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SHAPING THE FUTURE:
PROSPECTIVESENSEMAKING IN A PIONEERING FIRM

A Dissertation in
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by
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ABSTRACT

Prospection or forward-looking thought and action is fundamental to managing an enterprise strategically (Gavetti, 2012; Hambrick & Mason, 1984; Hamel & Prahalad, 1994; Mintzberg, 1985; Sinclair, Sadler-Smith and Hodgkinson, 2010; Tsoukas and Shepherd, 2009). Although scholars have called for the need to study “foresight” (Hamel and Prahalad, 1996; Tsoukas and Shepherd, 2009), “prescience” (Corley and Gioia, 2011), and pursuit of “cognitively distant opportunities” (Gavetti, 2012), and suggested that organizations not only attempt to “predict” the future landscape but they also try to “shape” it (Corley & Gioia, 2011; Gavetti, 2012; Ghemawat, 2010; Hamel and Prahalad, 1996; Narayanan and Fahey, 2004; Tsoukas and Shepherd, 2009), the processes that might enable prospective behavior have not been adequately theorized or studied. A fundamental barrier appears to be foundational assumptions about managerial cognition (Gavetti, 2012; Porac & Tschang, 2013)—a situation that scholars acknowledge has led to an incomplete and impoverished view of decision-makers (see Bromiley, 2005; Porac and Tschang, 2013) and left the field with a rather pronounced “backward looking” view of strategy and much in need of a “forward-looking” sensibility (Gavetti, Greve, Levinthal, & Ocasio, 2012: 26). With the larger agenda of stimulating and shaping discourse around “forward-looking” or prospective behavior in strategy literature, I pursued the theoretically and pragmatically important questions: How do firms organize for the future? Specifically, by what processes might firms shape or influence the future? Given limited literature on prospection, and the inadequacy of the prevalent cognitive paradigm to explain the phenomenon, I employed a grounded theory approach (Glaser and Strauss, 1967) to empirically investigate the thought and action of a pioneering handloom retail organization that, over five decades, has shaped and transformed the landscape of its industry.
The primary contribution of this study is an empirically grounded theoretical model of prospective sensemaking in a pioneering firm. The model serves to make three theoretical contributions. First, it makes a fundamental contribution to the sensemaking literature by making an empirically grounded case for “Prospective Sensemaking”, thereby extending extant sensemaking perspective—that is typically rooted in retrospective processes—to account for prospection or forward-looking activities. Second, it contributes to the strategic management and strategy-making literature by extending the dominant narrative of strategic behavior of firms beyond “adapting” to environments—to “shaping” environments. Third, by illuminating the central role of imagination and the “constructive” capabilities of the managerial mind, this study makes a fundamental contribution to the literature on the microfoundations of strategic management by making a case that managerial cognition is not only marked by “bounded rationality”, but also by “creative rationality”. These findings also inform literature on entrepreneurship.

Key words: forward-looking, prospecting, future, sensemaking, prospective sensemaking, creative enactment, imagination, bounded rationality, creative rationality, managerial cognition, strategy-making, innovation, entrepreneurship
# TABLE OF CONTENTS

LIST OF TABLES .................................................................................................................. vii

LIST OF FIGURES ................................................................................................................ viii

ACKNOWLEDGEMENTS ..................................................................................................... ix

Chapter 1  Introduction ...................................................................................................... 1

  Research question ............................................................................................................. 3
  Contributions .................................................................................................................... 4

Chapter 2  Literature Review ............................................................................................. 7

  Overview and Definition ................................................................................................... 7
  Literature Review Approach ............................................................................................. 8
  Temporal-Distance Perspective ....................................................................................... 10
  Dealing with uncertainty ................................................................................................. 10
  Controlling orientation ................................................................................................... 11
  Reacting orientation ........................................................................................................ 12
  “Cognitive-Distance” Perspective ................................................................................... 14
  Dealing with ambiguity .................................................................................................... 15
  Projecting orientation ....................................................................................................... 16
  Experimenting orientation ............................................................................................... 18
  Retrospective-projecting orientation .............................................................................. 20
  Predicting orientation ..................................................................................................... 23
  Other literatures ................................................................................................................ 26
    “Prospector” strategy ..................................................................................................... 26
    Entrepreneurship ........................................................................................................... 27
  Summary .......................................................................................................................... 28
    Taking a social-construction approach ........................................................................ 29
    Unpacking sensemaking ............................................................................................... 31
    Empirical approach ....................................................................................................... 31

Chapter 3  Methodology .................................................................................................... 33

  Description of Research Setting ....................................................................................... 33
  Historical Context of Business Landscape ..................................................................... 35
  Study Design ................................................................................................................... 39
  Data Sources and Data Collection Procedure .................................................................. 41
  Data Analysis ................................................................................................................... 44

Chapter 4  Findings ............................................................................................................ 46

  Guiding the Reader .......................................................................................................... 47
  Preview of Grounded Model ............................................................................................. 48
  Narrative of Findings ...................................................................................................... 51
LIST OF TABLES

Table 1: Prospection: Representative sample of diverse labels and definitions in the nomological network ........................................................................................................ 137
Table 2: Typology of Six Forward-looking Orientations of firms ........................................ 138
Table 3: Representative Sample of Studies Representing Different Forward-looking Orientations of firms ........................................................................................................ 139
Table 4: Timeline of the Events Involved in the Evolution of Fabindia ................................. 142
Table 5: Representative Quotes, Events, and Archival Entries Underlying 2nd order Themes ...................................................................................................................... 144
LIST OF FIGURES

Figure 1: Grounded Model of Prospective Sensemaking in a Pioneering Firm .................. 150
Figure 2: Prospective Sensemaking Data Structure (2nd Order Themes) .......................... 151
Figure 3: Prospective Sensemaking Data Structure (Phase 1) .................................. 152
Figure 4: Prospective Sensemaking Data Structure (Phase 2) .................................. 153
Figure 5: Prospective Sensemaking Data Structure (Phase 3) ................................. 154
Figure 6: Structure of Findings’ Narrative ............................................................. 155
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Chapter 1

Introduction

“The ability to recognize that the winds have shifted and to take appropriate action before you wreck your boat is crucial to the future of an enterprise”

Andrew S. Grove
Senior Advisor and Retired Chief Executive Officer & Chairman of the Board,
Intel Corporation
Source: Only the Paranoid Survive (2010, p. 21)

“A corporate strategist must position the company for markets that don’t yet exist, and may not for another twenty years. Leaders…especially CEOs…have to get an entire organization to do things they never thought they needed to do because you see the future before anybody else sees it…” [emphasis added]

Indra Nooyi, Chairman & Chief Executive Officer, PepsiCo

“Steve Jobs in no way shape or form predicted the future. He envisioned how wireless connectivity should work, how technology could become a deeply integral part of every part of daily life, and made it happen over the course of decades (and a good number of failures). Steve Jobs did NOT predict the future, he invented it” [emphasis added]

Source: CMSwire.com (Nov 13, 2012)

“Lots of companies don’t succeed over time. What do they fundamentally do wrong? They usually miss the future. I try to focus on that: What is the future really going to be? And how do we create it?” [emphasis added]

Larry Page, Co-founder and CEO, Google Inc.
Source: Interview at TED Conference (2014)

Executives’ recent portrayals of “anticipating-”, “seeing-”, and more importantly, “creating-“ the future as crucial for long term competitive advantage of firms forms the premise of this dissertation on how firms organize to anticipate—and shape—the future.

Engagement with the future is a defining aspect of strategic decision-making (Gavetti, 2012; Hambrick & Mason, 1984; Hamel & Prahalad, 1994; Mintzberg, 1985; Tsoukas and Shepherd, 2009). Firms that actively engage with the future are more viable (Seidl, 2004), achieve superior performance (Gavetti, 2012), preemptively capture or define a new market (Arthur, 1996), and in
some cases end up transforming the business landscape, changing the rules of the game and wielding tremendous influence within and outside the business landscape (Hamel and Prahalad, 1994). Engaging with the future is also par for the course in environments marked by high velocity (Eisenhardt, 1989), hyper competition (D’Aveni, 1994), discontinuities (Schwarz, 2005) and novelty (see Lampel, Lant and Shamsie, 2000). Over the years however, given the rapid changes brought about by technological and information revolution, the concern with proactively engaging the future appears to pervasive across industries (Tsoukas & Shepherd, 2004). A preoccupation with the future is in fact considered to be one of the hallmarks of the late modern society (Beck, 1999; Giddens, 1990).

Engaging with the future, however, is also one of the most profound organizing challenges. Future-oriented activities are “cognitively distant” (Gavetti, 2012)— novel, atypical and hard to see through standard lenses. Here indeterminacy stems not so much from imperfect information but from “not knowing which issues, trends, decisions, and events will make up tomorrow” (Marsh, 1998: 44). The future is not just unknown but to some significant extent unknowable (Tsoukas and Shepherd, 2004). Despite growing calls to study “foresight” (Hamel and Prahalad, 1996), “prescience” (Corley and Gioia, 2011), and pursuit of “cognitively distant opportunities” (Gavetti, 2012), the processes involved in such prospective behavior remain undertheorized (an exception is Brown and Eisenhardt, 1997). Consequently, “attention to how and why the future might unfold often remains less than explicit across the sub-strands of both theoretical and applied approaches to strategy determination” (Narayanan & Fahey, 2004: 38). Puzzled by the absence of an explicit and definitive understanding of prospection given its centrality to the notion of strategy, with the larger agenda of stimulating and shaping discourse around “forward-looking” behavior in strategy literature, I began this study with the theoretically and pragmatically important grand research question. How do firms engage in prospective thought and action?
Research question

A review of extant literature on strategy-making suggests that, following the oil crisis in the 1970s and the consequent diminished popularity of the “Planning school”, the dominant view of strategy-making is of post-hoc adaptation (e.g., see Mintzberg, 1972, 1978; Mintzberg & Waters, 1985). Although in recent years, studies on strategy-making in highly dynamic and volatile industries observe instances of ex-ante anticipation, the orientation is one of “responding” and “changing” in order to “adapt” to an uncertain future (e.g. Brown & Eisenhardt, 1997; Burgelman, 1994, 2002). The possibility that firms might “strive more actively to shape its environment…” (Ghemawat, 2010: 40), “shape” or “construct” the opportunity space (Gavetti, 2011: 3), influence trends (Corley and Gioia, 2011) and invent the future (Cunha, 2004; Narayanan and Fahey, 2004) is increasingly suggested, but undertheorized. The above conjectures coupled with growing instances of firms that have shaped, and continue to shape, their industries — De Beers, Apple, Google, Tesla, Amazon and so on — indicated the theoretical and pragmatic value of narrowing the grand interest on studying prospective behavior to the more specific question: By what processes might firms shape or influence the future?

The lack of a definitive understanding of prospection and its role in shaping the future—despite its centrality to the concept and practice of strategy¹—poses a puzzle and, therein, also a fundamental challenge to its study. It appears that some of the fundamental assumptions on managerial behavior and decision-making that guide strategic management theory rule out the possibility of prospection (See Gavetti, Greve, Levinthal, & Ocasio, 2012; Gavetti, 2012; Patvardhan, 2013; Porac, 2013). Both, the dominant, objectivist theory of managerial cognition as proposed by the Behavioral Theory of the Firm (see Cyert & March, 1963) as well as the alternate, constructivist theory of managerial cognition as propounded by the sensemaking

¹ Historically scholars have described strategy as “the creation of the future” (see Whitehead, 1931) and highlighted the role of “foresight” to “the endurance and survival of organizations” (Barnard, 1938: 282).
perspective (Weick, 1969, 1979, 1995) suggest that managers are dominated by “boundedly rationality” (see Cyert & March, 1963) and “retrospective sensemaking” processes respectively. Consequently, managers are less capable of foresight and prospection—assumptions that have infused an “incremental, backward-looking sensibility” (Gavetti et al., 2012: 26) into the field of strategic management and diminished its “influence” and “credibility” (Hamel & Prahalad, 1994: xii). Following suggestions that infusing forward-looking sensibility into the field of strategy would involve re-examining existing cognitive microfoundations of managerial behavior (see Gavetti, 2012; Porac & Tschang, 2013), I adopted an empirically-grounded approach to investigate the processes of a more bona fide “future-oriented” strategy-making, constituting both cognition and action, that might be associated with and enable forward-looking thought, action and influence. By what processes—constituting both, cognition and action—might firms shape or influence the future?

Following speculations that the overwhelming narrative of “adaptation” might be an artefact of the realist, objectivist assumptions of mainstream strategy theories (see Smirchich & Stubbart, 1995) and that firms not only try to predict the future, but also try to shape and construct it (Cunha, 2004; Gavetti, 2012; Hamel and Prahalad, 1994; Narayanan and Fahey, 2004) via subjective processes of imagination, enactment, interpretation, meaning-making, and so on, I adopted an constructivist, “interpretive approach” (Burrell & Morgan, 1979) and conducted an in-depth, grounded-theory case study of the prospective behavior of a pioneering handloom-apparel retail firm that shaped various aspects of the Indian handloom landscape over a period of five decades.

Contributions

The primary contribution of this study is a grounded model of prospective sensemaking in a pioneering firm. This makes a fundamental contribution to organization theory by extending
extant sensemaking perspective—that is typically rooted in retrospective processes—to account for prospection or forward-looking activities. The associated, emergent concept of “creative enactment” extends the theoretical concept of enactment (see Giddens, 1984; Weick, 1979) — typically understood as a process by which environments/structures are enacted through a mutually recursive relationship between actions and environments—to account for a reflexive and creative intervention process by which agents negotiate with the environment, attempting to structure it towards desired ends. The grounded model of prospective sensemaking also suggests the potential to make fundamental contributions to literatures on strategy-making and behavioral theory. I also speculate possible contributions to entrepreneurship literature.

First, the grounded model offers the grounds to propose the notion of a “pioneering strategy”—strategy-making typical of pioneering firms (e.g. Apple, Google, Tesla, and so on)—thereby re-directing the dominant narrative around strategy-making, beyond merely “adapting” to environments, to include proactively “shaping” environments.

Second, the emergent findings on the central role of “creative imagination” makes a strong case to extend the repertoire of managerial cognition as outlined in the behavioral tradition. The finding that managers imagine or actively construct an alternate reality that does not yet exist—and invest significantly in realizing it—suggests that managerial cognition is not only marked by “bounded rationality” (the notion that rationality of individuals is limited by the information available and the cognitive capacities/ limitations of the decision maker), but is also imbued with “creative rationality”—the notion that rationality of individuals is relatively unconstrained by processes of creative imagination.

Finally, the model potentially contributes to entrepreneurship by illuminating the processes by which firms “create” opportunities—a much speculated (and here empirically verified) phenomenon in entrepreneurship literature.
This first chapter sets forth the motivation for this study, my grand research question, my and the intended contributions of this dissertation. The remainder of the dissertation is organized as follows. Chapter 2 presents the relevant literature and frames the theoretical context for my inquiry. Chapter 3 describes the methodology that I employed to explore the research questions. Chapter 4 presents the findings of my study. Chapter 5 discusses the theoretical implications of the findings and provides concluding remarks including limitations and directions for future research.
Investigating prospection or how firms shape the future calls for the more fundamental task of understanding how prospection has been treated in extant literature. To date, to my knowledge, there is no comprehensive review of the topic of prospective behavior of organizations. While an engagement with forward-looking behavior under diverse labels (e.g., prospection, anticipation, foresight, prescience and so on) has generated rich and diverse insights on the phenomenon, these findings are fragmented. This chapter aims to take a first step towards shaping the discourse around “forward-looking” behavior in strategy—and organization theories, in general—by providing a comprehensive review of extant literature on the topic.

This chapter is organized into three sections. The first section provides a brief background, including an overview of the approach used for the review. In the second section, I review studies under the “temporal distance” perspective and “cognitive distance” perspective streams of literature, including the six different orientations within them. After briefly touching upon allied areas of entrepreneurship and innovation, I conclude the chapter with a summary of my findings.

Overview and Definition

An attempt to study behaviors that are forward-looking leads one to a profusion of terms—planning, foresight, anticipation, prescience, imagination and so on. A representative sample of definitions of some the above-mentioned constructs are outlined in Table 1

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2 A version of this chapter was presented at the 2013 national Academy of Management meeting, Orlando, FL.
Whether we consider the definition of “foresight” —“process through which the organization makes sense of the future and creates the conditions for a long term, sustainable competitive advantage” (Cunha, Cunha, and Clegg, 2004: 192) —, “prescience” — “not only sensitivity toward developing trends but acting to influence those trends” (Corley & Gioia, 2011: 24) —, or “planning” — “attempts to purposeful, future oriented decision making” (Hogarth and Makridakis, 1981: 115) —, we observe a common thread running through these various conceptualizations. They all refer to a deliberate, explicit and proactive engagement with the future. I consolidate these terms under an umbrella construct termed “Prospecting” which I define as the degree to which a firm explicitly engages in future-oriented or forward-looking behavior. Such a consolidation is not only likely to reduce the possible confusion that emerges from drawing from the various different conceptualizations and taxonomies, but also promises to bring greater momentum to this research stream.

**Literature Review Approach**

I conducted a literature search to identify published reports that invoked the concept of prospection or forward-looking behavior at the organizational level. I performed electronic searches of the Web of Science (1970–2012) database using the keywords future, foresight, prospection, anticipation, planning, forecasting and scenario building. Given the pervasiveness of a theme like “future”, I reviewed the abstracts of papers to shortlist those that explicitly engaged with the idea of prospection or future or forward-looking. I also relied heavily on reference lists of key articles to identify relevant papers. I included both conceptual and empirical studies. Given the sparse empirical literature on certain aspects of prospection, I also relied on influential books and book chapters that have attempted to generate some theoretical and conceptual insights around prospection. Here I specifically drew from Competing for the Future (Hamel and Prahalad, 1994) and Managing the Future: Foresight in the Knowledge Economy
(Tsoukas & Shepherd, 2004). Given my interest in studying prospection in the organizational context, I limited my search to the study of prospection in organizational context. This was important given the exhaustive body of work pertaining to future in the domain of “futurology” and “future studies”—that are less focused on the “organizing” challenges of prospection. This process led me to over 50 articles published in a wide spectrum of journals including the Administrative Science Quarterly, Academy of Management Review, Academy of Management Journal, Long Range Planning, Harvard Business Review, Organization Science, Management Science, Organization Studies and British Journal of Management among others.

My review of macro literatures—spanning strategic management and organization theories—indicated that the general notion of prospection has been studied under various labels and from diverse perspectives—business environment (“stable/predictable” vs.“unstable/unpredictable/discontinuous”), macro-context (shift in societal discourse/consumer taste/social issues); orientation towards future (planning/forecasting/projecting/predicting), drivers of prospection (past performance/vision/identity/external change), mechanisms (weak signals/trends) and so on. Observing the trajectory of this discourse over the past four decades however I discovered two distinct themes. The early parts of this discourse, coinciding with a relatively stable business environment of the 1950s-1960s, portrayed forward-looking behavior as engaging with issues of temporal distance (short term vs. long term; immediate vs. future and so on). I call this the “temporal-distance perspective.” I observed that, the oil crisis of the 1970s and changes in the regulatory, political and technological environment in the 1990s triggered a fundamental shift in the way the future came to be considered. Subsequent literature streams view the future as, not only distant in time, but also distant in terms of cognitive familiarity and ridden with unpredictability, ambiguity and novelty. Borrowing from Gavetti’s (2012) recent usage of the term “cognitive distance” to refer to novel and unfamiliar ideas, I term this the “cognitive distance perspective.”
I also observed six distinct orientations or ways of engaging with the future: **Controlling-**, **Reacting-**, **Projecting-**, **Experimenting-**, **Retrospective projecting-**, and **Predicting-** orientations. I discuss this in greater detail in the respective sections on temporal- and cognitive-distance hypotheses. Table 2 captures a summary of the different orientations and their defining features. Table 3 captures details of a representative sample of studies reviewed.

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Insert Tables 2 & 3 about here

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In the following sections, I outline the temporal-distance and cognitive-distance perspectives respectively.

**Temporal-Distance Perspective**

In this perspective, issues or challenges pertaining to the future stem largely from the temporal dimension —the sheer time distance between the present and the future. This temporal distance injects “uncertainty” into decision-making pertaining to the future. Here indeterminacy stems not so much from “not knowing which issues, trends, decisions, and events will make up tomorrow” (Marsh, 1998: 44) but from “imprecision in estimates of future consequences conditional on present actions” (March, 1994: 174). In such a context, the aim of decision-making is to “reduce uncertainty”.

**Dealing with uncertainty.**

Uncertainty is a problem of information deficiency (see Lipshitz and Strauss’s review, 1997)—especially information that is needed to make decisions involving coordination and problem solving. Galbraith discusses the need to process information in order to reduce uncertainty: "... the greater the task uncertainty, the greater the amount of information that must be processed among decision makers during task execution in order to achieve a given level of
performance" (1973: 4). Consequently, more information—typically historical data and current trends—is gathered and statistical methods are used to make a reasonable forecast about the future—thereby reduce the level of uncertainty.

Reviewing the literature on prospection, especially those studies that adhere to the temporal-distance perspective, I observed two distinct orientations. One approach is to, ex-ante, “control” the future; the other is to, ex-post, “react” to the future. I describe the two orientations.

**Controlling orientation.**

The traditional view of how firms organize for the future is defined by an orientation to “reduce uncertainty and gain control” (Hogarth and Makridakis, 1981) and is dominated by the “Planning School”—comprising Long Range Planning, Strategic Planning and Forecasting (Ackoff, 1970, 1979; Steiner, 1979; Stewart, 1963; Ringbakk, 1971)—that rose to popularity during the 1960s.

The “control” orientation becomes reasonable when one considers two prevailing aspects of that time: (a) the relatively stable environment and high growth rates that made “control” a viable and fruitful orientation; (b) psychological findings that pointed towards the prevailing “illusion of control” (see Langer, 1975; Langer & Roth, 1975)—the general desire among people to master and control the environment in which they live (see Hogarth and Makridakis, 1981). The “…search for understanding and control is, we maintain, the “raison d’etre” of F&P [Forecasting & Planning] activities” (Hogarth and Makridakis, 1981).

The *Long Range Planning/Strategic Planning* perspective depicted strategy formation as an analytic process for establishing long-range goals and action plans for an organization. The “model is of a strongly and comprehensively managed firm which tries to anticipate rather than react to future threats and opportunities from the environment” (Ansoff, 1987: 505). In such a control-oriented, formal, rational model of decision-making, anticipation typically involves
forecasting—a process of estimating the probability of occurrence of an event at some specified future date. Forecasting techniques involve formal statistical methods—time series, cross-sectional or longitudinal data—that (a) use historical data to estimate future outcomes; and (b) rely on linear prediction models—expect the future to be on the same lines as the past/present. This technique leads to the emergence of a single forecast of the most likely future condition. The accuracy of prediction is largely contingent on the comprehensiveness and accuracy of past data.

In the control orientation, strategic decisions are “global”—made through an “organization-wide systematic strategic planning process” (see Ansoff, 1987: 505). Top management is largely seen as driving the planning process. Strategy formulation and implementation are viewed as linear processes managed one after the other. A decision taken at the top would be passed down for implementation. Although contingencies are considered, the predominant assumption is a world of status quo. Transformations and discontinuous changes rarely feature in these plans.

Reacting orientation.

A general skepticism about the control-oriented, formal, rational model of decision-making surfaced with the radical and breakthrough findings of the “Carnegie School”—especially its challenge to the rational decision-making model. The Carnegie School’s portrayal of decision-makers as “boundedly rational” and therefore satisficing (rather than optimizing) and relying on local search (rather than distant foresight) came to dominate organization theories and gradually led to the emergence of the notion of “strategic behavior … as reactive, inertial, and incremental adaptation.” (Ansoff, 1987: 504)

Spearheaded by Simon (1947), the “Carnegie School” argued that the hitherto dominant model of decision-making—marked by the economist assumptions of “objective” and “omniscient rationality” among decision-makers—had “little discernable relation to the actual or
possible behavior of flesh-and-blood human beings” (1997: 87). Simon presented the foundation for the “real world” where “human behavior is intendedly rational, but only boundedly so. Simon observed that decision makers do not have “complete knowledge and anticipation of consequences that will follow on each choice” (Simon, 1947: 81), have limited computation ability and do not choose the optimal alternative. The implications of this for organizational decision-making was further developed in Cyert and March’s (1963) *A Behavioral Theory of the Firm* (henceforth referred to as BTF). From the fundamental premise of bounded rationality of managers, emerged organizational decision-making concepts such as *problemistic search*, the *dominant coalition*, *standard operating procedures*, and *slack search*. Importantly, unlike the recommendations of the Planning School that were considered to be predominantly prescriptive, the ideas on strategy-making that emerged from the BTF were based on empirical observations of decision-making processes in business organizations—consequently, earning the latter significant credibility among organization theorists.

Although the findings of the “Carnegie School” deeply challenged the rational models of strategic planning and forecasting, the *Planning School* continued to dominate the world of practice. In the 1960s, diversification and emergence of the M-form structure, further led to the wide-scale adoption of formal planning. Chakravarthy and White (2002) observe, however, that the desire for comprehensive planning and recognition of the cognitive limitations of top management led large organizations to spin off planning exercises to corporate staff.

The “reacting” paradigm received a boost in the 1970s. Discontinuous changes induced by the energy crisis and price increases of the 70s, had revealed the limitations of the control-oriented long-term planning /strategic planning school. The crisis led many organizations to abandon long term planning. Planning horizons, typically reduced from ten years to five to three. Describing the “Pitfalls of Strategic Planning,” Mintzberg observed that "Planning works best when it extrapolates the present or deals with incremental change within the existing strategic
perspective; it deals less well with unstable, unpredictable situations or quantum change in the environment" (1993: 207).

It is essential to note that, while the findings of the “Carnegie School” deeply challenged the assumptions of the Planning School, the emergent ideas of cognitively limited decision-makers also led to reduced confidence in organizational ability to anticipate the future. After all, “the anticipation of distant futures, or of the consequences of distant courses of action is largely absent in the Behavioral Theory of the Firm” (Gavetti et. al., 2012: 9). Bower & Oz too observed: “…combined with uncertainty avoidance, problematic search, and quasi-resolution of conflict, the process of adaptive learning ends to reactive behavior, not to the foresight and the overall design implicit in a manager’s vision of the future of his company” (1979: 155). Even when Cyert and March discuss the role of expectations, Gavetti et.al. (2012) observe that the expectations are typically conservative, more local rather than distant in nature. They add:

“All in all, bounded rationality leads to a representation of choice as a semi automatic process that is informed by the past and operates in the present, in which calculation and distant forecasts do not have a rule. Individuals (and firms) are rule-based actors who solve pressing problems, search their local environment, and adopt solutions that rarely violate the status quo” (Gavetti et. al., 2012: 5).

More significantly, the discontinuities of the 70s also triggered a fundamental shift in the way future came to be considered. Dealing with the future would not only involve coping with issues of temporal distance but, more importantly, it would involve dealing with the cognitively unfamiliar and novel issue. Consequently, much of the studies in this perspective deal with how firms ex-post adapt to an unpredictable environment. Ex-ante anticipation is deemed challenging and typically ruled out.

“Cognitive-Distance” Perspective

While the “temporal-distance perspective” considers the future as imbued with uncertainty, the cognitive-distance perspective considers the future to be marked by what
economists term as True Uncertainty (or “Knightian Uncertainty”) and management scholars refer to as “state uncertainty” (Milliken, 1987) or “ambiguity” (see Weick, 1995)

**Dealing with ambiguity.**

In true uncertainty probabilities cannot be assigned to the likelihood of future events (Duncan, 1972; Pennings, 1981; Pfeffer and Salancik, 1978), not only because the occurrence of an event cannot be predicted or measured, but, that which is to be measured is indeterminate. In other words, we do not know what is to be measured. Here indeterminacy stems not so much from the probabilities associated with an event occurring/not occurring, but from “not knowing which issues, trends, decisions, and events will make up tomorrow” (Marsh, 1998: 44). Concerns typically are not about reaching an optimal or even a satisficing solution—but identifying and successfully pursuing the right problem. The organizational challenge is not as much about problem-solving (Cyert and March, 1963) as it is about defining the problem. What will be of value in the future? How can we prepare to create/capture that value? In other words, Knightian uncertainty is not a problem of information deficiency—a phenomenon that has dominated management literature (see Lipshitz and Strauss’s review, 1997). It is more akin to what management scholars refer to as “state uncertainty” (Milliken, 1987) or “inadequate understanding about a situation”—contexts marked by “subjective” rather than “objective” sources of environment.

Weick’s (1995) distinction between “uncertainty” and “ambiguity” indicates that “ambiguity” is a better term to define the nature of organizing for the future. Weick observes:

“The problem faced by the sensemaker is one of equivocality, not one of uncertainty. The problem is confusion, not ignorance. I emphasize this because those investigators who favor the metaphor of information-processing (e.g.,

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3 Inadequate understanding of a situation was typically traced to (a) equivocal and conflicting meanings that information convey e.g. (Weick, 1987, 1995); (b) novelty of situation (e.g. Louis, 1980) and; (c) fast changing or unstable situations (Lanir, 1989).
Huber, Ullman, & Leifer, 1979) often view sensemaking, as they do most other problems, as a setting where people need more information. That is not what people need when they are overwhelmed by equivocality. Instead, they need values, priorities, and clarity about preferences to help them be clear about which projects matter” (1995: 27-28)

In an ambiguous situation, opportunities are “cognitively distant” —“novel, atypical, distant and hard to see through more standard lenses” (Gavetti, 2012). The past or present is seen as holding few (or irrelevant) clues for interpreting the future. Consequently, “…the problem in ambiguity is not that the real world is imperfectly understood and that more information will remedy that. The problem is that information may not resolve misunderstandings” (Weick, 1995: 92). In such situations, a “greater quantity of information is less help than is a different quality of information” (Weick, 1995: 99). Ambiguity evokes confusion and its resolution involves processes that “enable debate, clarification, and enactment more than simply provide large amounts of data” (Daft & Lengel, 1986: 559) because “no one has the foggiest idea what objective data, if any, are relevant” (Weick, 1995: 99).

The unfamiliar events of the 1970s indicated that dealing with the future would involve dealing with ambiguity —deciphering “which issues, trends, decisions, and events will make up tomorrow” (Marsh, 1998: 44). Although, following the turbulence of the 70s, organizations had abandoned long term planning in favor of short-term budgeting, the search for an alternative to long term planning —especially one that could proactively engage with issues of cognitive distance—surfaced. Whitehill (1996) remarked:

“…organizations have realized that extrapolations of budgets for the next 3 years are not sufficient substitutes for longer-term strategy. So, although we now realize that we cannot accurately predict the environment over the next 10+ years, we cannot abrogate the long-term responsibility for our organizations. Organizations are therefore revisiting long-term planning through tools and techniques such as scenario preparation” (250-251)

**Projecting orientation.**

In the 70s, the need to proactively engage with the unpredictable and unknowable distant
future spurred a minor stream of management practice around “alternative forecasts” or “scenario planning” — an approach that recommends engaging with the future by developing “projections of a potential future”. This period was marked by the rise of futurologists, led by the group at SRI (Stanford Research Institute) and, in particular, publicized by Herman Kahn (of the Hudson Institute). One of the fundamental assumptions in futures studies is of multiple futures. The future is seen as consisting of multiple “alternatives” of varying likelihood—impossible however to predict, ex-ante, which one will materialize. The primary effort therefore, is to identify and describe “alternative futures”. Organizations adopted this under the rubric of “scenario planning”

Scenario planning, also known as “scenario thinking” or “scenario analysis”, is a strategic planning method that organizations use to make long term plans that, unlike those of the Planning School, are flexible — as they involve the deliberation and projection of multiple scenarios and alternative forecasts. To the extent that the long term planning perspective considered one possible path for the future, it had failed to account for multiple ways in which future would unfold as a result from uncertainties stemming from the environment. Consequently, scenario planners considered it important to develop “alternative forecasts” or “multiple scenarios” for the future so that contingency plans could be laid. These projections are typically “…a combination of estimates of what might happen and assumptions about what could happen, but they are not forecasts of what will happen” (Fahey & Randall, 1998: 7). Fahey and Randall (1998) clarify that “…projections should not be confused with predictions: A projection should be interpreted as one view of the future that is based upon specific information and a set of logical assumptions” (p. 7). It involves “preparing an organization to anticipate that it could face a number of environments that are fundamentally different from the present” (Fahey and Randall, 1998: vii)

It is essential to note, however, that much of this work is largely practice-based and atheoretical. In recent years, organizations have been skeptical about its practical value (an exception being Royal Dutch/Shell). Chief among its criticisms is the observation that the
scenario planning technique is typically relegated to specialized staff teams, does not attract much top management involvement, and, more importantly, it is rarely integrated with the strategic decision-making processes—reducing it into an exercise that eventually has little bearing on strategic actions of firms. Although scenario-planning advocates introduced “scenario learning”—“a methodology that combines scenario development with the decision-making processes of strategic management” (Fahey and Randall, 1998: 3-4), much of this work remains prescriptive and its benefits yet to be proven.

