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# Understanding network emergence after turbulent industrial relocation: A Swedish biorefinery initiative

Heléne Lundberg <sup>a,\*</sup>, Edith Andresen <sup>a</sup>, Jan-Åke Törnroos <sup>b</sup>

<sup>a</sup> Department of Business, Economics and Law, CER, Mid Sweden University, SE-851 70, Sundsvall, Sweden

<sup>b</sup> School of Business and Economics, Åbo Akademi University, FIN-Henriksgatan 7, 20500, Åbo, Finland

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## ABSTRACT

The paper examines network development and reconfiguration in the aftermath of industrial restructuring. The research combines a sensemaking approach with process research into business network development. A longitudinal case study examines a unique setting and critical change processes created by the restructuring of an old industrial site. Managers of businesses, previously belonging to a multinational company, initiated joint R&D in a networking context, putting their resources to novel use by creating a biorefinery initiative. Their previously intra-organizational relationships were turned into inter-organizational relationships and over time additional, and other types of actors joined the growing network. The individual actors are key drivers in the upcoming situation and their sensemaking and acts form key processual elements in sensemaking and network development. The study contributes to research on network reconfiguration and network orchestration. It has practical implications for managerial action in times of crisis and turbulence and for the role of individuals in creating novel business networks.

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## 1. Introduction

There have been few productive attempts to study both the structure and process of thought simultaneously. Studying one has meant deemphasizing or assuming away the other. Thus, there are few theoretical frameworks for linking structure and process together in a meaningful and useful way. (Meindl, Stubbart, & Porac, 1994)

In the 1990s, many traditional production-sector companies in Europe moved their production operations to emerging markets. Traditional paper industries in Northern Europe suffered from this investment-allocation shift, which caused difficult setbacks for affected localities and regions. The studied case concerns the reorganization of one of the Swedish industrial sites of the multinational corporation (MNC) MoDo, located on the northwestern shore of the Gulf of Bothnia. The shift in investment allocation led to a reorganization process driven by a group of managers

cooperating in a network context.

This paper contributes to business network theory by examining the dynamic process of network reconfiguration. As claimed by Tikkanen and Alajoutsijärvi (2002, p. 26), “it is essential to learn about how relationships and networks have emerged and developed in order to be able to understand their current forms and the related problems fully”. The aim is to identify critical events in the reconfiguration process, including the sensemaking (Weick, 1995) and sensegiving processes of key actors, and how these events and processes in turn advance network-related actions and thus the process of reconfiguration (Halinen, Medlin, & Törnroos, 2012; Pettigrew, 1992, 1997; Van de Ven & Poole, 1995). In line with previous studies of network dynamics (e.g. Halinen, Törnroos, & Elo, 2013; Havila & Salmi, 2000; Havila, Salmi, & Havila, 1999; Quintens & Matthysens, 2010), we define critical events as those with a decisive impact on relationship development in a dyad or connected network of business actors.

The business network approach acknowledges markets as sets of connected exchange relationships (Anderson, Håkansson, & Johanson, 1994; Cook & Emerson, 1978; Håkansson & Snehota, 1995). It has been observed that the role of individual actors may be very important (Alajoutsijärvi, Möller, & Rosenbröjjer, 1999) and that “using different levels of analysis is a positive endeavour as

\* Corresponding author.

E-mail addresses: [helene.lundberg@miun.se](mailto:helene.lundberg@miun.se) (H. Lundberg), [edith.andresen@miun.se](mailto:edith.andresen@miun.se) (E. Andresen), [jtornroo@abo.fi](mailto:jtornroo@abo.fi) (J.-Å. Törnroos).

long as the different results are connected to a greater picture” (Wilke & Ritter, 2006, p. 45). Nevertheless, most research has concentrated on business dyads (Henneberg, Naudé, & Mouzas, 2010) and downplayed the role of individuals, predominantly referring to the company as an actor. The scope of this paper is broader, addressing a historical reconfiguration in terms of a shift from a single basic industrial activity in a specific location to another, network-based and R&D-focused, one. We thereby also contribute by addressing the gap in studies of different dimensions of network orchestrating (Hurmelinna-Laukkanen, Olander, & Blomqvist, 2012). The key concepts that add to previous knowledge of network development are: time–space relatedness, the unfolding of a process comprising the initiatives of individual actors, how they handle critical events, and the joint agency of their network cooperation.

The case captures processes from the longitudinal and interpretative perspectives, tracing change by following the roles of individual managers in the process (Dawson, 1997; Medlin & Törnroos, 2009). Potential opportunities to act, as informed by sensemaking (Weick, 1995) and realized over time, were detected using a relationship and network approach (Håkansson & Snehota, 1995; IMP Group, 2002). A sensemaking perspective is used to clarify how specific business actors detected cues in their environment, specifically in their actor network connections, and made sense of these in order to act (Weick, 1969, 1995, 2001; Weick, Sutcliffe, & Obstfeld, 2005).

