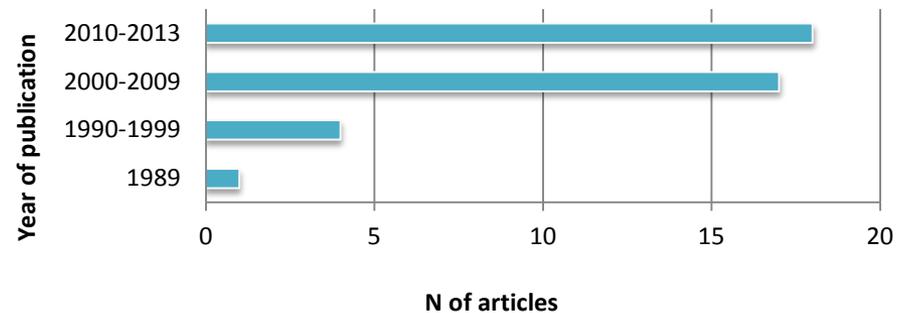
# Results

<i>PHASE</i>	<i>DESCRIPTION</i>	<i>EBSCOhost</i>
III	Primary 12 keywords in the abstract or title	53,356
IV	At least one of the additional 6 keywords in the abstract or title	8,069
V	At least one of the additional 5 keywords in the abstract or title	2,498
VI	Abstracts substantively relevant	292
VII	Texts substantively relevant	39
VIII	Snowballing technique	40

... At the end, I was left with a population of **40** articles coming from **17** different **academic journals**

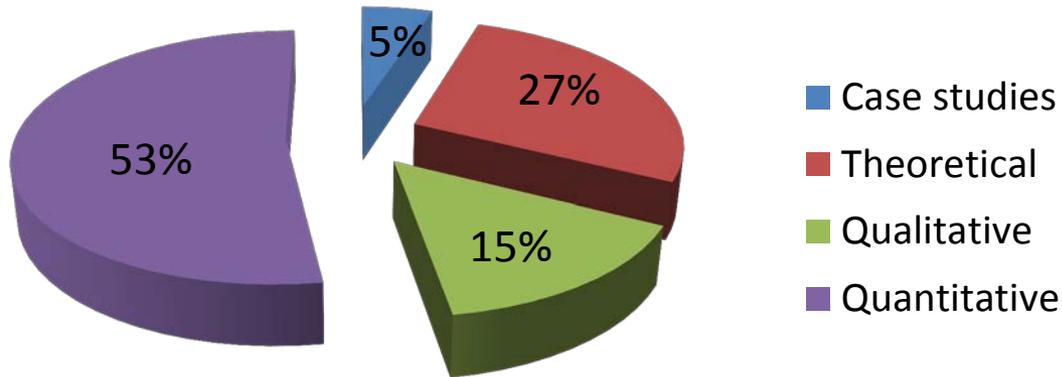
... *The original articles covered a time period from 1917 to 2013...*

The temporal trend of the ones within the final population, show that, although shorter as a period, most of the articles (45%) have been published between 2010 and 2013.



# Statistics

## Dataset composition



*The most of the articles are either quantitative analyses or theoretical.*

## Main facts

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- Qualitative analyses techniques were quite heterogeneous, while for their content was the opposite with an absolute prominence of the link between managerial cognition and organizational performance.
- Quantitative analyses generally declared their sample observation period (62%) and their geographical setting (71%). America resulted the most investigated country (60%). Statistical techniques were found to be quite homogeneous with an absolute predominance of various types of regression analyses, the majority employed a hierarchical regression model (19%).