**Experimenting orientation.**

Even as a handful of organizations engaged in scenario-planning as a way of coping with the discontinuities of the 70s, there was widespread skepticism among organization theorists about—not just planning for the “long term”—but the concept of “deliberately” “planning” for the future. Mintzberg remarked: “…during periods of unpredictability …(organizations) cannot possibly hope to articulate any visible strategy”, and highlighted the dangers of continuing to rely on planning: “explicit strategies…are blinders designed to focus direction and so to block out peripheral vision”. Mintzberg’s solution came to mark the beginning of a new way of engaging with the future:

“The point we wish to emphasize is: how could the firm have known ahead of time? The discovery of what business it (firm) was to be in could not be undertaken on paper, but had to benefit from the results of testing and experience” (1990: 182).

Mintzberg introduced the notion of strategy as “emergent”—'a pattern in a stream of actions' that “was not expressly intended" (Mintzberg, 1994: 25) in the original planning of strategy, but emerges organically, incrementally, through a process of learning, exploration and experimentation (see Mintzberg, 1972, 1978; Mintzberg and Waters, 1982, 1984; Mintzberg et al., 1986). The concept of emergent strategy hinges on the concept of “learning” —that an organization is learning what works in practice—through a process of probes, trial and errors, and
explanation—and is not rigid and insulated by a long-term plan.

Mintzberg’s views on strategy found support in Quinn’s (1978) advocacy for strategy as guided by “logical incrementalism”. Studying the strategy processes of large enterprises, Quinn observed that the “control” orientation of formal "rational" planning processes inhibited innovation and entrepreneurship and that the most effective strategies tend to be both, logical and incremental. In this view, effective managers try to proactively shape the strategy through an iterative manner: probing the future by engaging in experiments and partial (incremental) commitments than through global formulations of total strategies. Quinn (1978) presented the logic of incrementalism as (i) decreasing the uncertainty surrounding strategic decisions by allowing for feedback based learning; (ii) improving the quality of information utilized in strategic decision making; and (iii) most suited for coping with the varying lead times, pacing and sequencing needs of the different subsystems of the organization. More importantly, “…in this model key managers are individual actors, and they make their decision ‘locally’, without reference to a global plan for the firm…” (Ansoff, 1987: 505). Consequently, by involving people involved in action in decision-making, it bridges the gap in formulation—implementation: a chief weakness of the strategic planning process.

By the 80s, with globalization and rapid technological innovations long range planning and forecasting came to be replaced by the “emergent” view of strategy. Recent research supports the successful adoption of some of these views. In their inductive study of multiple-product innovation in six firms in the computer industry, Brown and Eisenhardt (1997) observed that successful and less-successful firms (in terms of product innovation) differed in the way they engaged with the future. Specifically, they observed that firms that had a good sense of the future and a vision for their organization within that future did not rely entirely either on planning or reacting. Instead these firms used a variety of low cost probes: experimental products, futurists, strategic partnerships and frequent meetings and so on. On the other hand, less-successful firms,
mostly invested in a “single view of the future” and bet their product portfolio on that one vision. They also failed to revise their vision of the future in light of changing competition.

Although the portrayal of strategy as “emergent” emphasized learning and adaptation, it could only explain reactionary, incremental changes (Nayak, 2009). While the emergent-view of strategy overcame the weakness of deliberate strategy—rigidity—, it also lacked its chief strengths. The anticipatory aspects of “vision”, “purpose” and “direction” that direct and guide experimentation are overlooked. Consequently, the overwhelming paradigm of strategy is one that is evolutionary, learning-based, and incremental.

The continued relevance of the notion of “emergent strategy” and the diminished focus on anticipatory elements such as vision and purpose can perhaps also be explained by the newly prevailing organizing perspectives of that time—garbage can model (Cohen, March, and Olsen, 1972) and sensemaking (Weick, 1979, 1995)—that were predominantly skeptical about the cognitive possibilities for prospection. Given its significance for prospective behavior, I discuss the latter here.

**Retrospective-projecting orientation.**

Although not invoked among theories that explicitly engage with forward-oriented behavior of organizations, the sensemaking perspective is one of the foundational concepts in organization theory. Its portrayal of decision-making processes—especially in ambiguous contexts—has strong bearing on the portrayal of prospection in organization theories.

Karl Weick (1969, 1979) introduced sensemaking to organizational studies in *The Social Psychology of Organizing* and eventually elaborated it in *Sensemaking in Organizations* (Weick, 1995). The concept of sensemaking has its foundations in case studies where Weick investigated complex and ambiguous situations to understand how people tried to make sense out of seemingly contradictory information. The sensemaking perspective takes a constructivist
approach and views decision-making as involving ambiguity resolution through processes of action-taking, interpretation, meaning-making and social construction. Weick states:

“...from the standpoint of sensemaking, it is less productive to follow the lead of behavioral decision theorists (e.g., Kahneman, Tversky, Thaler) who gloat over the errors, misperceptions and irrationalities of humans, and more productive to look at the filters people invoke, why they invoke them, and what those filters include and exclude (Gigerenzer, 1991; Smith & Kida, 1991)” (1995: 57)

One of the hallmarks of this perspective is that sensemaking is treated as “retrospective”—making sense of what has happened in the service of rationalizing and bringing order to what is happening (Gioia, 2006; Weber & Glynn, 2006; Weick, 1979, 1995). Drawing from Schutz’s (1967) idea that people can know what they are doing only after they have done it—borrowed from Kierkegaard’s suggestion that (cited by Dru, 1938) “life is lived forward but understood backwards”—Weick asserts that actions are known only when they have been completed and experienced.

Observing that Weick’s “all-sensemaking-is-retrospective’ stance does not reconcile with the “phenomenology of everyday organizational experience” of planning for the future, Gioia and Mehra (1996) called for “an expansion of the domain of sense making to include both retrospective and “prospective” element. Pre-empting such questions about how organizations actors can plan for the future—a predominant concern of the strategic planning school—Weick extended his conception of retrospection to explain future-oriented actions in a clever way. Drawing from Schutz’s suggestion that “[an] actor projects his actions as if it were already over and done with and lying in the past” (1967: 6), Weick attributes future-oriented actions to “future-perfect thinking” processes (see also Gioia, et al., 2002). This is based on the premise that “it is easier to make sense of events when they are placed in the past, even if the events have not yet occurred” (Weick, 1995: 29). Consequently, in the Weickian world, with regards to forward-looking behavior, individuals are portrayed as capable of only making sense of what has happened in the past and therefore cannot make sense about what has not yet been said or done
(i.e., the future)—unless they imagine the event as already having occurred. Weick asserts that such a treatment of the future as if it were already done with, makes it “presumably easier to write a specific history based on past experience that could generate that specific outcome”. In other words, prospection is portrayed as a process of projection that inherently relies on principles of retrospection. The future that is projected drawn from memory and based on past experience.

Using this logic, Weick critiques the *Planning School* and the idea of planning:

“Our view of planning is that it can best be understood as thinking in the future perfect tense. It isn’t the plan that gives coherence to actions... It is the reflective glance, not the plan per se, that permits the act to be accomplished in an orderly way. A plan works because it can be referred back to analogous actions in the past, not because it accurately anticipates future contingencies... Actions never performed can hardly be made meaningful, since one has no idea what they are. They simply are performed and then made sensible; they then appear to be under the control of the plan” (1979:102)

Critics however point that Weick’s notion of prospection as “future perfect thinking” is largely an artefact of the research setting. MacKay observes that evidence for thinking in the future perfect tense comes from the relatively controlled environment of the laboratory and environments that are largely stable and that that “there may be further cognitive (and social) processes that facilitate retrospective-prospective sensemaking when faced with highly uncertain, surprising or complex circumstances” (2010:100). Highlighting the role of future perfect thinking in facilitating strategic change in a public university, Gioia and Thomas (1996) too speculate that their findings could largely be an artefact of the context—the relatively stable academic field. In their empirical study of future-oriented thinking, Pitsis, Clegg, Marosszeky, & Rura-Polley (2003) observed that future perfect thinking might be possible when the planners have control over the material and social contexts.

Consequently, although prospective or ‘future-oriented’ sensemaking (Gephart, Topal & Zhang, 2010) has been studied in the context of strategy making (Gioia, Thomas, Clark & Chittipeddi, 1994; Gioia & Thomas, 1996), entrepreneurship (Hill & Levenhagen, 1995;
Cornelissen & Clarke, 2010), and innovation (Ravasi & Turati, 2005), MacKay (2010) observes that sensemaking processes, as construed in business and management literature, remains ontologically bound to a retrospective framework and further supports the reigning paradigm of strategy as emergent and oriented towards ex-post adaptation.

**Predicting orientation.**

Emergent strategy, and the attendant concepts of experiment and trial-and-error based learning, indicate that firms engage better with the future if they are internally organized to be agile and learn from experience. In this perspective, the focus is inward—on creating learning-systems within the organization that help coping with and leveraging discontinuities and volatilities in the environmental context. Anticipating discontinuities per se is not considered.

The pace and speed with which new environmental realities emerged during the oil crisis—and the profound financial impact it caused—indicated, however, that entirely relying on internal coping mechanisms could not be a feasible option. The unpredictability and abruptness of environmental discontinuities, and the criticality of timeliness of response pointed to the necessity of attempting to “predict” environmental changes—i.e. arrive at an ex-ante understanding of what, when and how changes are likely to occur. The essence of this orientation is perhaps best represented in Whitehead’s definition of foresight: “the ability to see through the apparent confusion, to spot developments before they become trends, to see patterns before they fully emerge, and to grasp the relevant features of social currents that are likely to shape the direction of future events” (1967: 89).

A prediction-orientation to prospection is based on the premise that discontinuities are typically preceded by some signals (Bazerman and Watkin, 2004); and that when such information goes undetected, they lead to “strategic surprises or an event, which could jeopardize the organizational strategy” (p. 83). Literature in this stream largely focuses on the challenges and
processes involved in detecting, interpreting and responding to such information. Prominent concepts and literatures include strategic issues management (Ansoff, 1980), strategic early warning systems (Schwarz, 2005), environmental scanning (Aguilar, 1967), weak signals (Ansoff, 1976; Day and Schoemaker, 2004; 2005), strategic foresight (Tsoukas and Shepherd, 2009) and so on.

The concept of “weak signals” is central to studies that take a predicting-orientation to the future. In the domain of strategy, Ansoff (1975) drew attention to “weak signals” and the role of management in intercepting such signals to avoid “strategic surprises or an event, which could jeopardize the organizational strategy” (83). Weak signals are difficult to perceive as they lie outside the focal vision of the organization and require firms to develop peripheral vision (Cunha and Chia, 2007; Haeckel, 2004; Prahalad, 2004). Speculating that peripheral vision is inhibited by the firm’s dominant logic, Prahalad (2004) suggests that managers must look beyond the borders of incumbent industries and geographies to find new opportunities and rethink the logic of the business. Cunha and Chia (2007) suggest that minimally-structured and immersion teams are most oriented to the periphery; And that they employ practices such as zooming, improvisation, bricolage, scenario thinking, wild cards and weak signals to sharpen peripheral vision and awareness. While most conceptualizations about peripheral vision call for increased sensitivity to environmental features, Seidl (2004) calls for reflexivity and building consistency in the organization’s internal communication structure. While extant studies on weak signals (Ansoff, 1976; Day and Schoemaker, 2004; 2005; 2008) indicate that the challenge is one of “search” — i.e. acquiring peripheral vision and widening the scope of one’s search is likely to increase the chances of detecting signals. Schoemaker and Day (2009) suggest that weak signals are open to highly idiosyncratic interpretation.

Although early work in this domain—especially literature on early warning systems and weak signals—largely focused on the value of predicting in order to avert disasters and negative
outcomes, later works highlighted “weak signals” as representing strategic “opportunities” as well. Prahalad and Hamel (1994) discuss the value of learning about industry trends and patterns before competitors do and imposing a “stretch” on the organization to walk into that future. In a similar vein, Cunha, Cunha and Clegg (2010) note that “…The purpose of foresight is to take advantage of (these) competitive dynamics by reading ‘weak signals’ to anticipate discontinuities and either preempt them to defend the firm’s current competitive position or put a strategy in place to ensure that the firm can ride the discontinuity to a dominant market position once the basis of competition shifts” (192)

Integrating the concept of “weak signals” into mainstream strategy processes, Ansoff recommended complementing the strategic planning system with the “strategic issue management system (SIM)” — “systematic procedure for early identification and fast response to important trends and events both inside and outside an enterprise.” (Ansoff, 1980: 134). SIM primarily involves identifying and acting on “strategic issues” — “a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives.” Strategic issues could be “internal” (pertaining to the organization) or “external” (aspects of the environment in which the organization operates. Further, these could be “welcome” issues— that represent strengths (internal) and opportunities (opportunities); or “unwelcome issues” — representing weaknesses (internal) and threats (external). Dutton and Ottensmeyer (1987) highlighted the role of “interpretation” and “meaning-making” in identifying strategic issues

Although, the concept of “weak signals” gave rise to literatures on strategic issues management (Ansoff, 1980), strategic early warning systems (Schwarz, 2005) and strategic foresight (Tsoukas and Shepherd, 2004) and, over the years, scholars have attempted to define and provide contours to the concept of foresight and associated processes of detecting weak signals (Day and Schoemaker, 2004; 2005; 2006, 2008), developing peripheral vision (Cunha and
Chia, 2007; Haeckel, 2004; Prahalad, 2004) and so on, much of this remains largely speculative, prescriptive, conceptual and anecdotal. More importantly, the idea of managers as capable of “predicting” the unknown poses challenges to organization theories’ foundational assumptions about the cognitive capabilities of decision-makers—as being “boundedly rational” (Cyert and March, 1963) and “retrospective” (Weick, 1979, 1995), raising the question: Are there variations in the boundedness of one’s rationality? Further, these studies had a significant shortcoming—they assumed a realist and deterministic stance of an objective and more-or-less determined future. An alternate epistemological orientation to the future—as open and capable of being shaped by human action (Cunha, 2004; Narayanan & Fahey, 2004)—was not seriously considered.

Other literatures.

“Prospector” strategy

A discussion about prospection calls for accounting for literature on strategic orientation of firms—especially Miles and Snow’s (1978) typology of firms as Prospects, Defenders, Analyzers and Reactors. Specifically, the authors’ characterization of prospecting strategy & prospecting firms suggests some of the attributes one might expect to see in this study on prospecting firms. The prospector strategy is one that typically, is constantly "prospecting" for new directions to pursue. Prospects are typically innovative, constantly seek out new markets and new opportunities, are oriented toward growth and risk taking, embrace uncertainty, seek out new opportunities, regularly experiment with potential responses to emerging environmental trends and undergo constant change. While Miles and Snow’s characterization of prospectors as “creators of change and uncertainty to which their competitors must respond.” (Miles and Snow, 1978, p. 29) supports the premise of this study that strategy-making could be oriented at shaping the future, the processes involved in such a strategy remain underexplored. The findings of this
study could potentially throw light on the micro processes involved in the prospector strategy.

**Entrepreneurship.**

A study on prospection calls for accounting for literature on entrepreneurship—a domain that focuses on “achievement of beginnings—creating products, firms, and markets” (Venkatraman and Sarasvathy, 2001). Although, to the extent prospection involves anticipation, some of the processes involved in prospection is likely to parallel those in entrepreneurship, I expect a study on prospection to depart from entrepreneurship studies on the following counts.

One, although entrepreneurship studies focus on the emergence of new ventures, these ventures need not be oriented towards “shaping” or “influencing” the future. In other words, while firms that shape the future might engage in processes involved in new or entrepreneurial ventures, all entrepreneurial behavior need not be oriented towards “shaping” the future. In fact, entrepreneurial processes of bricolage (Baker & Nelson, 2005), improvisation (Baker, Miner, & Eesley, 2003; Hmieleski & Corbett, 2008), and effectuation (Read, Song, & Smit, 2009; Sarasvathy, 2001) not only do not account for processes involved in shaping the future, but to a large extent it also rules out the possibility of firms approaching the future with such an orientation.

Two, entrepreneurship studies do not engage with the theme of legacy, habits, past experiences, and routines— issues that are known to impede prospection at long-established firms. In other words, to the extant that the entrepreneurship literature largely focuses on the “achievement of beginnings—creating products, firms, and markets”, the issue of how once-entrepreneurial firms overcome the issue of legacy and inertia and continue to be entrepreneurial and repeatedly make “new beginnings” is currently outside the bounds of entrepreneurship literature. In this study, investigating how a firm engages in shaping the future, repeatedly, over a
five-decade period, offers the possibility of understanding how firms continue to be entrepreneurial over time.

There might one count on which this study might potentially contribute to entrepreneurship literature. Entrepreneurship studies are pivoted around the concept of “opportunity”, and in recent years on the “processes” by which opportunities have been formed (Aldrich and Ruef, 2006, Alvarez and Barney 2007, McMullen and Shepherd 2006, Shane 2003, Shane and Venkataraman 2000). Following Alvarez and Barney’s (2007) portrayal of opportunities as being of two types—those formed by exogenous shocks to the business landscape and subsequently “discovered” by entrepreneurs and those opportunities formed endogenously by the entrepreneurs who “created” them, recent studies speculate the associated with these two types of opportunities (see Alvarez, Barney, and Anderson, 2013). This study on the processes by which firms shape and influence the future might potentially throw light on the processes involved in “shaping” opportunities.

Summary

In this section, drawing from the review, I suggest ways in which traditional lenses could be hindering the study of prospection and also propose alternate approaches that could help this study.

Overall, my review indicates that despite efforts to account for some kind of anticipatory element, the prevailing and predominant impression of strategy is one that is emergent, evolutionary, and learning-based—a paradigm that has dominated the discourse space of the strategy literature for some time now and diminished its “influence” and “credibility” (Hamel & Prahalad, 1994: xii). A recent Forbes article echoes this sentiment about the field’s prescriptions: “(their) theories aren’t really theories—they are ‘just-so’ stories whose only real contribution is
to make sense of the past...". Suggesting that some of our traditional approaches to research could be hindering the field’s understanding of prospection, Clayton Christensen recently observed:

“We have lost sight of a subtle but powerful fact, that data is only available about the past. We have become so fact based and data driven in our research that we can’t see in the future ourselves, nor do we enable others, practitioners and society at large, to see more clearly.” (SMS Lake Geneva Conference, 2013)

Here, my review overwhelmingly indicates that the fundamental challenge for practitioners, in organizing for the future, and for scholars, in explaining forward-looking shaping behavior of organizations, appears to be the prevalent, foundational assumptions of “bounded rationality” and “retrospective sensemaking”. I outline ways in which I intend to tackle these two challenges in this study.

**Taking a social-construction approach.**

Scholars within the behavioral tradition are increasingly beginning to acknowledge that the assumption of bounded rationality could have led to the predominantly backward looking sensibility in the field of strategic management.

“All in all, bounded rationality leads to a representation of choice as a semi automatic process that is informed by the past and operates in the present, in which calculation and distant forecasts do not have a rule. Individuals (and firms) are rule-based actors who solve pressing problems, search their local environment, and adopt solutions that rarely violate the status quo” (Gavetti et. al., 2012: 5).

Suggesting that extant conceptions of bounded rationality “may not be the best basis for a research program that addresses the challenges posed by the distant”, Gavetti (2012) calls for a “foundational shift” (p. 13) and “radical extension in the dominant interpretation of bounded rationality” (p. 10). The heart of Gavetti’s argument rests in his call for a more “expansive

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conception of strategic agency” (p. 2)—one that, in line with the spirit of the BTF, acknowledges the “systematic limitations” of cognitive processes, but also attempts a “radical extension in the dominant interpretation of bounded rationality” (p. 10) by suggesting that a better understanding of these bounds may help one manage them. “If the nature of such bounds can be identified and knowledge about the human mind can be used to understand their roots and how they can be countered, a more expansive notion of strategic agency is merited” (p. 10).

My review suggests however that a challenge for understanding prospection stems not only from the limits of “boundedness” in bounded rationality but also from the ontological assumptions of the behavioral school. The behavioral school takes a realist, objectivist assumption about the environment as “given” and “…nearly all strategic management research and writing incorporates the assumption that “organization” and “environment” are real, material, and separate” (Smirchich & Stubbart, 1985: 727). Consequently, as Smirchich and Stubbart observe, much of the prescription in strategic management literature is around ex-post action of adaptation, fit, congruence, and alignment.

“When one theorizes from the present into the past as strategic analysts often do, one finds what seems to be a powerful argument about adaptation to an “objective” environment…The nature of what constitutes adaptation can be stated only retrospectively, and never prospectively. Accordingly, the admonition to adapt to trends and forces is not very helpful” (1985: 728)

Suggesting that “executives in an industry cannot simply stand outside the action and adjust themselves to trends; their actions make the trends”, Smirchich and Stubbart made a case for taking an “enactment” or social construction approach to strategic management and “abandoning the prescription that organizations should adapt to their environments” (728). This resonates with recent calls from Porac and Tschang (2013) to suspend realist assumptions of the behavioral view and embrace the constructive role of the managerial mind. A constructivist sensemaking approach, and the attendant notion of enactment—that idea that actions and environments are mutually constituted through reciprocal action—appears to be highly relevant for this study.
given its premise—that firms not only anticipate the future environment but also shape it (e.g., Cunha, 2004; Gavetti, 2012; Ghemawat, 2010; Hamel and Prahalad, 1996; Narayanan and Fahey, 2004; Schumpeter 1911).

Unpacking sensemaking.

The sensemaking perspective however poses certain dilemmas for explaining prospection. Sensemaking is essentially retrospective—it is making sense of what has happened in the service of rationalizing and bringing order to what is “happening.” Drawing from Schutz’s (1967) idea that people can know what they are doing only after they have done it, Weick asserts that actions are known only when they have been completed and experienced. Therefore, sensemaking processes remains ontologically bound to a retrospective framework (see MacKay, 2010). This poses a challenge for us. How can we use sensemaking to inform prospection or actions and events that are yet to happen?

Although, Weick proposed that future-oriented sensemaking happens via the future-perfect thinking process, where we make sense of that has not yet happened by imagining it to have already occurred— in effect, rendering prospection as a process of projection that inherently relies on principles of retrospection—scholars within the constructivist school have suggested that sensemaking with regards to the future (“prospective sensemaking”) may be more than just a variant of retrospective sensemaking (see Gioia, Thomas, Chittipeddi Clark &., 1994; Gioia and Mehra, 1996). A recent review on sensemaking literature by Maitlis & Christianson (2013) however suggests that the contours of future-oriented sensemaking is suggested, but yet unexplored.

Empirical approach

The above observations suggest that a fruitful approach to studying prospection might require going beyond extending current theories of cognition (bounded rationality and
retrospective sensemaking) via conceptual and theoretical arguments and instead build the microfoundations of prospective behavior ground-up via empirical investigation. Consequently, adopting a constructivist, “interpretive approach” (Burrell & Morgan, 1979), I empirically investigate the question raised in this dissertation: What processes (both cognitive and action-oriented) are associated with firms’ ability to influence or shape the future?
Chapter 3

Methodology

Given the limited literature on prospection, I employed a “grounded theory methodology” (Glaser and Strauss, 1967). The hallmark of the grounded theory method is that the theory is grounded in and emerges from data—rendering it ideal for discovery and construction of theory, as well as extension of theory. To the extent that the theory is grounded in data, the method also helps one get “closer to theoretical constructs” and investigate causal relationships more directly (Siggelkow, 2006)—a valuable quality for a longitudinal study that aims to understand underlying “processes” (see Langley, 1999) of a dynamic phenomenon such as prospection over time. The grounded method also lends itself to the study’s “interpretive approach”– a paradigm that emphasizes the interpretations of those actually experiencing a phenomenon (Burrell & Morgan, 1979).

Description of Research Setting

Theory building is best served by selecting a case that best illuminates the processes that one is interested in theorizing about (see Eisenhardt & Graebner, 2007). An ideal case to study prospection would be a firm well acknowledged to have proactively shaped its environment. I selected a pioneering firm that by virtue of being in a nascent industry with few recipes for success, proactively engaged in prospective behavior. Fabindia, a leading Indian handloom retailer, that, over five decades, shaped not only its own future but also demonstrably transformed the landscape of the Indian handloom retail industry, serves as an exemplar or “inspirational” case (see Siggelkow, 2006) for this study.

Fabindia Overseas Pvt. Ltd. (“Fabindia” henceforth), established in 1960, is India’s largest retailer for handloom and handcrafted products—including apparel (flagship brand),
furniture, household furnishings, bodycare and organic food. With an exclusive focus on craft-based products, the 54 year-old firm sources from over 80,000 craft based rural producers. These products are retailed in 174 company-owned stores in six countries (India, Italy, Mauritius, Singapore, Nepal, UAE) and exported to over 33 countries. Beyond Fabindia’s exceptional growth trajectory—with a CAGR of 24%, Fabindia earns a net margin of 8 percent, nearly three times more than the retail industry average—it serves as an exemplar for this study on prospection as it is widely acknowledged to have anticipated, created and shaped an ecosystem for handcrafted products in India.

“… Fabindia is synonymous with the country's handloom couture revolution. The birth of the chain in 1960 marked the beginning of the transformation of traditional Indian fabrics into fashion textiles for apparel and designer home décor…” (The Navhind Times, 2011)

Further, Fabindia’s role in transforming an industry that was unorganized and problem-ridden and where neither a well-defined consumer market nor supplier market for handmade products existed, suggests the extreme context in which shaping occurred. Organizational processes are highly salient, transparent, and amenable to investigation in such “extreme cases” (see Yin, 1994).

Fabindia has several other features that render it ideal for this study. First, Fabindia was founded in 1958, providing an opportunity to conduct a longitudinal study by having access to good historical data. Fabindia’s success in shaping the handloom over five decades offers the opportunity to study multiple instances of forward-looking or prospective behaviors within the case —holding the potential to rule out explanations of serendipity or pure luck. Second, recognizing strategy-making as constituting both thought and action, calls for tapping into the minds of strategists and understanding “What is it like inside a strategist's world?” (Smirchich and Stubbart, 1985: 733). Such an in-depth understanding of the cognitive underpinnings of strategic action requires access to textual data via interviews and other communication materials.
By virtue of my continued engagement with Fabindia’s top management since 2006, I obtained formal permission to study Fabindia and thereby gained access to a wide range of informants—senior managers, middle managers, longtime suppliers, investors, collaborators and so on. Access to some of the founders and past members who have experienced the entire history of the firm were an advantage. Recently released books on Fabindia (“Fabric of our Lives” by Radhika Singh, 2011) and by Fabindia’s Managing Director William Bissell—“Making India Work” (2012) provided an excellent opportunity to gain insights into the contemporaneous thinking of the firm’s executives at various points in Fabindia's history and also served as a check to retrospective sensemaking (Golden, 1992). Third, given the prominent role of the handloom sector in the economic and cultural identity of India, and Fabindia’s prominent position within it, I was able to collect rich data from a wide variety of players connected to the handloom space—industry experts, policy makers, suppliers, consumers, activists, fashion designers and so on. Because of its reputation and recognition as a pioneering firm, there has been extensive press coverage of Fabindia, generating a large amount of secondary data that was helpful in identifying Fabindia’s engagement with the future.

**Historical Context of Business Landscape.**

Archaeological studies trace handloom production in India to the 2nd century A.D. (see Mamidipudi, 2012). Records suggest that, by around the 15th and 16th century, India was the world’s leading producer of natural fibers—cotton, jute and silk. The Indian textile industry was also renowned for generations-old, manually intensive, craft techniques by which close to twenty million craftsmen would convert raw fiber (cotton and silk) into handspun yarn, which would then be woven into fabric through hand-operated looms (hence the term “handloom” fabric).

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5. The handloom sector in India comprises 95% of the world’s handloom industry. It not only plays a vital role in the Indian economy as it is the second largest source of employment and comprises 14% of India’s cloth production but also constitutes a distinct feature of the traditional, historical, political and cultural heritage of India.
While its counterpart in China was renowned for luxury-handloom fabrics like silk, the India textile industry stood out for the “rather unusual, coarse, non-luxury, utilitarian-seeming” cotton-based handloom textiles. Skilled workmanship, a wide variety of weaving, dyeing, printing, and embellishing techniques passed down from generation to generation, and the use of natural-materials and dyes led to the growing popularity of Indian handlooms overseas. Records suggest that by the 17th century, the Dutch and English East India companies were heavily into exporting Indian handloom textiles, at first to consumer markets within Asia (in exchange for spices) and later to consumers in Europe, Africa and the Americas—marking the onset of a “golden age” for Indian textiles. Bennet Bronson, Associate Curator, Asian Archaeology and Ethnology remarked:

“What matters is the extraordinary situation that existed in the early 1680s when, as seems quite clear, a collection of simple and undernourished brown people in an exotic country managed to pull off an industrial miracle. They had already succeeded in eliminating most of the local textile industry in the Middle East and Southeast Asia. Now they had come within an ace of displacing even the powerful and traditionally successful textile makers of Western Europe. They had in fact done something that had never been done before. For the first time in history, a manufactured non-luxury product made in a single country was on the verge of dominating the consumer markets of the entire world.” (1982)

Around the late 1600s, following an uproar from European industrialists and lobbyists who cited that heavy import of Indian textiles would put thousands of European textile workers out of work and irreparably damage national economies, Great Britian introduced new trade policies in India, then a British Colony. Between the 17th and 19th century, the new colonial policy of exporting raw cotton from India into Great Britian and in turn dumping expensive, machine-made yarn into India began to rapidly erode the handloom industry. It not only rendered the millions of weavers dependent on hand-spinning yarn out of work, but the prohibitive price of imported yarn also rendered hand-weaving economically infeasible—rendering weavers jobless. Around the 1800s, with industrialization in the west, mechanization made its way into the Indian textile industry as well. The establishment of mills that could turn out cotton fabric of better finish, with greater efficiency and lower cost threatened the market viability of hand-woven textiles. The advent of
synthetic textiles like nylon, rayon and polysters that could be mass-produced at low prices
offered further competition to handloom fabrics. Synthetic fabrics were not only 30-40% cheaper
than handwoven textiles, they were also functional and, given their growing popularity in the
west, also considered fashionable. The Indian consumer—hitherto a significant market for Indian
handloom products—had begun to turn towards mill-made cotton fabrics or synthetic fabrics.

Although the rapid decline of the market for Indian handloom products was partially
stemmed during the early 1900s when Mahatma Gandhi adopted Indian handloom (especially the
handspun and hand-woven fabric Khadi) as a symbol of India’s struggle for independence and
self-governance, the symbolism around handloom products gradually faded when India gained
independence. The depleting functional and symbolic value of handloom products was a problem
on several fronts. With over 25 million craftsmen employed in the handloom and allied industries,
the sector was the second largest source of employment in the India and pivotal to the nation’s
economy. The age-old tradition of weaving and printing, a generational legacy kept alive by
skilled weavers and a “skillful blending of myths, faiths, symbols and imagery” was considered a
vital part of the “cultural heritage” of India (source: www.handlooms.nic.in). Further, given the
pivotal role of khadi in the Indian freedom struggle and Gandhi’s promotion of the handloom
sector as key to solving the country’s growing unemployment problems, khadi and handloom
products had emerged as a political and social symbol.

