



Structural antecedents of institutional entrepreneurship in industrial networks: A critical realist explanation

Paul Matthyssens^{a,b,1}, Koen Vandenbempt^{a,b,2}, Wouter Van Bockhaven^{a,*}

^a University of Antwerp, Prinsstraat 13, B-2000 Antwerp, Belgium

^b Antwerp Management School, Sint Jacobsmarkt 9-13, B-2000 Antwerp, Belgium

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ABSTRACT

In response to the ongoing debate in industrial network (IMP) literature regarding the manageability of networks, the present paper explores how a critical realist epistemology can facilitate a more multilayered explanation of collective change. In line with recent literature, we combine IMP with neo-institutional theory and identify the cognitive and normative boundary conditions for unmanaged change in networks. As such, we make a mid-range contribution to IMP by delineating structural antecedents of its interface with institutional entrepreneurship in explaining collective change in networks. The mechanisms underlying the transition from emergent to intentional change are illustrated with a case study describing difficulties experienced by Dutch steel wholesalers in realigning their business strategy with market conditions even when it is necessitated by upstream and downstream pressures. This paper is one of few examples of critical realist case-study research to guide scholars on how to translate this epistemological orientation into methodological choices.

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1. Introduction

Over the years marketing scholars have searched for a unifying theoretical basis for their discipline. The 1983 Journal of Marketing special issue on “Marketing theory”, for instance, explicitly emphasized alternative perspectives on marketing. Since Bartels (1968) seminal call for more consideration of behavioral and sociological elements in a ‘general theory of marketing’, other marketing theorists as well have criticized marketing’s “over-reliance on micro-economics” (Arndt, 1985; Cunningham & Sheth, 1983). From the ensuing anti-positivist disputes, realism arguably arose triumphant, especially in industrial marketing (Easton, 2002). There, the industrial networks’ tradition (IMP³) explicitly contradicts the ontological assumptions of mainstream traditions rooted in micro-economics (Snehota, 2003; Welch, 2001). Although proficient in articulating mid-range explanations, the field has lacked an integrative philosophy.

This study takes a critical realist perspective to business networks (Morais, 2003; Ryan, Tahtinen, Vanharanta, & Mainela, 2009) to uncover the contingent nature of their evolution. It illustrates how this ‘epistemological orientation’ (Easton, 2002) supports a generalizable theoretical mid-range contribution from case-studies. Critical realism

(CR) assumes a reality beyond and independent of our knowledge and that observable events are manifestations of invisible generative mechanisms (Bhaskar, 1978). It upholds a complex world view, wherein countless ‘real’ objects act interdependently with each other through heterogeneous causal and contingent relationships, under various boundary conditions (Sayer, 1992). The complexity of these interdependencies in social reality’s open system makes outcomes highly variable, context-specific and never entirely predictable given that many of them remain unknown (Archer, 1995).

IMP thinking, seeing industrial markets as complex networks (McLoughlin & Horan, 2002; Ritter, Wilkinson, & Johnston, 2004), fits with a CR orientation. Emphasizing interaction, social exchange and the indeterminacy of networks, IMP considers marketing interactions as emergent, unpredictable and less controllable (Ford, Gadde, Håkansson, & Snehota, 2011). Recently, however, the assumption of emergence has become the subject of a lively debate in IMP (Golfetto, Salle, Borghini, & Rinallo, 2007; Rampersad, Quester, & Troshani, 2010), with new studies arguing for the possibility of intentional networks (Möller & Rajala, 2007).

IMP researchers are increasingly ‘infusing’ institutional entrepreneurship in studies describing how networks go from the traditional ‘emergent’ state (Håkansson, 1992) into an intentional ‘mode’ (Möller et al., 2005). Ritvala and Salmi (2008), for instance, describe how campaigns for institutional change result in the emergence of new interaction rules and collaborative platforms. These subsequently drive changes to the institutional structure (Ritvala & Salmi, 2010). An institutional lens might thus further our understanding of change dynamics in networks by illuminating the ‘structural’ mechanisms (Brito, 2001). However, these studies describe institutional entrepreneurship for

* Corresponding author at: University of Antwerp, Department of Management, Belgium. Tel.: +32 32 75 50 17; fax: +32 32 75 50 79.

E-mail address: wouter.vanbockhaven@ua.ac.be (W. Van Bockhaven).

¹ paul.matthyssens@ua.ac.be

² Koen.vandenbempt@ua.ac.be

³ Acronym for the Industrial Marketing and Purchasing group, which is interchangeable with the markets-as-networks tradition or the industrial networks’ perspective (McLoughlin & Horan, 2002).

non-profit issues. As most industrial networks get by just fine without institutional entrepreneurship, its relevance for industrial marketing is not indubitably established.

For a critical realist, separately acknowledging agency and structure (Archer, 1995), it would be interesting to examine these structural powers and conditions causing a network to adapt by intentional rather than distributed action. Little research has investigated the contingent boundary conditions of the traditional IMP explanations (Ford et al., 2011; Lundgren, 1992) of collective change in networks. Hence, we aim to address the following research question: *under which boundary conditions does collective change⁴ in networks require an intentional 'mode' and thus institutional entrepreneurship?*

By exploring the boundary conditions shaping the overly embedded network context where adaptation is congested and institutional entrepreneurship (Dimaggio, 1988) becomes warranted, we delineate and extend IMP theory. We contribute to collective change literature by investigating antecedents to institutional entrepreneurship in the complex context of business networks. We thereby focus on the cognitive and normative rather than the well-established regulative institutional contingencies (Vermeulen, Büch, & Greenwood, 2007; Welch, 2001) and consequently indicate which forces of persistence within networks should be counteracted by institutional entrepreneurship. Such a mid-range contribution would also have substantial practical relevance, as e.g. globalization and sustainability motivate firms to respond with innovation collectively (Greer & Lei, 2012). When competitive rivalry in business markets becomes a war between networks (Möller & Rajala, 2007), it is useful to know whether one's network will respond organically or needs institutional entrepreneurship.

