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Some Thoughts on Strategy Research and Uncertainty

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A recognized problem

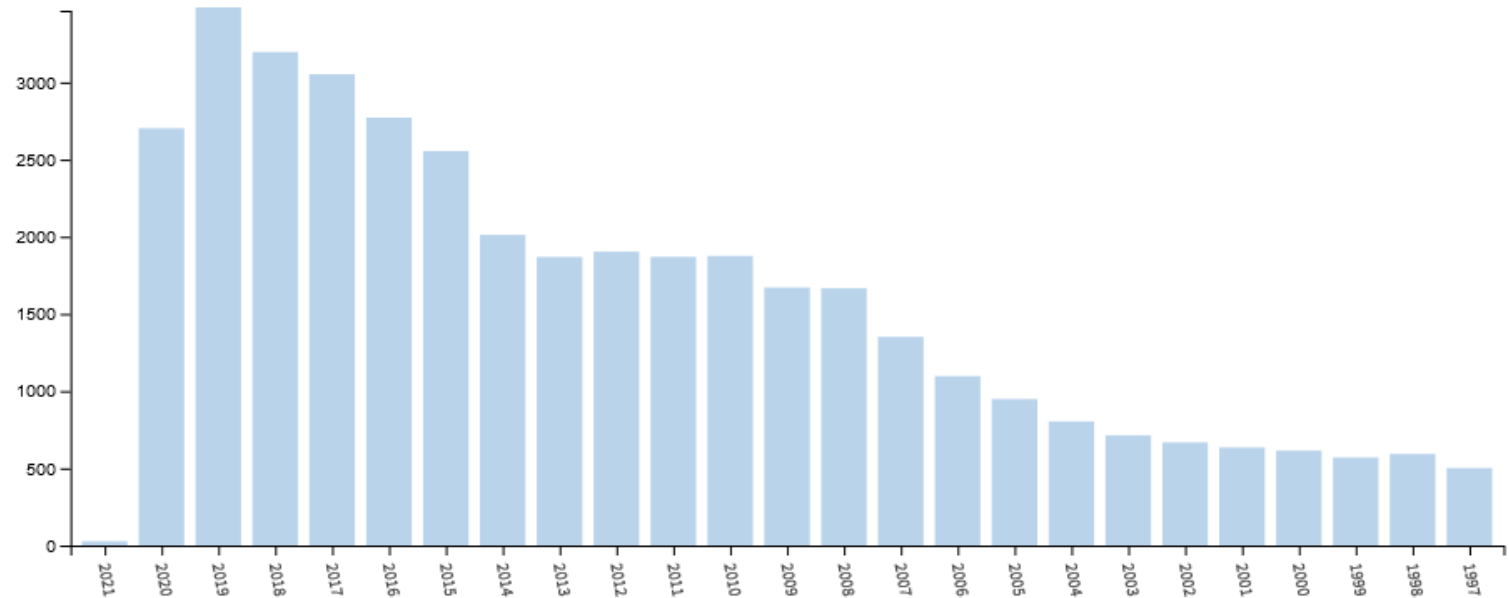
“‘Complete Mess’: Traders Fear Volatility Long After Election Day”

“Brexit uncertainty causes ‘hiring paralysis’ for London asset managers”

“A resurgence of the Covid-19 pandemic has muddied oil market forecasts even more”

“Aerospace supplier Meggitt signals growing uncertainty in aviation”

A popular construct



Already >700 “uncertainty” AND “Covid-19”

