Network strategies and effects in an interactive context

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ABSTRACT

This paper adopts the industrial marketing approach to investigate how companies strategize in networks, and to link network strategies to different effects. Based on a case study from the optical recording media industry, the paper finds five types of strategies: complementary, shared, copying, company-rooted, and challenging. Effects indicate how the focal company's strategies triggered reactions of various magnitudes and characteristics. Specifically, effects diverge from intentions among parties not considered in the strategy, and increasingly so the more confronting the strategy is. This implies that the kind of strategy matters for the effects. This paper contributes to the growing interest for strategizing in business networks through introducing a typology of network strategies and effects.

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1. Introduction

Strategizing in business networks has been a recurrent theme in the Industrial Marketing & Purchasing (IMP) literature for over three decades (Aaboen, Dubois, & Lind, 2013; Baraldi, Brennan, Harrison, Tunisini, & Zolkiewski, 2007; Gadde, Huemer, & Håkansson, 2003; Mattsson, 1987; Ritter & Andersen, 2014; Turnbull & Valla, 1986). It is proposed that a company's strategizing is interactive and contingent on the actions and reactions of others (Harrison, Holmen, & Pedersen, 2010). A companys strategizing thus becomes a response to, or induces changes among, business partners. Any introduced change may have effects that either reinforce or disable the strategic intentions of the company (Gadde et al., 2003), which means that strategizing in a network is complex and often connected with unforeseeable effects (cf. Baraldi et al., 2007).

While IMP literature has been concerned with the strategizing of firms in business networks, less is known about the different strategies a company may pursue, and what effects may follow from them. When Håkansson and Ford (2002), in one of very few descriptions on different ways of strategizing, refer to how companies may conform to or confront business partners, they target strategizing in individual relationships, while these strategies would also affect other relationships. As for effects, some studies (e.g., Ford & McDowell, 1999; Ritter & Andersen, 2014) touch upon the subject of effects in a network context, but few explicitly look at the link between strategies and effects. The

gap warrants research attention to the link between network strategies and effects, an area also pointed out by Ford et al. (2003), for instance, as being important. The aim of this paper is *to develop a typology of network strategies and their effects in business networks*. Here, we describe network effects as either intended or unexpected (cf. Anderson, Havila, & Salmi, 2001) from the focal company's perspective and link them to the different strategies. The research questions that we seek to answer are:

- How can different strategies in an interactive network context be categorized?
- How are different network strategies linked to the intended and unexpected effects of a focal company?

This paper contributes to the growing interest for strategizing in business networks by producing a typology on network strategizing, and describing the link between different network strategies and their effects. The links also have practical implications in how they describe the possibility of realizing strategies, and through creating patterns of whether and how a strategy challenges the network context. From a manager's point of view, it is important to evaluate effects in order to understand whether or not strategies are realizable.

The paper is structured as follows. In the next section we present the theoretical background. This consists of previous IMP-related research on strategies and effects, so as to indicate the research gap, while also pointing to our theoretical contribution. The method discussion follows thereafter, and the case study is presented. We follow a focal company's (Ritek) network strategizing related to the development of CD, DVD,

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and Blu-ray formats and investigate the effects, both intended and un-expected, of different strategies from the focal company's point of view. The case serves as the empirical basis through which strategies and effects are subsequently analyzed. The conclusions present the theoretical contributions, managerial implications and suggestions for further research.

2. Theoretical background and framing

2.1. Strategizing in business networks

A business network is made up of the relationships a company has established directly and indirectly with other business and non-business organizations (Håkansson & Snehota, 1995). In such a context, no company can fully control the activities and resources of other actors, or has a complete overview of what is happening in the network (Håkansson & Ford, 2002). This infers that companies manage in networks, rather than manage networks (Ritter, Wilkinson, & Johnston, 2004). As described, strategizing becomes an interactive process where the network influences decisions and activities . As suggested by (Munksgaard, Clarke, Storvang, & Erichsen, 2012). Gadde et al. (2003) describe how strategizing in networks refers to the choices that a company makes in order to achieve aims by utilizing its relationships. Ford and Mouzas (2013) describe how a company's relationships are the basis of development, but how these relationships at the same time can restrict development. It is assumed that flexibility and responsiveness to other parties become integral in strategizing (Axelsson & Easton, 1992; Mattsson, 1987). However, companies may also strategize so as to change, intendedly or unexpectedly, their relationships with others (Anderson et al., 2001).