The paper continues by first overviewing the hierarchic relationships between critical realism, industrial network theory and neo-institutionalism and evaluating if they should be combined. It then reports the methodology and explicitly relates it to suggestions from CR epistemology, as opposed to alternatives. In line with this specific CR-inspired research structure, the case is then presented by describing the problem motivating the transition to institutional entrepreneurship. In this extreme case, Dutch steel wholesale companies (SWC) feel an obvious need to change collectively, but are not able to do so without institutional entrepreneurship. A subsequent analysis section probes for different sets of causal mechanisms which lead to the failure of unmanaged collective change. The explanation section then abstracts the generalizable causal configuration at work in this case into theoretical propositions of boundary conditions.

2. Theoretical foundations

2.1. Critical realism as a metatheory

CR as a philosophy of science stratifies reality into three overlapping domains (Bhaskar, 1978). The real domain consists of intranstitutive objects or ideas (Ryan, Tähtinen, Vanharanta, & Mainela, 2012), which have the generative power to cause certain effects. The actual domain consists of the objective events that manifest due to these different causal powers, their contingencies and their interactions (Sayer, 1992). So the presence of a real object might manifest in different ways or not at all, depending on the complex configuration of causal powers that act in open systems like business networks. Third, the

empirical domain consists of the subjective experiences of these events and ideas.

CR is not a general theory explaining all problems in industrial marketing. Rather, it is a metatheory, an 'under-labourer' (Bhaskar, 1978) that offers indications of how the world is to be seen (ontology). It is an 'epistemological orientation' (Easton, 2000) and therefore has implications as to how theory about reality can be developed (epistemology). By itself, however, CR does not explain any of the problems that marketers are actually confronted with (Easton, 2000; Morais, 2003). Much like a computer language is a necessary precondition that determines the possibilities and limits of software applications to actually solve a problem, so is a meta-theory a necessary but insufficient condition for the scientific causal explanation of events.

Just like specific software programs are required to provide solutions for practical problems, a metatheory requires specific theories as 'flashlights' (Ferraro, Pfeffer, & Sutton, 2009) to explain actual events. CR puts ontology first (Lawson, 2009), seeking accurate causal explanation that illuminates structure and agency elements separately (Archer, 1995). Therefore, CR would promote the 'metatriangulation' (Lewis & Grimes, 1999) of different yet complementary 'regular' theories which amply expose one dimension while acknowledging the other to avoid atomism. To add new insights into the manageability dilemma, this paper combines the industrial networks and institutional entrepreneurship perspectives following recent papers on collective change in business networks (Ritvala & Salmi, 2010, 2011). Although the main selection criterion for these specific theories was their fit with the research problem, they are also remarkably suitable for use in a CR study.

Arisen from extensive empirical insights refuting mainstream assumptions (Håkansson, 1982; Johanson & Mattson, 1987), IMP's depiction of business relationships is realistic and open-ended (McLoughlin & Horan, 2002). Institutionalism likewise adheres to CR's preference for ontological fit by explaining strategy in terms of e.g. power, symbols and self-interest (Scott, 2008), thus accounting for the rationally suboptimal organizational arrangements found outside classrooms (Ferraro et al., 2009; Hodgkinson & Rousseau, 2009). Consistent with CR's epistemological preference for stratified causal explanation rather than prediction, IMP (Akgun, Lynn, & Yilmaz, 2006) and institutional (Iederan, Curseu, Vermeulen, & Geurts, 2011) researchers are interested in the cognitive and social mediators of business processes.

From a CR perspective, combining two lenses to increase explanatory power makes sense, as long as their incommensurability is refuted (Miller & Tsang, 2010). In the following section, they are hence analyzed for their complementarity, implying (1) compatibility of assumptions (Geels, 2010) and (2) synergy in their combination (Arora & Gambardella, 1990).

2.2. The compatibility of institutionalism and the industrial networks' perspective

The industrial network approach and institutional theory implicitly share some fundamental assumptions such as the salience of interdependence (Welch, 2001) and the need for mutual benefit in inherently open-ended business relationships (Möller & Halinen, 1999; Powell, 1990). Snehota (2003, p.2) argues that: "the market-as-network perspective is clearly siding with the perspective on markets as an institution". However, to combine them in a CR analysis, in-depth assessment of their complementarity is recommended (cf. supra). This section analyzes the compatibility of their assumptions (Table 1). Table 1 also compares the explanation of change in both theories, which enables evaluating their synergy. This is the second condition for complementarity and is further discussed in Section 2.3.3.

To compare both theories' assumptions, one can generically divide them along a voluntarism–determinism and a micro–macro dimension (Astley & Van de Ven, 1983). Neo-institutionalism and IMP could be considered voluntaristic on the first and relativist towards

⁴ Construed here as strategic change, a difference over time in the alignment of a system with its external environment (Rajagopalan & Spreitzer, 1997). Such change would encompass reactive adaptations and more proactive initiatives to shape or anticipate the market or institutional environment and can be either continuous or discontinuous, depending on the extent of misfit with the environment (Meyer et al., 1990).

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