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journal homepage: www.elsevier.com/locate/indmarmanStrategic patterns in the development of network capability in new ventures[☆]Thomas O'Toole^a, Helen McGrath^{b,*}^a School of Business, Waterford Institute of Technology, Waterford, Ireland^b University College Cork, Ireland

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ABSTRACT

This paper seeks to examine the strategic patterns in the development of network capability in new ventures. Every firm needs to build on their internal resources to survive and grow. In this respect, network capability development is important for new ventures to acquire and mobilize external resources and engage in interactive networked activities. Strategizing and new venture contexts are relatively new streams of research for the Industrial Marketing & Purchasing (IMP) group. Based on a longitudinal case study of two new ventures, our findings add to this largely emerging field suggesting that there are two viable pathways for strategizing for network capability development, emergent and deliberate. Further, the cases demonstrate nine patterns evident in the two strategy-making processes. Our paper adds to the growing body of literature that places interaction, relationships, and networks at the heart of strategy making and provides important insights for new ventures, which may lead to earlier and greater success for the firms.

1. Introduction

This paper examines the strategic patterns that arise in the development of network capability in new ventures. In doing so, we outline two potential strategic pathways, deliberate and emergent. Both pathways can lead to network capability over time as the new venture learns in interaction with its business partners. New ventures are not privileged with the full gamut of resource combinations required for their business (Ciabuschi, Perna, & Snehota, 2012; La Rocca, Ford, & Snehota, 2013). Network capability is an attractive strategic option for new venture resourcing to gain access to vital external resources through interaction in business networks. However, while extant literature exists in relation to new venture creation, we know little concerning the evolving processes in strategy making, particularly in relation to networks (Partanen & Möller, 2012). Business network research in a new firm context, while rare, is an emerging field of research (Ciabuschi et al., 2012; La Rocca et al., 2013). We seek to contribute to this stream of research by exploring interaction patterns in strategizing for network capability development. In doing so we do not assume network capability as inherent for the new venture. Nor do we commence with the 'born within' or social networking view (Ebberts, 2014; Slotte-Kock & Coviello, 2010). Rather we use a business or industrial network perspective (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009;

Håkansson & Snehota, 1995) to explore strategy making for network capability development through identifying patterns in interaction between the new venture and their surrounding business network.

We define network capability as the early stage development of the understanding, willingness and ability of the new venture to purposefully engage its business network of relationships to begin to gain access to, and mobilize, resources with other network actors. In this respect we focus on network capability as a strategic option comprising an ability to proactively use, in interaction, business networks to fulfill the growth and survival ambitions of the new firm. Network capability's importance as a strategy in the development of the new venture is clearly shown in prior research (Ciabuschi et al., 2012; Gadde, Hjelmgren, & Skarp, 2012; La Rocca & Snehota, 2014; Partanen, Chetty, & Rajala, 2014). New venture development is all about action (Davidsson, 2015; McMullen & Shepherd, 2006) and we have recently witnessed calls for research to take a more interactive perspective on new venture processes (Shepherd, 2015; Snehota, 2011). New venture capabilities can be captured in interaction patterns, and we take this view of the network capability strategizing of the new firm. That network capability as a strategy is realized when the firm exhibits a consistent pattern of behavior in its stream of activities in its business relationships and networks. While interaction based strategizing and new venture research is gaining attention in the business network literature

[☆] All firm names used in this paper are pseudonyms; additionally, identifying information has been altered to ensure anonymity.

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(Baraldi, Brennan, Harrison, Tunisini, & Zolkiewski, 2007; Harrison, Holmen, & Pedersen, 2010; La Rocca et al., 2013), strategy-making patterns in network capability development is not. In fact, we see an implicit assumption that new ventures have network capability (Mitrega, Forkmann, Ramos, & Henneberg, 2012; Walter, Auer, & Ritter, 2006) which is at odds with studies that have found that network capability is heterogeneously distributed (Edwards, Sengupta, & Tsai, 2010; Möller & Svahn, 2003; Semrau & Werner, 2014). Combined, these research gaps raise two important questions which form the theoretical motivation for this study: a) Do deliberate and emergent strategizing approaches describe the approach to network capability development used by new ventures? b) What patterns are evident in the two strategy-making processes for network capability?

We begin by describing network capability as a strategy developed in interaction and its importance to the new venture. Two divergent pathways to strategizing for network capability development are put forward, deliberate and emergent. The longitudinal and comparative case study methodology is then presented. The actors-activities-resources (ARA) model is used as a classification scheme to uncover the factors that might constitute the patterns in strategizing for network capability development in both a deliberate or emergent manner. Findings and discussion are primarily based on semi-structured interview in addition to websites, newspaper reports and industry reports which were used to understand the wider context of the industry and to temper the potential bias of relying on the focal firms' perspectives. Conclusions are drawn as are implications for theory and practice.

