

Title:

Preparing for an Increasing Number of Disruptive Events – Implications to Sensemaking in the Context of Environmental Uncertainty

Summary:

The increasing number of disruptive events triggers organisations to respond to these changes in their environment. The disruptive events increase environmental uncertainty which organisations need to consider in their operations and performance. In this developmental paper, we discuss how disruptive events may increase environmental uncertainty and how actors may include this as part of their sensemaking activities. The theoretical insights are discussed with an example case. Finally, we discuss the potential insights into sensemaking theory.

Track 5. Decision-Making Under Uncertainty

Word count: 1993

Introduction

In recent years, the turbulence of the environment has seemed to increase because of reasons such as globalisation, political actions, pandemics, and climate change. Therefore, stability in an organisational environment is not a reality for companies in the 21st century (Alvarez et al., 2020). These reasons may cause disruptive events that increase the uncertainty organisations must deal with while operating in their environment.

To manage an organisation in uncertainty, actors may perform sensemaking in their environment. The literature on environmental sensemaking has explored how field participants, over time, process field issues through representation and theorisation activities (Nigam & Ocasio, 2010). Elsewhere, sensemaking literature has looked at cases of organisations making sense of different types of unique events in the environment, such as forest fires. Traditional research sees uncertainty as a source of sensemaking. Yet, literature seems to lack investigations on how uncertainty is included in sensemaking activities.

To further explore environmental uncertainty and sensemaking, we ask how a network makes sense of disruptive events that originate from the general environment and how the uncertainty of the events is considered in sensemaking.

We explore this question in this conference paper by reviewing relevant theories on environmental uncertainty and sensemaking. Next, we provide initial insights from an example case of a network for business and industry security exploring hybrid threats. Finally, we discuss the potential contributions to sensemaking literature. The paper aims to create a new understanding of how organisations deal with the increased uncertainty in the world and highlight managerial suggestions for it.

Increased Environmental Uncertainty from Disruptive Events

The organisational environment has been referred to as being formed of multiple elements important for the organisation located outside of the organisation (Hatch, 1997). The organisational environment has often been described to include competitors, suppliers, customers, and others with whom the organisation interacts (Meinhardt et al., 2018). Elsewhere, institutional theory has discussed the field as a unit of analysis, including an industry sector. The organisational environment has been seen as influencing organisations to attain their goals (Elenkov, 1997).

The environment that organisations from different industries share can be called a general environment, including elements such as technology, regulations, demographic trends, socio-cultural, economic, political, and natural environments (Davidsson et al., 2020). The environment is not considered to be controlled by organisations, but organisations may influence the environment, for example, by seeking to govern their environment.

With little control over the environment, organisations may experience their environment as uncertain. Other dimensions that have been mentioned to describe the environment include complexity, dynamism, velocity, munificence, hostility, and instability (Meinhardt et al., 2018). Even though the discussion on environmental uncertainty origins already in the 1960s, the uncertainty has increased in the last years, and companies are discussing their environments as VUCA (volatile, uncertain, complex, and ambiguous) (Bennett & Lemoine, 2014).

While some research has looked at environmental uncertainty in general, uncertainty can also be looked at depending on the characters of the environment. Another factor that increases uncertainty is disruptive events that occur once or multiple times. Disruptive events prevent or hinder performance (Collins, 2023).

To further understand environmental uncertainty and the role of disruptive events, we discuss next how disruptive events can influence uncertain, volatile, complex, and ambiguous characters of the organisational environment. 1) *uncertainty* is about not having certainty of the future. Disruptive events may increase the uncertainty of how markets behave as it causes changes to business as normal. 2) *volatility* refers to uncertainty in processual development. Disruptive events may increase sudden changes as the time of occurrence of these events is not possible to predict. 3) *complexity* refers to a high number of interconnected issues and events. Disruptive events introduce new events that may influence different areas and parts in an unknown way and potentially create new connections or interrupt existing ones. 4) *ambiguous* refers to unclarity. A disruptive event may increase ambiguity in the organisational environment by creating new unclear consequences.

Response to Increasing Uncertainty by Making Sense of Disruptive Events from the General Environment

Uncertainty of future development of the environment forces organisations to make sense of their environment. Sensemaking is important because it creates a basis for how an organisation acts and structures its performance as part of its environment. Research has shown that uncertainty influences organisational decision-making and structure (Emery & Trist, 1965). Besides managing disruptions, organisations may need to change their approach to the environment. Further, if organisations include uncertainty as part of their understanding of the environment, it may result from organisational culture(s) and how they relate to past-experience or non-experiences. This induces the tacit dimension (Nonaka 1994) but also the processes of sensemaking through knowledge articulation and codification (rules and routines). Uncertainty may also result to innovations and organizational change.