Despite the industry’s pivotal role in the economic, social, and cultural identity of India,
the structural peculiarities of the handloom production (manual, household-based, fragmented and
dispersed across remote parts of rural India)—that had once helped mobilize a vast nation into
freedom movement—posed problems when it came to organizing it as an industry. Most

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6 Khāḍī or Khaddar is a term for handspun and hand-woven cloth in natural fibers—cotton, silk, or wool. The raw
materials may sometimes also include silk, or wool, which are all spun into yarn on a manually operated spinning
wheel called a “charkha”. The process of hand-spinning and hand-weaving makes it one of the more “breathable”
fabrics—trapping heat in cold weather and cold in warm weather. When colored, the fabric is dyed with regular or
vegetable dyes.
“supplier” craftsmen were single weaver establishments, in remote and inaccessible parts of the country, and had little access to capital, market, or quality inputs. The lack of regular income rendered artisans less credit worthy to traditional bankers and consequently artisans borrow money at exorbitant rates from local money-lenders getting trapped in a cycle of high debt. More importantly, mainstream organizing solutions were of little relevance in this industry. Jaya Jaitley, a champion of the crafts and cottage industries and Founder of Dastkari Haat Samiti, a open-market initiative for craftsmen, explained:

“Industrialization has conventionally meant the dominance of machine over man and of capital over labour. Crafts in contrast can be termed an industry where the machine does not dominate and its very decentralized structure prevents the exploitation by a capitalist tycoon sitting far away, controlling production and people….Crafts, by their very nature, are not mass produced. But if people are working with their hands, albeit with the assistance of tools and machines, producing goods required in a wide market space, selling to make profits and thereby contributing to national wealth, crafts can be termed as a decentralized creative industry where the human mind and hand is more important than the small machines and tools they may use. Here the machine is the instrument of the maker, owned by the maker or by the community, and to that extent craft is free of domination and exploitation. There is, therefore, a world of industry without industrialization in the traditional sense…” (Source: Crafts as Industry, Creative Industries Symposium on culture based development of strategies, 2005)

Consequently, with the apparent infeasibility of mainstream organizational solutions for the problems of the Indian handloom sector, organized players were reluctant to enter the handloom industry and those engaged in this sector were compelled to come up with homegrown informal solutions for the problems of this sector—a situation that typically led to reliance on exploitative middlemen. By the 1950s, with the growing poverty of the millions employed in the handloom and handicraft sector and the absence of a market for their products, the Indian handloom sector was facing a rapid decline.

It was against this backdrop that John Bissell, an American national visiting India on a Ford Foundation fellowship, established Fabindia in 1958 with the intent of “expanding and developing” the Indian handloom industry.
Study Design

Given the objective to generate an in-depth and nuanced understanding of the processes involved prospective or future-oriented thinking, a single-case study design appeared ideal. A single-case provides rich contextual insight and understanding of the “deep structure” and processes of social behavior (see Gersick 1991), an aspect that is mostly compromised in multiple case study, where the attempt is to gain comparative insights (Dyer & Wilkins, 1991). My choice of a single-case design was also influenced by my interest to investigate the deep “processes” involved in prospection—an agenda that is best served by a single-case design as it helps focus and capture nuances in the ebb and flow of organizational “processes” over time (e.g., Burgelman, 1994; Burgelman, 2002; Siggelkow, 2002). The choice of a single-case study was in large parts also necessitated by the exemplary and relatively rare nature of the phenomenon (see Yin, 1994; Siggelkow, 2006; Eisenhardt & Graebner, 2007).

To ensure extensive and robust analysis within a single case however, I adopted an embedded single-case design (Yin, 1994). An embedded case design involves studying sub-units or multiple cases or events of a phenomenon of interest within a larger case of the same phenomenon. Such a technique not only helps capture patterns of a particular phenomenon across multiple events or cases, thereby enhancing the analytical power of a single case study (Langley, 2009), but it also offers insight into nuanced differences in a process. To identify multiple events or cases of prospective behavior within the large case of a pioneering firm, I used “temporal bracketing” (see Giddens, 1984)—a subjective, “heuristic device” typically used in case studies with “detailed event histories over time” to segment data into comparable units of analysis (Langley, 2009: 919). Through a process of comparing and contrasting, I bracketed the firm’s evolution into three distinct cases of prospection or forward-looking. The three sub-units of prospection are exemplified in three phases of the firm’s evolution: Phase One (1958-1980s): Establishing Fabindia and emergence as a pioneering handloom-export firm; Phase Two Early
(1990s-2010): Emergence of Fabindia as a National Retail Brand, and; Phase Three (2005-2013): Establishing Community-Owned Companies (CoC). The three sub-units or phases were comparable in the sense, that each of these phases involved a strategic transformation in the firm’s activities, and in significantly altering different aspects of the industry landscape, the three phases also signified a transformative shift for the handloom sector.

In Phase 1 (1958-1980s) when Fabindia enters the Indian handloom industry, the industry landscape is highly unattractive as it is ridden with problems on both the supply- and demand- side. Barring the Indian Government that had the mandate to promote handlooms (handloom is the second largest source of employment in the India and pivotal to the nation’s economic and cultural identity), there were no competitors or players in the industry. Fabindia redefined the “handloom product”—the technical and aesthetic aspects of it and with it, the production and quality capability within the ecosystem, and created the first business model for “exporting” handlooms—spurring several others to venture into handloom exports, thereby creating a vibrant handloom export route between India and overseas markets.

Phase Two (Early 1990s-2010) marks Fabindia’s transformation from an export firm to a national brand and then a national retail chain. Fabindia’s efforts in this phase leads to the creation of symbolic value for handloom products, emergence of a domestic market for handloom apparels, and genesis of a viable business template for “retailing” handlooms. Fabindia’s success and scale not only marks it as a pioneer and dominant player in the nascent handloom retail sector, but it also spurs the launch and expansion of several new brands of handloom and handcrafted apparels (Good Earth, Mother Earth, Biba, Khadder, W, Yamini among others). The entry of traditional retail chains (Lifestyle, Shoppers Stop, Pantaloon, Reliance Trends among others), followed by venture capitalists and private investors (Future Group, Wolfensohn Fund Management, L.P., L Capital, PremjiInvest, Aavishkar) into the handloom segment injects competitive dynamism into an age-old industry.
Phase 3 (2005-2013) marks the launch of Community-Owned Companies (henceforth CoC). With the intent of scaling handloom supplies—a classic challenge to the household-based handloom production—without resorting to the traditional model of centralized production and ownership, Fabindia pioneers the idea of companies owned and managed by artisan-craftsmen. Fabindia’s pioneering idea of shaping the ecosystem of the handloom sector by creating CoCs is hailed by national and international media. After the launch of 17 CoCs, mixed results lead Fabindia to revise its original idea, thereby withdrawing the CoC model and folding existing CoCs into Fabindia—making the 68,000 artisans shareholders of the erstwhile CoCs shareholders in Fabindia.

Despite the similarities in the three sub-units or phases, there were minor variations across the three phases—lending opportunities for theorizing about the potential variations in the process model. Further, while the first two phases were widely acknowledged to be a success, the third event had mixed results. The senior management’s introspection on the mixed results (some also termed it a “failure”) lend interesting insights on the process model.

Data Sources and Data Collection Procedure

For Phase 1 (1958-1980s) and Phase 2 (Early 1990s-2010), I relied on archival data—including corporate documents, two case studies, company and executive biographies, press releases, annual reports, media reports, industry reports and so on. I also interviewed those associated with Fabindia in Phases 1—former employees, board members and collaborators of Fabindia since its inception. Case studies on the company and a recently released biography of the firm based on letters exchanged between the Founder and his parents in the USA were especially helpful to gain insight into the decisions taken during this phase. For Phase 2, I was able to gather intermittent, real-time data in 2006 and in 2009. For Phase 3, beyond archival sources I was able to gather intermittent, real-
time data over the entire span of the initiative over seven years and in two extended phases—one beginning in 2006 and extending through 2009, and the other beginning in 2013.

The second phase of data collection in 2013 involved deep immersion in the research site in India for an extended period of four months. During this period, I travelled extensively across India, meeting informants in person and engaging in participant- and non-participant observations—including visits Fabindia’s HQ, regional offices and retail stores of Fabindia, and participation in design and product selection meetings. I was able to interview prominent handloom suppliers (spanning different craft traditions like Jaipur block Print, Ajrakh, Bagru) in different parts of the country. These suppliers’ association with Fabindia ranged typically between 5-45 years. To gain a first hand understanding of the industry context, I visited handloom exhibitions, handloom conferences, and production hubs in different parts of the country (Kolkata, Delhi, Jaipur, Jodhpur, Udaipur, Bangalore). I also interviewed industry experts, policy makers, activists, and fashion designers to get a perspective about the industry and Fabindia. Archival data not only supplemented interview data but it also helped triangulate the interviews with key informants and, thereby, mitigate possible “retrospective bias” in the interviews. I also maintained a formal diary of field notes and discussions and relied on e-mails, phone calls, and follow-up interviews to fill gaps in data.

In keeping with the ethos of grounded theory study (Glaser & Strauss, 1967), the sampling logic moved from purposive (Patton, 1990), to “snowball sampling” and then to “theoretical sampling” (Glaser & Strauss, 1967). I initially interviewed those that I thought would be directly and significantly involved in policy level issues at Fabindia (Managing Director, Heads of Business, senior managers) and the handloom sector in general (e.g., Secretary, Department of Handloom, Government of India; Director, All India Crafts Association of India). They referred me, and often introduced me, to other informants that they deemed vital for my

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7 I participated in the “Contribution of ‘Handmade Goods’ to India’s Economic Growth” Conference held on Mar 30, 2013 at India International Centre, New Delhi India
study. Given Fabindia’s prominence in the cultural milieu of modern urban India, several impromptu data collection opportunities.

**Interviews.** Overall, between 2006 and 2013, I conducted 85 formal interviews and over 50-60 informal interviews. I conducted in-depth interviews, spanning 45 – 180 minutes, with organizational members (including Top Management Team and Board members) and stakeholders (suppliers, partners, investors, consumers). Within Fabindia, my sample varied along two dimensions. First, it included individuals from multiple levels of the organizational hierarchy. I interviewed the CEO, members of the Board, senior managers, as well as mid-level managers. Individuals from across product categories—apparels (Indian/ Western/ Men’s/ Women’s/ Children’s)/ Furnishings/Furniture/Organic Foods/Personal Care/Jewellery) and functional areas—design, operations, finance, public relations, marketing, retail were represented in my sample. Second, I also interviewed individuals present at different points in Fabindia’s history in order to understand how the organization had evolved. In many cases this process involved interviewing former employees and as well as employees who had moved to other companies. The interviewees' tenure at Fabindia ranged from three years to over 45 years. A key aspect of the data collection exercise was the opportunity to have five, elaborate 60-90 minute interviews with the Managing Director. Interviewing key managers at the start as well as the end of the data collection exercise offered the opportunity to validate the emerging theoretical themes.

In keeping with the exploratory nature of the study, I used a semi-structured, open-ended interview format with a common set of questions. At Fabindia, interviewees were first asked to discuss their specific role in the company, and how it changed over time. I then asked them to discuss the evolution of the firm in a nascent industry and how the organization made/makes sense of new actions to take and the challenges involved in engage something new to the company, new to the market, and new to the industry. Exhibit A presents the initial interview protocol.
Data Analysis

As a first step in the generation of process maps, I mapped the timeline of events in Fabindia’s history. Table 4 displays the timeline of events pertinent to the evolution of Fabindia.

I then content analyzed the raw data (interviews, press releases, media reports, industry reports) using the coding approach in the “Gioia methodology” (see Gioia, Corley, and Hamilton, 2013). In this tradition, the coding process involves selecting, categorizing, labeling and accounting for each piece of data and, in the process, progressing from concrete statements in the data (first-order code) to analytical- (second-order themes) and, eventually, theoretical- (overarching dimensions) concepts.

I commenced first-order coding by reviewing interview transcripts and archival data and identifying “thought-units” — words, lines and or paragraphs that could be distilled to a fundamental idea, concept, event or activity. To better represent processes I labeled the codes using gerunds (Glaser, 1978). Given the embedded-case design and the intent to do pattern-matching across the three cases, I identified codes by the phases they represented. Within each cases, I used constant comparative method (Glaser, 1978) to establish and maintain analytic distinctions among the codes, moving through the data and comparing thought-units with previously identified codes—I then either categorized them under existing codes or created a new code if it was analytically distinct.

The second-order analysis involved axial coding—synthesizing and clustering first-order codes thematically. Again, using constant comparative methods and comparing data over time and across codes, I aggregated the approximately 180 first-order codes—irrespective of the phase they belonged to—into 19 pan-phase themes that were more analytical in nature. Although
I aggregated the first-order codes in each phase into a common, single second-order analysis, the phase-wise identifiers for the supporting first-order codes, helped note commonalities as well as variances across the three phases in the second-order analysis.

The final phase, **theoretical coding** (Glaser, 1978: 72), involved assessing the semantic relationships among the 19 themes and aggregating them into 6 overarching dimensions—a step that moved the analytical story in a theoretical direction.

Finally, I arrived at the **grounded-model** by tracing sequential relationships among the theoretical dimensions—thereby transforming the previously static and stand-alone dimensions into a dynamic, integrated, theoretical narrative display. The across-phase variations are highlighted in the findings section.

The final stages in the development of the model, suggested the potential and usefulness of segregating those aspects of the process that transpire within the boundaries of the organization and those that manifest outside the boundaries of the firm—in the business landscape or ecology. The final model therefore separates the theoretical dimensions and the associated second-order themes into organizational- and ecological- levels, locating processes that that are largely internal to the firm in the organizational-level, and those that involve a manifest change in the business landscape at the ecological levels.
Chapter 4

Findings

Figure 1 displays the grounded model of prospective sensemaking in a pioneering firm. The grounded model shows the theoretical dimensions that explain how prospective sensemaking progressed across the organizational- and ecological- levels. Theoretical dimensions that transpire within the boundaries of the organization are represented in the “organization-level” and those that manifest outside the boundaries of the firm, in the business landscape or ecology are represented in the “ecology-level”. The model is a dynamic process model, as connoted by the gerund (“ing”) form of all the dimensions.

Insert Figure 1 about here

Figure 2 displays the ordering and structuring of the data that identify 2nd-order researcher-induced themes that I have aggregated into overarching theoretical dimensions. The 2nd-order themes are organized level-wise such that ecology-level processes are depicted on the left hand side of the theoretical dimensions and the organization-level processes are depicted on the right hand side of the theoretical dimension.

Insert Figure 2 about here

Table 5 provides a summary of 1st-order codes in support of the themes and dimensions pertaining to each of the three phases.
As I relied on an embedded case design — comparing and contrasting three intra-organizational cases of prospection to arrive at a unified organizational-level grounded model of prospective sensemaking — Figures 3, 4 & 5 capture the 1st order codes for Phases 1, 2 & 3 respectively that support the overall grounded model. Although the grounded model emerged from cross-case comparison, not all theoretical dimensions are equally represented across the three cases. For example, Dimension 5 & 6 were not relevant in Phase 3 (see Figure 3).

Guiding the Reader

The recursive and inductive nature of the grounded theory method presents unique presentational challenges. As the grounded theory method involves abstracting a theory from analyzing data pertaining to a particular case (three distinct cases within a larger case in this study), the findings section typically involves a narrative of the particulars of the data as well as the theory that emerged from it. To guide the reader through this section, I have depicted the overall architecture of the narrative of findings in Figure 6.

Although the generation of a model actually constitutes the final step in the grounded theory development process, I present the model first, however, to provide a preview of the findings and also use it as an organizing framework for the findings narrative.
The preview of the model is followed by an elaboration of each of the six theoretical dimensions that constitute it. In elaborating each dimension, I provide an overview of the researcher-induced 2nd order themes that constitute the particular theoretical dimension and support it with a narrative of 1st order codes that are informant-based. As I relied on an embedded case design, I will narrate how the dimension played out in each of the phases. Finally, I summarize the model again at the end of the findings.

**Preview of Grounded Model**

Overall, the grounded model suggests that prospective sensemaking at the firm-level occurred against the backdrop of—and in reference to—the status quo, or what is taken as the current accepted state of practice in the business landscape **(Dimension 1 in Figure 1)**. Prospective sensemaking is triggered by senior management’s aspiration to shift the status quo in the landscape (“things ought to be different”)—a process motivated by dissatisfaction with status quo (“things should not be this way” or “this should not continue”) and enabled by creatively imagining a possible alternate to status quo (“how things could instead be”). The imagined alternate is idealized (“inclusive capitalism”) and represented by a creative synthesis of elements that appear seemingly contradictory in the status quo (“we had to scale production—in an industry where economies of scale do not exist”). The imagined alternate is also undergirded by hypothesis about possible pathways to it—lending a sense of plausibility to the novel and radical alternate (“the way to scale production is by making craftsmen owners in the production process”). At this point imagination provided general direction and the broad contours of the alternate, but did not necessarily coalesce as a well-defined future image or one fixed vision. **(Dimension 2)**. Commitment to the imagined alternate at the senior management level was followed by concerted organization-wide action to create pathways to the imagined alternate—a complex, time-intensive process that involved simultaneous and recursive processes of enacting
hypothesis about pathways, while acquiring organizational capabilities for it, and mobilizing stakeholders—whose commitment is crucial to creating pathways to the imagined alternate
[“Nobody has done this before. The only way to learn how Community-Owned Companies ought to operate is set them up and run them. We had to get resources and people on board as well—when neither they nor we had seen CoCs before”] (Dimension 3). Even as the organization began creating pathways, new outcomes (new products/new business models/new partnerships and so on) emerged on the landscape [e.g., CoCs]. Emerging outcomes were explicitly as well as implicitly evaluated to see whether they created the imagined effect. Evaluation was typically against selection criteria that were articulated ex-ante (at the early phase of imagination), as well as those that emerged in the course of unfolding alternate reality. Reviewing emerging outcomes against selection criteria often resulted in renewing efforts (“let us try harder”) and/or revision of beliefs (“let us change the way we are approaching this”). Validated outcomes (“this is it!” or “this is good enough”) were consolidated over time (Dimension 4).

Once consolidated and stabilized, the outcome was formally articulated as a strategy (“this is the way forward”) and the firm’s identity was articulated (“this is who we are”). What then follows resembles the more traditional processes of strategic planning and implementation — formalizing goals, timelines, resource allocation and co-ordination of efforts (Dimension 5). Even as the firm successfully created pathways to the imagined alternate, its effects, could be seen on the handloom landscape. Across the three phases of Fabindia’s existence, various aspects of the handloom and retail landscape were transformed—the handloom product transformed (acquiring new functional and symbolic value), overseas markets were created, and, in India, a new market category of “ethnic-wear” emerged, the ecosystem for suppliers improved, new players entered the industry—injecting competitive dynamism to the industry, and eventually attracting investment into the industry (Dimension 6).

Overall, prospective sensemaking reveals a set of highly reflexive and creative processes
with marked phases and interdependencies among the continuously moving and evolving phases—imbuing the entire process with a kind of “dynamic stability”.

The model suggests that prospective sensemaking is spurred by deeply intertwined processes of reflexivity and creativity that not only spurred the firm to shift the status quo, but also enabled it to creatively conceive pathways to it. The processes that follow reveal the challenges of “creating” this imagined alternate.

The dimensions of creating pathways and evaluating outcomes together suggests that creating an imagined reality involves a dynamically controlled and time-intensive process of acting on the imagination, and constantly aligning imagination and unfolding reality via meta-level processes of evaluating the outcomes against selection criteria, deciding how and when to revise efforts and/or revisit pathways. Creating an alternate to status quo was rendered further complex as it involved acquiring new organizational capabilities and also engaging in socially complex processes of mobilizing resources and commitment from stakeholders—all of which are embedded in status quo.

Further, the grounded model also reveals the prominent role of senior management (especially leadership) in early phases of prospective sensemaking (aspiring to shift status quo), and the more emphasized role of middle- and senior- managers (as well as collaborators) in the processes that follow. Working within the meta-frame of senior management’s imagination, both, those within the organization and outside it proactively explored creative ways of enacting the imagined alternate. Here senior – and middle- level managers’ intuitive understanding of Fabindia’s ideology, as well a deep commitment to, played a key role in evaluating and revising emerging outcomes.

Finally, in what seems like a paradox, the theoretical dimension “aspiration to shift status quo” suggests that pioneering firms that shape their industry, are typically focused on the “present”—specifically on creating an alternate to the present. The “future” is what emerges in
the course of creating an alternate to the “present”. In other words, the model, counter intuitively suggests that pioneering firms shape the future by shaping the present.

**Narrative of Findings**

**Landscape status quo (Dimension 1).**

Across all three phases, prospective sensemaking unfolded against the backdrop of—and with reference to—one or more well-accepted and taken-for-granted elements of the handloom landscape—be it on the supply-side, demand-side, or overall business model.

In **Phase 1**, prior to Fabindia’s entry into the handloom sector in 1960, the landscape of the handloom sector was ridden with problems. Although the supply-side boasted of an abundant supply of fine craftsmanship and a wide variety of weaves and printing techniques, supplies were hindered by high cost of raw materials, limited designs, and production and qualities problems, and little access to capital and markets. On the demand front, gradual “westernization” of consumer tastes (shift from traditional *kurtas*\(^8\) to trousers and shirts) coupled with influx of substitutes like mill-made cotton and synthetic fabrics (rayon, polyester, and nylon and so on) that were mass-produced, low-priced, functional and easy-to-maintain posed a threat to handloom fabrics—that were typically rugged & uneven looking, difficult to maintain, and relatively more expensive. In the years following Indian independence in 1947, the symbolic aura\(^9\) of handloom products too had diminished. Consequently, handloom consumption in India was largely limited to geriatric—specifically, former freedom fighters and “Gandhians”.

Overall, given the supply- and demand-side problems, the eventual fading away of the handloom sector appeared inevitable\(^10\). Given the scale and range of problems across the

\(^8\) A traditional, tunic-like, upper-body garment worn by men as well as women (“*kurti*”) along with a trouser-like lower-body garment (*salwar, churidars, or pyjama*)

\(^9\) During the Indian freedom struggle, Gandhi had portrayed spinning as a symbol of independence and self-governance and urged each Indian household to engage in spinning and wear only Khadi and handloom products

\(^10\) Through the 1800s, the introduction of powerloom had led to a rapid decline in the percentage of handloom weavers
value chain, barring exploitative middlemen, no organized player was interested in the industry. The handloom and allied sector however also employed over 10 million artisans and was the second largest source of employment in the country. The sector’s pivotal symbolic role in the Indian freedom movement and its repertoire of diverse and rare age-old craft traditions also made it central to the country’s economic and social identity. Consequently, the first Government of independent India, unequivocally socialist in its policies, that took up the mandate of supporting the handloom sector and was the lone player in the sector. [It was against this backdrop of a business landscape with a wide base of skilled but problem-ridden supplier base, poor product portfolio and high threat of substitutes, lack of buyers, and lack of successful business models, that the first phase of prospective sensemaking at Fabindia commenced—with its entry into the handloom sector]

By the mid 1980s, around the commencement of Phase 2 of prospective sensemaking at Fabindia, the handloom landscape had significantly altered. Fabindia’s successful run as a pioneering handloom exporter coupled with Governmental subsidies for export firms, had spurred the establishment of many private export firms and India’s “first export boom was fuelled by demand for indigenous fabrics and handloom garments” (Tewari, 2005: 17). The domestic market for handlooms however continued to be insignificant.

Despite Government intervention in the form of reserving certain production categories for the handloom sector as part of the First Year Plan (1950) and supporting weavers by subsidizing inputs, offering rebates and retail platforms through exclusive outlets (Khadi Bhandars) across the country, the domestic market for handlooms was restricted to Gandhians and politicians (who had adopted the Khadi as their uniform).

Red tape and bureaucracy in the Government managed retail was rampant. Poor designs,
and production- and quality- related problems persisted. Despite the heavily discounted prices at Government stores, the coarse and poorly-designed products stood little chance against the more fashionable polyesters and chiffons.

During the 1980s, even as the global prospects for Indian handloom increased, the global retail industry was undergoing major structural changes. Traditionally constituted by several small enterprises, the retail industry was being consolidated and dominated by fewer and bigger players. Private-labels and innovative supply chain practices like ‘lean retailing’ and ‘just-in-time’\(^\text{11}\) began to put pressure on manufacturers. After visiting the first IKEA store in Europe John Bissell, Managing Director, Fabindia wrote: “Retail is so competitive here…I have sort of a strong sense in my bones that we are seeing the beginning of the end…at least of the US Operations” (1985). In the search for better margins, international retailers had begun to bypass handloom exporters and source directly from weavers. [It was against this backdrop of an improved product portfolio for a growing overseas market for Indian handlooms, but a marginal domestic market due to limited product portfolio, high threat of substitutes, limited buyers, and lack of successful business models, that the second phase of prospective sensemaking commenced at Fabindia]

**Phase 3** of prospective sensemaking was specifically focused on the status quo around the supply side of the handloom landscape. By 2005, the handloom landscape had significantly transformed. While the export markets continued to grow, the domestic market for India was booming. A growing taste for “Fabindia look” among urban consumers, coupled with rising levels of disposable income in the country\(^\text{12}\) had led to the emergence of a new category—ready-

\(^{11}\) At UK retail chains inventory holdings dropped from 38 stock days (1961) to 12 stock days (1991).

\(^{12}\) Between 1985-2005, the average real household disposable incomes in India had seen a compounded annual growth rate (CAGR) of 3.6% —as compared to US (1.5) and Japan (.25). Disposable incomes were projected to continue to grow at CGR of 5.3% between 2005 and 2025. As a category, the urban middle class was projected to grow from 5% (2005) to 39% (2025) of the country’s population. (Source: The ‘bird of gold': The rise of India's consumer market, McKinsey Global Institute, 2007)
to-wear “ethnic wear” and with it, the entry of “ethnic wear” retailers (W, Khadder, Good Things, W) and ethnic wear labels by modern retail chains (Shoppers Stop and Pantaloons. Lifestyle, Westside).

A significant growth barrier for the sector appeared to be the supply-side of the landscape. Despite continued Government intervention since the 1950s, intractable problems on the supply side—decline in number of weavers, lack of a constant & consistent supply of handloom fabric of a standard quality, throughout the year, across the country—threatened the sector’s ability to exploit the market potential. Most “supplier” craftsmen were single weaver establishments, in remote and inaccessible parts of the country, and had little access to capital and quality inputs. Bad quality dyes result in huge rejections and cancellations in orders. The lack of regular income rendered artisans less credit worthy to traditional bankers and consequently artisans borrow money at exorbitant rates from local money-lenders getting trapped in a cycle of high debt. Despite the growing demand for “ethnic wear”, inconsistencies in production and quality posed a disincentive for organized retailers. The growing popularity of the “Fabindia look” had ironically led to retailers imitating the “Fabindia look” on mill-made fabrics—a difference that is typically spotted only by handloom connoisseurs. [Around 2005, it was against the backdrop of the challenges in the supply-side of the handloom industry that the third phase of prospective sensemaking commenced with the intent of improving the eco system of the handloom industry]

In sum, across all three phases, prospective sensemaking unfolded with reference to well-accepted and taken-for-granted elements of the handloom landscape. In Phase 1, the dismal state of the handloom industry—limited products, production and quality problems, absence of market, poverty-stricken weavers—prompted prospective sensemaking. In Phase 2, prospective sensemaking was initiated to cope with the growing threat to the Indian handloom industry from international retailers. In Phase 3, the supply
eco-system of the handloom industry—specifically, inherent challenges with scaling production—was the focus of prospective sensemaking at Fabindia.

**Aspiring to shift status quo (Dimension 2)**

Across the three phases, this phase of prospective sensemaking was marked by an aspiration to shift elements of the business landscape that were typically taken for granted. The aspiration was typically spurred by dissatisfaction (sources of dissatisfaction being different in each phase) with particular aspect(s) of the landscape and enabled by creatively imagining an alternate to the status quo.

**In Phase 1**, John Bissell (JB henceforth) established Fabindia with a general aspiration to “expand and develop” the handloom sector in India—an aspiration rooted in his love for handloom fabrics, disappointment with the state of the handloom industry and creatively imagining how some of the problems of the industry could be solved.

Touring remote parts of India for over two years, between 1958-1960, as part of the Ford Foundation fellowship, JB was both moved and puzzled by the dichotomy in the handloom industry—“distinctive, attractive, off-beat” fabrics on one hand and “large unused capacity” and craftsmen struggling for livelihood on the other (1965). More importantly, as his wife Bim Bissell mentioned, “…JB thought he could make a difference. He felt that he could resolve most of the problems the weavers were facing.” (Singh, 2010: 28).

**JB imagined an alternate reality for handlooms.** He imagined the possibility of a future in which handlooms would have a thriving market and craftsmen and artisans’ livelihoods would be sustained—an idea that seemed contradictory in the handloom sector marked either by profit-seeking exploitative middlemen or social-welfare seeking Government. More importantly, JB perceived the economic and social imperatives of the handloom sector as interconnected. He believed that the development of the handloom sector hinged on prioritizing social and economic
objectives in such a manner that economic welfare, while being kept subsidiary to social imperatives, would be the primary driver of social imperatives. JB articulated the seemingly paradoxical solution in a letter to his parents:

“...the idea that it is just not good enough to make people feel good about their craft. They have to be able to get a return on it. You make it economically viable and then the craft survives and the people survive. But you have to care about it over and above the money....” JB (1959) in Singh (2010, p. 23).

John’s views about an ideal landscape where seemingly paradoxical economic and social interests could be integrated, can be traced to his ideological beliefs. Raised in an American household with liberal ideology and “values of community service and belief in the ideal of an egalitarian society” (JB, 1965), JB was persuaded by British Economist E. Schumacher’s criticism of conventional “scaling” and “growth” strategies and prescriptions of sustainable development, appropriate use of technologies, and village-based economies. His colleagues recounted “Gandhi’s call to Indians to spin and weave their way into a self-reliant village economy was reflected in JB’s passion to resurrect handloom industry by successfully marketing its products” (Singh, 2010: 146).

Making a case for his ideas, JB identified faultlines in the prominent initiatives in the handloom industry of that time that, although seeking to shift status quo, were in fact supporting status quo. JB observed that, although the various Indian Government-led organizational solutions13 focused on supporting production as well as marketing of handloom products, the focus of these initiatives — on quality and creating retail platforms— were misplaced. He claimed: "I really think…that the attack has to be on the Handicraft themselves—let's make something exciting then follow up on the production and quality problems so we can market it commercially" JB (1958) in Singh (2010, p. 23).

"The showrooms in Bombay, Madras, and Calcutta are supposed to be for the export trade. In my estimation they are premature, because there just isn’t enough

13 All Indian Handicrafts Board, All India Handloom Board, Khadi and Village Industries Commission
new and exciting [stuff] to sell. It is too bad to spend the time and money on this rather than on the really immediate problem of developing new things…” JB (1958) in Singh (2010, p. 23)

John’s imagination of a novel and idealized reality was undergirded by hypothesis about possible pathways to it. First, he believed that the handloom product had to be re-imagined. He wrote: "I really think…that the attack has to be on the Handicraft themselves—let's make something exciting then follow up on the production and quality problems so we can market it commercially" (p. 23). Second, he believed that there was a “definite increase in the demand for 'distinctive, attractive, off-beat' fabrics” in the United States and that “exciting” handloom products “could bridge the distance of 11,000 km between the US and India" (p. 38).

