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Tension in a value co-creation context: A network case study

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ABSTRACT

This study addresses tension and its consequent hurdles to the collaborative nature of value co-creation. Substantial research has focused on the benefits of value co-creation but much less so on its dark side. While some tension is inevitable, escalated tension can harm anticipated value and business relationships. The overlaps and disparities of formal and informal communication networks of two large construction projects are examined along with the tensions arising. To increase the breadth and depth of the empirical investigation, the presented network case study draws on survey data analyzed with Social Network Analysis as well as 45 in-depth managerial interviews. Structural, emotional and behavioural tensions are identified. The study suggests that tension triggered by one or a few actors can destabilize the network by creating unsustainable communication structures. Social Balance Theory is applied to study how unsustainable communication structures seek balance at a network level. We identify network patterns that can signal the presence of tension and structural imbalance in value co-creation, categorize several types of tension, and provide managerial implications.

1. Introduction

This study explores the paradoxical nature of tension in a collaborative value co-creation context. It focuses on the network imbalance caused by tension and its potential performance-related and relational consequences. Value co-creation is defined as the joint activities of actors who exercise not only their individual agency, but also coordinate their actions to improve mutual value creation (Grönroos, 2012; Lusch & Vargo, 2014). Drawing on various tension definitions (Bengtsson, Raza-Ullah, & Vanyushyn, 2016; Flint, Woodruff, & Gardial, 2002; Tidström, 2014), we conceptualize tension as the discomfort generated by ambiguity that can have various sources, such as contradictory and unclear communications, lack of communication, lack of sufficient planning, and incongruity between actors' aims. The problem with tension is that rising discomfort and pressure can disrupt or negatively influence the dialog concerning knowledge sharing and resource integration between network actors (Abosag, Yen, & Barnes, 2016) in the value co-creation process (Mele, 2011). We focus on three key aspects of tension (structural, emotional and behavioural) that have been explored in the strategic alliances and business-to-business marketing literatures (Das & Teng, 2000; Pressey & Vanharanta, 2016).

This study aims to contribute to the embryonic research stream examining the so-called 'dark side' of value co-creation by identifying the tensions that may arise in complex industrial networks

(Chowdhury, Gruber, & Zolkiewski, 2016). While studies have attempted to address the negative aspects of value co-creation, these contributions are overwhelmingly from a business-to-consumer perspective (see, for example, Heidenreich, Wittkowski, Handrich, & Falk, 2015; Edvardsson, Tronvoll, & Gruber, 2011), and consequently neglect the tensions that may impede value delivery in industrial networks.

A common misconception is that a key individual's influence diminishes as organizations grow. There can be acts, events, and flows of information (or the lack thereof) however, that are triggered by one (or more) 'very difficult' individuals that result in irrevocable tension at a group or network level (Woodside & Baxter, 2013). In the presence of such tension unsustainable communication structures can evolve. This increases the risk of delivery failure, and subsequent financial and relational costs. Anchored in the Social Balance Theory perspective (Heider, 1946; Hummon & Doreian, 2003), our research theorizes tension in an inter-organizational context. Social Balance Theory enables us to scrutinize the balance mechanisms in the network through interactions embedded in the cognitions of actors and within the network structure.

In this study, tension is examined at individual, group and inter-organizational levels, and is illustrated by two large-scale construction projects – one of which has been successfully delivered and the other remained dysfunctional. We employ a network case study methodology that combines semi-structured in-depth interviews with managers

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involved in both construction projects as well as survey data that reports on their formal and informal communication networks. Social Network Analysis (Borgatti & Everett, 1992) is employed to analyse the communication structures and actors' network roles because of its capacity to examine relationships between actors that goes beyond a focus on the attributes of actors seen in more traditional social and behavioural research (Wasserman & Faust, 1994).

Following this introduction, the study is structured as follows. Initially, we review the literature related to tensions and network tensions and outline a typology of tensions that provides the basis for the empirical study. Next, we introduce the procedures adopted in our network case study methodology. This is followed by the presentation of our results and the discussion. We conclude the study with implications for theory and practice as well as limitations and potential future research directions.

2. Network tensions and value co-creation

Some tension is inevitable in business networks, especially when there are interdependencies between actors (Cadotte & Stern, 1979). Some types of tension, such as creative tension (Autio, 2005), can have positive implications. Indeed, creative tension is the lifeblood of innovative progress, and fosters the discovery of the alternative ways of achieving improved outcomes. If managed appropriately, tension can act as a trigger for learning (Clarke, 1991; Elkjaer, 2004). Other types of tension can have a variety of potentially positive and negative outcomes, vis-a-vis tension in relation to consumer decision-making (Woodside & Chebat, 2001), or tension in financial markets between dealers (Viswanathan & Wang, 2004).

Tension has been claimed to be a characteristic feature of interaction between actors in value co-creation, especially in innovative contexts such as new product development (Campbell & Cooper, 1999), hybrid organizations (Mitronen & Möller, 2003), and organizational transitions (Spekman & Carraway, 2006). This raises issues regarding the network context, dynamics, and performance aspects relevant to the tension phenomenon in a business-to-business context, which we now explore.