However, some organisations may ignore the uncertainty, for example, as a result of organisational narcissism (Schultz & Hatch 2002), which may lead to overconfidence and a lack of attention to what is yet not experienced (Aven 2014). Organisations may also fail to understand what is not known by the organisation itself, their collaboration, or the world of science. Another danger is based on ideologies that can pose threats to understanding and action (Sæverot 2022). In the case of business, organisations tend to concentrate on the near future and market issues; thus, broader societal changes may be seen as less relevant than performance. This might lead to considering individual events as isolated and not part of a larger change.

Environmental sensemaking is defined as an activity in which “actors make sense not only of the event itself but of the broader organisational field.” (Nigam & Ocasio, 2010, p. 826). With limited resources, sensemaking may be limited to the perceived most important factors, such as markets. In addition, making sense of the general environment may require expertise that the organisation does not possess. For these reasons, networks are formed to assist in making sense of the general environment for organisations. Unlike making sense of the field, making sense of the general environment includes fewer possibilities to influence the environment. Mutual

information processing may result in forming a field (DiMaggio and Powell 1983), yet, organisations are not necessarily central actors when considering general environments.

Inside an organisation, there are also different needs for sensemaking of the environment (operations versus managers). Making sense may be performed by top managers who often concentrate on strategic issues. In operations, sensemaking is performed by individuals who know operations, including, for example, different types of experts. For instance, managers perceived the possibility of a disaster differently than engineers at NASA (Starbuck, 2009). Operations focus is more on the details of operations and their connections to the environment of which managers do not have similar knowledge. Organisational structures may influence sensemaking by providing different roles and hierarchies (Maitlis & Christianson, 2014), but also a diversification of the understanding of uncertainty within the organisation. Sensemaking may be at a more micro-level structured by specific practices connected to, for instance, technical structures (Tan et al., 2020).

The networks may use expertise and policymakers such as the EU, who have more knowledge on broader issues causing disruptive events such as climate change and hybrid threats. One of the challenges is to gather relevant pieces of knowledge from the general noise.

An Example Case: Making Sense of Hybrid Threats

To explore these ideas further, we look at how hybrid threats are made sense of as disruptive events from the general environment.

Hybrid threats

Hybrid threats are a complex and evolving phenomenon. There is a lot of unclarity but a consensus of a need to act: “The international consensus on ‘hybrid warfare’ is clear: no one understands it, but everyone, including NATO and the European Union, agrees it is a problem”. (Richard Utne, the Norwegian Armed Forces)

Hybrid threats are political actions, especially against democratic nations. Thus, the threats aim to paralyse society, and the underlying goals are not against an individual business, but in general chosen public and private organisations. Hybrid threats evolve in time.

The network

In Norway, there is a network formed by six business representation organisations. This organisation creates reports and information on security in Norway and provides courses. The organisation also made a special report on hybrid threats that explored how organisations see the problem and described expert thoughts on the issue.

Next, we discuss some preliminary thoughts on an empirical case concerning sensemaking. The data is from a website and reports.

Firstly, there was a need to define and explain hybrid threats and what they mean for business.

Secondly, even though there is little certainty in their occurrence, some understanding of possible future scenarios was needed to make.

Thirdly, the relation of these threads to different types of organisations was discussed.

Fourthly, the comparison of discussion on hybrid threats will be compared to other discussions on more common security issues.

In a survey by a network for businesses, the responses showed that many businesses recognised the problem but considered it not to concern them greatly. Some businesses noted an increased threat at the moment of military practice. Respondents considered public authorities as an important source of information on hybrid threats.

Hybrid threats are a wide phenomenon; an individual business may have challenges in making sense of these as disruptive events.

Discussion and Future Work

This developmental paper seeks to investigate the sensemaking of the environment with an uncertainty of disruptive events. The work relies on theoretically exploring the concepts and then using empirical examples to illustrate theoretical suggestions.

The paper will increase our understanding of networks supporting organisations' understanding of their environment. More precisely, we will contribute to the sensemaking of the general environment.

Future work will explore further the theory and insights from the empirical case and potentially collect more data.

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