"The United States market is searching for the 'new and unusual'. There is definite increase in the demand for 'distinctive, attractive, off-beat' fabrics…which are only available in relatively small quantities so they retain their 'new' look. We have the situation of a real demand and place for Indian fabrics in the US and the potentially productive facilities of the Indian market’ (Fabindia Prospectus, 1960)

[In Phase 1, disheartened by the state of the handloom industry and its craftsmen, and spurred by imagination of a possible alternate—one that, in a seemingly contradictory manner for those times, involved creating a market for handlooms while sustaining the livelihoods of craftsmen—John Bissell established Fabindia with an aspiration, and conviction, of solving some of the taken-for-granted problems of the Indian handloom industry]

In Phase 2, Fabindia’s aspiration to shift the status quo of the handloom product—from a “commodity” to a “brand”—was triggered by an external jolt to the firm. This spurred William Bissell (WB henceforth) to believe that the “commodity” status of handloom was infeasible for both Fabindia as well as the Indian handloom industry in the long run, and led him to imagine the need and possibility of creating a handloom “brand”.

Around the mid 1980s, IKEA, the Swedish furniture-retail giant acquired Habitat—
Fabindia’s single-largest customer for twenty years. After a series of strained interactions between Habitat’s new management (that, unlike Habitat’s founder Terence Conran, had little interest in Fabindia’s ideology), Habitat abruptly stopped working with Fabindia. Although, ironically, Fabindia’s business rose as it was now able to supply to several other international buyers who had been turned down by Fabindia for years, WB believed that the state of affairs suited neither Fabindia nor the Indian handloom industry.

“Those years were tough. The rug had been pulled from under our feet. It then struck me that for the last thirty years we had been selling under somebody else’s label. And when these labels became big or are acquired by large chains, they start buying directly from the manufacturers. Given the small and limited supply of hand woven products, our position becomes highly vulnerable. I knew it was time to change….I knew exactly in that moment that we should get into retail. That would be our wave. And we should build a brand name and if we export it should be under our brand name” (WB, 2006) in (Ramachandran & Patvardhan, 2006)

Although, way back in 1985, after visiting the first IKEA store in Europe JB had anticipated the infeasibility of the export model (“I have sort of a strong sense in my bones that we are seeing the beginning of the end…”), in 1993, it was perhaps WB’s (JB’s son who had returned from the US and was involved in an independent project of setting up an artisans’ co-operative) creative imagination of an alternate that spurred Fabindia to aspire to shift the status quo—of the firm, and with it, of the industry too.

**WB’s sense of an ideal future for Indian handlooms—imbuing the handloom product with a brand value via retail—was novel**, not only because the notion of organized retailing per se was nascent in India, and marred by losses in the handloom sector, but, more importantly, the notion of branding seemed paradoxical in the context of handloom products.

The handloom production process—natural fiber based/natural dyes/hand-woven/hand-block printed/hand embroidered—lends the product an distinct look and traditionally, the idea of branding an intrinsically distinct product seem redundant. “The difference between the work of craft based creative industries in India and the example of the T-shirt factory that I’ve used is that
what we produce has an intrinsic value” (WB, 2005). Moreover, WB’s thinking on the lines of a brand was also unusual in the handloom sector that was driven by the art-based practices that abhorred mainstream corporate paradigms of branding- and image building and so on. Presenting “branding” as a way out of the problems of the handloom industry, WB explained:

“This is the central dilemma that the creative industries will face in an open trade world. Yes, there will always be a small group that has lived with and recognizes the intrinsic value that comes from a finely crafted product but the large majority of customers do not have a measure of valuing the product. If a well-known designer picks a certain craft product and promotes it under the umbrella of his/her logo, then for the period that it is there the product will have value with the larger non-specialist customer. Only to fade into oblivion once it is no longer in the collection” (WB, 2005)

Pointing to faultlines in the status quo, WB suggested that the limited bargaining power of craftsmen and the Indian handloom sector was because of the “commoditization” of the handloom product as those in the sector failed to look beyond the intrinsic value of hand-crafted handlooms: “What was a revelation to me at that time was that we had reduced our product to a commodity. It was no longer a hand woven craft, whose value lay in the craft! It was not just about Fabindia, but about the precarious position of our crafts in the market…” (WB). The idea of creating a “brand” of Indian handlooms would appear to be a leitmotif in WB’s discussions in the coming years.

I remember a cartoon, which showed a T-shirt factory in China. The first set of T-shirts was bound for a famous US discount retailer, the second for a well-known brand with the appropriate logo embroidered on the left hand side of the chest. Both T-shirts cost about 0.85 USD to make; the first was to sell for about 5 USD, while the one with the logo was to retail at 40 USD. Having worked in the crafts sector for the past fifteen years in India, I was struck by the point that the cartoonist was making. The power of the brand to convince the potential buyer to spend a large amount of money on a product with such a low production value and made on such a vast scale, was a reminder of our failure to create value for our products”14 (Source: WB, 2005)

WB’s hypothesized that creating a brand value around handloom products would require a

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14 Excerpt from William Bissell’s presentation at Creative Industries Seminar, New Delhi India, September 2005
greater control over the retail environment. WB’s hypothesis about retail went against the grain of the industry’s experience. While, in the US market, Fabindia had had little success with its own retail store, in India, barring the Government-owned handloom retail stores *Khadi Bhandars* (that incurred losses year-after-year), the idea of retail per se was nascent. Moreover, the prospects for handloom per se were no brighter. Senior architect and Fabindia’s collaborator during its venture into retail Kaimal recalled: “many people told him to his face that it was a sunset industry, that this was sinking and handmade is going out of fashion, blah, blah, blah….It is just like the business manager who told the Beatles that guitar bands are going out of fashion.” (2013).

The idea of enhancing the value of the handloom product by controlling retail was also driven by WB’s aspiration to create a larger platform for handloom products and craftsmen.

“I remember having a conversation with William and asking him what his thoughts were and what his goals were and what he wanted to do and at that time we opened one store every two years…And he said to me, he said at the end of so many years I want to be able to work with so many artisans.” (K. Chainani, 2013)

WB ideas of building a brand through retail, perhaps also stemmed from Fabindia’s experience with the export-surplus store that it launched in Delhi in 1974. The unusual looking fabrics had generated a cult following over the years among the elite of Delhi—bureaucrats, artistes, and ideologically driven college-going students. [In Phase 2, dissatisfied with the “commoditization” of the handloom product in the overseas market and spurred by imagination of an ideal alternate—one that, in a seemingly contradictory manner for those times, involved imbuing an intrinsically valuable product with a brand value—and hypothesis about pathways to it—via retail—, Fabindia’s senior management set out to create a handloom brand.

In Phase 3, around 2005, Fabindia’s senior management began to articulate the intent to shift the status quo in the supply-side of the handloom industry. The aspiration was triggered by
the perceived infeasibility of the current state of the supply-side for Fabindia’s growth. Questioning the age-old, taken-for-granted assumption in the handloom industry that handloom production cannot be scaled, Fabindia creatively imagined an alternate reality—scaling handloom production and improving the eco system of the handloom industry via Community-Owned Companies

Although over four decades Fabindia had built a loyal and robust network of craftsmen-suppliers across the country, that enabled the firm to retail in 50 company-owned stores in India by 2005—making it the single largest handloom-apparel retailer in the country—, **Fabindia’s management began to feel the inadequacy of the current arrangement**, especially given the firm’s plan for rapid retail expansion in the coming four years. Head of the Fabindia subsidiary AMFPL explained:

“For the last couple of years we were feeling the supply strain. Last year there were 4 stores that opened without garments because everything was ready but we couldn’t supply the garments and (garments) account for 70% of our sales. If the supply chain goes for a toss then there is no point in having 100 very nice retail stores all over the country without anything to sell… The conventional model has served us very well up to this point but there is no way it can for us to deliver that kind of quantities and the quality we” (2006)

Seeking to scale handloom production appeared radical given the structural peculiarities of the handloom production—single weaver establishments—and the conventional belief of the handloom industry—“Handloom Industry is a traditional activity in which mass production is far from possible” (Source: rebhoi.gov.in) and that “Crafts, by their very nature, are not mass produced” (see Jaitly, 2005).

For Fabindia, scaling supplies in the handloom also required an unusual solution given the firm’s commitment to avoiding middlemen and sourcing directly from craftsmen. **Making a case for scaling production without disempowering the craftsmen, WB pointed to faultlines in traditional models of scaling:**
“The challenge for Fabindia was to produce world class textile products without resorting to convention methods of introduction of capital intensive technology which would have left out the artisans. We did not want to reduce the weavers to mere suppliers or create a conventional buyer-seller relationship” (2006)

Critiquing the handloom industry’s traditional solution to scaling via co-operative societies, WB explained “in a cooperative you don’t have a divisible piece of a pie- you can’t walk away … you can merely put your spoon in there …” (2006)

**WB imagined an ideal alternate where handloom production could be scaled by inducing a sense of ownership among craftsmen.** “Our aim was to achieve a more equitable distribution of wealth between the company and the artisan.” (Knowledge@Wharton, 2008). He argued: “The idea is to bring the artisans as stakeholders otherwise what is it for them” (Bissell, 2006).

**WB hypothesized that a possible pathway to inducing ownership among artisans would be through “Community-Owned Companies” (henceforth CoC)—organizing artisans, weavers & craft men in a particular geographical area and offer them joint ownership of resources.** The CoC was designed to be self-managed and serve as a platform for disbursing financial and technical assistance to weavers, enabling them to scale up production. Explaining the logic of “Community-Owned Companies” (CoC), WB explained:

“What I was trying to do in a sense was to show the world another way of capitalism was possible where you have community ownership of assets which are dynamically managed So for e.g. Take forest sanctuary. Today there is a feeling that people who live around the sanctuaries are always chopping the woods and poaching animals because they don’t have any direct connection to their assets. There is disengagement, there is no ownership, and there is no connectivity. This is why community owned companies come in and what you can do with the community owned company? … We will lease the sanctuary to the community owned company, essentially to the community and the community will manage it according to some matrix. The lease could be renewed contingent up on these terms being met” (2013)

Overall, Fabindia aimed to create about 100 CoCs and, through it, 1,00,000 sustainable rural jobs in rural India. In 2005, approximately 10,000-12,000 craftsmen earn their livelihood by supplying
to Fabindia. [Overall, in Phase 3, seeking to scale the supply-side of the handloom industry, Fabindia’s senior management imagined an ideal alternate—one that involved scaling in an inherently non-scalable industry, that too, without disempowering the craftsmen—by inducing ownership among craftsmen through “Community-Owned Companies”]

Overall, in each of the three phases, Fabindia’s senior management aspired to shift the status quo of a particular aspect of the landscape. Senior management imagined an alternate to the status quo. The alternate was not only idealized but also creatively constructed via synthesis of elements that appeared seemingly contradictory in the status quo. Identifying faultlines in the present status quo and hypothesizing about pathways to the imagined alternate imbued a sense of plausibility to the novel and radical alternate. To the extent that the imagined alternate was a novel and unfamiliar arrangement, it provided general direction and the essence of the alternate, but did coalesce as a well-specified future image or one fixed vision.

Creating pathways to the imagined alternate (Dimension 3)

In each of the three phases, senior management’s commitment to pursue the imagined alternate to the status quo of the handloom landscape was followed by concerted organization-wide action to create pathways to it. This was a time-intensive and complex process that involved simultaneous and recursive processes of enacting hypothesis about pathways while mobilizing resources, acquiring organizational capabilities for it and mobilizing the support of stakeholders—whose commitment was crucial to the process of creating pathways to the imagined alternate. Although the duration spent on creating pathways was similar in Phase 1 and Phase 2 (approximately 8-10 years), it was significantly compressed in Phase 3 (3-4 years).

In Phase 1, between 1960-1970, Fabindia was focused on creating a portfolio of “classic,
contemporary and novel look” designs and reaching them to overseas markets—while simultaneously acquiring new capabilities (textile design, supply chain- and export-management), mobilizing resources (offering shares to family and friends) and building commitment from stakeholders (craftsmen, international buyers, employees and so on).

In September 1960, discovering that it would be difficult to persuade banks to invest in his idea and arguing that “To build a business large enough to achieve stability, and acquire a good reputation—and to earn substantial profits—will require outside capital”, JB presented the “Fabindia Prospectus” at a gathering of family and friends at his ancestral house in Hartford, Massachusetts. JB’s sister recalled: “he had a proper meeting to tell us about the company. This is to potential stockholders, basically family members and friends—a small gathering. …I think we bought $500 worth of shares…” (Singh, 2010: 40). John’s “idealism” and his “practical experience” in India impressed his family. In 1960, Fabindia raised $30,0000 worth of shares.

JB now began to work on his hypothesis about solving the problems of the handloom industry by (a) creating “exciting” products; (b) tapping the US market. On the product front, as Madhukar Khera—Fabindia’s longtime supplier and Board Member remarked, “John’s emphasis on handspun yarn and handloom cotton was a novelty. It was a period when many of the earlier exporters concentrated on carpets and silk fabrics; there were hardly any buyers for Indian handloom cotton textiles” (Singh, 2010). Working with the hunch that “there is definite increase in the demand for distinctive, attractive, off-beat fabrics” (Singh, 2010: 40) in the US market, John began to work towards giving age-old indigenous Indian craft techniques a “classic, contemporary and novel look”.

Creating a “new look” was challenging because Fabindia’s employees—including JB—had little formal training in handlooms or the textile sector in general. SC, a longtime employee and Board Member, explained: “JB was not a designer. But he had a very good eye. A very, very keen eye for the product. He went right into the deep details of how it was woven, how it was
constructed, what we could do to make it better”. A senior manager recollected:

“We came from a middle class family. Nobody wore Khadi in our families. I had only seen it on old timers, freedom fighters. We had no clue what this man [JB] was up to. He taught us everything about handlooms. Everything...there is a warp...and a weft...and about thread count...Very soon we started interacting with the weavers, taking orders. And we were quick to pick on John’s idealism.” (Employee04).

With craftsmen scattered across rural India, Bissell had the primary challenge of finding weavers (“You would have to go around looking for artisans, because they are all over”). Trying to create new designs for the international markets required persuading and educating weavers who “have not had a chance to understand western tastes, standards, and trade practices” (JB, September, 1960) about producing to design and quality specifications. A former employee recalled:

“dhurries\textsuperscript{15} used to all have crooked, unfinished edges because of the way they were made on their looms. What did we do? We just gave them better looms. We asked them to finish it better...by the fourth time they had perfected the dhurrie”. Blending age-old craft techniques with a contemporary sensibility required persuading craftsmen to depart from traditional ways of working. A former employee recalled:

“Craftsmen take great pride in their work and are always looking to display their skills. They were always trying to make things more intricate...more heavy...And when they knew we were looking at the US market...they went overboard...When we wanted them to keep things simple...lighter...single color...just one thin line of prints. Some of them saw it as an insult. They thought we were doing this to eventually negotiate lower prices. When they finally saw that they were getting more money for less work, they must have been puzzled. I think after several over time they got a sense of how things were going to be.” ((Employee23, 2013)

Once weavers got a sense of what JB was trying to achieve with the designs, they would enthusiastically come up with new alternatives. Fabindia gained the commitment of craftsmen by following practices unusual to traditional business organizations. Fabindia accommodated overshot delivery schedules and paid on product delivery. When new samples were made,

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\textsuperscript{15} Dhurrie is a hand-woven rug or carpet
“Fabindia always paid double the cost of the sample to the weavers because JB knew that wastage was very high when samples were made” and if there was a variation in color or weave, Fabindia tried to work with the weaver to figure out ways to alter the design or to find different buyers. Fabindia would arrive at the price it offered weavers by calculating the price of the inputs then offering a 15% margin—and insulated the weaver’s margin.

“If a buyer came to us and said this is Rs. 35…it needs to be brought to Rs. 30.” He would say, “Tell me where I should reduce it? I will not reduce the weaver’s margin. Because that is the only thing he is earning. You want to make it lighter, I can reduce the yarn. You want me to give you kutcha [poor quality] dyes, I can do that.” (Employee).

On the market front, being the first private player to attempt to export handloom, Fabindia had to learn the ropes of managing the entire supply chain—sourcing, inventory, procuring orders, delivery to stipulated quantity, quality, and timelines.

Fabindia recruited a representative in New York to manage sales and marketing in the US—whose role was to stock samples and procures orders for Fabindia. Fabindia also began to retail directly at the Canton Green Store, that Bissell’s mother had opened in the upmarket Canton, Massachusetts. Upon receiving an order from the store/representative in New York, Fabindia team in New Delhi would place order craftsmen—and the products would then be shipped through a local agent (“India Loomcraft”).

The unpredictable production patterns in the handloom industry required the firm to put in place a supply chain system that offered flexibility. Although in its initial years Fabindia found a motley group of US buyers, orders were sporadic. Yet, samples had to be continuously produced in the search of exciting new designs and fabrics. As weavers were poor, Fabindia invested in samples—without enough market support. Singh remarked: “The process was relentless. To push the market he needed new products. To get new products he needed funds. To get funds he needed buyers” (Singh, 2010: 47). [Overall, data suggests that, in this phase, while JB’s role continued to be pivotal as Fabindia began to create pathways to the
imagined alternate, we also see the vital role of stakeholders—employees, craftsmen, board members (that included his parents)—as they, persuaded and guided by the ideological beliefs of JB and Fabindia, invested significant effort and creativity in developing new skills and practices and began entrepreneurially exploring new opportunities for Fabindia.]

In Phase 2, between 1993-2000, Fabindia focused on building a brand—a task that involved venturing into handloom retail in India and overseas, building capabilities for handloom retail (retail management, apparel designing, store design and management, standardization of sizes, supply-chain and inventory management and so on), and mobilizing commitment among stakeholders (craftsmen, employees, domestic consumers) and so on.

In 1993, when Fabindia ventured into retail, the idea of retail was nascent in India.

"I think he was really, really very smart in looking at the domestic market and expansion when he did because there were very, very few retail chains. … to take that leap of faith and move like miles out of Delhi was a huge risk that he was taking. You know, and he wasn’t sure how it was going to pan out or anything like that but he decided it was a risk that was worth taking and seeing where it went" (Sr. Manager, 2013)

Working with WB’s belief that “the best way to represent your own products is when you control the retail space through which you represent that product” (2006), Fabindia began to invest in old, run-down, heritage properties in major urban cities and converting them to stores. Fastidious about wanting to create a certain retail ambience, WB and his team look for standalone and independent properties. KR, a young architect and (a fan of Fabindia’s export store) was roped in. KR recalled:

“The aim was to create “destination stores” that would “tell the story of handlooms” and would be compatible or conducive to the kind of values and products that Fabindia embodied.

Handloom is an unusual fabric…apart from the aesthetics …it also embodies certain other values. It is a combination of sort of an interesting philosophy and ideology which taps into a very deep…what should I say… core of Indian philosophy and thought. It is practical as it is made of cotton, also not very expensive, it is attractive from a designer point of view of having a sort of
modern aesthetic, having an Indian sense without being totally traditional. So it is a unique combination.

Fabindia is sort of understated. There is a kind of straight-forward, quietly fine, and attractive character about Fabindia clothes. They don’t scream for attention or try to impress. We wanted to created an ambience where our product was the highlight, not the décor, not the architect

Our approach was informed simplicity. It is not simplicity because you don’t do any better. It is simplicity, which is out of knowledge and understanding of the situation, of the product, of the organization, and so on” (2013)

Keeping with the ethos of the firm, Fabindia also decided to not advertise the firm or its products and relied on word of mouth publicity. Encouraged by the success of its stores in Delhi (1994) and Bangalore (1996), Fabindia cautiously ventured into Chennai (1994), Mumbai (1998). By 1999, Fabindia has six stores in the major metropolitan cities.

Venturing into retail required the firm to revisit its supply chain system. A former employee mentioned: "shifting to home market meant that we had no orders to produce on… …we began to understand which prints were doing well so we produced that fabric in advance" (2007). Venturing into retail also shifted the focus from household furnishings to apparels.

“I think what we did in Bangalore… since it was the first place which was outside of Delhi …we introduced new lines of clothes which were not part of Fabindia range at all, like trousers. Fabindia never used to do trousers. Fabindia never did shorts. Fabindia never did skirts. And remember…I am talking handloom trousers. Handloom shorts, Handloom skirts.” (Former employee, 2007)

Expanding its ready-to-wear segment involved the more fundamental challenge of creating standard sizes. A senior manager recollected:

“…We were the first to introduce ready-to-wear in India. We actually used to stitch clothes to our measurement. We designed clothes the way we would have liked to wear—the straight, chic look and not the typical look with clothes clinging to your body. And that became a distinct aspect of the Fabindia look. That really appealed to that growing population of working professionals who

16 Through the 1980s, spurred by friends’ requests for the khadi short and trousers that John Bissell had begun to get customer stitched for himself, Fabindia had begun stocking a small section of men’s khadi kurtas in its export surplus stores. By the mid 1980s a small section of ready-to-wear (mostly stitched to the measurements of Fabindia’s women employees) women’s kurtas was also introduced.
needed something that would be traditional and classic — but not draw too much attention at the workplace” (2013)

Venturing into apparels also require going beyond the basic “Fabindia look” of classics and plaids in household furnishings. Fabindia now began to source embroideries, jacquard, and more “upmarket” handloom textiles. It began to actively source a wide variety of handwoven and handcrafted fabrics from across the country—Indigo- and block-print (Jaipur), bandhini (a tie-and-dye technique, Gujarat & Rajasthan), Chanderi silk (Madhya Pradesh), Kalamkari print (Andhra-Pradesh), Mangalgiri weave (Andhra-Pradesh. Although Fabindia’s reputation and long standing relationships with craftsmen during its years as an export firm helped the firm scale its sourcing and attract newer craftsmen into its supplier network, venturing into retail in the handloom sector required Fabindia to rewrite the rules of retail. Shilpa Sharma, a retail veteran and former Marketing Head at Fabindia recollected:

“When I first came here, I refused to accept one shipment of upholstery fabric because the sample was 2 shades darker. I promptly got a call from the Head Office. I was told: Look, the poor man has spent 4 weeks weaving 50 meters of fabric. Are you really sure you wouldn’t be able to sell it? Given my FMCG background, I was horrified. I asked the head office: Why should I sell something that is not the best to our customers; I am here to protect them. I was then gently told: The producer is important as well. That made me realise the difference between Fabindia and the other companies. It also got my innovation juices flowing. Instead of selling it as upholstery fabric, I made cushion covers of it and sold it!” (Ramachandran & Patvardhan 2006: 6)

Fabindia’s ventured into retail was in large parts catalyzed by its loyal customers. Customers of the original Fabindia export-surplus store in Delhi came forward to collaborate.

“Anyone who's grown up in Delhi, any young woman who's grown up in Delhi has Fabindia in her background and all of us have this vision that Fabindia is ours. You know, we feel this proprietary interest in Fabindia. So when William said that he was bringing it here I said..this is fantastic. I spoke to a friend of mine who is a real estate agent because he [WB] was looking for a space and she said “Kiran, this is the vision that I have in mind for Fabindia because it's like my store as well” (Former collaborator and long-time customer, 2013)

Overall, venturing into retail required the firm to pioneer the concept of handloom retail in India.

“We operate in an unchartered territory. Retail is new, handloom and hand
crafted products in retail did not exist so we are setting the benchmarks. What is happening here has not been done before…We have our own ways, and means, and our own policies, and our own software. Everything is homegrown. We have written our own manuals.” (Smita Mankad, Head-Systems, 2006)

[Overall, in this phase we see Fabindia venture into retail, new products, and into new geographical regions—and beyond its core experience in exporting household furnishings to overseas markets. More importantly, we see the emphasized role of middle- and senior-managers, and other collaborators (architects and customers) in this phase. Inspired by Fabindia’s ideology and feeling a sense of ownership for the firm, both, those within the organization and those outside it were passionately committed to exploring creative ways of retailing handloom (size standardization, new products, store venues, store design, and so on)]

In Phase 3, between 2007-2010, Fabindia began organizing suppliers into 17 Community-Owned Companies (CoCs). Beyond mobilizing resources and setting up the CoCs, Fabindia had to significantly redesign its organizational structure and supply chain systems to be able to source for all its stores (over 150 in India) and across its product range (apparels, furnishings, furniture, bodycare, organic food, Jewellery) from the CoCs

In 2004, when Fabindia’s senior management began to put together the logistics of establishing CoCs, they assessed the risk of the new project at 80%. "My risk threshold was 10%. The challenge was to access “brilliant advice” to bring the risk from 80% down to atleast 15%” (WB, 2006). Although CoCs were initially conceived as independent companies, following senior managers’ strong belief that it would be easier to persuade craftsmen if the CoCs were backed by Fabindia, Fabindia created Artisans Micro Finance Private Limited (AMFPL), a fully-owned subsidiary of Fabindia, which would invest in the CoCs. The typical shareholding pattern of a CoC would comprise AMFPL (40%), craftsmen (30%) and other investors (30%). Dilpreet Sokhi, senior manager who became Managing Director of AMFPL said:
“Fabindia is making the investment to provide the initial base and push. Our intention is to consolidate the artisan community, support them, help them find their feet and then gradually pull out - not to treat them as subsidiaries. Fabindia will not increase its stake beyond 49%. The Memorandum of Association of the SRCs explicitly stipulates this” (Ramachandran & Patvardhan, 2006)

To provide working capital to the CoCs, AMFPL entered into an agreement with the leading bank in the private sector, ICICI Bank—which required Fabindia to give ICICI Bank a guarantee for 8% of the funds disbursed.

To create its first few companies, Fabindia looked at consolidating its existing suppliers. The idea was to eventually enter newer areas to identify newer crafts and craft clusters where development would be needed. The plan was to invite all the artisans in the community to become shareholders of the CoC. To impart liquidity to the investment — an important requirement given the financial status of the artisan investors — an option to trade shares among artisans at specified time periods was provided. To persuade craftsmen, Bissell and team travelled to artisan communities.

“We made detailed presentations about the entire value chain. We wanted to emphasise that greater margins come from value add. We wanted them to understand that instead of supplying fabric, if they could turn out finished garments, they could appropriate a larger proportion of the value chain. Their response was overwhelming. Share subscriptions rolled in. In many places the community asked me: Why are you bothering to look at a bank? We will raise the required money. It is a clear indication of the faith that the weavers have in us. We must now ensure that it is implemented well!” (Head-AMFPL, 2007)

Fabindia also committed to buying all the merchandize produced by the CoC provided they meet its design and quality specifications. More importantly, the supply agreement between Fabindia and the SRCs did not bind them to supply exclusively to Fabindia. Fabindia’s almost five-decade relationship with suppliers and reputation among craftsmen helped the new initiative.

Sourcing from the CoCs required Fabindia to restructure its supply chain systems—from a decentralized to a centralized system. In the new system, Fabindia would centrally determine its monthly requirement for finished apparels and allocate order to the various CoCs. Each CoC
would then estimate fabric requirements and distribute the order amongst its weaver members based on their production capacity. To ensure greater transparency and reduce claims of unequal distribution, each CoC was required to prominently display the details of the order placed with each weaver. On completing the production, the craftsmen would deliver the fabric to the CoC. The fabric would then be dispatched to the CoC’s fabrication unit (which would convert the fabric into made-ups). The finished products would then be sent back to the CoC warehouse, which would hold the inventory until their dispatch to Fabindia stores.

By mid 2007, nine of the planned 100 SRC’s had been set up; ten more were in the pipeline. The firm also revealed plans to establish over 100 CoCs in the coming years. Each CoC was headed by a professional manager, who would be supported by a team of functional heads for business development, finance, quality control, logistics and buying—many of them were current or former employees of Fabindia who had volunteered to work in the CoC. As the CoC would now be responsible for the entire production chain— from sourcing of fabric, stitching of garment and its delivery to the store to managing its inventory, Fabindia tied up with a management institute to run a customised 18 month MBA Programme for the managers of CoCs. [Overall, in this phase we see Fabindia venture into the “green field territory” (WB, 2013) of creating CoCs. With no prior models to follow, Fabindia’s middle- and senior- managers put together a CoC initiative—a task that required designing ground-up the structure and mandate of CoCs, figuring out shareholding patterns, financial arrangements with banks, contracts, share pricing system and share trading among others. We see the pivotal role of other stakeholders (craftsmen, financial institutions, management institutes) as they work with Fabindia to create this new initiative]

Overall, in each of the three phases, we see concerted organization-wide action to create pathways to the imagined alternate. This process was typically time-intensive (taking anywhere between 8-10 years) and complex in that it involved simultaneous and recursive
processes of enacting creating pathways while mobilizing resources, acquiring organizational capabilities, and mobilizing the support of stakeholders—all of who are embedded in status quo. Although the duration spent on creating pathways was similar in Phase 1 and Phase 2 (approximately 8-10 years), it was significantly compressed in Phase 3 (3-4 years). Further, while the involvement of senior management continued in this phase, we also see the pivotal role of stakeholders—especially employees, craftsmen, board members, and buyers—as they, guided by Fabindia’s ideology, invested significant effort and creativity in developing new skills and practices and began entrepreneurially exploring new opportunities for Fabindia. We also see the role of middle-managers emphasized further in Phases 2 and 3 as Fabindia grew in size and ventured into new geographical regions.

Evaluating Emergent Outcomes (Dimension 4).

This phase of prospective sensemaking, kick started almost in parallel with the previous phase, was largely centered around evaluating and re-shaping new outcomes (new products/new business models/new partnerships and so on) that emerged as Fabindia began creating pathways to the imagined alternate. Fabindia continually reviewed, both explicitly and implicitly, the emerging outcomes against selection criteria and reshaped the outcomes until it met the imagined effects.

In Phase 1, even as Fabindia focused on creating a portfolio of new designs and reaching US markets, new outcomes (designs/supplier relationships/buyer network) and practices (supply chain, export management, designing, financial management) emerged. To ensure that these had the imagined effect, Fabindia continuously evaluated the emerging outcomes against the selection criteria, revising its efforts until a design portfolio as well as a stable buyer network that met its selection criteria emerged and stabilized.
In Phase 1, some of the selection criteria were explicitly articulated. **One**, when Fabindia was established, JB was firm that Fabindia would singularly focus on handlooms—“those fabrics, which cannot be easily duplicated on a machine.” Despite Fabindia’s struggle to gain consistent orders during the early years of its establishment, and when buyers approached Fabindia to source hand-block printed textiles (although technically a craft product, the base fabric was typically powerloom), Fabindia rejected them instantaneously. A team member explained: “We said we don’t do power loom, we don’t do machine weaving”. **Two**, Fabindia was established with the explicit aim of being a commercial, for-profit establishment—the first for-profit organization in the handloom sector. In September 1960, releasing the “Fabindia Prospectus”, JB forecasted Fabindia’s financial performance for the coming years—turnover of $20,000 with a 20% margin (1961) and break-even with turnover of $100,000 (1964-65). **Finally**, Fabindia was formed with the explicit intent of ensuring that the business would be profitable for the craftsmen. The emergent organizational practices affirmed this commitment. Fabindia invested in developing new samples and in what seemed like a break from conventional practices, Fabindia paid craftsmen on product delivery and insulated the weaver’s margin. A former employee added:

“If a buyer came to us and said this is Rs. 35…it needs to be brought to Rs. 30.” He would say, “Tell me where I should reduce it? I will not reduce the weaver’s margin. Because that is the only thing he is earning. You want to make it lighter, I can reduce the yarn. You want me to give you kutcha dyes, I can do that” (2013)

A few selection criteria **emerged** in the process of creating pathways. **One**, working with the intention of keeping “looms continuously engaged” and appealing to overseas customers, JB evolved a design ethos of creating products for functional and daily-use (rugs, curtains, and bedspreads, rather than exotic wall-hangings) that employed an element of craft and design. The prints and embellishments had to be minimal however—making it faster and simpler for the weaver to generate, and imbuing the product with a trademark “Fabindia look”—“minimal, classical, contemporary, and novel”. Finally, working with the intent of keeping “looms
continuously engaged”, JB developed a growing preference for buyers willing to place small and consistent orders. JB explained: “We have a limited production. We can only deal with those buyers who understand this and who are able to give us those small orders”.

**Revising efforts.** Working with the evolving selection criteria, Fabindia persisted in its efforts to create new designs and finding buyers who would place consistent orders with Fabindia—thereby keeping weavers, both, continuously and profitably engaged; and Fabindia profitable.