Risk vs Uncertainty

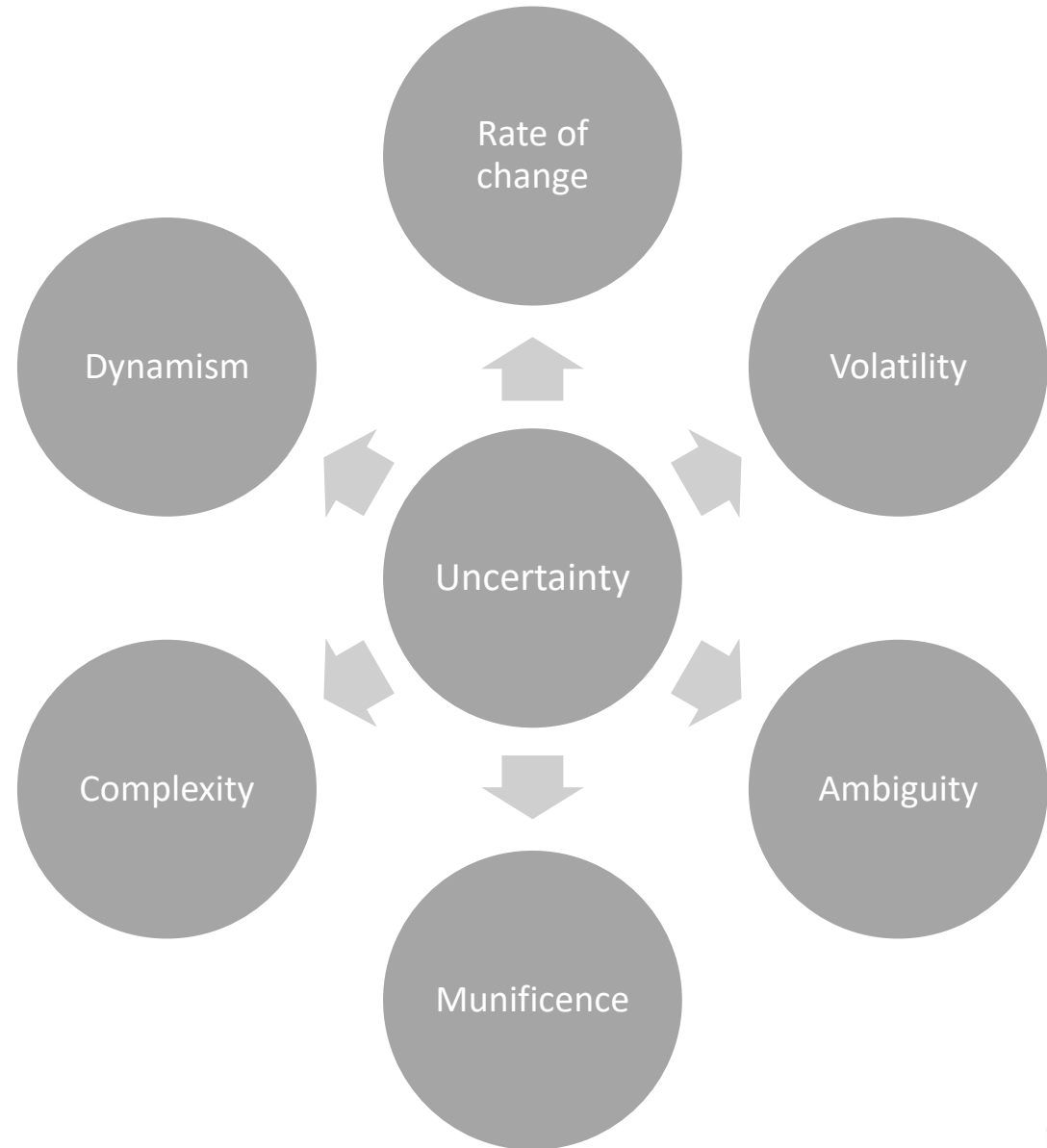


Nature	Probability	Decision-making
Risk	A priori (design)	Deductive; deterministic
Risk	Statistical (frequencies)	Inductive; inference; stochastic
Uncertainty	Estimate, opinion- based, not fully reasoned	Heuristic; intuitive

