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Sensemaking, sensegiving and absorptive capacity in complex procurements

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ABSTRACT

This study explores and describes i) the nature of knowledge exchange processes at the frontline employee (FLE) level and ii) how FLE sensemaking processes affect buyer firm knowledge management practices in complex procurement contexts. The study utilizes an in-depth case analysis in the mining industry to identify a taxonomy of four buyer sensemaking investment/supplier collaboration profiles, to describe three sensegiving supplier roles ("confidence builders", "competent collaborators", and "problem-solvers") and to explore how these evolve during complex procurement implementation. The study concludes with a conceptual model of the apparent linkages between sensemaking, sensegiving and buyer firm absorptive capacity in complex procurements. This study shows how micro-level (FLE) interactions influence macro-level knowledge integration (absorptive capacity) in the buyer firm. For managers, the study shows how the allocation of time and resources affects FLE-level knowledge exchange, with ultimate effect on buyer firm absorptive capacity.

1. Introduction

Complex procurements involve the acquisition and integration of technically sophisticated products and services (Brown and Jones, 1998; Chen, Law, and Yang, 2009). Common in industries such as mining, construction, manufacturing, information technology and infrastructure, the buyer firm generally seeks overall improvements in their capabilities from complex procurements (Brady, Davies, and Gann, 2005; Flowers, 2004, 2007). Many of these outcomes rely on interactions between highly skilled frontline employees (FLEs) acting on behalf of exchange partners. These interactions aid in knowledge transmission and creation and, ultimately, produce the innovations, the creativity and the adaptability necessary to ensure successful outcomes (Andersen, Kragh, and Lettl, 2013; Levin, Thaichon, and Quach, 2016). In many cases, however, knowledge exchange processes are either unsuccessful or only partially successful (Reich, 2007; Shore, 2008). The persistence of these outcomes has led to speculation as to the causes of ineffective knowledge exchange in complex procurements (Reich, 2007; Shore, 2008).

Previous studies suggest that FLEs are more likely to share knowledge if they have sufficient motivation, skills and experience (Cadwallader, Jarvis, Bitner, and Ostrom, 2010; Wang, Wang, Long, Hou, and Ching, 2015). However, it is necessary for the behaviors of FLEs on both sides of the buyer-supplier dyad to complement each another (Brach, Walsh, Hennig-Thurau, and Groth, 2015). This can be difficult if FLEs have strong psychological associations with their own firms (Korschun, 2015), and if the culture of the firm is not conducive to knowledge sharing (Grabher, 2004). Complementarity is also important at the inter-firm level. Resource and systems compatibilities are necessary for productive inter-firm knowledge exchange (Ho and Ganesan, 2013; Vanpoucke, Vereecke, and Boyer, 2014; Vargo, Maglio, and Akaka, 2008). Despite acknowledgement that both micro and macro level dynamics are important, few studies consider the interactions between these levels of analysis, particularly for complex procurement scenarios (Lewin, Massini, and Peeters, 2011; Mattsson, Corsaro, and Ramos, 2015; Robertson, Scarbrough, Swan, and Scarbrough, 2003).

The central purpose of this study is to understand how FLE cognition affects task-related learning in complex procurement contexts and, as such, the study responds to calls for research in this area (Henneberg, Naudé, and Mouzas, 2010; Mattsson et al., 2015). The findings begin with a taxonomy of FLE profiles according to buyer firm sensemaking investment (i.e. allocations of time, effort and resources towards interpreting supplier information) and supplier collaboration approach. In this, we argue that complexity affects sensemaking activities relative to the degree of buyer-supplier engagement at the dyadic level. These findings extend the view that social integration mechanisms allow development of shared meanings (Peters, Pressey, and Johnston, 2016) by identifying two sorts of "levers" available to partner firms – buyer sensemaking investments and supplier collaboration approach – and by describing the implications of four different combinations of these mechanisms.

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Earlier studies suggest that networks are formed by the views of the involved actors (Ellis and Hopkinson, 2010; Gadde, Huemer, and Håkansson, 2003; Leek and Mason, 2010). Despite this, the roles of actors as *sensegivers* in this process receives little attention. Our next set of findings reveal three sensegiving roles that supplier firm representatives adopt during complex procurements: confidence-builders, competent collaborators, and problem-solvers. This finding supports a theorization about the effects of value creation roles with specific reference to task-relevant knowledge creation and transfer and builds on earlier studies that demonstrate the importance of actors' perceptions of network roles when understanding network dynamics (Abrahamsen, Henneberg, and Naudé, 2012). By focusing on the sensegiving roles of supplier representatives, the study partially addresses current concerns in the service logic literature about the clarity of roles in value co-creation processes (Grönroos, 2008; Grönroos and Voima, 2013).

The final set of our findings map how complex procurement implementation stage affects the interplay between buyer FLE sensemaking and supplier representative sensegiving. While several studies suggest sensemaking is important for individuals when interpreting network change (Colville and Pye, 2010; Corsaro, Ramos, Henneberg, and Naudé, 2011; Leek and Mason, 2010), the effects of this process at the dyadic level are less clear. It appears that current views assume a situated notion of sensemaking in that actors have relatively stable identity profiles in dynamic situations (Weick, Sutcliffe, and Obstfeld, 2005) and that this helps them understand "why" and "how" networks shift (Abrahamsen et al., 2012). While this may be true, our findings suggest that role prominence differs depending on the task requirements of complex procurement implementation stage. This is consistent with changes in network position (Leek and Mason, 2010), yet ours is the first study to link this process to a specific implementation process. In uncovering this view, we develop a dynamic notion of absorptive capacity that illustrates the interplay between micro and macro levels of analysis.