Overall, while Fabindia faced relative success in meeting its selection criteria of (i) exclusively selling handloom products and (ii) ensuring that all transactions were profitable to the craftsmen—the firm struggled however to meet its criteria of (iii) procuring small but consistent orders. When Fabindia’s representatives/agents in New York and Connecticut failed to generate orders, reflecting that “…almost everything we do is new to the market…”, JB tried several measures—changing agents, revising terms of contract, and so on. With the idea that market would grow with faster delivery, Fabindia tried producing in advance of orders—a situation that required selling to family friends, with aim of raising enough capital to build up stock. When inventory worth 7000$ piled up in the India office, however he wrote: “I feel in deep water & am proceeding very slowly”. Priscilla Conran of Habitat, Fabindia’s chief buyer from the 1970 onwards remarked about Fabindia’s efforts:

“...I know there’s the magic of India but I also know when you are developing something you can’t let it go, you have to keep at it all the time in difficult circumstances. That was the most important thing about John. He was really able to teach Habitat how they should work in India. He had a deep sense of responsibility, which he passed on to Habitat those days”

**Revising pathways.** In 1964, observing Bissell’s struggle with procuring orders from the US, his father urged him to meet buyers personally and build his client base”: “[Y]ou’ll be able to do more about the US market when you are here…seeing the trade here…may give you some ideas that wouldn’t occur to you at 43 Golf Links” (1964). JB writes: [T]he new customer in London is absolutely terrific…and [they] are obviously doing a roaring business—they feel the homespun
cotton will be very successful" [(JB, 1964) in (Singh, 2010: 60)]. In early 1964, a serendipitous meeting with Sir Terence Conran, who had started Habitat, a design store in the UK eventually shifted Fabindia’s focus—from direct retailing in the US to exporting to Habitat, UK.

The readiness of the UK for Fabindia’s handloom fabrics was in large parts influenced by the emerging, “quiet, modernist” design sensibility in UK (Rawsthorne, 2000)—promoted by Terence Conran, a British designer, who had opened Habitat, a design store in London aimed at ‘young moderns with lively tastes’: “The brainchild of Sir Terence Conran, Habitat was about to turn the UK interiors industry on its head. The notion was to offer a radical new idea to furniture shopping and design – a colorful reaction to post-war gloom that tapped into the renewed interest in design and modernism.” (Bennett, 2014). Conran was persuaded by Fabindia’s design ethos and also “believed that Fabindia’s JB embodied the honesty and clarity of purpose to source the right materials out of India.” Working with similar design and ideological values, and persuaded by Fabindia’s work, Habitat accommodated infrequent and small batches of supply. What forged the connection with Habitat was Fabindia’s dhurries sourced from Madhukar Khera’s (currently Member of Fabindia’s Board) Bharat Carpet Manufacturers (BCM) in Panipat. Khera, whose family owned a dhurrie-manufacturing unit in Panipat and also came from an artistic background, was excited by JB’s artistic and ideological leanings and collaborated with JB to create many designs. By 1969, the supplier-exporter-buyer trio of BCM-Fabindia-Habitat had forged a strong relationship. More importantly, as Bissell remarked: Habitat “had a running order with us and there were no penalties”.

Between 1969-1974 Fabindia reported a 200% increase in its sales. From working with a motley of buyers who placed infrequent, small orders, Fabindia now had large international buyers on its list—Trade Action (Australia), Habitat (UK), La Renascente (Milan), Far Eastern Fabrics, Bloomingdales (USA). Habitat however came to constitute more than 50% of Fabindia’s sales. [In this phase, we see senior management evaluating (both explicitly and implicitly)
emerging designs, suppliers- and buyers- network, organizational practices until the firm arrived at an arrangement that created the imagined effect — of creating a market for handlooms while sustaining the livelihood of artisans. The validated outcome—the supplier-exporter-buyer trip of Bharat Carpet Manufacturers-Fabindia-Habitat— was consolidated over a period of approximately 4-5 years before the firm articulated its strategy. We see a similar process unfold in Phases 2 as well]

In Phase 2, Fabindia’s efforts to create pathways to a brand by retail expansion led to new outcomes—5 retail stores in major metro cities, new product portfolio (apparels, furniture), domestic customers, wider and new set of suppliers of varied craft forms—and practices— retail management, apparel design, store management, information technology. What rendered this phase challenging was that, in this phase, although much of the selection criteria of the previous phase—that had now been deeply imprinted into the firm—was retained, some of them appeared to conflict Fabindia’s aspiration to create a brand. Previous selection criteria were revised and emergent outcomes were evaluated against the revised selection criteria—until the new arrangement met Fabindia’s selection criteria.

One, in phase 2, while venturing into domestic retail, Fabindia continued its for-profit stance. Until Fabindia’s entry into domestic retail, the idea of retailing handloom and handicrafts was limited to Central and State Government-subsidized stores and a handful of stores of cooperatives. Two, despite pressures of the retail industry, Fabindia’s remained committed to ensuring sustained and profitable employment to the artisans continued. The firm’s longstanding practices of paying craftsmen on product delivery, accommodating late deliveries, cost-plus pricing with the weaver were unheard of in the retail industry.

In the course of retail expansion however, when fabindia began to widen its product portfolio beyond furnishings to apparels, significant conflict emerged on the criteria of focusing exclusively on handloom fabrics. While Fabindia began to widen its portfolio beyond
handloom—to include handicraft techniques (hand-block printing, Jaipur printing, Kalmakari printing, Chikankari embroidery, Indio-printing, Bandhini Tie-and-Dye printing), some of these printing techniques were better suited, and far more appealing, on the lighter and smoother, power-loom cotton. Although Fabindia was now able to bring a wider set of craftsmen into its supplier network (“he got stuff from all over…And that was his vision. You know there was so much that he had seen that was being produced and there was no market for it”), some of the “old-timers” at Fabindia resented the firm’s shift to power-loom fabrics. After much conflict and confusion, senior managers now agreed that products retailed by Fabindia would have to have “atleast one handcrafted element” in it.

“For years we fought to say, “Only handloom. Only handloom. Only handloom.” Then we realized that we couldn’t do your printed fabrics in handloom. It wasn’t working out. Prizes doubled, there is unevenness, printing doesn’t come correct, and people will not buy. So we said one part of the production has to be handcrafted. So we said, power loom fabric-hand block printing. Power loom fabric-hand appliqué. So the element of craft was a must. We said that it had to be natural, it had to be craft, it had to be “value for money”, and it had to be contemporary”

[This decision was to ultimately pave the way for Fabindia’s entry into the furniture, organic food, bodycare and jewellery segments]

**Revising efforts.** Fabindia’s expansion into the apparel-retail business was not straight forward. Being the first ready-to-wear apparel retail store in the country, Fabindia had to learn the dynamics of the retail industry by trial-and-error. Transitioning from a Business-to-Business (B2B) to Business-to-Consumer (B2C) model was not without trial and error:

“You know, there were like stupid practical problems, summer in Delhi is from May onwards, summer in Bangalore is from February onwards—at which time it is in Delhi the height of winter. All the summer wear would come to Bangalore June, by that time everybody was in shawls, you know. When we suggested that maybe we should be getting our summer wear in January…it was like: what's with you, guys, I mean, what are you talking about? You know, there were lots of things to sort of dabble with.” (Former employee, 2006)

“…We have had some amusing times. At one point our Bangalore store was selling shirts and curtains and table clothes in the same print. Their logic was that
the thread count was different! It took us a while to transition from making soft furnishings to fashion apparels.” (Senior Manager, 2013)

Importantly, Fabindia’s focus on retailing in India was not pre-determined. Even as Fabindia ventured into retail in the early 90s, after early discussions about opening a store in Manhattan, NY, Fabindia opened a store in Italy. The firm soon realized the challenges of international retailing. A former employee recalled: “What we have here is for a very tropical climate which wouldn’t have worked in a European temperate climate. Sure, we could have figured it out earlier…we could have been a bit smarter about it. We thought we would do things especially for them but it just didn’t pan out. So it wandered along for a while and then it just sort of petered out.” Overall, between 1993 and 1999, Fabindia had opened 5 stores across the country, ensuring each store was profitable before launching a new one. CK, a family friend who helped him establish the Bangalore and Chennai stores recalled:

“Sometime around 1999…he decided now he wanted to consolidate, now he had these three stores in outside Delhi and he needed to consolidate. He got the whole supply chain in place. When we opened stores in Bangalore we had hired our own tailors…our own sizes…and designs…everybody was kind of doing their own thing. It worked well for Fabindia…but I guess William had other plans. He wanted to set the house right before anything. So that was a consolidation phase during which time I wasn’t there” (2013)

In contrast, in Phase 2, by the late 90s, eight years after the launch of Fabindia’s retail strategy, WB’s belief in a retail strategy appeared to be a validated. Fabindia’s retail idea had coincided with the India’s economic liberalization policy (1992) that deregulated several industries. Employment in the service sector rose, disposable incomes among the Indian middle-class increased. William indicated that, although in hindsight it appeared that he had had great foresight, he actually had little clue about it when he decided to enter retail. It was only by the end of 2000, when the effects of liberalization appeared to settle down that William perceived retail as an opportunity. WB remarked: “By 2000, we had become a national brand. I knew now that retail was really the way forward… The idea was to expand rapidly, openly stores
aggressively in new cities and consolidating our position in the metros". In this phase, we see senior and middle management evaluating (both explicitly and implicitly) the emerging retail venture —including newly established stores, new products (apparels), supplier relationships and networks and so on—until the firm arrived at an arrangement that created the imagined effect —of creating a retail brand for handlooms while sustaining the livelihood of artisans. The validated outcome—the chain of 6 profitable retail stores across the country—was consolidated over a period of 4-5 years before the firm articulated its strategy.

**In Phase 3, between 2007,** Fabindia’s COC initiative resulted in 17 CoCs and a transformed supply chain structure for Fabindia.

As the CoC initiative was primarily conceived as a supply-chain intervention, the selection criteria pertaining to the product portfolio (products with at least one element of handcraft) and design-ethos remained unchanged. As industry experts observed: “Unlike the co-operative model, the prime motive was profit. At its core, Fabindia is a sourcing business... Everything else that they do — making weavers [into] shareholders, etc. -- is peripheral to their main activity" (knowledge@Wharton, 2008). For Fabindia however, both Fabindia as well as the CoC would have to be profitable (CoC profitability would ensure sustained employment and profitability of the craftsmen). AMFPL Head recalled her concerns at the time of the CoCs launch in 2007:

“What if we had not been able to make it a success? What if these companies were not profitable? We had brought in equity, we had brought in network. What if they were not sustainable as businesses? What if they did not deliver on the mandate of sourcing new crafts and craft people? What if they were not able to deliver on delivering on orders? I mean fundamentally the product doesn’t get made and doesn’t reach the store. Where you have put your eggs in one basket and you are waiting for this collection to arrive and it doesn’t arrive. There is a huge risk at every single stage.” (2013)

It was on this front that the CoC initiative ran into trouble. Initially, barring minor glitches,
Fabindia’s transition to the new supply chain was fairly successful. Within two years of their establishment, Fabindia reported to its shareholders:

“Our other major investment has posted its maiden profit and has also ensured that 15 out of the 17 CoCs are now profitable entities...The CoCs have effectively demonstrated that creating value for businesses can co-exist with building value for society. Now, with one of our CoCs being mandated by the Government of India to facilitate the development of the Banaras Handloom Cluster, we are ready to take the role of AMFPL to the next level”” (Excerpt from Message to Shareholders, Annual Report 2009-2010)

The success of the CoC model began to attract investment into CoCs. While Aavishkaar Social Venture Fund invested in Rangasutra, a Fabindia CoC in Rajasthan, the initiative also earned a nod from the Government: “The CoCs have effectively demonstrated that creating value for businesses can co-exist with building value for society. Now, with one of our CoCs being mandated by the Government of India to facilitate the development of the Benares Handloom Cluster, we are ready to take the role of AMFPL to the next level”” (Excerpt from Message to Shareholders, Annual Report 2009-2010)

Revising pathways. By 2010 however, an unanticipated problem began to emerge. While the structure of the CoCs spurred entrepreneurial behavior among CoC employees, it appeared to have a detrimental effect on the ecosystem of the handloom industry. One, with an eye on profits, CoCs deviated from Fabindia’s practice of ensuring orders were evenly distributed across its suppliers and craft traditions: “With every season’s collections, we make sure that every handloom and handicraft form is represented. If we do not make that effort, those craftsmen will not have work and those craft traditions will simply die” (2013). Given the profit imperative, CoC managers (hired by Fabindia but not under the direct control of Fabindia) often squeezed the craftsmen’s margins—pushing the craftsmen to compromise on quality. The Head of AMFPL said: "The supplier [craftsperson] would come in, we would negotiate the costing with him and he would go back. And then the CoC would tell him, “we don’t care what you negotiated with Fabindia for, we are paying you only this much. Do whatever you can with this money” (2013).
The CoC initiative appeared to violate Fabindia’s five-decade old commitment to remove exploitative middlemen from the system and create sustained employment for the craftsmen. A senior manager explained:

“On the operational side I think the product team had started to feel a distance from the actual producers of the product and the product because there was the CoC in-between and they became the primary link to the producers. So let us say the product team here, they say give out an order for 5000 Kurtas. Earlier they would have given the order directly to A, B, and C craftsmen. Now they are giving it to the CoC who can choose where to buy the fabric—which 3 or even 10 craftsmen to distribute it to…what price to set with each one. So that on the ground, distribution of work, pricing, sourcing, was taken out of the realm of Fabindia. Suddenly we did not know where the products were being made, who was making it. We do not know which printer is getting the order, are his block printing tables busy month on month, all right. Are we committing to fill 25% or 50%, or 75% of this capacity? Let us say 50% of his capacity. I need to plan backwards saying 50% of his capacity means …he needs to have 2000 meters a month...What is the orders that have gone out to this supplier? That is when that integration really starts to make sense in terms of sustainable jobs...

…See the profit motive led to a certain kind of structure. It is not right or wrong. If someone is running a company and then you have a profit target – How they source? How they price…How they sell.. how they deliver their profits…is really in their domain…

…But our thing was whatever you got back from the customer…a major part of that has to go to the supplier…while actually it was going into the middleman…the CoC. So this is something that bothered us, but we kept thinking …you know it will settle down, the whole story behind it, the whole intention behind it was good,… We will put it right. But I things were just not happening, one thing or the other was falling apart” (2013)

By 2012, six years after the launch of CoCs Fabindia made the difficult decision to dissolve the CoC initiative and fold the newly formed companies into Fabindia.

“Bissell is about to embark on his toughest persuasion task: He has to coax his 16 supplier companies to merge with Fabindia. Bissell, who firmly believes business can be the biggest force of social change, wants to merge each supplier company—called community owned company or CoC, these are co-owned by artisans, much like a co-operative—with Fabindia. This will make each CoC shareholder, including artisans, owners of Fabindia’s equity. The retail company’s microfinance unit AMFPL holds a strategic stake in each of these supplier firms. This will perhaps be one of the most audacious mergers in corporate India. Imagine deciding the share swap ratio between each of the CoCs and Fabindia, which owns the brand, the customer experience and the retail outlets.” (Forbesindia.com, October 8, 2012)
In 2013, reflecting on the CoC initiative, WB remarked:

“…it was a game changing move but the thing is that we did not execute it properly and I feel really really bad that I wish I had known what I know today then we would have executed it differently … let’s say you need a 100 units of rigor to run a normal company, you need a 1000 to run a community company, you need to be that more rigorous and it was sad because we looked like we are going to get there but fell short. I think we reached 60, I mean we could have scaled up…We could not have known this earlier because this was dream field territory.

Interviews also suggested unlike Phase 1 and Phase 2, where Fabindia had spent long periods of time (approximately ten years in each case) creating and consolidating pathways to the imagined alternate, with the CoCs, despite recognizing that the idea was “risky”, “radical” and “dream-field territory” (WB, 2006), Fabindia launched a scaled initiative. Launching 17 CoCs in year one of the initiative, Fabindia simultaneously announced plans to launch another 100 CoCs in the coming years. WB reflected: “We felt it is going to work therefore we didn’t experiment…we did certain things in the euphoria of the moment which in hindsight we shouldn’t have done, they were not good business moves, they were very good social moves but they were not good business moves” (2013). [In this phase, we see middle and senior management evaluating (both explicitly and implicitly) the emerging outcomes—the 17 CoCs and supplier relationships—trying to create the imagined effect —of scaling handloom production while not reducing craftsmen to suppliers and instead induce a sense of ownership among them.

The mixed results of the initiative—especially the continued challenges in ensuring that benefits of the new system percolated down to craftsmen—led to a significant re-imagination of the scaling initiative. After much deliberation, the firm dismantled the CoC structure and merged it back to the company. The new structure converted shareholders of CoCs into shareholders of Fabindia, thereby ensuring that suppliers were now also owners of Fabindia. Overall, while the final outcome led to a pioneering move in business circles, within Fabindia there was a sense of disappointment about the CoC initiative]
Overall, this phase of prospective sensemaking, involved a highly subjective process of evaluating the emerging new outcomes against selection criteria and subsequently renewing efforts (“let us try once again”) and or/revisiting pathways (“We should try something else”) until an outcome was successfully validated (“this is it!” or “this is good enough”). What rendered the overall process dynamic and complex is that some of the selection criteria were articulated ex-ante when the firm articulated an alternate to status quo (Dimension 2) whereas others emerged in the course of creating pathways to the alternate (Dimension 3). Moreover, although this phase unfolded almost in parallel with the previous phase (“creating pathways to the imagined alternate”), a significant time (4-5 years) was consumed in stabilizing and consolidating validated outcomes.

Additionally, this phase of prospective sensemaking unfolded differently in Phase 3. While Phase 1 and Phase 2 ended with consolidation of successfully validated outcomes, Phase 3 closes with mixed results (with some calling it a “failure”) and a significant re-imagination of the CoC initiative—such that CoCs were merged back into Fabindia and ceased to exist as an independent venture.

**Formalizing strategy (Dimension 5).**

This phase of prospective sensemaking was present only in Phase 1 and Phase 2 of Fabindia’s evolution. Following consolidation of the firm’s initiatives in the previous phase, we now see a distinct identity and image emerge for Fabindia. We also see Fabindia articulate its strategy (“this is the way forward”). The articulation of a strategy however differed significantly, both in form and content, across the two phases.

Almost a decade after the launch of Phase 1, by the early 1970s, following years of experimentation, Fabindia’s identity had consolidated around being a “handloom export” firm and “after sixteen years of international trade the name [Fabindia] had become synonymous with

Fabindia now had large international buyers on its list—Trade Action (Australia), Habitat (UK), La Renascente (Milan), Far Eastern Fabrics, Bloomingdales (USA). The firm’s profits continued to soar and in 1976, mid way through the financial year, Fabindia’s order books were full. Although JB was aware of the potential for “wild growth”, given the challenges of scaling in the handloom industry, he appeared to be unsure about Fabindia’s capability to handle it (“even if we have the orders I haven't figured out how to control it all”). Around 1980, JB resolved his dilemma:

“After considerable thought I have come to the conclusion that Fabindia in India is in a pretty good size—we shouldn’t push for growth—as this means taking on orders & customers without much discretion. It also means not enough time to work on projects that may never mean much volume, but are fun and stimulation. Besides, I think this is our role—to be an exporter. Let us find new techniques, develop them, and then when a new fabric or dhurrie gets to be popular and demanded in great volume, let others pick it up (there are hordes of exporters now) and go on to something new...” (JB, 1980) in (Singh, 2010, p.112) [emphasis added]

Between the 1970s and 1990s, although the firm’s export surplus store in New Delhi would acquire a cult following in India—the firm’s strategy was firmly focused on the export market, specifically on one big buyer—Habitat, that now contributed towards over 50% of Fabindia’s revenues. Importantly, data does not suggest the presence of a formal planning or implementation process. Although annual performance reviews were conducted and annual letters were sent to shareholders about the health of the business, no goals or performance targets were set at the beginning of the year. [Overall, while in Phase 1, at the end of a long period of consolidating outcomes, Fabindia consolidates its identity as an “exporter” and a “handloom” organization. Further, senior management makes the choice to focus on new “product development” rather than scale the size of the business. In contrast, in Phase 2, we not only see a commitment to scaling the retail strategy, but we also see the firm adopt more
traditional and formal, linear processes of planning and implementation]

**In Phase 2,** following the consolidation of the firm’s venture into retail, WB persuaded Sunil Chainani, a retail veteran and management consultant who largely assisting start up and mid-sized business scale up their operations, to help scale Fabindia’s retail venture. Working with Chainani, WB introduced the idea of a “Vision Plan”— a formal plan document that would set time-specific goals for a fixed term period of 4-5 years and a detailed plan for its execution. WP described the logic of the VP:

“A Vision Plan is like a very complex choreographed performance where money is spent at the right time. You plan it all and try to do it in the correct sequence. It is a resource allocation tool, which tells you when you need resources for different stages of growth, so growth becomes effortless…The metric is very clearly defined in the Vision Plans. We have to reach certain numbers...” (WB, 2013)

Charu Sharma, Senior Manager (also Board Member) of Fabindia recalled the meetings pertaining to Vision plan 1:

“William walked in and said that we were going to be a [Rs.] 1 billion company in four years. I just went blank. We were a nice little company doing good business, and suddenly we had to go for planned growth. We weren’t sure where it was going to come from.” (Excerpt from HBS Case Study, 2006)

Launched in April 2003, **Vision Plan 1** targeted at growing the topline from Rs. 360 million ($9.5 million) in 2003 to Rs. 1 billion ($25 million) in 2007. VP 1 outlined specifics about the strategy the firm would pursue—number of retail stores that would be opened, including locations of the stores, and new product launches. To execute VP 1, Bissell recruited a team of professionally trained managers. He explained: “In the past, Fabindia operated in a free flowing fashion where people did things the way they thought was the best. The company operated with fewer systems and standard operating procedures in place. Given our ambitious growth plans we needed to formalise many of our processes.” (WB, 2006). The firm began reviewing its retail and market operations. Recognizing the infeasibility of the strategy of investing in heritage properties, despite concerns that opening stores in malls would dilute the Fabindia brand, in 2006 the firm ventured
into rented stores at malls. In 2004, the company introduced an organic-food line. By 2005, at the half-way mark, Fabindia achieved the targets set for VP1.

In 2005, Vision Plan II, targeting a topline growth from Rs.1 billion to Rs. 2.4 billion was announced. The plan was to open 30 additional stores in Tier 2 cities and large towns. While much of the growth was to come from the planned 30 additional stores in Tier 2 cities and large towns, WB constantly looked at exploiting Fabindia’s retail presence to venture into new businesses. In March 2006, Fabindia introduced a range of bodycare products (‘Fabindia Sana’)—all sourced from artisan communities. In 2008, the firm launched a range of handcrafted jewellery. In 2009, it acquired a 25% stake in UK based £ 30 million ethnic womenswear retailer, EAST. Business had grown rapidly over the years: USD 17 million (2004-2005); USD 24 million (2005-2006); USD 37 million (2008); USD 93 million (2009). Fabindia had registered a CAGR of 58% between 2006-2008.

Overall, by mid 2000, with rapid retail expansion across the country and the venture into organic foods and bodycare products, Fabindia had morphed into a lifestyle retailer. From being part of the “handloom” and “export” sectors through the 1960s, 1970s, and 1980s, by 2000 Fabindia was a part of the more corporate, ”retail” sector.

“Retail was a small part of Fabindia’s business until the mid-to-late 1990s, when William Bissell took over the company from his father John Bissell. William later transformed the company from an export house into a national retail brand. Over the last few years, Fabindia has grown into one of the country’s leading ethnic wear brands with over 140 outlets … (The Economic Times, 29 August 2011)

Fabindia featured more prominently in business magazines and newspapers. In 2005 and 2006, Fabindia won the “Best Indian Retail Brand” awards. Increasingly being counted among leading retail organizations in India, Fabindia was recognized as one of the most innovative business models by a Monitor-Business Today survey in 2010, and also featured in Forbes India among the best business stories of 2011-12. Fabindia’s success in retail began to attract the attention of
investors. Wolfensohn, Former World Bank Chairman, and founder of the private investment firm Wolfensohn & Company LLC that invested $11 Million for a 6% stake in Fabindia. By 2011, private equity investors vied for a stake in Fabindia:

“Marquee ethnic wear chain Fabindia has invited bids from private equity investors for investing in the company … At least a dozen private equity funds, including Bain Capital, Temasek, Carlyle, Everstone Capital, New Silk Route, Sequoia, KKR and PremjiInvest have evinced interest … The 50-year-old Fabindia, known for its handcrafted jewellery and kurtas, made from hand-woven fabric, will use the proceeds to fund domestic expansion. The company plans to open around 300 small-format stores in tier-III cities such as Karnal, Vellore, Rishikesh and Rudrapur (The Economic Times, 29 August 2011)

[Overall, in this phase, we see the firm move to a less-ambiguous and more well-defined phase of organizing—enabling the firm to articulate its identity and its strategy. While in Phase 1, at the end of a long period of consolidating outcomes, Fabindia’s identity consolidates as an “exporter” and a “handloom” organization, in Phase 2 Fabindia acquires an identity as a “retailer”. From being counted among export- and handloom- organizations in Phase 1, we see Fabindia being counted among retail and large-scale corporations in Phase 2. While in Phase 1 the firm makes the choice to focus on new “product development” rather than scale the size of the business, in Phase 2 the firm decides to scale the retail initiative.

Although Phase 1 is marked by the absence of any formal planning processes, in Phase 2 we see a distinct shift from between the initial and later stages of prospective sensemaking—from informal, non-linear, and recursive processes of imagining/creating pathways to the future/ evaluating emergent outcomes, to more formal and linear processes of planning/ implementation]
Transforming status quo of landscape (Dimension 6).

This phase captures the effects of Fabindia’s prospective sensemaking on the handloom landscape. Across Phases 1 and 2, we see a significant transformation across various aspects of the handloom landscape.

In Phase 1, Fabindia’s idea of using traditional techniques to create a “classic and contemporary look” generated a “new look” for handlooms (eventually comes to be known as the “Fabindia look”)—one was that a blend of seeming contradictions: modern, minimalist, traditional, classic, contemporary, ethnic and global. Fabindia’s design ethos co-incided with the emerging “design” sensibility in the west.

“The 1960s was a decade of sweeping change throughout the fashion world generating ideas and images which still appear modern today. Whereas fashion had previously been aimed at a wealthy, mature elite, the tastes and preferences of young people now became important. At the beginning of the decade, the market was dominated by Parisian designers of expensive haute couture garments. The shape of clothes was soon transformed by new ideas emerging from the London pop scene… Designers of clothes and textiles celebrated modernity…[this had] tremendous influence throughout Europe and the US…Later in the decade the hippy look, which originated on the West Coast of America, crossed the Atlantic. This was a time when designers of dress and textiles experimented with colors, patterns and textures borrowed from non-Western cultures. As ethnic influences took over, the most fashionable people wore long layers of loose clothing in vivid, clashing colors… During the late 1960s, there was a reaction against the mass production of mod clothing and pop products which had brought bright new styles into European and American homes and wardrobes. Some people became disillusioned by this materialistic mood and turned to Eastern cultures and mythologies which appeared more in tune with the 'natural' world….” (Excerpt from History of 1960s Fashion and Textiles, Victoria & Albert Museum, UK)

JB recalled: "The greatest thing that happened to our business was the move in Europe and America a few years back to the natural look -- natural textures, natural fibers -- and away from things like polyester and nylon, (JB, 1977). The “new look” revived, once again, an international market for Indian handlooms.

Fabindia’s presence at Habitat UK, iconic design-led home and furnishings brand, played a significant role in offering visibility to Indian handlooms. Indian handlooms attracted the
attention of major international buyers—for whom Fabindia’s John Bissell was the obvious contact. International media hailed JB as the "Pioneer of the revival" and remarked that "Fabindia had led the movement for the revival of Indian handloom in the international market" (129) and designed the "evolution of traditional products into international best sellers". Explaining Fabindia’s influence, JB remarked:

"When I began nobody was coming here [India] to buy. Now there are hundreds of buyers every year from all over the world. This has become an important marketplace. —…I started this business because I was excited about the challenge of getting these products into the world market and because I was simply excited about handloom fabrics. I still am"

**Suppliers.** Overall, even as the number of people employed in the handloom sector continued to decline through the 1960s and 1970s, a market for handlooms opened up.

The growing demand for Indian handlooms in the overseas markets generated employment for craftsmen and helped revive several dying craft traditions. JB’s interest in travelling across the country and sourcing new types of weaves for Fabindia offered a national platform for regional craft traditions.

"…nobody had *Ikat* kurtas at that time but *ikat* fabric was being developed in Hyderabad in those days. Fabindia was a pioneer in that. We bought ikat in bulk from Hyderabad and it was kept in our store for along time, one or two years. We kept wondering what we could do with it and then we used it for *kurtas*. Then it took off and everybody focused on *ikat* kurtas and where it was coming from" (Singh, 2010, p. 6)

Supplying to the internationally reputed Fabindia, and then to other export firms, put some of the craftsmen on national and international platforms. Abdul Ghani, a *Jaipur Block-Printing* veteran in the country and Fabindia’s supplier for over forty years remarked:

“Supplying to Government stores reduced us. Export firms did not care about us. If something did not meet the delivery date, they would refuse to take delivery. Fabindia was different. They made money…but they did it so well. I think the best thing they did for the handloom industry was the dignity and respect they gave the craftsmen. Fabindia told me that I was an artist. Until then I was just a poor man of *x,y,z* caste, weaving because my grand father and his grandfather had done so. Today people from the cities visit us and speak to us with so much respect and awe. Fabindia showcased our products in such a nice manner.
Sometimes I go to the Fabindia store and just look around…I feel very proud of my country…its craft traditions…and what this American man [JB] has done for this country” (2013)

“At a larger level, we wonder how these craftsmen in far-flung areas attract buyers. They do. The established artisans now supply to designers and retailers and reel off names like Fabindia and Tarun Tahiliani with ease. A few have travelled the globe, conducting workshops and talking about their craft.” (The Hindu, 2014)

Fabindia’s influence on the handloom industry was not by accident. Employees observed that JB put the concerns of the handloom industry before Fabindia. After Fabindia had stabilized in the early 1970s, JB spent a significant part of the following two decades travelling with international buyers who visited the country, extolling the virtues of handloom and the craftsmanship of the artisans, persuaded international buyers to work around the constraints of sourcing from the handloom industry in India, putting them in touch with local craftsmen—and passing on Fabindia’s orders to peers who were trying to do similar work. Fabindia’s employees recalled:

“John Bissell was so keen to promote the product that he helped set up many people to become exporters…he often put his peers in touch with his buyers…we used to be sitting there and getting upset. We were angry and didn't know why he was passing orders on…New persons came into exports and the buyers slipped out of our hands. We didn’t even know who all we had introduced them to. We had not just done it openly, we had encouraged it” (Singh, 2010: 196)

More significantly, Fabindia’s success offered a business template for the handloom industry. Until Fabindia’s entry into the handloom sector in 1960, the predominant way of organizing in the handloom sector involved —co-operative societies, Government-managed institutions, middlemen, and individual craftsmen (sometimes organized under a master craftsmen). While the individual/master craftsmen as well as co-operatives were largely dependent on Government-institutions to create a market for them, the booming export market gave craftsmen an opportunity to bypass the increasingly inefficient, corrupt, and bureaucratic co-operative system. Khera, a long time supplier of Fabindia since 1965, recalled that his firm’s collaboration with Fabindia encouraged other master weavers in the Panipat area to establish their own export
houses. By the late 1970s, Panipat, home to dhurrie weavers, had emerged as a weaving cluster.