Based on Mousavi & Gigerenzer, 2014

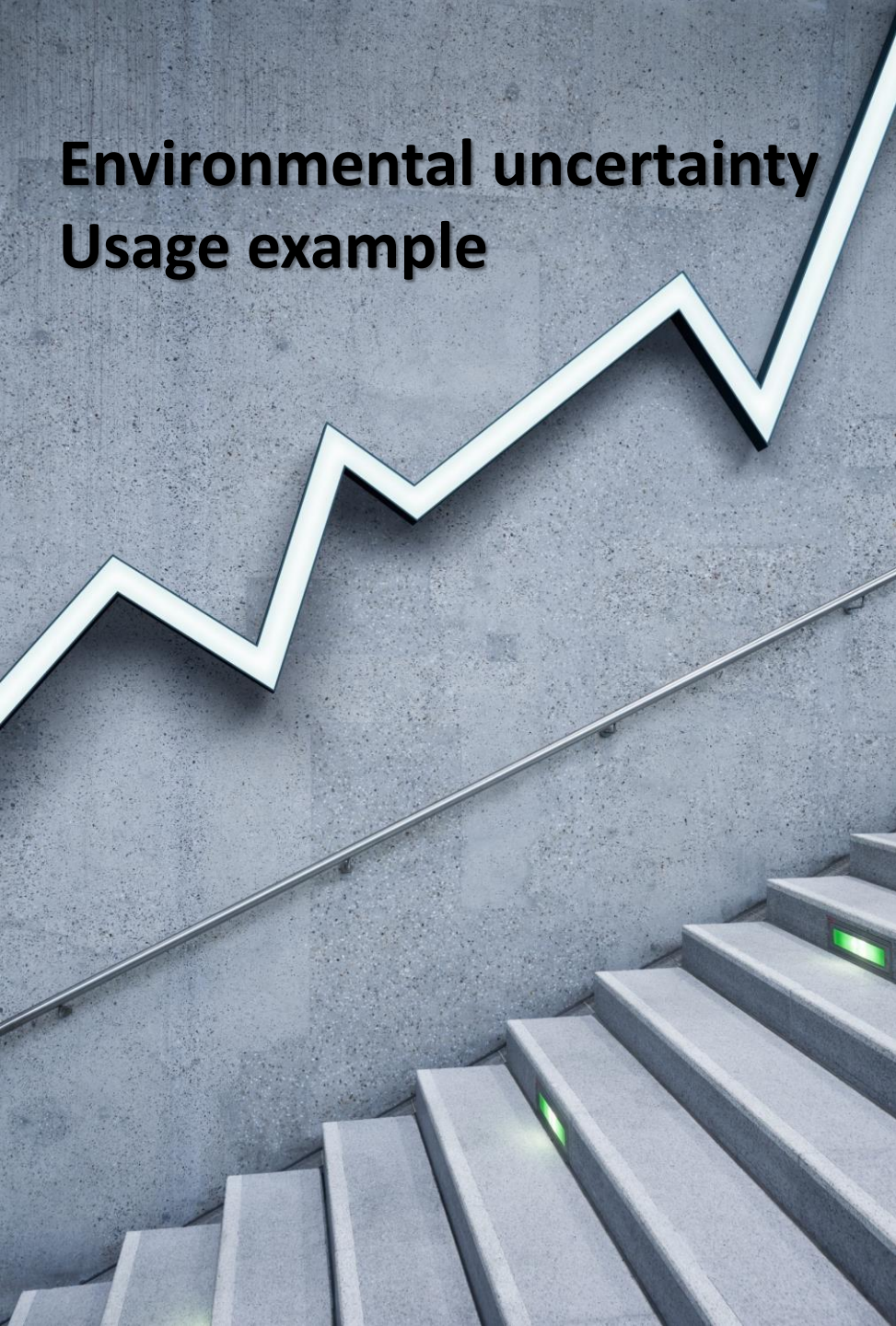
Environmental uncertainty

Construct validity?



Environmental uncertainty

Usage example



		Rate of change	
		<i>low</i>	<i>high</i>
Complexity	<i>low</i>	Low uncertainty	Moderate uncertainty
	<i>high</i>	Moderate uncertainty	High uncertainty

Based on Duncan 1972



**Objectivism vs
Subjectivism**

“Objective” environmental
uncertainty

VS

Perceived “subjective”
environmental uncertainty



Perceived environmental uncertainty

- General Uncertainty
 - Linked to perceptions of the general state of the environment
 - Linked to decisions regarding strategic goals, organizational design, exploration vs exploitation etc.
- Issue-Specific Uncertainty
 - Linked to specific environmental changes
 - Three types – state, effect, & response uncertainty

Based on Milliken 1990; Sund 2015

Implications of Misperceptions of General uncertainty



	Correct Subjective Perceptions	Incorrect Subjective Perceptions
Rates of Change are Objectively Increasing (Hypercompetition Exists)	Managers identify and can act on the need to re-evaluate their basis for competition (exploration)	Managers do not perceive the need to adapt their business in time and lose competitiveness
Rates of Change are not Objectively Increasing (Hypercompetition does not Exist)	Managers correctly balance the need for change and stability (exploration and exploitation)	Managers waste resources looking for new basis for competition, when they could exploit more their existing advantages



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Thank you –
and keep
exploring
uncertainty

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