



# Managerial sensemaking of interaction within business relationships: A cultural perspective

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## ABSTRACT

In this study, we take the perspective of the individual manager in order to understand the role of culture in managerial sensemaking on interaction within business relationships. Extant literature has found business-to-business relationships and interaction between managers to be an essential part of conducting business. However, it has mostly ignored the role of culture in the process. This has not accounted for the possibility that managers with different cultural backgrounds may differently make sense about business interactions.

Our aim is to fill this gap by investigating how deeply held cultural schemas contribute to managerial sensemaking of the interaction events in business-to-business relationships between firms from emerging and developed economies. We apply the narrative approach coupled with metaphor analysis to study the sensemaking of managers from two Finnish SMEs and the managers of their Russian partner firms engaged in mutual dyadic business-to-business relationships. Our results indicate that the cultural background of managers plays a major role in their sensemaking capabilities.

Furthermore, we find the managers to have significant culturally based differences in their managerial understanding of the business interaction. The results contribute to the understanding of culture's role in business-to-business relationships and interaction between managers with differing cultural backgrounds. This increased understanding can further help to mitigate misunderstandings between managers from developed and emerging economies.

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## Introduction

In today's globalized business world, the role of culture seems to be diminished and underappreciated. This is partly because when considering the role of culture, academics and practitioners of business predominantly limit their perspectives to functionalistic cultural models (Leung, Bhagat, Buchan, Erez, & Gibson, 2005; Yaprak, 2008). In particular, Hofstede's perspective (1980) has gained widespread use over the last decades and has emerged as the predominant way of looking at culture (Venaik & Brewer, 2010). This is despite the fact that such cultural models have been criticized for being inaccurate in how they are constructed (McSweeney, 2002) and structured (Fang, 2003).

Industrial business relationships studied in marketing management also predominantly regard culture from a functionalistic perspective (Fletcher & Fang, 2006; Lowe, Carr, Thomas, & Watkins-Mathys, 2005), and look for unitary meaning (Lowe, 2002). However, this view ignores the notion that in intercultural business

relationships, certain actions can hold different meanings, as individuals' cultural backgrounds and understandings are pluralistic. Lowe (2002) calls for a 'binocular' view on culture in business and management studies, focused on constitutive aspects of culture, which are socially constructed and form systems of meaning that define actors' interests.

Nevertheless, those rare studies that apply a social constructivist perspective on intercultural business interaction mostly investigate intra-organizational contexts (e.g. Shenkar, Luo, & Yeheskel, 2008). In response, we aim to contribute to extant marketing management literature, by applying a social constructivist perspective on culture in the study of business-to-business interaction within an inter-organizational context. Consequently, we treat culture as a system of meaningful knowledge, i.e. a repertoire of cultural schemas, used by individuals in their sensemaking of business interaction.

Culture is particularly important in business relationship interaction between managers from developed and emerging economies, as they often have contrasting understandings of managerial concepts (see Hempel 2001). Prevalent research on managerial thinking has mainly considered the view of the developed western world, while discounting the view of managers from emerging markets.

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In addition, extant cultural studies in the management of industrial business relationships and interaction mostly forgo the individual perspective (Henneberg, Naudé, & Mouzas, 2010), and the cultural aspect of managerial sensemaking on business interactions. Sensemaking has been applied in industrial marketing management literature recently, but predominantly in relation to business network studies and without considering the role of culture (e.g. Abrahamsen, Henneberg, & Naudé, 2012; Colville & Pye, 2010; Henneberg, Naudé, & Mouzas, 2010). We further aim to contribute to marketing management literature by focusing on managers' cultural sensemaking of interaction events in dyadic business-to-business relationships and its symbolic expression.

Thus, our main objective is to understand how the cultural context imbues business relationships and interaction between managers from emerging and developed markets by addressing the following research questions: How do managers apply their cultural schemas when making sense of business relationships and interactions, and how do cultural differences arise in the sensemaking of interaction events? The present study is of an exploratory nature. Our unit of analysis is the individual manager and his/her interaction with a business partner from another cultural context. We seek to discover the differences in understanding and sensemaking of dyadic business relationships in an intercultural setting, by looking at perspectives from both sides of the dyad. Thus we further aim to fill a gap where previous studies on dyadic business relationships from a managerial perspective predominantly regarded only one side of the dyad (e.g. Leek, Turnbull, & Naudé, 2006; Tidström & Hagberg-Anderson, 2012; Öberg 2010).