Overall, between 1970 and 1976 India’s apparel exports grew seven-fold in six years—rising from $30 million to $200 million, and growing from 3.8% of India’s merchandise exports in 1970 to 11 percent in 1976. India’s global share in apparel also doubled from 0.6 percent in 1970 to 1.5% in 1976 during this period (UN Statistics, 2005). This early growth was traced to demand from the US and Europe for Indian handloom garments (Chatterjee and Mohan, 1993)

[Overall, Phase 1 of prospective sensemaking led to the emergence of a new, mid-market category for handloom products—that unlike high-end silk fabrics was cotton-based, but unlike the low-end cotton products was distinct for its craft and design component. Fabindia’s actions widened the portfolio of handloom products (beyond Indian traditional apparel to household furnishings) and imbued a rustic- and regional-looking product with a “classic and contemporary” look—thereby creating an international platform for Indian handloom products. This not only led several international buyers to India but also spurred the launch of many handloom export firms—both were directly encouraged by Fabindia. In Phase 2, Fabindia’s efforts at prospective sensemaking transformed the domestic landscape of the handloom sector]

In Phase 2, between 1993 and 2010, even as Fabindia transformed from an export firm (Yr 1993) to a national brand (Yr 2000) and then a national retail chain (Yr 2008), the handloom landscape underwent a sea change.

On the product front, prior to Fabindia’s entry into domestic retail, the product portfolio for handlooms was limited to traditional apparels (men’s kurtas, sari\(^\text{17}\), dhoti\(^\text{18}\)). Further, problems of shrinkage, fabric stretch and limited colors relegated handloom wearing to former

\(^{17}\) Traditional women's garment. A fabric ranging from two to nine yards (length) and two to four feet (breadth) that is draped around the body.

\(^{18}\) Traditional men's garment. It is a rectangular piece of unstitched cloth usually around 4.5 metres long, wrapped around the lower half of the body.
freedom fighters. Fabindia’s focus on product development not only enhanced the quality of handloom products and introduced a wider color palette to a predominantly beige *khadi*, but it also created a new range of ready-to-wear handloom and handcrafted products (*Kurtas, Tops, Shirts, Shorts, Scarves, Stoles and so on*). A senior journalist and political commentator Dilip Cherian remarked: “Making “glamorous” kurtas that stood the test of time, which also beat the vicissitudes of the family *dhobi*, and combined colour, culture and style, soon made Fabindia the rage amongst a certain smart set” (Source: Tehelka, 23 February, 2012)

“It brought a modern, contemporary design sensibility into a traditional product. Otherwise nobody was going to wear Khadi. People forget how amazing Fabindia was. It has transformed the country. If you saw pictures of people in the ‘60s and ‘70s …until Fabindia started retailing in India nobody dressed like this. Some freedom fighters wore Khadi but it was going out” (Former collaborator & Architect of Fabindia’s stores, 2013)

The growth in Fabindia’s apparel segment was in large parts triggered by the growing population of working women in the country in the 1980s. For working women, Fabindia’s ready-to-wear kurtas (the first retail store to have ready-to-wear apparels) with its conservative silhouette and modern aesthetics offered workwear that suited the Indian body while scoring high on convenience (as compared to the traditional *sari*) without losing on aesthetics. “I think it is mainly convenience. Because when you want to wear an Indian Kurta but you know you are working or you know you are, you are not going to wear some very elaborate outfit. What is your option? For the longest time Fabindia was your best option” (long time customer, 2013)

*Symbolic value:* More importantly, the “Fabindia look” became a powerful consumer symbol in modern, urban India.

“Yeah, you could see a person from a mile and say Fabindia…you know the person with the Fabindia look. One ofcourse meant that they're wearing Fabindia clothes. It defined the kind of person you are which was I think to do with your Indianness, to do with the fact that you were rooted or grounded or I really don't know how to explain it…” (Former collaborator, Fabindia)
“Fabindia took [clothing] which had once been associated with Gandhi and village life and converted it into a symbol not just of the poor, but of chic, too. It became very popular…

…There still are no badges, no logos, and yet they who stalk the drawing rooms of Smart India, still recognise a Fabindia kurta instantly. And strangely it also conquered the age gap and the so-called generational divides. For several decades, dudes in jeans and babes with thongs, all succumbed, at least during their college years, to the purchase of at least one mandatory Fabindia kurta. It was almost de rigeur! It was a rite of passage.” (Source: *What will the left intellectuals wear now?*, Tehelka, May, 2012)

While in the 1960s and 1970s, the growing nationalistic fervor of post-independence years led the bureaucratic elite in Delhi to embrace Fabindia’s khadi kurtas (the Indian middle-class never embraced kurtas as formal wear until the 90s), political and social activism drew young college students, artists, and intellectuals.

“I think in the ‘60s and 70s, there was a socially aware movement in Delhi. There was activism… the youth politics was a big movement and JNU as a campus was very vibrant. A shop that sold Khadi Kurtas [Fabindia] you know stood for something. It had a great resonance with what was going on at that time” (Handloom activist, 2013)

In the 90s, rising disposable incomes among the middle-class following economic liberalization, entry of foreign multinationals and foreign equity in Indian businesses, growing GDP and the growing workforce of women—looking for convenience and a conservative yet modern look—drove Fabindia sales. In the 2000s, it was the IT and software revolution and the growing pride in the Indian identity among the globally-mobile middle-class that firmly entrenched Fabindia as part of modern India’s cultural ethos. By the mid 2000s, “More than any arriviste fashion dictator, social marketing whiz kid or aggressive foreign retail chain, Fabindia has defined the look of the Indian middle class.” (Sethi, 2010)

By the 2000s, inspired by the growing popularity of the “Fabindia look” a new market segment — “ethnic women’s-wear”— had emerged. More importantly, Fabindia had “showed the way on how a retail venture based on traditional handcrafted products can profit from working closely with artisans….”. Several new retailers *(Good Earth, Mother Earth, Biba, Khadder, W, ...*
Yamini) catering exclusively to handloom-based “ethnic womens-wear” emerged on the handloom landscape. Traditional retail chains—*Lifestyle, Shoppers Stop, Pantaloon, Reliance Trends* among others—were quick to launch their private “ethnic womens-wear” label. Prominent investors groups—*Future Group, Wolfensohn Fund Management, L.P., L Capital, PremjiInvest, Aavishkar*—invested in the handloom sector. Fabindia was seen as the prototype of this new category. The Chief Executive of a competitor brand remarked:

“A man who sits on the board of the *State Bank of India* tells me in his office. “You need to build another Fabindia.” I said, “No, I need to build a ( ), not a Fabindia. We want to be something different…But then the huge challenging task of driving away the perception from the customer’s mind that we are a Fabindia look-alike. Customers set a benchmark and then start comparing. Unfortunately the benchmark starts with Fabindia. It does not start with us” (2013)

[Overall, Phase 2 of prospective sensemaking led to an enhanced product portfolio for handloom products (ready-to-wear Indian and western apparels), a national platform for a wider range of handlooms & handicraft (and an associated boost in the living condition of the craftsmen associated with it), a growing symbolism around the handloom wearer (educated/socially conscious/ aesthetic/ intellectual/ individualism/pride in Indian identity/traditional/contemporary), creation of a new “ethnic wear” market segment, creation of new “ethnic-wear” brands and retailers and, eventually, entry of financial investors into the handloom sector]

Overall, across Phases 1 and 2 of prospective sensemaking at Fabindia, we see the handloom sector and its artefacts—products, product image, market segment—acquire a new meaning. Although in each of the phases, these effects could, in large parts, be directly traced to Fabindia’s deliberate efforts at prospective sensemaking, interviews suggest that the firm had little anticipated, the success as well as the scale of influence its initiatives would have on the handloom sector.
Summary

Overall, the grounded model suggests that, across the three phases, prospective sensemaking at the firm-level occurs against the backdrop of—and in reference to—status quo in the business landscape (Dimension 1). Prospective sensemaking is triggered by senior management’s aspiration to shift the status quo in the landscape (“things ought to be different”) —emerging from dissatisfaction with status quo and enabled by imagining a possible alternate to status quo (“how things could instead be”). The imagined alternate is idealized and represented by a creative synthesis of elements that appear seemingly contradictory in the status quo and is undergirded by hypothesis about possible pathways to it. At this point imagination provided general direction and the broad contours of the alternate, but does not necessarily coalesce as a well-defined future image or one fixed vision (Dimension 2). Commitment to the imagined alternate at the senior management level was followed by concerted organization-wide action to create pathways to the imagined alternate—a complex process that involved simultaneous and recursive processes of enacting beliefs about pathways, while acquiring organizational capabilities for it, and mobilizing stakeholders—whose commitment is crucial to creating pathways to the imagined alternate (Dimension 3). Even as the organization began creating pathways, new outcomes (new products/new business models/new partnerships and so on) emerged on the landscape. Emerging outcomes were continually reviewed against the imagined alternate—now exemplified in selection criteria. Reviewing emerging outcomes against selection criteria often resulted in renewing efforts (“let us try harder”) and/or revision of beliefs (“let us change the way we are approaching this”). When the emergent outcomes are deemed satisfactory with regards to selection criteria (“this is it!” or “this is good enough”), the outcomes are retained and consolidated over time. In one of the phases, failed efforts at meeting selection criteria led to abandoning the project altogether. What renders the overall process dynamic, complex and intuitive is that, some of the selection criteria is articulated ex-ante, whereas some emerge in the
course of unfolding alternate reality (Dimension 4). Once consolidated and stabilized, the outcome was formally articulated as a strategy (“this is the way forward”) and the firm’s identity was articulated (“this is who we are”). What follows resembles the more traditional processes of strategic planning and implementation — formalizing goals, timelines, resource allocation and coordination of efforts (Dimension 5). Even as the firm successfully created pathways to the imagined alternate, its effects, could be seen on the handloom landscape. Across the three phases, various aspects of the handloom and retail landscape were transformed—the handloom product transformed (acquiring new functional and symbolic value), overseas markets were created, and, in India, a new market category of “ethnic-wear” emerged, the ecosystem for suppliers improved, new players entered the industry—injecting competitive dynamism to the industry, and eventually attracting investment into the industry (Dimension 6).

Although the three phases of prospective sensemaking were significantly different from each other in that they occurred amidst significantly different macroeconomic contexts, at different points in Fabindia’s evolution, under different leadership, had different strategic orientations and involved efforts to shape different aspects of the handloom landscape, the process-approach that I adopted in this study made it possible to look beyond surface-level features and observe “deep processes” in organizing across the three phases. Here I discovered a remarkable pattern and similarity in prospective sensemaking across the three phases. The process of “constant comparison” across the three phases helped me arrive at a unified, comprehensive, and parsimonious model of prospective sensemaking—one that reveals some of the fundamental processes that were followed by a pioneering firm that shaped its industry.

Overall, the model suggests that prospective sensemaking in a pioneering firm involves deeply intertwined processes of reflexivity and creativity that not only spurred the firm to shift the status quo, but also enabled it to creatively conceive—and create pathways—to it. The inherent challenges of creating an imagined reality—constantly aligning imagination and
unfolding reality through subjective decisions about how and when to revise efforts, revisit pathways, and selection criteria—were rendered further complex as the firm had to build new capabilities on the fly. Further, attempting to create an alternate to status quo—amidst status quo—is socially complex as it is critically dependent on mobilizing resources as well as commitment of stakeholders. Additionally, the model also reveals that the creative process is embedded across hierarchal levels—with the prominent role of senior management (especially leadership) in early phases of prospective sensemaking (aspiring to shift status quo), and the more emphasized role of middle- and senior- managers (as well as collaborators) in the processes that follow, where working within the meta-frame of senior management’s imagination, both, those within the organization and outside it proactively explored creative ways of enacting the imagined alternate. It is important however to note that, although interviews suggested some kind of a shared institutional understanding or “collective intelligence” among senior and middle managers for navigating through novel and ambiguous projects, interviews with senior- and middle-level managers did not suggest that they followed any explicit or formalized process for managing these new initiatives—further underscoring the tacit, implicit, and intuitive nature of the processes involved in prospective sensemaking.
Chapter 5

Discussion

I began this study with the aim to understand how firms engage in prospective, anticipatory or forward-looking behavior. The initial research question was: “What processes of strategy-making are involved in engaging with the future?” Following leads that firms not only anticipate the future environment but also shape it (e.g., Cunha, 2004; Gavetti, 2011; Ghemawat, 2010; Hamel and Prahalad, 1996; Narayanan and Fahey, 2004; Schumpeter 1911), and taking advantage of the rare and in-depth access to a pioneering firm that is widely acknowledged to have shaped its industry through successive phases of strategy-making over five decades, I further refined my question: “What processes of strategy-making are involved in shaping the future?”

The primary contribution of this study is a grounded model of “prospective sensemaking”. This extends the extant sensemaking perspective—that is typically rooted in retrospective processes—to account for prospection or forward-looking activities. This also compels a reconsideration of associated concepts of “enactment” and “organizing”.

The model suggests that, unlike organizing which is understood as a “modified evolutionary process” (Weick, 2009: 185), “prospective sensemaking” appears to indicate a “artificial evolution” process (see Sarasvathy, 2003; Weick, 1989). The emergent concept of “creative enactment” extends the theoretical concept of enactment (see Weick, 1979; Giddens, 1984) —typically understood as a process by which environments/structures are enacted through a mutually recursive relationship between actions and environments—to account for a reflexive and purposive intervention process by which agents negotiate with the environment, attempting to structure it towards desired ends.

The grounded model of prospective sensemaking also suggests the potential to make fundamental contributions to literatures on strategy-making and behavioral theory. It also has
possible implications for the entrepreneurship literature.

First, the grounded model offers the grounds to propose the notion of a “Pioneering strategy”—strategy-making typical of pioneering firms (e.g. Apple, Google, Tesla, and so on)—thereby re-directing the dominant narrative around strategy-making, beyond “adaptive strategies”—focused on “adapting” to environments, to include “shaping strategies”—aimed at proactively “shaping” environments.

Second, the emergent findings on the central role of “creative imagination” makes a strong case to extend the repertoire of managerial cognition as outlined in the behavioral tradition. The finding that managers imagine or actively construct an alternate reality that does not yet exist—and invest significantly in realizing it—suggests that managerial cognition is not only marked by “bounded rationality” (the notion that rationality of individuals is limited by the information available and the cognitive capacities/limitations of the decision maker), but is also imbued with “creative rationality”—the notion that rationality of individuals is relatively unconstrained by processes of creative imagination.

Finally, the model potentially contributes to entrepreneurship by illuminating the processes by which firms “create” opportunities—a much speculated (and here empirically verified) phenomenon in entrepreneurship literature.

**Prospective Sensemaking**

The process model of “prospective sensemaking” in a pioneering organization extends the sensemaking perspective—typically rooted in retrospective processes—to account for forward-looking activities. Here I provide a broad outline of the theoretical processes involved in prospective sensemaking. I also highlight a few key aspects that distinguish prospective sensemaking from retrospective sensemaking.

Overall, the grounded model of prospective sensemaking at a pioneering firm describes processes of cognition and action by which organizations try to proactively influence/shape the
environment. Although prospective sensemaking could unfold at the individual-, team-, or collective-level, this model emerged from an organizational-level study and therefore in this section I describe prospective sensemaking as an organization-level process. To demystify some of the theoretical concepts, I illustrate how these processes unfolded in Phase 1 of Fabindia’s history.

Phase 1 of prospective sensemaking at Fabindia occurred against the backdrop of—and in reference to—the status quo in the handloom sector (“handloom apparels are not fashionable”/“there is no market for handlooms”/“there is no money to be made in the handloom industry”/“decline of handloom weaving is inevitable”).

Prospective sensemaking was triggered by senior management’s (JB) aspiration to shift the status quo of the industry. The aspiration is typically spurred by dissatisfaction with status quo (“why should such a rare and rich craft tradition and skilled craftsmen languish?”) and enabled by imagining an alternate to status quo. The imagined alternate is idealized and represented by a creative synthesis of elements that appear seemingly contradictory in the status quo (“a profitable market for handlooms and sustained livelihood for craftsmen”). In making a case for the novel and radical alternate, senior management identify faultlines in prevalent practices (“the focus on quality and marketing is wrong”) and hypothesize pathways to the idealized alternate (“creating “exciting” products is the solution”, “there is definite increase in the US market for novel and unusual products”). [Although actors might tend to use the terms “vision” and “dream” to describe this imagined alternate, my data suggest that the future does not coalesce as a clear image yet—at this phase it involves fuzzy contours of an imagined possibility].

Senior management’s commitment to create a market for handlooms was followed by concerted organization-wide action (employees and stakeholders who bought into JB’s ideals) to create the imagined alternate—a complex process that involved simultaneous and recursive processes of mobilizing resources (offering shares to family & friends), enacting hypothesis
about pathways (product development, retailing in US store, appointing US sales representative) while acquiring organizational capabilities for it (product design, quality management, supply chain & inventory management, export management) and mobilizing the commitment of stakeholders (craftsmen, international buyers, employees).

This resulted in new outcomes (new designs, suppliers, buyers)—that were explicitly as well as implicitly evaluated to see whether they created the imagined effect (“creating a market for Indian handlooms while sustaining the livelihood of craftsmen”). Evaluation was typically against selection criteria that were articulated ex-ante (“we will only sell handloom”, “Fabindia has to make profits”, “weavers have to make profits”) as well as those that emerged in the course of unfolding reality (“we will only sell to small buyers”). This resulted in decision to renew efforts (“let us change our US agent”/“let us change the terms of contract with the US agent”) and/or revision of beliefs (“US retail is not working out. Let us explore buyers in the UK”). When emergent outcomes met selection criteria (identifying Habitat UK as an ideal buyer), the outcomes were consolidated over time (Fabindia—Habitat relationship strengthens between 1965 and mid 1970s).

Even as successful outcomes are consolidated, the firm’s identity emerges (“we are an export firm”/“Fabindia is a pioneering export firm”) and senior management articulates its strategy (“we will not scale”). What follows resembles the more traditional processes of strategic planning and implementation —formalizing goals, timelines, resource allocation and coordination of efforts.

Fabindia’s work has a transformative effect on the handloom industry—the handloom product is transformed (creating a “classic and contemporary look” with age-old techniques), creating a market for Indian handlooms (International buyers across the world begin to source Indian handlooms) and new players entered the industry (several export firms emerged)—injecting competitive dynamism to the industry (competition in the handloom export sector).
Overall, the grounded model of prospective sensemaking reveals a set of highly reflexive and creative organizing processes with marked phases and interdependencies among several, continuously moving and evolving elements.

Overall, the model suggests that prospective sensemaking in a pioneering firm involves deeply intertwined processes of reflexivity and creativity that not only spur the firm to shift the status quo, but also enable it to creatively conceive—and create—an alternate to it. The inherent challenges of creating an imagined reality—constantly aligning imagination and unfolding reality through subjective decisions about how and when to revise efforts, revisit pathways, and selection criteria—are rendered further complex as creating an alternate to the status quo requires creating new organizational capabilities for it, capabilities that are not only non-existent in status quo but also whose contours are not known ex-ante. Further, attempting to create an alternate to status quo—amidst status quo—is socially complex as it is critically dependent on mobilizing resources as well as commitment of stakeholders.

Consequently, what we see is a creative process that is embedded not only across hierarchal levels—spanning middle- and senior- managers—, but also among collaborators outside the boundaries of the organization. Importantly, the findings based on a firm that has engaged in successive rounds of prospective sensemaking, suggests the development of prospective sensemaking as a dynamic capability that enables the firm to continually and proactively break new grounds. The findings also gives ground to speculate that is perhaps the largely tacit, implicit, intuitive, and path-dependent nature of prospective sensemaking processes that makes some of these pioneering firms less imitable.

More importantly, the grounded model reveals processes that precede the selection of a goal and articulation of organizational identity—processes that are typically taken for granted in extant literature on strategic management.

I now highlight some of the aspects of prospective sensemaking that distinguish it from retrospective sensemaking.
**Scripted Enactment Vs. Creative Enactment.** The concept of “enactment”, the notion that when people act they bring structures and events into existence and set them in motion, is one of the defining features of sensemaking (see Weick, 1979).

Weick portrayed organizing as a “modified evolutionary process” comprising a sequence of “ecological change—enactment—selection—retention” where sensemaking is triggered by reciprocal exchanges between actors (Enactment) and their environments (Ecological Change) that are made meaningful (Selection) and preserved (Retention)” (Weick, Sutcliffe, and Obstfeld, 2005: 414).

Basically, “in the enactment process, an increase in the volume of ecological change…stimulates the focal actor to make sense of that change” (Jennings and Greenwood, 2003: 201) and the response then feeds back immediately to the environment as an additional, new source of variation induced by the enacting actor. In other words, faced with an unexpected or surprising stimulus—for which routine, script- and schema-based response is not available—an actor relies on “experience, socialization, job descriptions, and culture” to respond to the environment. This response alters the environment. Consequently, the seemingly “objective” environment that the actor subsequently faces is one that he/she had created (“enacted”) through previous actions.

Although the enactment view portrays causality as mutual rather than unilateral, and—in sharp contrast from the dominant zeitgeist of the 60s and 70s of “passive actor”—“changes the actor from inactive to active” (Jennings and Greenwood, 2003: 201), a closer reading of the depiction of enactment, reveals a process that, although non-routine, is typically less reflexive and more “scripted”. Portrayals of enactment as aimed at reinforcing “experience, socialization, job descriptions, and culture” (Weick, 2003: 188) suggest that what is enacted is subconsciously influenced by the past. Although the notion that sensemaking occurs in the face of disruptions and unmet expectations suggests that it is not a schema-based process, the depiction of sensemaking as being primarily driven by “identity” and as something that is “ongoing, instrumental, subtle,
swift, social, and easily taken for granted” (Weick et. al., 2005), suggests that enactment is “essentially preconscious and instantaneous” (Jennings and Greenwood, 2003: 201). In fact Jennings and Greenwood’s description of enactment as “preconscious” suggests a process that, although not scripted, is less marked by awareness. Consequently, it seems that, in the traditional enactment perspective, actions continue to be pre-determined—not by an external environment, but, instead by the actor’s past experiences (reified in the actor’s identity and habits).

Although the grounded model of prospective sensemaking in a pioneering firm also suggests that organizations and environments are a similar “complex reciprocal relationship” where “causality is mutual rather than unilateral, and that the circumstances people confront are malleable and multiple, rather than monolithic and singular” (Weick, 2003: 186), the nature of enactment in prospective sensemaking appears to be significantly different with regards to the objective, and, consequently, the processes followed.

Prospective sensemaking in pioneering contexts involves “creative enactment”—a more reflexive, generative, and intentional effort to try to shape the environment by enacting novel and idealized possibilities into it. The findings on dissatisfaction with status quo and imagination of an alternate suggest the need to account for the possibility of enactment as being rooted in processes marked by organizational reflection, self-inquiry and understanding: “What should matter to us? How do we want the future of this industry to be”? Consequently, if “to focus on sensemaking is to portray organizing as the experience of being thrown into an ongoing, unknowable, unpredictable stream of experience in search of answers to the question, “what’s the story?” (Weick et. al., 2005: 410), then prospective sensemaking involves pausing for a moment in an ongoing, unpredictable streaming of experience in search of answer to the question, “What should the story be?”. How should the future be? Consequently, where enactment appears to be “essentially preconscious and instantaneous” (Jennings and Greenwood, 2003: 201), creative enactment is reflexive and premeditated (“how do we want the future of this industry to be”?).

Further, while organizing in such pioneering contexts is marked by a sense of clarity
about what matters, it is also marked by a general fuzziness and ambiguity about what needs to be done. In other words, in pioneering contexts, to the extent that the idealized future is also novel and unfamiliar, the pathways to the idealized future need to be creatively imagined. Here imagination, although providing general direction and the broad contours of what is “preferable & possible”, is typically fuzzy and underspecified—necessitating the organization to operate with a fair amount of confidence towards an inherently ambiguous vision.

The recursive processes in the grounded model, where a firm evaluates emerging outcomes against selection criteria until it enacts a desirable outcome suggests that creative enactment is a regulated process where the actor constantly shapes and re-shapes the enactment process until a desired effect is created in the ecology. This is unlike the traditional view of enactment where it is typically portrayed as a process that is not only less intentional, but also not regulated. Consequently, where enactment in retrospective sensemaking is “ongoing, instrumental, subtle, swift, social, and easily taken for granted”, creative enactment is generative, deliberate, involved, attentive, and perceptible. Stigliani and Ravasi (2012) too observe that, as compared to research on sensemaking in crises, studies on sensemaking in the future show a relatively slower-paced process.

Emergent identity. Further the grounded model also offers the grounds to suggest that, unlike “scripted enactment” that is largely guided by identity, “creative enactment” is typically led by future-oriented elements of ideology and ideals. In fact the findings of the study suggest that identity might better be viewed as an outcome —rather than an input—of prospective sensemaking. This is in sharp contrast to the traditional view of sensemaking, which is guided by identity. In fact the varied descriptions of organizational identity across stakeholders, across hierarchical levels within the organization and even among senior leaders—not only suggested a complex and evolving identity, but also an ease with a persistent state of “becoming” (Tsoukas and Chia, 2002).

Agency. The findings also suggest that, where causality is mutual —rather than
unilateral—in both scripted and creative enactment, environments appear to have primacy in scripted enactment. In the extant view of enactment, ecological changes in the environment interrupts the decision-maker and jolts her/him into sensemaking in order to restore balance and meaning. In creative enactment however, reflexive actors appear to have primacy over environment—such that, spurred by aspiration, actors seek to shape the environment towards desired ends. In evolutionary terms, creative enactment could then be understood as a process of “artificial evolution” (see Sarasvathy, 2003; Weick, 1989) with the possible sequence: “anticipating/desiring ecological change—creative enactment—artificial selection—retention”. 

**Learned enactment.** Illustrations of sensemaking and Weick’s suggestion that enactment “resembles the mechanism associated with self-fulfilling prophecies” (Weick, 2003: 185) suggests that, in the traditional enactment view, not only is the enactment unintended, but the actor is also typically not aware that he/she is enacting the environment. My findings in a pioneering context however suggests that attempting to shape the environment in ways that deviates from the status quo or present requires a more interventionist approach—a deliberate, intentional, reflexive, and creative process. The highly reflexive and creative processes by which self-aware actors conceive of an alternate idealized environment and create it, reveals that prospective sensemaking involves actors who may not only be aware of the principles and processes of enactment, but may have also, through practice and reflection, mastered the “art” of enactment. The possibility of enactment as a deliberate and reflexive process suggests that also it might be more prevalent among firms managed by leaders who actively subscribe to a subjective and constructivist ontology. Steve Jobs, the iconic technology entrepreneur, observes:

"When you grow up you tend to get told that the world is the way it is...That’s a very limited life. Life can be much broader once you discover one simple fact.... you can change it, you can influence it, you can build your own things that other people can use...You can change it, you can mold it” (Excerpt from an interview by the Silicon Valley Historical Association, 1994)

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”
uncovered the subjective ways of decision-making of a seemingly objective decision-maker, the model of prospective sensemaking uncovers the more reflexive and creative ways of decision-making of a purposively constructivist decision-maker.

**Retaining status quo Vs. Disrupting status quo.** Sensemaking is triggered when an activity is interrupted as the “the current state of the world is perceived to be different from the expected state of the world, or when there is no obvious way to engage the world” (Weick, Sutcliffe and Obstfeld, 2005 p. 409) and the actor engages in sensemaking to resume the interrupted activity. Prospective sensemaking is initiated when the actor intends to disrupt the status quo—questioning it and seeking to re-direct it in alternate, novel ways. Where retrospective sensemaking is aimed at “imposing order”, prospective sensemaking is oriented towards “creating new order”. If “to organize is to impose order, counteract deviations, simplify, and connect, and the same holds true when people try to make sense” (Weick, 1995: 82), then to engage in prospective sensemaking involves questioning the present order, proposing and imagining new order, suggesting deviations, holding up contradictions and faultlines, and making new connections. If retrospective sensemaking is aimed at reducing ambiguity, prospective sensemaking actively courts ambiguity.

**Expectation-led sensemaking Vs Aspiration-led sensemaking.** Ex-ante purpose and aspiration is pivotal to prospective sensemaking. A significant component of prospective sensemaking stems from a preference and aspiration for a particular environment. The ambiguity that is experienced in prospective sensemaking is typically over deciding what kind of a future would be desirable and possible in the future? The absence of ex-ante purpose in conceptualizations of sensemaking appears reasonable when we recognize that Weick’s studies were largely based on contexts that were typically crisis-laden and required decision-making under time pressures (e.g., Mann Gulch disaster, air traffic crews and so on).

**Creative imagination Vs. Memory-based imagination.** Finally, the grounded model suggests that the hallmark of prospective sensemaking could be a type of cognitive process that is undertheorized in management literature—creative imagination. Although the term imagination is
popular in colloquial language, it is less frequently invoked in management literature (for
exceptions see Shackle, 1979, Augier & Kreiner, 2000; Porac & Tschang, 2013).

Imagination or imagining can be tentatively defined as a cognitive process of creating
counterfactuals or alternatives to a reality (see Byrne, 2010). Byrne (2010) and suggests that
counterfactual thinking or imagination has a wide repertoire—ranging from imagining the
mundane to imagining the novel and creative (“creative imagination”). My data suggest that
prospective sensemaking involves “creative imagination”—and not “projection” (memory-based
imagination) of the familiar and known, that is typically invoked in traditional conceptualization
of sensemaking.

Weick invokes the idea of imagination in explaining how sensemaking works in the
context of future-oriented actions. Weick attributes future-oriented actions to “future-perfect
thinking” processes (see also Gioia, et al., 2002)—where “Sense is made of future events by
imagining that they have already occurred and then infusing this "elapsed" experience with
meaning”. Weick’s logic that it is “presumably easier to write a specific history based on past
experience that could generate that specific outcome” (1969: 198) reveals that he invokes
imagination in the context of “outcomes” that are familiar, drawn from memory, and can be
determined ex-ante.

Future-perfect thinking appears more feasible when one is working towards a future that
is more familiar and whose image can be projected from memory and less feasible when the
future that one is working towards is intended to be novel and a break from status quo or what is
familiar and taken for granted. In such a novel and pioneering context, imagination involves
creative construction based on synthesis of diverse elements —elements of an idealized future,
hypotheses about how that future can be accomplished and so on. Imagination appears to provide
general direction and the broad contours of what is “preferable & possible”—but does not
necessarily coalesce as a perfect future image or one fixed vision that one can walk backwards
into. It is the fuzzy nature of creative imagination that makes the enactment process far more
dynamic—requiring constant tweaks and revisions to the imagination, selection criteria, emergent outcomes and so on. In other words, while the actor relies on action to make sense of his/her cognition in both retrospective [“How can I know what I think until I see what I say?” (Weick, 1979: 133)] as well as prospective sensemaking ("How can I create what I imagine until I see what I have imagined?") contexts, in retrospective sensemaking, action is adequate for cognition, whereas in prospective sensemaking, action, although followed by cognition, must also be preceded by cognition (imagination): “How can I create if I cannot imagine?”. Further, to the extant that cognition in prospection is based on a fuzzy and imprecise imagination, and cognition in retrospection is based on identity and socialization that is deeply ingrained, the action that follows imagination vs. identity can be expected to be significantly different in both purpose and specificity. In sum, the model of sensemaking at a pioneering firm suggests the potential to contribute to Weick’s reference to the “four verbs in the sensemaking recipe: to know, to think, to see, and to say” with an additional verb: to imagine.

**Pioneering Strategy: Strategy-Making to Shape the Future**

Extant views on strategy-making range from the notion of strategy as “deliberate” (goal-oriented, but not emphasizing dynamism and change) to strategy as “emergent” (emphasizing learning and adaptation but largely explaining reactionary, incremental changes). Although Mintzberg suggested a range of strategies between these two extremes (Mintzberg, 1994), the overwhelming paradigm of strategy is one that is evolutionary, learning-based, incremental and based on retrospection. In this study, taking an interpretivist social construction approach, and investigating a pioneering firm offered me unique insights into an additional type of strategy-making that could be more prevalent in firms that take an active interest in “shaping” the environments they are in.