IMP studies broadly describe a company's strategic alternatives as conforming or confronting specific relationships (Abrahamsen, 2012; Håkansson & Ford, 2002). A conforming strategy refers to how the company adapts to other parties (cf. Brennan & Turnbull, 1999). Ford et al. (2003) describe how a company decides to follow changes of others by adjusting to them, and relates this to keeping the present relationships. Confronting presents changes to business structures and practices associated with seeking opportunities (cf. Mintzberg, 1973). Scholars have frequently described confronting as a company activity intended to build advantage for itself and erode the advantage of competitors (cf. D'Aveni, 1994; Porter, 1996). In a network context, Ford et al. (2003) depict confronting strategies as the active aim to change established business relationships; in other words, activities that intend to change network positions and challenge the current structures (Håkansson & Ford, 2002; Harrison & Prenkert, 2009; Harrison et al., 2010). Holmen and Pedersen (2003) point to how companies often strategize by introducing significant changes in established structures. This follows from how current ways of conducting business do not fulfill the needs of the company.

2.2. Effects of network strategizing

Håkansson and Ford (2002) thus describe conforming and confronting strategies related to individual business relationships. Based on how a company engages in several such relationships, the company may decide to conform to certain ones while confronting others. A company may hence pursue different strategies in a portfolio of relationships in order to address managerial challenges and position itself in the network (Möller & Halinen, 1999; Ritter & Gemunden, 2003). The network insight or horizon points to how a company may not take notice of some actors in its network, either because these parties are not seen as related to the specific decision, or since they are not part of the managers' capturing of the network (Holmen & Pedersen, 2003; Öberg, 2012).

Related to effects, the IMP literature on strategizing primarily focuses on describing the difficulties of strategizing in business networks

based on unforeseeable outcomes (Gadde et al., 2003; Håkansson & Snehota, 1995). Baraldi et al. (2007) refer to strategizing in an interactive context as a cumbersome task due to the parallel activities of other actors, and Casadesus-Masanell and Ricart (2011) as well as Öberg (2010) describe unforeseeable effects. In an attempt to categorize effects, Anderson et al. (2001) and Ford and McDowell (1999) refer to them as intended and unexpected, and Anderson et al. (2001) further point to what happens in the network in terms of changed contents of relationships, and/or changed network structures, thus indicating the severity of the effects on ongoing businesses.

But while IMP literature on the one hand talks about conforming and confronting strategies, and on the other intended and unexpected effects, these have not been linked together. It is, however, noted as an important issue. For example, Ford et al. (2003: 184) posit that companies need to analyze "which networking actions are important for them and examine the different outcomes for these actions". Reactions, here captured as effects, could be expected to follow from different ways of strategizing, and do so to different extents. Still, the literature on strategizing in business networks does not describe how different network strategies link to various effects (cf. Ford & Mouzas, 2010). Recent studies on how companies deliberately strategize in networks (e.g., Harrison et al., 2010; Thornton, Henneberg, & Naudé, 2013) argue for furthering studies on managerial choices (Ford & Mouzas, 2010; Ritter & Andersen, 2014). Collectively, these studies indicate the need to explicitly focus on various ways that companies strategize in networks and link these to effects for the company, all in line with the purpose of this paper.

2.3. Analytical framework: Linking network strategies to effects

As IMP research indicates, strategizing is contingent on others and refers to the actions that a company undertakes with respect to existing business relationships, or with the idea to create a new network position. The IMP literature thus broadly identifies the strategic alternatives as confronting and conforming. But what more can be learned about the different ways companies strategize in networks? And how aware are the companies really about the network in their strategizing?

This study seeks to provide a typology of network strategies. We also link these different strategies to intended and unexpected effects from the focal company's point of view. An intended effect should in that context be understood as something foreseeable or planned for by the company, while the unexpected effect concerns such effects that were not planned for or anticipated. Intended effects in relationships from the individual company's perspective may be based on activities of the company, but also on how other companies comply with these activities, or act in ways that enable the strategic intentions of the company. Hence, a strategy that leads to conforming activities of others to a focal company's strategy would be described as having intended effects if the company has planned for these effects. Any strategy that meets resistance from other companies, and means that other parties act in ways not foreseen, is described to have unexpected effects. To investigate the links between network strategies and effects, Fig. 1 outlines the analytical tool. From the tool we seek to identify various network strategies in addition to conforming and confronting on individual relationship levels, and link these strategies to intended and unexpected effects.
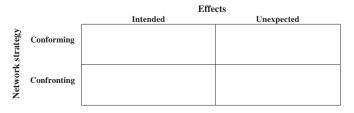
| Network strategy | Effects | |
	Intended	Unexpected
Conforming		
Confronting		

Fig. 1. Analytical tool.