2.1. Types of tension in value networks

In a study examining 'dark' business-to-business networks (i.e. illegal price-fixing cartels), Pressey and Vanharanta (2016) identified three distinct types of network tension drawing on the strategic alliances literature (cf. Das & Teng, 2000): *structural*, *psychological* and *behavioural* tensions. *Structural tensions* relate to issues of network governance and the way in which horizontal and vertical relationships collude and are intertwined with control mechanisms and managerial practices. Understanding how the horizontal and vertical relational perspectives are related has been a challenge in business research (Pryke, 2012).

Alternatively, *psychological* and *emotional tensions* may be caused by mistrust as well as the way in which actors are viewed by other actors in the network and their attitudes towards one another. Finally, *behavioural tensions* relate to the way actors operate within the network and its working practices, as well as the communication practices of actors. Behavioural tensions are characterised by actual actions, whereas other types of tension can remain passive.

While network tensions can have positive outcomes as noted, they may also create structural, psychological/emotional, or behavioural differences that inhibit cooperation and network value co-creation unless actors can overcome their differences for the sake of the network.

2.2. Managing multiple network layers of tension

Tension is pervasive across different layers of the network. Tension can have an individual actor focus; for example, managerial role

conflict and issues with role clarity (Cummings, Jackson, & Ostrom, 1984) and expected behaviours. Network paradoxes often derive from incongruence between individual characteristics and organizational control systems or the tension between individual action and collective interaction (Håkansson & Ford, 2002). For example, Watkins and Hill (2009) reveal dynamic tensions in buyer-seller relationships between individual egoism that seeks to extract the most out of exchanges and cooperative altruism that seeks benefits for the collective.

Network interactions are often conceptualised as embedded (or layered); where the interactions between individuals are embedded within a wider network of institutions and relationships (Granovetter, 1985). This may lead to both consensus and conflict between the aims of various layers in the network. A specific example of conflicting aims is the tension between the 'theoretically desirable' and 'managerially possible' in the strategy building process (Verhallen, Frambach, & Prabhu, 1998). This sort of tension culminates at a senior/top managerial level. It can, however, easily diffuse into different 'network layers' of the organization, for example, to relations between actors involved in managing routine distribution activities and those responsible for emergent networked product innovation activities (Weerawardena & Mavondo, 2011); or tension between departments (e.g. marketing and engineering; Weinrauch & Anderson, 1982).

In an inter-organizational setting tensions may arise because of the hurdles of alignment of actors' aims and ways of interaction (Johnston & Pongatchat, 2008), and due to attempts of sustainable business relationship alignment (Cox, 2004). Tension may arise when one actor perceives that their goal attainment is being impeded by other actors (Gaski, 1984). It can destabilize relationship development (Fang, Chang, & Peng, 2011) as it impels actors to withdraw from the interaction, while at the same time facilitating dejection and related emotions such as frustration and disappointment (Andersen & Kumar, 2006), as well as feelings of stagnation (Gilliland, 2004). It can also create damage to relational intimacy that is difficult to repair (Wuys & Geyskens, 2005), and cause inter-organizational distrust (Johnsen & Lacoste, 2016). In situations where buyers and sellers simultaneously compete and collaborate with each other (i.e. in co-competition), inherent contradictory and opposing forces may easily engender tension (Bengtsson & Kock, 2014; Fernandez, Le Roy, & Gnyawali, 2014).

Between firms, tension often arises around managing contractual arrangements (Rese & Roemer, 2004), the heterogeneity of customer requirements versus supplier resources (Harrison & Kjellberg, 2010), dissimilarities in technology adoption (Slater, 1993), and orientations (Merrilees, Rundle-Thiele, & Lye, 2011). Tension in relation to the international marketing of industrial products is often rooted in changing, uncertain environments (Koza & Lewin, 1999; Skarmas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008). Thus, the literature highlights the presence of tension as potentially evident at all layers of business networks: tension can be person-specific, can arise between different employees (Möller & Svahn, 2004), between the individual employee and the group, between buyer and seller and other inter-organizational collaborations. It can characterise the relationship atmosphere itself (Abrahamsen, Henneberg, & Naudé, 2012), and it can also be an inherent part of value co-creation in project networks (Mele, 2011).

At a functional level, if properly managed, constructive tension can have positive effect on performance. It would be, however, myopic to consider tension only when it is explicit and manifest, as tension can also indicate latent conflicts. It can derive from the competition for scarce resources, for example, when actors of project teams compete for unanticipated capacities interfering with other on-going projects (Vaaland & Håkansson, 2003), or for increasing power asymmetry (Sutton-Brady, Kamvounias, & Taylor, 2015).

Managing tension is certainly a challenge for many organizations. When extending group boundaries, trust can help manage the tension resulting from structural changes (Andersen & Kumar, 2006). Interestingly, mutual trust building appears to be effective only if tension has

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