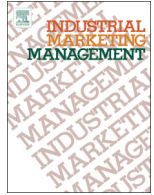




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Interest, sensemaking and adaptive processes in emerging business networks – An Australian biofuel case[☆]

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ABSTRACT

We contribute to the literature, firstly by elaborating sensemaking as an inter-organizational process. Second, we contribute by displaying how processual research captures reality in flight. Third, an interest model is developed in conjunction with how managers jointly develop an understanding and adapt their surrounding business network, so as to fit R&D into the social-economic environment. We develop the concept of inter-organizational sensemaking by elaborating the in-between; a joint and multi-actor understanding of the way resources-activities and the network of actors can change. Sensemaking is undertaken purposefully and so the interests of society, individual managers, firms and the mutual interests inherent with inter-organizational change also play a part. Our processual method studies events and activities through sequences of phases and periods defined by the researchers. A longitudinal case study of an emergent biofuel network exemplifies this approach. The paper discusses future research and managerial implications.

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1. Introduction

The relative stability of business relationships and networks presents an issue for managers of new businesses and for commercializing Research and Development (R&D) projects. The commitment in existing business relationships and so across the network closes opportunities for these businesses (Håkansson & Ford, 2002). This is especially the case in well-established industries where firms are connected by massive resource investments, for example in the oil industry. For emergent technologies these resource investments create a path trajectory that can severely restrict access to existing business networks (Håkansson & Waluszewski, 2002). Under such conditions emerging businesses and R&D projects must proactively seek access to resources and customers. This requires developing relationships with supporting firms and institutions that will ease the emerging firm into the business network.

Proactively seeking access to resources and potential customers is somewhat counter to the way business networks change and develop. Generally, the commitments and resource investments between firms cause the parties to adapt inside their business

relationships (Håkansson & Ford, 2002). As a result change and network development is more a reactive than a proactive process. In this paper the focus is on how managers understand and develop proactive processes for network change to support emerging businesses.

Our emphasis on the role of a manager and managers follows a stream of business network research that has progressively moved from interaction between firms as actors (Håkansson & Snehota, 1995) to managers following 'schema' and 'idea logics' to organize interactions (Welch & Wilkinson, 2002), and that is now taking a particularly cognitive process perspective with managers applying their network theories (Andersson & Mattsson, 2010) and network pictures (Henneberg, Mouzas, & Naudé, 2006). Recently, managerial 'sensemaking' (Weick, 1979; Weick, 1995) has been proposed as an important part of handling processes in networks (Colville & Pye, 2010; Geersbro, 2004; Henneberg, Naudé, & Mouzas, 2010; Möller, 2010; Neill, Mckee, & Rose, 2007). However, the different ways individuals are implicated in the processes of network development are, according to Harrison, Holmen, and Pedersen (2010), not so well understood.

Sensemaking is a particularly promising concept, as managers collectively interpret cues and events to develop a framework for action (Weick, 1993). In this paper we extend this literature by elaborating sensemaking as an inter-organizational, rather than as an intra-organizational process (Weick, Sutcliffe, & Obstfeld, 2005) in the context of a business network. This distinction is achieved by introducing the concept of the *in-between*, the mutual 'interaction space' between organizations with different understanding frameworks and technical backgrounds (Medlin & Törnroos, 2007). By providing a framework where sensemaking cues are jointly detected and understood, the

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in-between illuminates the problematic issue of how business interaction is a joint process between organizations (Ford & Håkansson, 2006).

One issue we recognize with sensemaking is the prior influence of a complex set of managerial and societal interests. These interests shape the social sensemaking process between organizations. Thus, while sensemaking offers an understanding of how new network structures are envisaged and are available for creation (Möller, 2010), the managers are also pursuing activities and following sensemaking processes that will enhance their own and the firm's interests (Håkansson & Snehota, 1995; Medlin, 2006). Fig. 1 displays our conceptual approach, where we link interests and sensemaking to the adaptive processes that generate the business network. Our research question is: how do individual managerial actors involved in re-shaping an emerging R&D network develop their understanding of ways to initiate and handle change?

The paper explores how a specific high-technology business network comes into existence and unfolds as interactive processes over time. We define process as a series of connected activities and events, where the connection is also conceptual through time (Van de Ven, 1992). This definition notes the social construction of process through experiential human events, and also the construction by managers of a connecting framework of understanding. Thus, we approach the case study from a constructivist standpoint (Järvensivu & Törnroos, 2010). The subtle distinction between phases, with unclear beginnings and endings in contrast to more clearly defined periods, allows us to construct different researcher perspectives of the processes in the case. Thus, we contribute to the literature on processual research by providing a method to objectify flowing reality.