From a strategy-making vantage, the grounded model of prospective sensemaking represents a “pioneering strategy”. In this section, I distinguish it from the three prominent views
of strategy—“emergent strategy”, “deliberate strategy” and the strategy-making in the context of “adaptation” (see Burgelman, 1994; 2002)

**Pioneering Vs. deliberate strategy.** Although we see the role of aspiration in both the Planning and Pioneering perspectives, the content of aspiration is qualitatively different in these two schools. The planning view anticipates the future to be on the same lines as the past/present, whereas, a pioneering strategy proactively seeks to create a future that is unlike the past/present (“shift status quo”). While the firm’s intention to shift the status quo imbues its strategy with a sense of purpose and deliberateness, to the extent that it wishes to shift a widely accepted status quo, the future needs to be imagined, and is only a “possibility”—therefore less amenable to control via processes of planning.

**Pioneering Vs. emergent strategy.** Although we see the role of trial-and-error based learning, in both, Emergent and Pioneering Strategy, the motivation and direction behind such experimentation is qualitatively different in these schools. In the emergent school, the firm recognizes the environment as discontinuous and unpredictable and dabbles in multiple emergent opportunities such that the firm is better positioned to adapt to—and exploit—the new environment. In this perspective, the environment is an “objective” world that although discontinuous and unpredictable is determinate—and the aim of the firm is to adapt. What we see in a pioneering firm is that the experimentation (“creative enactment”) is “guided” by an ideal about how the future ought to be. The firm seeks to “create trends” through imagination and experimentation, rather than adapt to emergent trends in the environment.

**Adaptation- Vs. Shaping- oriented strategies.** The emergent notion of a “pioneering strategy” holds the potential to nudge strategy-making literature from narratives of “adaptation” to those of “shaping” the environment. Although scholars have acknowledged that firms shape the business landscape (Ghemawat, 2010; Hamel and Prahalad, 1996) and opportunity space (Gavetti, 2011: 3 and 2010:40), and invent the future (Cunha, 2004; Narayanan and Fahey, 2004), the dominant discourse in strategic management is around issues of adaptation, fit, congruence, and alignment.
with the environment (see Smirchich and Stubbart, 1985).

The adaptation perspective is perhaps best exemplified in Burgelman’s study on strategy-making processes at Intel. Studying Intel’s transition from DRAM to microprocessors, Burgelman observed that the firm’s successful adaptation to a changing environment involved balancing traditional top-down strategy (“induced process”) with ideas and experimentation bubbling from the bottom up (“autonomous processes”). In this view, senior management creates an organizational context that encourages middle-management to engage in “autonomous actions” of generating new ideas and experimenting—successful ideas are then formalized by senior management as the firm’s new strategy (“induced strategy”).

An obvious and primary difference between the strategy outlined by Burgelman and the grounded model that emerged from this study is the orientation of the two strategies. A firm that takes an “adaptation” orientation to the environment appears to view the environment as a given and attempts to anticipate future ecological changes. A pioneering firm on the other hand sees the environment as amenable to influence—and proactively attempts to influence it. The difference in orientation has significant implications for strategy-making processes in the two contexts.

One, while the adaptation orientation requires processes that enable the firm to be alert and “recognize” changes on the ground, a shaping orientation requires reflexivity (“What kind of a future do we care about?”) and creative imagination (“how can we create such a future?”). Two, successful “adapting” requires that the internal selection criteria of the firm reflect external selection pressures (see Burgelman, 1994) such that emergent outcomes achieve a fit with the environment, the grounded model suggests however that “shaping” requires internal selection criteria to reflect “ideals” or elements preferred in the imagined environment and not reflected in current external selection pressures—such that the emergent outcomes manifest as a variation in the external environment. The idea of an internal selection criteria comprising “ideals” however is challenging in practice as it runs the risk of rendering an organization ideologically “rigid” and unable to shape—or even adapt—to the environment. The grounded model suggests that the
ability of the firm to continually negotiate with the environment by shaping and reshaping the emerging outcomes—as well as the selection criteria—to ultimately create new effects on the landscape that are less likely to have been created without active intervention, is at the heart of successful “shaping” strategies.

The grounded model also suggests that a dialectic model—where middle-lower management sources new ideas and top management formalizes them—is perhaps effective when the firm is oriented towards “adapting” to the environment. In a “shaping” context, pan-organizational commitment to the imagined future appears to be critical. The grounded model reveals that members across the hierarchy are engaged at various points in the creative process—while senior management (especially leadership) set the frame for the alternate via imagination in early phases of prospective sensemaking, working within the meta-frame of senior management’s imagination, those within the organization and outside it proactively explored creative ways of enacting the imagined alternate.

Across the three phases, the model unequivocally demonstrates the key role of senior management in pioneering organizations. Consequently, the findings of this model are more consonant with the upper echelons’ research (see Hamrick and Mason, 1984), that suggests the pivotal role of senior management in the strategy-making process.

**Beyond vision.** The findings of this study also bear comparison with the body of literature that accounts for the possibility of anticipation via “vision” and associated concepts like ideology, purpose (see Collins and Porras, 1996) and “desired future image” (Gioia and Thomas, 1996). Even in high velocity industries, Brown and Eisenhardt (1997) observed that firms with relatively high levels of product innovation had a “sense” and “vision” of the future.

Although the grounded model affirms the central role of “ideals” in shaping the future, it also suggests however that the presence of ideology offers only a partial explanation of how firms come to shape the future. The findings suggest that a literature pertaining to “vision”, “ideology”, “purpose” and so on overlook processes that follow the emergence of an ideology—
specifically the dynamic and recursive processes of cognition ("imagination") and action
("creative enactment") that are crucial to shaping the future in idealized ways. By overlooking
these processes, the vision literature appears to make the implicit assumption that once firms
arrive at a vision of the future, they simply have to walk towards it. This assumption does not
appear to be feasible when organizations attempt to create a future that is unfamiliar and novel. In
pioneering contexts, imagination appears to provide general direction and the broad contours of
what is “preferable & possible”—but does not necessarily coalesce as a well-defined future image
or one fixed vision—thereby necessitating recursive processes of enactment. The tentative and
fuzzy nature of the future resonates with Gioia and Mehra’s (1996) speculation about prospective
sensemaking processes:

“…Prospective sense making is thus much more tentative than retrospective
sense making; it can involve the projection of idealistic symbols and images to
represent aspirations—fuzzy images that we cast into the future like fishing
lures, so that we may ensnare ourselves and reel ourselves in. It also can involve
creating projective possibilities, like the provisional (or improvisational)
expression of a jazz riff that serves as a potential path for further meaningful
development.”

The grounded model also suggests that while prospective sensemaking involves a fair amount of
spontaneous revision and improvisation in the enactment phase, such improvisation occurs within
the meta-frame provided by imagination. While imagination offers the requisite mental leap in
constructing an alternate to status quo, improvisation enables revisions, negotiations, and
alterations to the imagination as it is being enacted.

The emergent findings on the central role of “creative imagination” in strategy-making at
pioneering firms suggests the potential to extend some of the foundational assumptions about
managerial cognition as outlined in the behavioral tradition.

Creative Rationality

The theoretical dimension of creative imagination or actively constructing counterfactual
or alternate realities suggests the potential to extend some of the fundamental assumptions about
managerial cognition in organization theory. It suggests that we consider managerial cognition as not only marked by “bounded rationality” (rationality of individuals constrained by the information and the cognitive limitations), but also imbued with “creative rationality”—rationality of individuals relatively unconstrained by processes of imagination and counterfactual thinking.

**Bounded Rationality Vs. Creative Rationality.** Today bounded rationality of decision-makers has become the “taken-for-granted first principle in contemporary management theory” (Porac & Tschang, 2013). Proposed by Simon (1947) and eventually developed more fully in Cyert and March’s (1963) *A Behavioral Theory of the Firm* (henceforth referred to as BTF), bounded rationality and attendant concepts such as problemistic search, the dominant coalition, standard operating procedures, and slack search form the bedrock of mainstream paradigms such as strategic decision-making, theory of attention, capabilities, and upper echelons (see Argote & Greve, 2007; Gavetti & Levinthal, 2004; Gavetti et. al., 2012). Over the years, scholars have observed however that the assumption of bounded rationality “leads to reactive behavior, not to the foresight and the overall design implicit in a manager’s vision of the future of his company” (Bower & Oz, 1979: 155). Most recently, suggesting the need to infuse a “forward-looking sensibility” into strategic management literature, Gavetti (2012) called for a “foundational shift” (p. 13) and “radical extension in the dominant interpretation of bounded rationality” (p. 10).

The *bounded rationality* view portrays decision makers as “information-processors” who attempt to “perceive” reality (but nevertheless have inaccurate and error-laden mental maps due to cognitive limitations, value preferences and biases). The findings of this study, specifically the role of creative imagination in decision-making, suggests that a fruitful avenue for BTF–influenced literatures to account for anticipation requires not only relaxing the limits of “boundedness” in bounded rationality, but also considering the possibility of an alternate type of rationality—one that is oriented towards “constructing” counterfactual, possible realities, rather than “perceiving” present reality. The ability to construct a reality that does not exist—and then
act it on it—suggests the possibility of an alternate, “creative rationality”\(^\text{19}\), one whose objective
and mechanisms are significantly different from bounded rationality.

While the notion of bounded rationality is based on managerial mental models of
“perception”, creative rationality invokes mental models based on “imagination”. Mental models
based on imagination are significantly different in form, content, and function from mental
models based on perception. In the following paragraphs I explicate a few of these differences.
One, while perception is an attempt to capture reality, imagination is oriented towards creating an
alternate reality—one that is desirable and plausible. Two, perception based mental models have
a mind-to-world fit i.e. the mind seeks to map reality; imagination-based mental models have a
world-to-mind fit i.e. the mind attempts to mold reality in the shape that it desires. In other words,
imagination is not a representation of reality, but a representation of how the world “ought to be”.
Three, the norm for a mental model based on perception is “accuracy”. In other words, greater the
match between perception and reality, the more reliable the mental model is. The norm of
imagination is “feasibility” or “plausibility”. Consequently, where information deficiency is a
constraint for perception, it is less of a constraint for imagination.

The findings on the role of creative imagination in the strategy-making process of a
pioneering firm also suggests that creative rationality is perhaps more relevant and valued in
contexts that require “shaping” rather than “adapting”—thereby distinguishing the concept of
creative rationality from “adaptive rationality” (see Gigerenzer, 2001)

*Adaptive rationality Vs. Creative Rationality:* Suggesting that the BTF and subsequent works in
that tradition continue to focus on the cognitive limitations of decision-makers without
considering the context in which decisions are made, Gigerenzer (2001) suggests the merits of
focusing on “adaptive” rather than “bounded“ rationality. He proposes that cognitive processes be
driven by creative forces.

\(^{19}\) The idea of rationality driven by creative principles resonates with Buchanan and Vanberg’s (1991)
description of the cognitive underpinnings of entrepreneurship. Criticizing the efforts of those attempting to
relax assumptions of rationality, they suggest an overarching alternative framework of rationality being
driven by creative forces.
evaluated - not against standards of perfect rationality, which focuses on biases and errors (Tversky and Kahneman (1973, 1974)—but against their ability to adapt to the environment. In this perspective, decision-makers rely on heuristics—not because they are boundedly rational—but because these “fast and frugal heuristics are well-matched to the challenges of the (past) environment” (p. 52). A heuristic is “ecologically rational” to the degree that it is adapted to the structure of an environment.

The findings of this study offer the empirical grounds to define an alternate, “creative rationality”—measured by the ability to “shape” the environment. Here heuristics and hypotheses are adopted to help “create” or “influence” the environment. One might speculate that such a rationality would be highly relevant and valued in contexts that involve setting trends (e.g., fashion industry). In fact the growing trend towards “fashionization” of consumer products like computers, mobile phones, cars and so on suggest that creative rationality might be increasingly valued by firms that attempt to shape consumer tastes.

The case for a type of managerial rationality that is oriented towards “shaping” the environment resonates with Sternberg’s (1985) groundbreaking (“triarchic theory of intelligence” that takes a cognitive—rather than the traditional, psychometric—approach to understanding human intelligence. Defining human intelligence as “(a) mental activity directed toward purposive adaptation to, selection and shaping of, real-world environments relevant to one’s life” (Sternberg, 1985, p. 45), Sternberg suggests that individuals create an ideal fit between themselves and their environment through the three processes of adaptation, shaping, and selection. Adaptation occurs when one makes a change within oneself in order to better adjust to one’s surroundings. Shaping occurs when one changes their environment to better suit one’s needs. Selection is undertaken when a completely new alternate environment is found to replace the previous, unsatisfying environment to meet the individual’s goals (Sternberg, 1985). In sum, while Gigerenzer’s work on “adaptive rationality”—that decision-making is guided by the objective to adapt to environments—underscores the adaptation aspect of human intelligence, the
findings on “creative rationality” helps us account for the “shaping” aspect of human intelligence.

**Entrepreneurship**

The findings of this model, especially as it focuses on the creation of new markets, finds obvious resonance with the entrepreneurship literature. In this section, I briefly touch upon the model’s potential contributions to entrepreneurship literature. One, it offers empirical evidence for some of the key emerging themes in entrepreneurship literature (discovering vs. shaping opportunity). Two, it suggests that “creative enactment” captures entrepreneurial processes hitherto not covered in entrepreneurial concepts like improvisation (Baker, Miner, & Eesley, 2003; Hmieleski & Corbett, 2008), and effectuation (Read, Song, & Smit, 2009; Sarasvathy, 2001).

Finally, to the extent that the grounded model is based on multiple instances of forward-looking behavior, over five decades, it offers the potential to theorize about how once-entrepreneurial firms overcome the problem of “legacy” (a theoretical and phenomenological concern that is currently outside the bounds of entrepreneurship literature) and engage in entrepreneurial behavior recurrently. In other words, we could perhaps theorize about entrepreneurship as a *dynamic capability*.

**Creating opportunities.** Entrepreneurship studies pivot around the concept of “opportunity”. Although the existence of opportunities was taken for granted in early entrepreneurship studies, in recent years scholars have been calling for the study of the “processes” by which opportunities have been formed (Aldrich and Ruef, 2006, Alvarez and Barney 2007, McMullen and Shepherd 2006, Shane 2003, Shane and Venkataraman 2000). The interest in processes of entrepreneurship also coincides with the dual conceptualization of opportunity-related processes—“discovering” vs. “creating” opportunities. Following Alvarez and Barney’s portrayal of opportunities as being of two types—(a) opportunities formed by exogenous shocks to the business landscape and subsequently “discovered” by entrepreneurs; and (b) opportunities formed endogenously by the entrepreneurs who “created” them (Alvarez and Barney 2007), scholars have speculated the
associated processes in these two types (see Alvarez, Barney, and Anderson, 2013). To the extent that the pioneering firm shaped demand as well as supply-side aspects of the business landscape, the findings of this study can be seen as revealing the key processes involved in “shaping” opportunities. Processes of cognition (“creative imagination”) and action (“creative enactment”) that are involved in “shaping” or “creating” new opportunities also potentially contribute to the nascent literature on the cognitive microfoundations of entrepreneurship.

**Creative Enactment Vs. Effectuation.** The notion that entrepreneurs “create” opportunities is perhaps most powerfully delineated by the concept of “effectuation.” Observing that the emergence of markets is typically taken-for-granted in economic and management theories that emphasize the logic of “causation”, Sarasvathy (2001) proposed that entrepreneurial behavior is driven by the logic of “effectuation”. Venkatraman and Sarasvathy elaborate the differences between the two logics: “The distinguishing characteristic between causation and effectuation is in the set of choices: Choosing between means to create a particular effect, versus choosing between many possible effects using a given set of means… an entrepreneur who begins with a specific business plan to develop a specific company versus one who wishes to be his own boss and has to figure out what business to go into, and so on.” (2001)

Although the grounded model of prospective sensemaking parallels the processes involved in effectuation, in that both suggest that opportunities are “created” rather than “discovered”, the processes involved in prospective sensemaking are distinct—in orientation as well as content—from processes of effectuation. The grounded model in fact reveals a interesting mix of both causation and effectuation logics. Although prospective sensemaking does not commence with pre-specified goals and a specific plan and involves generation of possibilities and the dynamic and iterative processes (similar to effectuation), we do observe an ante intention to create particular “effects” (like causation). Also, although the effectuation logic accounts for human imagination and aspiration in creating markets for goods and services, in this perspective, imagination and aspiration is constrained—and guided—by present means. The effectuating
entrepreneur is typically portrayed as being indifferent to effects. Imagination is largely used to mix and match existing resources and capabilities ("bricolage") to create new effects. This view does not capture well the journeys of pioneering firms like Fabindia (and others like Apple, Google, Tesla and so on) that rely on imagination to envision the possibility of creating "specific" effects, but also use imagination to create or acquire means—including resources, capabilities—that are required to create such "desired" effects. Although the prospecting entrepreneur in a pioneering firm may also try to "make do" with what is available, he/she is typically guided by the motivation and imagination of creating specific effects on the landscape.

**Entrepreneurship as dynamic capability.** Entrepreneurship literature largely focuses on the "achievement of beginnings—creating products, firms, and markets". Consequently, how once-entrepreneurial firms overcome the issue of legacy and inertia and continue to be entrepreneurial and repeatedly make "new beginnings" is currently not addressed in the entrepreneurship literature. The findings on prospective sensemaking are based on multiple instances of forward-looking behavior, over five decades, and therefore offers the potential to theorize about entrepreneurship as a *dynamic capability*. Although theorizing about the meta-processes that enables the firm to repeatedly engage in prospective behavior over a course of five decades is outside the bounds of this study, the data offers some hints at processes that might be involved in this.

Organizational studies identify "identity" as one of the chief sources of organizational inertia. Organizational identity is observed to hinder organizational attempts to adapt to environmental changes and once-entrepreneurial firms from continuing to engage in entrepreneurial behavior (see Gioia, Patvardhan, Hamilton, and Corley, 2013). Summarizing the possible processes by which organizational identity hinders change, Gioia et. al. (2013) outline “a double-looped process where an incumbent identity colors the way incoming information is screened, interpreted, and acted upon—thereby causing the incumbent identity to be further reinforced and strengthened, eventually making it even less likely for members to process
information that is contrary to identity.” (136-137).

The findings of this study, of a firm that engaged in multiple instances of prospective sensemaking over five decades, suggests that the ability to manage a continually evolving organizational self or identity may be a key element in developing a sustained capability for prospective sensemaking. The model of prospective sensemaking—where identity is emergent—suggests that prospective sensemaking not only requires a firm to act in the face of an ambiguous and emergent identity, but that, in successive rounds, it also requires the firm to cope with the resistant forces of incumbent identity. For instance, in Phase 2 of prospective sensemaking at Fabindia, when organizational members protested changes by invoking incumbent identity (“How can we introduce power-loom? We are a handloom company. We have always been one”), we see senior management resolve this by redefining the organization’s identity in a manner that, without disowning the past, invoked the imperative to change to meet the firm’s larger ideology (“we have to influence the livelihoods of many more craftsmen”) suggests an ability to continuously redefine organizational identity. In fact my last phase of data collection at Fabindia in 2013 revealed significant differences in descriptions of organizational identity across stakeholders, across hierarchical levels within the organization and even among senior leaders. In fact the refrain among senior as well as middle managers that “each one of us will describe Fabindia very differently” not only suggested a complex yet tacitly shared identity, but also an ease with a persistent state of “becoming” (Tsoukas and Chia, 2002).

**Conclusion**

With the larger agenda of stimulating and shaping discourse around “forward-looking” or prospective behavior in strategy literature, I pursued the theoretically and pragmatically important question: **By what processes might firms shape or influence the future?**

Given limited literature on prospection, and especially prospection oriented toward shaping, and following speculations that an attempt to infuse “forward-looking” behavior into
organizational theories would involve unpacking existing assumptions about managerial
cognition and action and taking, I adopted a constructivist view (Burrell & Morgan, 1979) and
employed a grounded theory approach (Glaser and Strauss, 1967) to empirically investigate the
thought and action of a pioneering handloom retail organization that, over five decades, has
shaped and transformed the landscape of its industry.

The primary contribution of this study is a grounded model of prospective sensemaking
in a pioneering firm. Overall, this model makes a contribution to the microfoundations of
organization theory by potentially resolving some aspects of the fundamental dilemma about how
managers with “bounded rationality” and retrospective sensemaking” processes can engage in
prescience (Corley and Gioia, 2011) and forward-looking behavior intended to shape an unknown
future.

First, the model extends the extant sensemaking perspective— which is rooted in
retrospective processes—to account for prospection or forward-looking activities. The
associated, emergent concept of “creative enactment” extends the theoretical concept of
enactment (see Weick, 1979; Giddens, 1984) — typically understood as a process by which
environments/structures are enacted through a mutually recursive relationship between actions
and environments/structures—to account for a reflexive and creative intervention process by
which agents negotiate with the environment, attempting to structure it towards desired ends.

Second, the emergent findings on the central role of “creative imagination” make a
strong case to extend the repertoire of managerial cognition as outlined in the behavioral
tradition. The finding that managers imagine or actively construct an alternate reality that does
not yet exist—and invest significantly in realizing it—suggests that managerial cognition is not
only marked by “bounded rationality” (the notion that rationality of individuals is limited by the
information available and the cognitive capacities/limitations of the decision maker), but is also
imbued with “creative rationality”— the notion that rationality of individuals is relatively
unconstrained by processes of creative imagination.
Third, and at the more macro-level, the findings also contribute to the strategy-making literature by demonstrating the processes involved in a “Pioneering strategy”—strategy-making typical of pioneering firms (e.g. Apple, Google, Tesla, and so on)—thereby re-directing the dominant narrative around strategy-making, beyond merely “adapting” to environments, to include proactively “shaping” environments.

Finally, the model potentially contributes to entrepreneurship by illuminating the processes by which firms “create” opportunities—a much speculated (and here empirically verified) phenomenon in entrepreneurship literature.

**Limitations**

The research context as well as the research strategy employed in this study pose some limitations and boundary conditions. This study is based on a firm in the crafts-based apparel industry—an industry, that although problem-ridden, is marked by relatively low levels of competitive dynamism, volatility, and technology-induced discontinuities. The findings of this study might therefore be less applicable to contexts where anticipating the future is considered vital—industries marked by high velocity and competitive intensity (e.g., high technology). Although some processes involved prospective sensemaking—especially those involving imagination and creative enactment—could be germane to contexts marked by high velocity and competitive intensity as well, in these contexts, it might be reasonable to expect a difference in the temporal aspects of prospective sensemaking (duration of each phase, pace, and rhythm).

Second, although the pioneering firm in this study redefined the product as well, the findings of this study may be more applicable to firms that have pioneered via business model innovations and rather than product-innovations. Although it is likely that firms that have pioneered primarily through product innovations (e.g. Apple), are likely to engage in some of the processes of prospective sensemaking documented in this study, it is likely that experimentation and development of prototypes is more likely to be specification-driven, off-line and far more capital-
intensive. Third, the relatively idiosyncratic nature of this industry challenges the generalizability of this study. I would argue however that pioneering in such an idiosyncratic industry, with few successful models to follow, poses challenges of an extreme order — making the deep processes of prospective sensemaking far more salient and easier to observe.

The research method I employed also poses some limitations to the study. First, the study faces the challenges inherent to field studies in general—they are high on realism of context (as they are conducted in a natural, field setting), but low on precision (because of lack of experimental control) and generalizability (study population is not necessarily representative of the target population). Such tradeoffs, however, are inevitable to any research strategy (see McGrath, 1982). Second, although the single-case design is ideal for capturing deep processes with great nuance, it limits the robustness of findings—a shortcoming I have attempted to work around by adopting an embedded case design. Third, a possible limitation associated with all research employing self-reports as a data source is retrospective- as well as social desirability-bias. To mitigate this possibility, I gathered as much “real-time” and archival data as possible to corroborate the reported findings.

Overall, for the qualitative researcher, creating trustworthiness is a matter of establishing and demonstrating four attributes: credibility, transferability, dependability and conformability of work (Lincoln & Guba, 1985). A prolonged engagement with Fabindia — for over eight years—and previous work in the creative industries’ space helped achieve high familiarity with the firm, build rapport with senior executives and managers, and gain credibility among informants.

Having the respondents fill out the Institutional Review Board’s consent form and explaining the content of the form further helped establish credibility of the research process (Spradley, 1979). To ensure transferability of the emergent themes and grounded model, I focused on building rich, thick and descriptive database. To enhance the dependability of my findings, I tried to ensure that I triangulated information across a wide range of sources. Meeting a wide range of participants in
the handloom industry—activists, policy makers, retailers, designers, educators—gave me a firsthand feel of the general discourse in the larger field, as well as the multiple perspectives within it. The constant comparative method used in data analysis allowed for “within-method” triangulation across multiple data sources as a cross-check and to establish the internal consistency of the interpretive findings (Jick, 1979). “Counterfactual analysis”—asking what would have happened if events that we noted had not occurred (see Burgelman, 2011)—helped bring rigor to the data collection and theory development process. Finally, to affirm my findings, I engaged in member checks at various stages in the research study. I also developed propositions that future researchers can test (Lincoln and Guba, 1985)

**Future Research**

I view this dissertation as part of a larger research stream on the forward-looking behavior of firms. Beyond exploring cognitive processes (beliefs, mental representations, sensemaking, meaning-making, identity) in greater depth, future projects will investigate structural (organization design, collaborations, alliances and resource allocation) and institutional (legitimation, shaping field norms, rules and practices) processes that are involved in how firms engage with the future.

The findings on “creative imagination” and “creative rationality” suggest the high potential of investigating and developing these concepts in greater depth. The findings on the role of a continuously evolving identity in a firm engaged in recurring acts of prospective sensemaking suggests that future studies could benefit from an in-depth investigation of the identity-related processes in firms that engage in prospective or forward-looking behavior. This could throw light on how firms could cope with identity-related inertia. The findings of this study, of a firm engaged in multiple acts of prospective sensemaking over five decades, suggests the high possibility and potential of conceptualizing prospective sensemaking as a dynamic capability.
A significant challenge in the pursuit of an imagined alternate appears to be one of mobilizing stakeholders—all of who are embedded in status quo. Future studies could investigate the processes by which prospecting firms persuade a wide variety of institutional constituents—investors, employees, partner organizations, media, and so on—to support projects that challenge status quo. Further, although to the extant that the Indian handloom industry was legitimized in the larger macro-cultural context and one observes little “conflict” or “contestation” in the course of prospective sensemaking in this study, I expect prospective sensemaking to be charged with significant amount of conflict and negotiation in more dynamic, volatile, and competitive contexts. Investigating how firms navigate through institutional challenges in such circumstances could be revelatory. Finally, the pivotal role of top management in prospective sensemaking suggests the high potential of focusing on the role of strategic leadership in prospective sensemaking or forward-looking behavior. Finally, the findings of this study suggest the potential to study “Forward-looking Organization” (FLO) as a type or class of organizations, that by the virtue of their aspiration (e.g., Apple Inc.) or industries they operate in (e.g. creative industries) have systems in place that make them exceptionally consistent in shaping the future.
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Harvard University Press


Appendix A

Tables

Table 1: Prospection: Representative sample of diverse labels and definitions in the nomological network.

<table>
<thead>
<tr>
<th><strong>Foresight</strong></th>
<th>“the ability to see through the apparent confusion, to spot developments before they become trends, to see patterns before they fully emerge, and to grasp the relevant features of social currents that are likely to shape the direction of future events” (Whitehead, 1967: 89)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&quot;Foresight is seen as a process through which the organization makes sense of the future and creates the conditions for a long term, sustainable competitive advantage&quot; (Cunha, Cunha, and Clegg, 2004: 192)</td>
</tr>
<tr>
<td></td>
<td>“foresight… is a window on a possible future which helps the organizations’ top management team decide what to do in the present to achieve a sustainable and enduring competitive position- a future perfect” (Cunha, Cunha, and Clegg, 2004: 193)</td>
</tr>
<tr>
<td></td>
<td>“a learning process, which enacts the future by a mechanism of ‘probing and learning’, an evolving process as managers’ sensemaking of the future evolves over time” (Constanzo and Tsoumpa, 2004)</td>
</tr>
<tr>
<td></td>
<td>“ability to pre-sense discontinuities”. This involves “attentiveness towards signals indicating future discontinuities” (Seidl and van Aaken, 2010: 48)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Prescience</strong></th>
<th>Prescience: foreknowledge of events (a) divine omniscience; b: human anticipation of the course of events : an act of looking forward (Webster’s dictionary)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Prescience, in our view, involves not only sensitivity toward developing trends but acting to influence those trends via prospective sensemaking (Gioia, Corley, &amp;Fabbri, 2002; Weick, 1979, 1995) and sensegiving (Gioia &amp;Chittipeddi, 1991; Maîtlis&amp; Lawrence, 2007)—in other words, giving meaning to ambiguous informational cues and articulating viable interpretations and actions to cope with coming organizational and environmental demands” (Corley &amp; Gioia, 2011: 24)</td>
</tr>
</tbody>
</table>

| **Exploration** | “Exploration includes things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation.” (March, 1991: 71) |
Table 2: Typology of Six Forward-looking Orientations of firms

<table>
<thead>
<tr>
<th>Nature of problem</th>
<th>Uncertainty</th>
<th>Ambiguity and uncertainty</th>
<th>Resolve ambiguity through meaning-making and interpretive processes</th>
<th>Detect and interpret weak information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of solution</td>
<td>comprehensive data gathering about past performance</td>
<td>Better prepared for ambiguity by projecting alternative futures</td>
<td>Resolve ambiguity through experiments</td>
<td></td>
</tr>
<tr>
<td>Logic</td>
<td>Future can be extrapolated from past/current trends</td>
<td>Future anticipation is problematic due to cognitive limitations</td>
<td>Trial and error &amp; Feedback-based learning</td>
<td></td>
</tr>
<tr>
<td>Strategy for coping with future</td>
<td>Ex-ante decision (5-10 year range)</td>
<td>Ex-post visualization; Post-hoc decision and action</td>
<td>Ex-ante projection based on past models</td>
<td>Ex-ante decision; Ex-ante or Ex-Post action</td>
</tr>
<tr>
<td>Decision-making model</td>
<td>Formal, Rational</td>
<td>Analytical, Imaginative</td>
<td>Learning &amp; experiential based</td>
<td>Constructivist &amp; interpretive</td>
</tr>
<tr>
<td>Technology</td>
<td>Forecasting/Strategic Planning/Long Range planning</td>
<td>Scenario learning, scenario building, alternative forecasts</td>
<td>Emergent strategy</td>
<td>Prospective sensemaking</td>
</tr>
</tbody>
</table>
Table 3: Representative Sample of Studies Representing Different Forward-looking Orientations of firms

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Article/Book title</th>
<th>Publication details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TEMPORAL-DISTANCE PERSPECTIVE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Controlling-orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steiner</td>
<td>1979</td>
<td>Strategic Planning: What Every Manager Must Know</td>
<td>The Free Press, New York, NY</td>
</tr>
<tr>
<td><strong>Reacting-orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Projecting-orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Van der Heijden, K.</td>
<td>1996</td>
<td><em>Scenarios: the Art of Strategic Conversation</em></td>
<td>Wiley, Chichester</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Year</td>
<td>Article/Book title</td>
<td>Publication details</td>
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<tr>
<td><strong>COGNITIVE-DISTANCE PERSPECTIVE</strong></td>
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<tr>
<td><strong>Experimenting orientation</strong></td>
<td></td>
<td></td>
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<tr>
<td>Mintzberg, H.</td>
<td>1972</td>
<td>Research on strategy making,</td>
<td>Proceedings of the 32nd Annual Meeting of the Academy of Management, Minneapolis</td>
</tr>
<tr>
<td><strong>Retrospective Projecting orientation</strong></td>
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<td>Author(s)</td>
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<td>Article/Book title</td>
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### Table 4: Timeline of the Events Involved in the Evolution of Fabindia