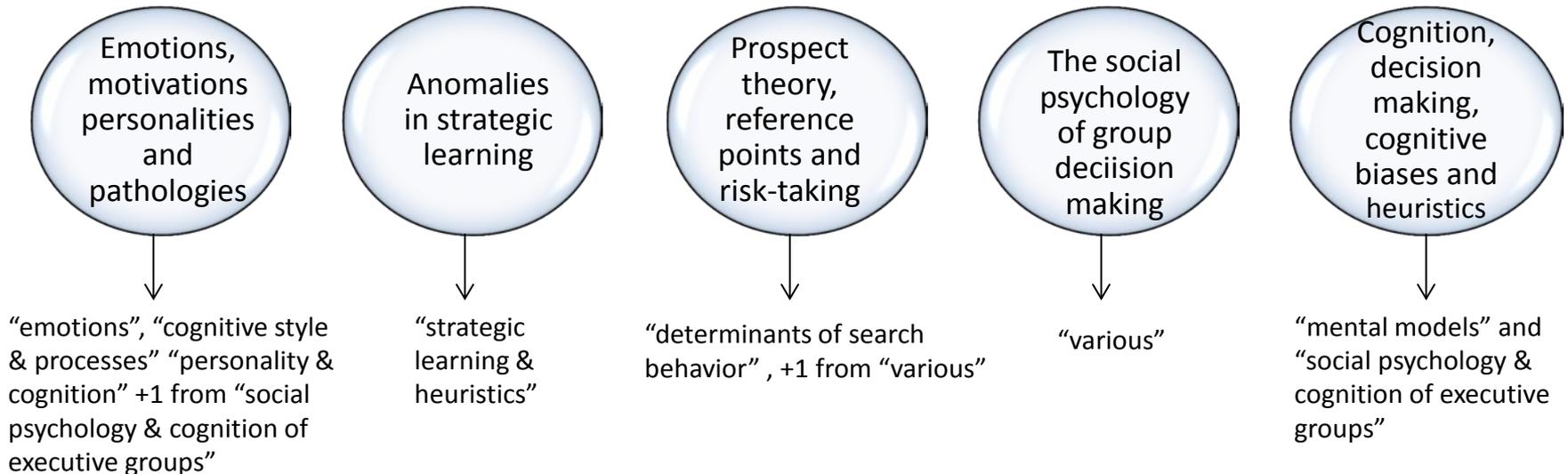
# Observations

Snapshot of main investigated topics

- Emotions (5%)
- Strategic learning & heuristics (5%)
- Cognitive style & processes (7.5%)
- Mental models (7.5%)
- Personality & cognition (10%)
- Determinants of search behavior (12.5%)
- Various (22.5%)
- Social psychology & cognition of executive groups(30%)

... How reducing all these variables investigated ? -----

By using *Strategic Management Society* classification



# Codification

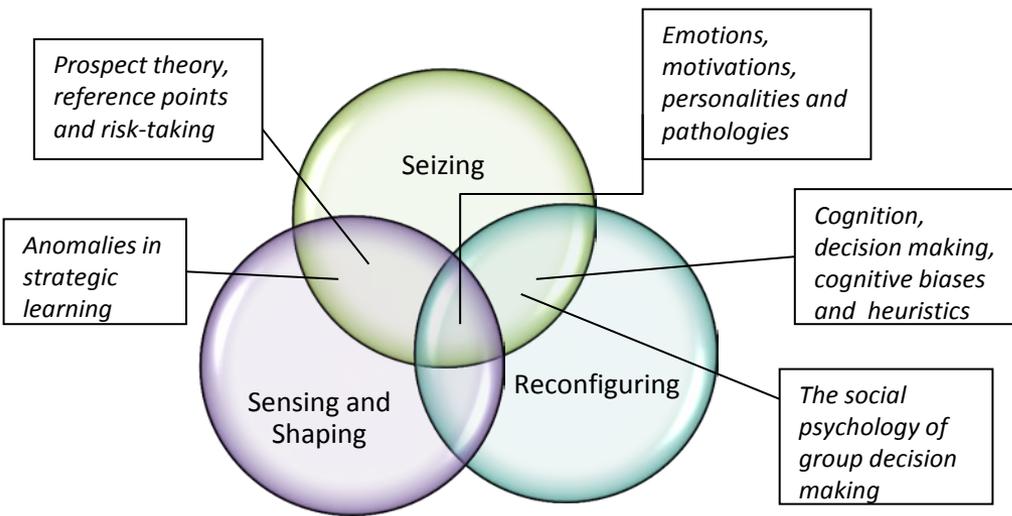
I looked at the *psychological foundations of dynamic capabilities* to classify the outcomes of the dataset articles. Using the Teece revisited model by Hodgkinson and Haley (2013), I followed two steps:

## 1) Codification per outcome

OUTCOME	SUBTOPIC	SPECIFIC OBSERVATION
SENSING AND SHAPING	Serendipity Identification and creation of competitive advantage Emotional identities and affective traits	Entrepreneurial opportunity evaluation Discovery of strategic opportunity Internationalization New venture creation
SEIZING	Overcoming biases in decision making Behavioral decision theory Mental models Collective cognition Process experience	Selection process Strategic decision outcome Strategic dynamism Firm performance Strategy implementation Decision making process
RECONFIGURING	CEO performance Strategic Group knowledge structures Self and social identities	Strategic change Business renewal Group stability/heterogeneity Strategic conformity/persistence Value creation

## 2) Association outcome-5 identified variables by using *Strategic Management Society* classification

# Findings & discussion



## *OUTCOME I, Sensing & Shaping*

18% of the dataset articles;  
*Prospect theory, reference points and risk taking* is absolutely predominant.

## *OUTCOME II, Seizing*

56% of the dataset articles;  
*Cognition, decision making, cognitive biases and heuristics* is the most investigated variable.

## *OUTCOME III, Reconfiguring*

26% of the dataset articles  
*Emotions, motivations, personalities and pathologies* is absolutely predominant.

•“*Emotions, motivations, personalities and pathologies*” is mainly associated with the *strategic dynamism, persistence/change or business renewal and technological discontinuity*, “*anomalies in strategic learning*” with *internationalization and firm performance*. Both of them have a clear connection with the external environmental context.

•“*Cognition, decision making, cognitive biases and heuristics*” has a double component: external, of *firm performance*, and the other one more internal, related to the *decision making process*.

•“*The social psychology of group decision making*” is mainly concerned with the intra-firm processes of *board composition, heterogeneity and value creation*

# Future challenges

*Acting on a double level*

## ***Theoretical :***

- Reducing the heterogeneity of research by finding the unity in diversity
- Addressing the issues of scaling and opening the black box
- Better exploitation of the cross-fertilizations possibilities avoiding the simple borrowing of concepts from psychology

*To make it possible to apply it at the*

## ***Practical one:***

- Improving decision making process
- Team-building techniques efficacy
- Better hiring process
- Possibility of properly design the psychological architecture of the firm

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*“The behavioral strategy journey requires effort and commitment, but the payoff makes it one of the most valuable strategic investments organizations can make” (Lovallo and Sibony, 2010).*