The paper is organized in the following manner. First, the role of an actor's mutual and collective versus specific and self-interests in developing parts of the business network is elaborated. Second, critical elements of the sensemaking approach are presented and analyzed. We present a model and description of sensemaking across business relationships where at least two actors are involved. Third, we elaborate the literature on adaptation and adaptive processes, noting the distinction between proactive and reactive adaptive processes in a network context. Fourth, we present our research method. Fifth, we undertake a longitudinal case study of a firm startup and the way in which network connections were developed, as the actors dealt with industrializing intellectual property in the algae biofuel industry. In the case we have access to the early phases as well as key events and adaptations in the formation of the network. The case provides grounds for exemplifying and showing how the conceptual models and issues of interests and sensemaking have a bearing on practice and management in context. Finally, we comment on future research and managerial implications.

2. Interests

Interests are based on the connections between actors, and refer to where the "right", or "share" or "claim" of an individual or a collection of actors to an advantage, solution or profit exists relative to other actors. Understandings of interests are necessarily differentiated across actors and they change through time. Interests are one reason actors support business processes and not others. It is noteworthy that interests are distinguished from a business objective, purpose, or goals, each of which will involve different advantages for each actor. For example, when two organizations collaborate on developing a technology

each will gain different advantages from an objective that is emerging and unclear. Thus, the nature of an interest relies on the definition of an actor, whether individual, social group, firm or collaborating firm; and how change affects an emerging technology.

Many business interests derive from legal ownership and the property rights that ownership confers. However, most business activities rely on the responsibilities and interests generated by the need to continue a transaction or maintain a business relationship into the future (Macneil, 1974; Macneil, 1985). In these business settings the means of action, the resources and activities are collectively re-generated on a continual basis. We contend that interests are also continually re-generated.

In business relationship research, the question of interests has received little attention, except indirectly through issues that revolve around relational and contractual norms (Ivens & Blois, 2004; Ordanini, 2011; Tuusjärvi & Möller, 2009). However, the concept of mutual interest also appears in business relationship research in the form of joint problem solving processes (Håkansson, 1982) and emergent collective action (Brito, 2001; Lane & Maxfield, 1996). Håkansson and Snehota (1995, 1997) note that "mutual orientations require shared interest related to the activity and resource aspects of the relationship." Canning and Hanmer-Lloyd (2002) note that the degree of interest in an adaptation is reliant on "the level of awareness or experience of the particular benefits" (p. 623).

These discussions lead us to the position that separating individual manager self-interest from firm self-interest and mutual interest in a business relationship, including what is social interest, is a worthwhile task. The issues around perceptions of interests and changing interests over time, along with the complexity of the inter-firm interactions, make understanding actor interests difficult. However, individuals and managers do think, decide and act on the basis of perceptions and understanding of their environment. Considerations of self, mutual, collective and legal interests all affect this understanding (Sjöstrand, 1997; Weick, 1995).

To begin to resolve these distinctions we propose a conceptual model (Fig. 2). Here we take the perspective of an individual manager and distinguish between the social sphere and the business relationship arena. The concepts of collective and self-interest in the social sphere relate to individuals and groups in social settings in the network. These social settings can include family and community groups, and different forms of political activity. In the business relationship arena we include the concepts of mutual and specific interest. Mutual interest in this context is that related to the conjoined interests of the parties in the business relationship, relative to other parties. Thus, mutual interest equates to the concept of collective interest (Håkansson, 1982; Håkansson & Snehota, 1995; Medlin, 2006). Meanwhile, specific interests are firm level interests in the business relationship. Specific interest is derived from the concept of firm self-interest (Canning & Hanmer-Lloyd, 2002; Håkansson, 1982; Håkansson & Snehota, 1995; Medlin, 2006). The business network is not displayed in Fig. 2; rather the interests are all embedded in the network by either individuals or firm actors.

Distinguishing between the social sphere and the business relationship arena offers useful clarifications. First, the separation strengthens the reasons for network change, by noting that change can arise from interests in either the social arena or the business relationship. Adaptive processes, and eventually network change, are shaped by social collective

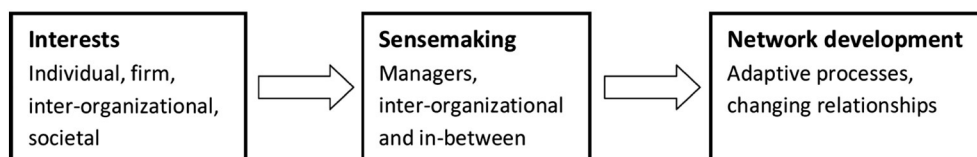


Fig. 1. Conceptual process drivers.

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