<table>
<thead>
<tr>
<th>Year</th>
<th>Key events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-1956</td>
<td>The First Planning Commission of the Indian Government sets up network of All India Boards to deal with problems of handloom, khadi and handicrafts</td>
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<tr>
<td>1950</td>
<td>Government of India establishes Cottage Industries Emporium</td>
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<tr>
<td>1952</td>
<td>Government of India establishes All India Handicrafts Board</td>
</tr>
<tr>
<td>1952</td>
<td>Ford Foundation had set up office in New Delhi, India</td>
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<tr>
<td>1958</td>
<td>All India Handloom and Handicraft Board asked Ford Foundation for help, which in turn collaborated with Martinucci, Vice-President, Macy's</td>
</tr>
<tr>
<td>1958</td>
<td>John Bissell visits India as advisor to Cottage Industries on a Ford Foundation grant</td>
</tr>
<tr>
<td>1959</td>
<td>John Bissell travels around India meeting craftsmen, weavers, designers and administrators</td>
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<tr>
<td>1960</td>
<td>First export order</td>
</tr>
<tr>
<td>1960</td>
<td>&quot;Fabindia&quot; is established in Connecticut as a buying house for John Bissell's export business in India; Raises money from the Bissell clan</td>
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<tr>
<td>1965</td>
<td>First meeting of the Board of Directors &amp; Annual General Meeting of shareholders of Fabindia Inc. in Connecticut</td>
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<tr>
<td></td>
<td>Fabindia shifts to Mathura Road</td>
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<tr>
<td></td>
<td>Fabindia-Conran association begins</td>
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<tr>
<td>1966</td>
<td>Bharat Carpet Manufacturers-Habitat-Fabindia collaboration begins</td>
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<tr>
<td>1967</td>
<td>Fabindia breaks even; $136,000 in sales</td>
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<tr>
<td>1968</td>
<td>$195000 in sales</td>
</tr>
<tr>
<td>1975</td>
<td>Fabindia opens first dhurrie retail store at GK Market; Export surplus retailed</td>
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<tr>
<td>1976</td>
<td>Fabindia sets up company in India &quot;Fabindia Overseas Private Limited&quot;</td>
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<tr>
<td>1976</td>
<td>Directors appointed to Fabindia Private Limited [Meena Choudhury (also Promoter), Gen. Sibal, and Madhukar Khera)</td>
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<tr>
<td>1977</td>
<td>Experimenting with prints on bedsheets; Riten Mazumdar's tantrik design; Birth of the &quot;Fabindia look&quot;; Fabindia products had become status symbol</td>
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<tr>
<td>1980s</td>
<td>GK Market is called Fabindia market</td>
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<tr>
<td>1978</td>
<td>Khadi shirts &amp; Khadi Kurtas introduced</td>
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<tr>
<td>1980</td>
<td>John worried about a business down-turn that had affected Fabindia's biggest buyer, Habitat, and wrote about the need to think about the future of Fabindia, and 'just where we all go from here'</td>
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<tr>
<td>1982</td>
<td>Fabindia becomes an international brand for furnishing fabrics and floor coverings around the world</td>
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<tr>
<td>1985</td>
<td>John Bissell senses high levels of competitiveness in the US retail market and predicts the &quot;beginning of the end of the US operations&quot;</td>
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<td>1988</td>
<td>Four stores in GK</td>
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<td>1988</td>
<td>William Bissell returns to India and sets up artisan's co-operative at Bhadrajun</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
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<td>------</td>
<td>----------------------------------------------------------------------</td>
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<tr>
<td>1990</td>
<td>Co-operative turned into company &quot;Desert Artisans Handicrafts Pvt. Ltd&quot; (DAH)&quot; with artisans eventually becoming shareholders. William’s first experiment towards his vision of artisan shareholders”</td>
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<tr>
<td></td>
<td>Block printed textiles, jacquard fabrics, stonewashed dhurries introduced at Fabindia</td>
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<tr>
<td>1992</td>
<td>William initiates upscaling of GK store</td>
</tr>
<tr>
<td></td>
<td>Fabindia introduces products being made by competitors</td>
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<tr>
<td></td>
<td>Weavers were made shareholders in DAH. First experiment towards vision of artisan shareholders</td>
</tr>
<tr>
<td>1993</td>
<td>Collaboration with Habitat disrupted as Ikano, a Swedish Group that later founded Ikea, acquired Habitat. Habitat decides to source directly from weavers</td>
</tr>
<tr>
<td>1994</td>
<td>William Bissell initiates retail expansion</td>
</tr>
<tr>
<td>1996</td>
<td>Fabindia Store 2 in Delhi; in a house designed by Charles Correa</td>
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<tr>
<td>1997</td>
<td>Fabindia Store 3 in Bangalore</td>
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<tr>
<td>1998</td>
<td>Fabindia Store 4 in Chennai</td>
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<tr>
<td>1999</td>
<td>Fabindia Store 5 in Mumbai; in a renovated heritage site</td>
</tr>
<tr>
<td>1999</td>
<td>Fabindia store 6 in Mumbai</td>
</tr>
<tr>
<td>2002</td>
<td>Sunil Chainani joins as Executive Director</td>
</tr>
<tr>
<td>2003</td>
<td><strong>Vision Plan 1</strong> launched. Formalizing retail expansion. Target: To grow to 1 billion INR</td>
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<td></td>
<td>Fabindia enters malls</td>
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<td></td>
<td>Entry into online selling</td>
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<td></td>
<td>Fabindia International Store 1 in Dubai</td>
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<td></td>
<td>Entry into organic foods</td>
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<tr>
<td>2004</td>
<td><strong>Vision Plan 2</strong> launched.</td>
</tr>
<tr>
<td></td>
<td>Launched bodycare</td>
</tr>
<tr>
<td>2007</td>
<td><strong>Vision Plan 3</strong> Launch. Establishment of &quot;Community-Owned Companies&quot;</td>
</tr>
<tr>
<td></td>
<td>WCP Mauritius Holding (investment vehicle promoted by Wolfensohn &amp; Company LLC) acquires 6% stake in fabindia</td>
</tr>
<tr>
<td>2012</td>
<td>Wolfensohn &amp; Company LLC</td>
</tr>
<tr>
<td></td>
<td>L Capital, the private equity arm of luxury conglomerate LVMH Group acquires 8 per cent stake in Fabindia</td>
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<tr>
<td></td>
<td>Premji Invest acquires 7% in Fabindia</td>
</tr>
<tr>
<td></td>
<td>Community-Owned Companies folded back into the company</td>
</tr>
<tr>
<td>2013</td>
<td><strong>Vision Plan 4</strong> launched</td>
</tr>
</tbody>
</table>
**Table 5: Representative Quotes, Events, and Archival Entries Underlying 2nd order Themes**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Export Phase</td>
<td>National Retail Phase</td>
<td>Shaping the Ecosystem</td>
</tr>
</tbody>
</table>

**Landscape status quo: Dimension 1 (Ecology level)**

<table>
<thead>
<tr>
<th>Product, Market, &amp; Producers</th>
<th>Product- &amp; Market</th>
<th>Supply-chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>— (After 1938-39), ...the change in the handloom industry was influenced not only by competition with the mills in India and abroad but also by changes in the clothing habits of the various classes in India. Some resulted in an increasing use of mill-made cloth: the Westernization of men’s clothes in the urban upper and middle classes, the decline in the wearing of turbans, the decrease in the wearing of the angavastram and the increase in the use of shirts and hosiery, the increase in use of drill shorts in place of dhotis, and the popularisation of mill-made saris among the urban middle class as a result of the diffusion of school education.” (Yanagisawa, 1989)</td>
<td>— “the production of Khadi was inconsistent and the cloth was prone to shrinkage and fabric stretch. Besides, fabric colors in khadi were also limited” (Source: <a href="http://www.icmrindia.org">http://www.icmrindia.org</a>)</td>
<td>— “Handicrafts are by definition things made by hand with rudimentary tools and have been exceptions to the laws of mass production. But, Fabindia wants to introduce the element of scale to its process.” (Excerpt from Weaving scale into handicrafts, Business Today, May 30, 2010)</td>
</tr>
<tr>
<td>— “…the surviving handloom weavers live in persistent crisis, and live because of state support. Here, private trade network and private contracting have disappeared. Final sale is wholly under state cooperatives who perform the task in the most wasteful manner. Here, exit happens continually.” (Roy, 1998: 143)</td>
<td>— “The poor quality of garments sold through the KVIC outlets, resulted in customers’ dissatisfaction. People even complained that the quality of Khadi had deteriorated and hence it faded easily. In the 1990s, very few people bought Khadi. Khadi was bought only during the annual discount sale” (Source: <a href="http://www.icmrindia.org">http://www.icmrindia.org</a>)</td>
<td>— “This is one of those unusual industries where the supply chain will determine what you target, how you target and when you target. First you have to make the supply chain adaptable…” (CEO of Fabindia’s competitor, 2013)</td>
</tr>
</tbody>
</table>

**Business Model status quo**

| 1953: Khadi and Other Handloom Industries Development Act | 1955: All India Handloom Fabrics Marketing Cooperative Society set up to facilitate marketing of fabrics made in the handloom cooperatives | 1958: Establishment of Khadi & Village Industries Commission (KVIC) |
| — In 1949, around hundred co-operative societies were formed in the Telengana region. … Over time, however, with the proliferation of such organisations, the initiative degenerated, rendering futile any generalization on the effective functioning of weavers’ co-operatives as a whole” (Niranjana & Vinayan, 2001) | — “Red tapism and bureaucracy prevalent in the Indian system, further hampered the growth of the Khadi sector. Inspite of having a wide distribution network, there were problems, especially middleman. Corruption was rampant. There were many bogus Khadi units operating in the country, which made it extremely difficult to claim rebates from the Government of India (GoI)” (Source: http://www.icmrindia.org) | — “It is a very fragmented industry. Because at least for the hand made section you can’t increase productivity drastically. You know it is not like you can have an assembly line production and then your productivity quadruples or something like that.” (Employee 2013) |
| — “[Between the 1950s-1970s]… policies promoted the extensive growth of small scale textile enterprises that were highly labor intensive, though it eroded the competitiveness of the industry and acted as a disincentive for capital investment” (Source: Dun and Bradstreet India) | — “in spite of the GoI’s financial assistance to thousands of traditional spinners in India, they had tough time selling their product.” (Source: http://www.icmrindia.org) | — “…today it is clearly a buyer-seller relationship. We place the order and he completes the production he delivers to us” (Manager-SPPI, 2006) |
| — “No one has an issue in making money it’s who makes the money and what they represent”. (William Bissell, 2006) | | — “No one has an issue in making money it’s who makes the money and what they represent”. (William Bissell, 2006) |

Aspiring to shift status quo: Dimension 2 (Organization level)

Questioning status quo

—“...I hope you will come to India this winter and help us achieve a solid creative breakthrough in handicrafts’ (JB, 20 August, 1959).

—After the first year John thought he could make a difference. He felt that he could resolve most of the problems the weavers were facing. When he talked to them about what needed to be done to export the stuff, they understood what he was talking about” (Bim Bissell, p. 28)

—I started this business because I was excited about the challenge of getting these products into the world market and because I was simply excited about handloom fabrics. I still am.” (JB, 1977)

Hypothesizing pathways to an alternate reality

—“The idea is to bring the artisans as stakeholders otherwise what is it for them. It is a buyer-seller relationship. Tomorrow if Walmart wants to buy or Reliance wants to buy or Westside wants to buy at Rs.10/ more, what is going to keep him with Fabindia.” (Sr. Mgr, Fabindia, 2013)

—“The idea is that over the years that they have the confidence of running that company. They should be able to work as good as the exporter. They should be able to compete” (WB, 2006)

—“Having reached a scale, we could not have serviced our consumers without investing in the Producer.” (WB, 2006)

Identifying faultlines in status quo:

—“I enjoy what I do, and trying to perfect this model of inclusive capitalism...How do you make more work for many people? Those are the intellectual challenges right now.” (WB, 2013)

Sense of an idealized future:

—“I knew that the way forward was to create a brand” (WB, 2006) that we should get into retail. That would be our wave. And we should build a brand name and if we export it should be under our brand name” (WB, 2010)

—My duty is to build a brand and side by side AIACA’s role is to make the product a brand.” (WB, 2006)

Identifying faultlines in status quo:

—““Handloom as a commodity”. To ‘work like a dog and produce something under someone else’s label” was not the way he wanted to run business” (WB, 2006) in (Singh, 2010)

—“Your conventional model has served us very well up to this point but there is no way it can for us to deliver that kind of quantities and the quality we want going forward you have to go back to source The 1st thing was to tighten up the supply chain and go back and set up companies at the rural level. (Manager-SRPI, 2006)

Sense of an idealized future:

—“John could see the writing on the wall seven years before it happened” (Singh, 2010)

—“in the new world order large volume and low prices, rather than specialized products created by hand...The exporter would be the first to be dropped in a tightening circuit...” (WB, 2006) in (Singh, 2010)

Identifying faultlines in status quo:

—“I really think...that the attack has to be on the Handicrafts themselves—let’s make something exciting then follow up on the production and quality problems so we can market it commercially” (4 August, 1959)

—“In spite of export figures that show trade has not increased in three years, in Handicrafts there is an avoidance of almost even mentioning the problem of stagnation” (September 6, 1959).

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—“Aspiring to shift status quo: Dimension 2 (Organization level)

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### PHASE 1 (1958-1990)

1960: Presented “Fabindia Prospectus” and raised money from family & friends in US

—“To build a business large enough to achieve stability, and acquire good reputation and to earn substantial profits will require outside capital….shareholders cannot expect dividend till the 5th year of business”

September 1961- fresh investment by family members

### PHASE 2 (1993-2010)


**Retail Management**

“We have our own ways, and means, and our own policies, and our own software. Everything is homegrown. We have written our own manuals. We have written our own HR policy. We have written our own, because we have 50 years of experience.” (Employee, 2006)

**Hiring Apparel designers & professional managers from the retail industry**

### PHASE 3 (2006-2013)


**Retail Management**

“…our pricing book used to out the industry professional managers from the retail...”

### Creating pathways to the imagined alternate (Dimension 3)

#### Mobilizing resources

—“Fortunately because of sound financial management over the years we could think of getting into retail. We invested in properties. That was a lot of money. But we proceeded cautiously. We would focus on a store until it became profitable. Much later I realized that that’s not how retail companies work!”

—“In April 2007, Wolfensohn Capital Partners, a US based private equity fund took a minority stake in your company. The funds received by them have been used to retire debt, increase working capital to meet the stocks required by new stores and to provide seed capital for Artisans Micro Finance Private Limited (AMFPL)” Excerpt from Message to Shareholders, Annual Report 2007-2008

#### Enacting hypothesis and acquiring capabilities

—“I spent yesterday morning going through old block designs at a nearby printer's. He has some damn exciting designs—especially the ones used for the border of the sarees. I have had my first set of screen print samples done by him. They turned out well I think….It is a single color simple all-over delicate flower design that I found on one of his printed sarees. I have used different cross-weave hand looms and in most cases printed either the warp or weft color tog I've a tone on tone effect…there are a total of 10 different combination” (JB, 1962) in (Singh, 2010 p. 32)

**Events**


**Hiring Apparel designers & professional managers from the retail industry**

#### Building commitment among stakeholders

—“Supplier's bills had been paid as soon as their fabric had been checked and cleared by production

—“We were a unique company. In ours, when a buyer used to come in …our pricing book used to out there for everybody to see. This is a dharri. This is the price per square foot. We used to say, “Okay, we markup 25% for you. Today the dollar rate is Rs. 28, divided by 28. This is your price. That is how we used to calculate. People used to say that, “Nobody, no exporter does this. No exporter tells you what their cost price is and how much your margin is.”” (JB)

—“A lot of times when we reject fabric firstly we try and minimize rejection because of our concern for the weaver and so” (Marketing Head, 2006)

—Organized retail doesn’t pay you for 60 days, 90 days. That was something John Bissell, William, me, all three of us were always on. It used to be, I remember the first time … one week bills had piled up. It started bothering me. You know I went running to William and I said, “There is something wrong. Are we short of money?” (Senior Manager, 2013)

—“Convincing the artisans to put their money into the company was tough, but Ghose says William made that happen. “He sat with the artisans and explained how inherently valuable their craft was and how it could be capitalised. He convinced them that they should also have a share in this value by investing in it. That was the key” (Forbes India, Nov 2, 2011)

—“We are saying to the weaver if you have 5000 rupees to spare invest in our supply chain. Why put it in a PE fund when you can invest it in the company.” (Manager AMFPL)
Evaluating emergent outcomes: Dimension 4 (Organizational- and Ecology levels)

Selection criteria

Handloom: “We said we don’t do power loom, we don’t do machine weaving” (Singh, 2010)
Small buyers; “…we could never actually export to Macy’s or Bloomingdale’s or many other stores who were looking for container loads, cheap prices and work. When it comes to a weaver, you know it is all physical work.” (Sr. Manager, 2013)
Profitability (Fabindia)
“Fabindia will face bankruptcy by the end of this year if we do not expand sales to the US immediately”. (JB, 1965) in (Singh, 2010, p. 59)
Profitability (Craftsmen)
“What is there to hide? We had the yarn price, dye price, weaving charges, so much of this, this much of wastage. This is the total. There is a 15% margin given to the weaver.” (Employee quoting JB, 2013)

Craft-based. “So we brought in new lines which didn’t exist before and that was a huge change for the main Fabindia because they felt that this was not the Fabindia story. Our philosophy was that you wanted to use handmade, hand printed, hand embroidered” (Sr. Manager, 2013)
—“some element of the product should be handcrafted…” (2006)
Profitability (Fabindia)
“A four member expense committee looks at every proposal for a new store and the go-ahead is given only when it’s sure that the store will be profitable” (2006)
Profitability (Craftsmen)
“We are operating in a different way we are not a Pantaloon or a Shoppers Stop, there is the artisan, the market … and this is Fabindia…all three matter” (Sr. Mgr., 2006)

Renewing efforts & Revising pathways

Renewing efforts
—“Is it the location, clientele, etc. of the store or the merchandise which is the problem if they are not selling well?.. almost everything we do is new to the market” (JB)
Revising Pathways: —“After many trial and error starts in Panipat—not then the boom town it is now—he forged a link with the Khera family, a connection that flourishes to this day. In 1964 he also met Terence Conran, progenitor of the Habitat chain …”

“Everything is fine here; we have almost $20000 in export orders pending which is terrific—helps a great deal in planning” (JB, 28 March, 1968) in (Singh, 2010, p. 73)
—“exciting week for business as we got an order for about $32,000 from habitat in London for cotton dhurries…Things are looking glorious” (JB, 23 November, 1969) in (Singh, 2010, p. 73)
“—‘I take the example of Wal-Mart because the first 15 stores happened in the first 15 years. The next 1000 stores happened in the next 30 years. For the first 15 years only 15 stores. Fabindia …5 stores in first ten years…Which means every store was a question of setting up and consolidation, setting up and consolidation. What did we do? We setup 9 stores and no consolidation.’ (Fabindia’s competitor explaining his bankruptcy, 2013)

Consolidating validated outcomes

1965-1974
—Stabilized relationship with Terence Conran (Habitat, UK) and Madhukar Khera (Bharat Carpet Manufacturers)
—“between 1969 and 1974, The Fabindia sales curve rose steeply, reporting a 200% increase in five years”
—“Everything is fine here; we have almost $20000 in export orders pending which is terrific—helps a great deal in planning” (JB, 28 March, 1968) in (Singh, 2010, p. 73)

1998-2002
“I realized when I became MD in 1999 that we had reached the top speed in second gear. We couldn’t go any faster without changing gear or slow down” (WB, 2006)
—“I take the example of Wal-Mart because the first 15 stores happened in the first 15 years. The next 1000 stores happened in the next 30 years. For the first 15 years only 15 stores. Fabindia …5 stores in first ten years…Which means every store was a question of setting up and consolidation, setting up and consolidation. What did we do? We setup 9 stores and no consolidation.” (Fabindia’s competitor explaining his bankruptcy, 2013)

2011-2013:
—“Through this merger, the plan is to integrate the other artisans directly to the company, so their shareholding will earn them profits along with dividends. A few mergers have also taken place between a few COCs to eliminate middlemen, which is testimony to the efficiency of the model. But one such COC, Rangasutra, has opted out of the merger due to doubts about the success. The challenge Bissell faces now is to try and convince the remaining COCs about the benefits of such a merger, and persuading them to join his mission.” (Source: The Indian Economist, March 20, 2013)
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<tr>
<td><strong>Formalizing a strategy: Dimension 5 (Organization-level)</strong></td>
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<td><strong>Articulating an identity</strong></td>
<td>—“By 2000, we had become a national brand. I knew now that retail was really the way forward… The idea was to expand rapidly, openly stores aggressively in new cities and consolidating our position in the metros” (Source: The Fabric of Our Lives)</td>
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<td>—“He stayed on in India to set up his own firm Fabindia and played a big role in guiding village weavers to produce cloth in colors and designs that would appeal to Western taste. He was at the forefront of handloom exports”</td>
<td>—“Fabindia is one of India's most prestigious retail brands and a well-known success story of a company that has always had 'inclusive capitalism' as part of its Mission” (Source: <a href="https://www.worldretailcongressasia.com">https://www.worldretailcongressasia.com</a>)</td>
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<td>—“I think this is our role—to be an exporter. Let us find new techniques, develop them, and then when a new fabric or dhurrie gets to be popular and demanded in great volume, let others (exporters) pick it up and go on to something new…” (Source: The Fabric of Our Lives)</td>
<td>—“Desert Artisans’ wares, in turn, find their way onto the shelves of Fabindia, a leading retail chain of handcrafted garments and home products, including furniture, upholstery, handwoven rugs and organic foods.” (Source: Forbes India; 2, June 2009)</td>
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<td>—“It was almost like if you are doing 2 stores a month, instead of 1 in 2 months. Then the machinery takes over. Then the people, you know it is fairly well set and we can almost, it is a template and you keep rolling them.”</td>
<td>—“Currently we have 78 stores and we are planning to increase it to 250 by 2010”” (February 21, 2008, <a href="http://www.thaindiannews.com">www.thaindiannews.com</a>)</td>
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<td><strong>Transformed Landscape: Dimension 6 (Ecology-level)</strong></td>
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<td><strong>Product-Market-Producers’ status quo</strong></td>
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<td>Product. —“All of us take upholstery fabric in multiple colourways, ready-made cushion covers that are colour co-ordinated with curtain material, and being able to pick up a handloom men’s kurta that actually fits, so much for granted. We forget what a trendsetter Fabindia was.”</td>
<td>Product. —“Pioneered the “mix &amp; match” style of buying traditional garments” (Source: Booz &amp; Co; Successful Innovations in Indian Retail, 2013)</td>
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<td>Buyers. —“Fabindia had led the movement for the revival of handloom in the international market”</td>
<td>—“Pioneered branded, “ready-to- wear”, contemporary products made from traditional techniques, skills and hand-based processes”</td>
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<td>Producers; Status quo</td>
<td>—“Encouraged consumers to view defects as the uniqueness of handmade products” (Source: Booz &amp; Co; Successful Innovations in Indian Retail, 2013)</td>
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<td>—“Fabindia has played a big role in this national recognition of my work. If Fabindia did not buy from me fifty years ago…my work would never have gone out of my village. Today people come from the city and treat me like an artist. I don’t think my forefathers also enjoyed such prestige in their times?” (National Award Winner, Bagru Printing, 2013)</td>
<td>—“It brought a modern, contemporary design sensibility into a traditional product. Otherwise nobody was going to wear Khadi. People forget how amazing Fabindia was. It has transformed the country. If you saw pictures of people in the ‘60s and ‘70s …until Fabindia started retailing in India nobody dressed like this. Some freedom fighters wore Khadi but it was going out” Symbolic value.</td>
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<td>—“When my house was burned down during the riots, John visited me and encouraged me to start all over again. He asked me to go beyond making blocks for printing and getting into printing myself. And these were not empty words. He promised to source from me. And I have been supplying to Fabindia for the last forty years.”</td>
<td>—“First Indian brand to offer premium experience in textile made from traditional techniques with a wide product mix” (Source: Booz &amp; Co; Successful Innovations in Indian Retail, 2013)</td>
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years. My son has now moved into the business. He wants to look beyond Fabindia. I told him: You are free to do what you want. As long as I live I work for Fabindia” (Block Printer, Jaipur, 2013)

—“A cult doesn’t need introduction. And that’s what Fabindia has come to be, and inadvertently so, a cult.” (Excerpt from *A Splendid Journey*, Financial Express, Oct 24 2010)

—“Fabindia’s regular customers tend to be Indians who are not insecure about their identity; who appreciate the fact that they have an extraordinary culture and that a handmade product has an intrinsic value, not an externally imposed price of a big brand, inflated manifold by advertising and packaging,”

Producers:

Emergence of a business model

—Adoption of export format in handloom retail

—“John Bissell was so keen to promote the product that he helped set up many people to become exporters. “

—“New persons came into exports and the buyers slipped out of our hands. We didn’t even know who all we had introduced them to. We had not just done it openly, we had encouraged it”

—Emergence of Handloom Export Clusters (e.g., Panipat)

—Between 1970 and 1976 India’s apparel exports grew seven-fold in six years—rising from $30 million to $200 million, and growing from 3.8% of India’s merchandise exports in 1970 to 11 percent in 1976.

—India’s global share in apparel also doubled from 0.6 percent in 1970 to 1.5% in 1976 during this period (UN Statistics, 2005).

“Created the ethnic wear segment” (Source: Booz & Co; *Successful Innovations in Indian Retail*, 2013)

—“William Bissell's Fabindia showed the way on how a retail venture based on traditional handcrafted products can profit from working closely with artisans….”

—“Today, Fabindia is considered one of the most profitable retailers in the country. It earns a net margin of 8 percent, nearly three times more than the industry average, evoking the envy of every rival.”

Emergence of competitors:

—“Good Earth, which works with close to 10,000 artisans, expects to post a topline of Rs 30 crore for financial year ended March 2014, up 50% from the year ago period. It is targeting revenue of Rs 100 crore by 2017-18.”

—“Craftsvilla expects its revenue to range between Rs 12 crore and Rs 15 crore for the current financial year, while profit after tax is expected to be at about Rs 1.5 crore.”

Investors

“Future Group to pitch Mother Earth chain against retailer Fab India” (Source: The Economic Times, August 13, 2012)

“Premji Invest, Azim Premji’s fund acquires 7% in Fabindia for Rs 100-125 cr” (Source: The Economic Times, March 1, 2012)

“L Capital, the private equity arm of LVMHm, the world’s biggest luxury good group, has bought an 8% stake [in Fabindia]” (Source: The Economic Times, February 15, 2012)
Appendix B

Figures

Figure 1: Grounded Model of Prospective Sensemaking in a Pioneering Firm
Figure 2: Prospective Sensemaking Data Structure (2nd Order Themes)
Figure 3: Prospective Sensemaking Data Structure (Phase 1)

ECOLOGY-LEVEL

1st-order themes
- Marketing
  - Limited reach and poor quality
- Product
  - Small size, low-quality

2nd-order themes
- Product-Market
  - Producers’ status quo
- Business model
  - Status quo

Overarching theoretical dimensions
- 1. Landscape status quo
- 2. Aspiring to shift status quo
- 3. Creating pathways to the imagined alternate
- 4. Evaluating Emergent Outcomes
- 5. Formalizing a strategy
- 6. Transformed landscape

ORGANIZATION-LEVEL

2nd-order themes
- Questioning status quo
- Imagining an alternate to status quo
- Selection Criteria
- Articulating an identity
- Articulating a strategy

1st-order themes
- Problems of handicraft industry can be solved
- Perceiving facilitation: Focus on quality and retail does not help
- Sustainable and verifiable for artisan
- Hypothesis about pathways: Re-imagine product design and tap US Markets
- 1950-1970: Product Designing; Quality Management; Supply-Chain; Supplier relationships; Export Management
- Ex-Ante: Handicraft, Sustainable, employment and profit for craftsmen; Profit for Fabrics: Emergent; Small buyers
- 1974: “We are an export firm” (India’s Pioneering Export Firm) (Media)
- 1976: Considered a decision to focus on product development—yet remain small and not-scale; No annual planning; Annual stock taking of performance and communication to shareholders
Figure 4: Prospective Sensemaking Data Structure (Phase 2)
Figure 5: Prospective Sensemaking Data Structure (Phase 3)

ECOLOGY-LEVEL

1st-order themes
- Cottage-industry; Diseconomies of scale; Lack of consistent and high quality production; Dependent on middlemen
- Craftsmen & Weavers as Vendors/Suppliers
- Craftsmen and weavers as members of co-operative societies
- Subsidiary to invest 40%; Weavers to invest 30%; and Banks to invest 30% in Community-Owned Companies
- Created AMFPL 2006; Launched 17 Community-Owned Companies
- Re-structured organization

1st-order themes
- Suppliers: Presentation; Shareholding
- Investors: Scaling strategy
- Employees: Idealism; Vision
- Supply Chain: Solving IT glitches
- CoCs: Controlling quality; Monitoring profits
- Revising pathways: Decision to fold back CoCs into Fabindia
- 2012: Fold in CoC initiative; Merge CoCs into Fabindia; Artisans to become shareholders of Fabindia

2nd-order themes
- Supply Chain status quo
- Business model status quo
- Mobilizing resources
- Enacting beliefs
- Mobilizing commitment
- Renewing efforts and revising pathways
- Consolidating selected outcomes

OVERARCHING THEORETICAL DIMENSIONS

2nd-order themes
- 1. Landscape status quo
- 2. Aspiring to shift status quo
- 3. Creating pathways to the imagined alternate
- 4. Evaluating Emergent Outcomes

ORGANIZATION-LEVEL

1st-order themes
- Questioning status quo
- Imagining an alternate to status quo
- Building capabilities
- Selection Criteria

2nd-order themes
- Perceiving faultlines: There is no incentive for craftsmen in co-operatives
- Idealized future: Equitable partnership with craftsmen
- Hypothesis about pathways: Creating Community-Owned Companies
- 2007—2012: Supply-chain and co-ordination; Financial management of CoCs; Legal; Information technology
- Ex-Ante: Handicrafts; Profit for Fabindia; Profit for CoC Emergent: Sustained employment and profit for craftsmen; Quality of products
Figure 6: Structure of Findings’ Narrative
Appendix C

Interview Protocol

1. What processes and practices do you use to anticipate the future?
2. What cues/signals are you attending to? What trends do you follow?
3. What sources of information do you rely on?
4. How does competition affect the future?
5. Do you employ a process by which you eventually commit to a certain view of the future?
   (Committing resources?…)
   • Does intuition play a role in this? How?
   • Does emotion play a role in this? How?
   • Does data play a role in this? How?
6. How do you make the leap from having a sense of the future to doing something about it?
7. How do you garner support—and invite critical feedback—for your sense of the future and what the firm ought to do?
8. Can you give me a sense of how this anticipated future is guiding what you do today? In terms of
   a) How your organization is structured …
   b) How you allocate resources (financial/manpower) …
   c) How your compensation/Incentive systems are managed…
VITA

Shubha Patvardhan

ACADEMIC POSITIONS

2014 (Sep onwards)  Assistant Professor, Alfred Lerner College of Business and Economics, University of Delaware, USA

2007-2009  Research Associate, Indian Institute of Management Bangalore, India

2009 (Jan-April)  Wrangler Dr. D.C. Pavate Foundation Research Fellow
Judge Business School, University of Cambridge, U.K.

EDUCATION

2009-current  Ph.D., Business Administration (expected Summer 2014)
Smeal College of Business, Pennsylvania State University, PA, USA.

1998-2000  Post Graduate Diploma, Personnel Management & Industrial Relations, Xavier Labour Relations Institute, Jamshedpur, India.

1995-1998  Bachelor of Arts
Mount Carmel College, Bangalore University, India.

RESEARCH

My research interest focuses on the process of strategy-making. I am interested in exploring the proverbial “black box” of strategy-making, and investigating the processes—constituting both cognition and action—by which organizational strategy unfolds over time and across organizational levels. My work has the potential to contribute to research on innovation, entrepreneurship, managerial cognition and action, and strategic leadership.

PUBLICATIONS