The following section presents brief conceptual overviews of the network approach, critical events, and sensemaking as a key networking process. We then discuss the method used to capture change and consider sensemaking as a process for reconfiguring the network. The next section presents and analyses the case itself, while the final section offers conclusions and implications for theory and practice.

## 2. The network approach, human actors, and sensemaking

Developing connected exchange relationships in business encounters forms *networks*. The joint configuration of actors, resources, and activities resulting in interdependent value creation forms the focal issues of the interaction and network approach (Anderson et al., 1994; Ford, 2004; Håkansson & Snehota, 1995), which in turn offers many potential theoretical vantage points from which to study reconfiguration processes. A key characteristic of networks is their complexity, while dynamics – i.e. the stability, change, evolution, and reconfiguration of networks over time – are inherent to networks' existence in time. The processual nature of business networks must therefore be considered when examining their structural and temporal development (e.g. Easton, 1995; Ford & Håkansson, 2006; Halinen & Törnroos, 1995, 2005; Halinen et al., 2012; Medlin, 2004; Quintens & Matthyssens, 2010). There are various perspectives on how networks evolve and change over time. In many studies, data are gathered through personal interviews with managers and other individual actors (e.g. politicians or NGO members) involved in the studied processes (e.g. Gebert Persson, Lundberg, & Andresen, 2011). However, most studies have downplayed individuals as change agents playing key roles in business processes. This is often the case, even when actors are treated in a tripartite manner (e.g. in business network research) as encompassing individuals, teams/departments, and/or companies. The key models of business networks follow this logic, for example, the interaction model (Håkansson, 1982) and the actors–resources–activities (ARA) model (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995).

The notion of *network reconfiguration* is significant in the case studied here. Reconfiguration relates to the use of former relational

investments in a new manner, the initial value configuration being transformed or repurposed in response to new needs and concepts. In the present case, existing infrastructure, knowledge, and resources are used in a novel manner in the realm of their long-standing location facilities. We witness similar cases, for example, when industrial sites or former military complexes are used for new purposes. In this research we ask why and how such reconfigurations occur and what reasons underlie this emergent process of network configuration.

Actors are the key players in B2B networks. Individual actors can play decisive roles in network change and in maintaining relationships over time through mutual adaptations. Individual managers as actors represent their companies and act accordingly in their roles. They must develop mutual understanding to create a shared basis for value creation and construct interaction in ways perceived as sensible to both themselves and others (Pentland, 1999). In this endeavour, actors act in line with the interests of their companies, their counterparts, and the networks in which the dyads are embedded (Medlin & Törnroos, 2009). Membership in a community, or a specific business network within a larger community, is demonstrated by the ability to act according to group-generalized attitudes, values, symbols, and discourses. However, the personal interests of the individuals in question and their abilities to act also merit consideration. In network terms, actors create network activities and use the connected resources of the network – a key understanding in the IMP network approach (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995).

### 2.1. The relevance of sensemaking

*Sensemaking* is closely related to the organizational theory work of Weick (1969, 1995, 2001; Weick et al., 2005). It refers to the process of information seeking and meaning creation as a basis for managerial decision-making and action (Mouzas, Henneberg, & Naudé, 2008; Möller, 2010) and is a complex individual and collective phenomenon (Weick, 1995). In an inter-organizational setting, sensemaking can be defined as the “interactive processes by which participants in inter-organizational relationships construct accounts that allow them to comprehend the world and act collectively” (Wlaar, Van den Bosch, & Volberda, 2006, p. 1622) or as an actor's ability to perceive, interpret, and construct meaning in the emerging business landscape (Möller, 2010). Sensemaking thus depends on our ability to think in narrative terms, for example, retrospectively and prospectively (Pentland, 1999; Weick, 1995). In interactive business networks, sensemaking also involves “sense-taking” and “sensegiving” through mutual meaning creation and the detection of meaningful cues. Individuals form the core of this process through interacting with other players having converging interests. In our understanding, sensemaking is enacted through both individual and collective processes since individuals make sense of situations through interaction with other key actors. Our view is that context matters when managers attempt to detect cues and form a basis for their decision-making. We view networks as the key organizing device for managers when they act and interact, both within their companies and with other managers in the external network.

Wlaar et al. (2006) argue that formalization (i.e. the process of codifying and enforcing inputs, outputs, and behaviours) and its outcomes in the form of contracts, rules, and procedures are closely related to sensemaking as a way of handling differing views and problems of understanding. They discuss various positive effects of formalization on the sensemaking process: 1) focussing attention, 2) forcing articulation, deliberation, and reflection, 3) instigating and maintaining interaction, and 4) reducing biases, judgment errors, incompleteness, and inconsistency. In some cases,

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