The outcomes of this study highlight the importance of FLEs in supplier knowledge management practices during complex procurements. The findings draw on an in-depth case analysis of a complex procurement in the mining industry[1] and, as such, they are most relevant to FLEs and managers operating in similar contexts. For managers in buyer firms, it is clear that buyer sensemaking investments affect the absorptive capacity of the buyer firm as a whole. By not supporting sensemaking activities, the effects of complexity become acute. This is likely to produce organizational paralysis through perceptions of high task diversity, information asymmetry and environmental dynamism. Excessive sensemaking investments, on the other hand, are also counterproductive since this produces slack while also encouraging supplier opportunism (i.e. they may take advantage of the situation). From a supplier firm's perspective, the recognition that supplier firm representatives adopt different sensemaking roles, and that these contribute to different relational dynamics according to implementation stage, should allow a clearer set of decision-making cues when determining collaboration approach.

2. Literature review

2.1. Sensemaking and sensegiving in business-to-business interactions

As the primary interfaces between the firm and its environment, FLEs have two important roles. First, they are gatekeepers that determine what information to allow entry to the firm from external sources (Cohen and Levinthal, 1990; Lewin et al., 2011). Second, FLEs also determine the format in which information enters the firm. Supply chain studies generally support the notion that FLEs act as the social mechanisms that interact with members of the firm's supplier network (Preston, Chen, Swink, and Meade, 2016; Stolze, Murfield, and Esper, 2015), with these interactions often supporting knowledge exchange processes (Liao and Marsillac, 2015; Stolze et al., 2015). Many studies adhere to the notion that this involves sensemaking, or the "… ongoing retrospective development of plausible images that rationalize what people are doing" (Weick et al., 2005, p. 409). As such, the nature of the knowledge exchange process rests with individuals. To date, however, there has been limited investigation of the process dynamics that underpin the interactions between specific individuals (such as FLEs) and the implications of these at the firm level (Henneberg et al., 2010; Mattsson et al., 2015).

When understanding sensemaking in business-to-business interactions, many studies focus on network pictures. This involves an actor interpreting their business environment through a set of subjective cues (Colville and Pye, 2010; Geiger and Finch, 2010; Holmen, Aune, and Pedersen, 2013). Importantly, network pictures help actors to simplify complex phenomena through information categorization and the application of a set of heuristics. Recent studies show that network pictures are useful when understanding key supplier relationships. Holmen et al. (2013) identify the importance of network picture complementarity across the buyer-supplier dyad. They show that the network pictures held by each exchange partner are subject to change, and that the impetus for this largely depends on how systematic or focused buyer FLEs are when pursuing new opportunities. Leek and Mason (2010) also consider the application of network pictures at the dyadic level. They show that the dimensions of network pictures largely relate to the boundaries of each network picture, the frequency of communication, and the perceptions of network atmosphere vary systematically with employee managerial level and function.

Much of the current literature focuses on sensemaking as this affects actors within buyer firms or networks more broadly. However, there are also situations where actors may want to create alternative perceptions in the minds of other actors. In this case, they engage in sensegiving – where they attempt to persuade others about the merits of an alternative viewpoint or interpretation (Gioia and Chittipeddi, 1991; Hill and Levenhagen, 1995; Maitlis and Lawrence, 2007). To this end, managers often engage in a deliberate narrative that often involves storytelling, the use of metaphors and/or through the routinization of different practices (Fiss and Zajac, 2006; Hong, Snell, and Mak, 2016; Monin, Noorderhaven, Vaara, and Kroon, 2013). It is for these reasons that sensegiving is often closely associated with organizational change. In the relatively few studies that consider sensegiving in business-to-business exchange, coopetition is the primary subject matter. Studies in this area show that sensegiving is important when senior and middle managers attempt to reconcile with the identities of competitors and cooperators and that this affects relational dynamics (Lundgren-Henriksson and Kock, 2016; Tidström and Rajala, 2016).

In this study, we conceptualize FLE-level knowledge exchange in complex procurement interaction processes as an interplay between the sensemaking endeavors of buyer firm FLEs and the sensegiving efforts of FLEs from buyer firms. In this, we focus on the practices of specific actors in their efforts to develop shared cognitions as these relate to task completion rather than network pictures in a general sense (Mouzas and Henneberg, 2015; Peters et al., 2016). Earlier studies show that complex procurement implementations are technically and socially complex enterprises that involve temporary organizational structures (Burke and Morley, 2016; Neely, 2014; Söderlund, Hobbs, and Ahola, 2014; Töllner, Blut, and Holzmüller, 2011). This context requires dynamic FLE engagement, often to complete knowledge-intensive task requirements (Aarikka-Stenroos and Jaakkola, 2012; Haas, 2006; Santos-Vijande, López-Sánchez, and Rudd, 2016). This suggest that this is a relatively unique context that provides a novel interpretative lens.

[1] Our case centers on the design, delivery, implementation, and maintenance of a combination of units for dewatering plants. Dewatering is a part of the value chain from ore to metal, and it is focused on separating solid and liquid materials to optimize the processes in mineral slurry dewatering, process water reuse and by-product handling in metals and chemical processing as well as in industrial water treatment.