We see Russian–Finnish business relationships as a fitting empirical context, since researchers predominantly treat Russia as an Eastern European country, while Finland is treated as a Western one (Abetti, Hirvensalo, & Kapij, 2001; Suutari, 1998). Furthermore, the Russian business environment is determined by the importance of cultural aspects in business behavior and decision-making (Puffer & McCarthy, 2011). Finland is a natural context for the counterpart of the business dyad, as Finnish–Russian business relationships have historically been determined by cultural differences and misunderstandings (Suutari, 1998).

In order to answer the research questions, we interpret stories from Finnish SME managers and the managers of their Russian business partners about key interaction events in their business relationships where differences in managerial sensemaking become evident. We discuss their sensemaking in light of the diverging cultural schemas applied, and the metaphors and idioms used for symbolic expression. Our findings suggest that difference in the application of cultural schemas and communication styles may lead to hidden misunderstandings and problems in business interaction. By looking at individual sensemaking of business-to-business interaction from a cultural perspective we are able to address gaps in marketing management literature and contribute to its theoretical and methodological underpinnings. Our study also adds to the growing body of literature on culturally imbued managerial sensemaking, usually conducted in an organizational context, by looking at sensemaking in an inter-organizational context.

## Cultural background as the differentiator in managerial understanding of interaction

### *Managerial sensemaking of interaction events*

Business-to-business relationships can be seen as “social constructions that are dynamically created, confirmed, modified and terminated by people in interaction” (Biggeman & Buttle, 2009, p. 549). Concurrently, they represent collections of interactive

events that do not necessarily follow a chronological order. These two definitions align with the notion that within business relationships and network research, an event may be based on individual subjective perceptions and therefore viewed from a social constructivist perspective (Tidström & Hagberg-Anderson, 2012). Thus, in this study we see the individual manager as the key representational actor of his/her firm and business interaction in relationship dyads as constructed from inter-individual interaction, i.e., an interplay between the context, the exchange process, and its symbolic expression.

Ford and Håkansson (2006) outline five issues that are useful for understanding interaction, namely, ‘time’, ‘interdependence’, ‘relativity’, ‘jointness’, and ‘subjective interpretation’. Here, we focus on the last. Subjective interpretation implies that each individual has his/her personal interpretation of the situation and might base his/her following actions on the subjective interpretation of previous actions (Ford & Håkansson, 2006). This leads us to consider the concept of sensemaking.

Sensemaking “is concerned with the way people make bets on ‘what is going on’ and what to do next by way of (inter)action.” (Colville & Pye, 2010, p. 373). This paper addresses the former. Sensemaking is also the mechanism by which an individual attributes meaning to events (see Weick, Sutcliffe, & Obstfeld, 2005), e.g. those related to interaction. In turn, culture is one of the basic tools for cognitive meaning-making (Strauss & Quinn, 1997). Thus, managerial sensemaking of interaction events, particularly in an intercultural context, can stem from an individual's cultural background.

The application of culture in sensemaking has mostly been limited to organizational contexts (Harris, 1994; Hatch & Schultz, 2002) or to ‘cultural sensemaking’, focusing on the ways people make sense of others' culture, applying national culture dimensions framed as cultural stereotypes (e.g. Bird & Osland, 2006; Osland & Bird, 2000). Our perspective is consistent with Harris's (1994) and regards cultural sensemaking as a process in which an individual cognitively applies cultural constructs in order to make sense of an inter-organizational interaction event and ascribe meaning to it. However, we see the use of cultural constructs by managers as a largely unconscious and unintentional process and do not restrict ourselves to a view that is either a national cultural dimension or an organizational culture. Instead, we refer to culture as a repertoire of cultural schemas.

### *Cultural schemas and their symbolic expression in managerial sensemaking*

The concept of schema relates to cognition and is defined as stocks of organized knowledge, which evolve gradually, become more complex, and are related to personal experiences and associated feelings (Van Gorp, 2007). Business scholars have predominantly applied the concept of ‘organizational schemas’ to sensemaking of managers, and viewed them as shared frames of reference among organization members (see Balogun & Johnson, 2004; Harris, 1994). Nevertheless, individual schemas of managers engaged in intercultural business relationships can differ from organizational schemas, due to managers' interaction with other social groups outside organizational borders. The groups with which the individual interacts to may represent different ‘cultural circles’, e.g. organizational or corporate, professional, national, role, interests, as well as traditional heritage circles.

Thus, we apply the concept of ‘cultural schemas’ as cognitive structures that constitute knowledge for interaction in a certain cultural context (Nishida, 1999), i.e. in a certain cultural group. The individual cultural schemas might incorporate organizational, industrial, business, professional, national, and other levels of cultural knowledge, as well as inherited historical and traditional cul-

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