2. Strategic patterns in the development of new venture network capability

Seminal studies in the strategic management field have focused our attention on capabilities as the foundation for strategy formulation. Capabilities are not inherent, they require development (Tece, Pisano, & Shuen, 1997), are context dependent (Pettigrew, 1997; Zahra, 2007), complex and temporal (Tece et al., 1997; Zollo & Winter, 2002). Network capability is no different. Capabilities have been defined as high level routines (Zollo & Winter, 2002), or patterns of repeated action sequence that represent promising solutions to a particular problem (Tece, 2012). They are most often conceived as 'owned' or as providing competitive advantage to a particular firm. Given that our paper focuses on patterns in strategizing for network capability we depart from, and extend, these studies by examining patterns in interaction between the new venture and their business network. Viewed in this light, strategizing patterns will not reside within the boundary of a single firm. Rather, patterns are dependent on other actors in the network and will emerge in interaction and through experience and learning in business relationships and networks (Håkansson & Snehota, 1989; Håkansson et al., 2009; McGrath & O'Toole, 2013). Hence, how the new venture strategizes for network capability is different in each firm due to context and the pathway that the firm chooses, and may be primarily deliberate or emergent based on firms' preferences towards overt dependence (Johannisson, 1986; Lee & Tsang, 2001) or experiences gained in interaction (Turnbull, Ford, & Cunningham, 1996; Welch & Wilkinson, 2002).

Possessing a level of network capability endows a firm with a strategic ability to (co-) relate to other actors in a network. As it is defined at the level of a capability it is differentially possessed by a particular firm, or by a combination of actors, in interaction with others and it has the potential, if enacted, to affect the performance of the firm (s). Identifying the patterns of strategic behavior as this capability emerges in new ventures, whilst a new avenue for research, builds on prior research work in the area of social network evolution (Ebbers, 2014; Hite, 2003; Zahra, 2010) and on the development of new ties over time (Hallen & Eisenhardt, 2012; Lechner, Dowling, & Welp, 2006; Newbert & Tornikoski, 2013) in two significant ways. In prior

empirical studies, network strategic activity is often seen as something that an individual firm does (Coviello & Joseph, 2012; Hite, 2005; Lee, Lee, & Pennings, 2001) rather than as an activity also given value and changed in interaction. Hence it represents a different approach to strategy formulation (Aabo, Dubois, & Lind, 2012). Secondly, research in network formation mainly takes an assumption that the firm follows an intentional (Hite & Hesterly, 2001; Larson & Starr, 1993; Ozcan & Eisenhardt, 2009) or path dependent approach (Gulati, Nohria, & Zaheer, 2000; Hallen, 2008) to its network development which may interchange as the new venture grows (Vanacker, Manigart, & Meuleman, 2014; Zhang, Souitaris, Soh, & Wong, 2008). We include both approaches from the start by considering strategizing for network capability as evident in the patterns of behavior by the firm in its network of business relationships. A network capability takes some time to build for any new venture, even ones with an initial good set of personal networking contacts as it is learned in interaction with other firms in the network.

Our view of network capability strategizing is consistent with Mintzberg's (1987, 1994) view of the strategy as pattern in the context of the overall strategy of a firm. From an IMP or business network perspective, the scope of strategy has altered "from that of pursuing a victory over others to somehow making it together with customers, suppliers, distributors and development partners" (Ford et al., 1998: 107). While strategic management thinking has focused primarily on the independent organization, the research has informed industrial network thinking in a myriad of ways. These include, but are not limited to, research related network positioning (Baraldi et al., 2007), organizational and network boundaries (Håkansson & Snehota, 1989; Holmen & Pedersen, 2003) and more recently the use of network pictures as a strategizing and sensemaking tool (Colville & Pye, 2010; Corsaro, Ramos, Henneberg, & Naudé, 2011; Ford & Redwood, 2005). We aim to further the work on strategizing from an IMP perspective in examining patterns in how new firms learn to strategize their network capability development in interaction. Our model of the evolving patterns in network capability strategizing is depicted in Fig. 1 and described narratively below.

In examining the two pathways to strategizing for network capability development in interaction, we would expect to see changes in the new ventures network contexts and changing network patterns (see, Fig. 1). The interplay between a new venture and its network contexts is important given that the presence of business relationships is a condition for the existence of any new firm (Snehota, 2011). From a social network perspective, we know that new ventures are created within of set of trusted personal contact networks which are important in mobilizing resources early in new business formation process (Ebbers, 2014; Hoang & Yi, 2015; Jack, Moul, Anderson, & Dodd, 2010). However, this initial set of connections is rarely responsible for the new venture's development over the longer term. As the venture evolves, the challenge in strategizing for network capability is to connect into established business networks with pre-existing activity patterns and resource structures to gain access to a constellation of resources found in a business network context (Håkansson et al., 2009; Johanson & Vahlne, 2011; La Rocca et al., 2013). To grow in network capability might be to see evolving patterns of interactive relationship depth within this wider business network context. Over time, this might happen through repeated and deeper relational interactions or enhanced reputation through becoming 'known' as a key player in the industrial network.

In changing network patterns in strategizing we would expect to see more complexity in new venture resourcing and activities in interaction as the firm evolves. At venture creation, we would see patterns in information and finance acquisition (Davidsson & Honig, 2003), social support (Greve & Salaff, 2003) and the social network acting as an initial sounding board for ideas and opportunities (De Carolis & Saporito, 2006). Over time, network patterns would grow in complexity through experience in interacting in business networks with, for example, customers, distributors and suppliers. Business network relationships may

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