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# Coopetition in a headwind – The interplay of sensemaking, sensegiving, and middle managerial emotional response in cooperative strategic change development

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## ABSTRACT

Coopetition in networks implies the existence of simultaneous cooperation and competition between the same actors. As a paradoxical relationship and strategy, coopetition is assumed to entail tensions for individuals. To date, few studies have approached processes at the individual level underlying cooperative relational and strategy development. In this paper, we apply a sensemaking lens to coopetition in order to unravel how middle managers deal with implementing coopetition, in particular focusing on coping with emotional tensions, and the subsequent effects on strategy and relational development. Based on a case study of coopetition as a strategic change, we offer insights into how managers differently make sense of cooperation, i.e. create a network picture, which emerges in a strategic group. We contribute to network and coopetition research by presenting a framework for understanding changes in cooperative dynamics as stemming from interrelated cognition, action, and outcomes, at top and middle managerial levels across intra- as well as inter-organizational levels.

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## 1. Introduction

Change can be seen as a natural and necessary state for upholding organizational reality (Tsoukas & Chia, 2002). However, approaching change in organizational strategies as imposed from external environments constitutes a contrasting force to stability, and calls for a cognitive perspective on strategy, in particular a sensemaking lens (Gioia & Chittipeddi, 1991). Likewise, network scholars have previously acknowledged that approaching the business environment through a sensemaking lens could significantly improve understandings of the interplay between cognition, action, and outcomes (e.g. Abrahamsen, Henneberg, & Naudé, 2012; Henneberg, Naudé, & Mouzas, 2010; Mattsson, Corsaro, & Ramos, 2015).

Sensemaking focuses on the individual and collective activities of meaning production, which direct action and interaction (e.g. Brown, Colville, & Pye, 2015; Maitlis & Christianson, 2014; Weick, 1995). In network research, the sensemaking lens has to a great extent been employed to understand how managers perceive their network and subsequent inter-organizational relationships. Yet, studies focusing on individual level sensemaking (Henneberg et al., 2010), linking sensemaking with actions, and addressing what sensemaking in networks actually accomplishes in terms of performance, have been sparser (Mattsson et al., 2015).

Even though network theories are grounded in social exchange, scholars in the IMP tradition have approached strategizing in networks. In this manner, the network approach recognizes an economic and strategic dimension to networks, along with the social dimension (Gadde, Huemer, & Håkansson, 2003). Network scholars have therefore also called for the integration of strategic management into the field (Baraldi, Brennan, Harrison, Tunisini, & Zolkiewski, 2007), particularly in terms of a combination of a competitive perspective and sensemaking (Mattsson et al., 2015).

This paper bridges these gaps by focusing on one particular type of inter-organizational relationships, namely coopetition. We consider how sensemaking, actions, and outcomes, are interlinked in a cooperative network. By addressing this particular type of relationships, we integrate a strategic management approach into network research, since the cooperative research field recognizes not only the existence of competition in business relationships (Ford & Håkansson, 2013), but also the simultaneity of both cooperation and competition in the same business relationship (Bengtsson & Kock, 1999, 2000). Thus, coopetition encompasses simultaneous cooperative and competitive interactions between actors at any level of analysis, forming a paradoxical relationship (Bengtsson & Kock, 2014). As a strategy, coopetition consists of “more or less intended cooperative and competitive activities that are consequential for the direction of the intercompetitor relation, and ultimately, for the organization” (Dahl, Kock, & Lundgren-Henriksson, 2016: 96).

The cooperative research field has recently called for a stronger focus on the micro foundations underlying cooperative development and

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outcomes, particularly in terms of cognition, emotions, and behavior across actor levels (Bengtsson & Raza-Ullah, *in press*; Bengtsson, Kock, Lundgren-Henriksson, & Näsholm, *in press*). The inherent assumption of cooperative interactions is the existence of tensions and paradoxes for the individuals involved (e.g. Fernandez, Le Roy, & Gnyawali, 2014; Gnyawali, Madhavan, He, & Bengtsson, 2016; Tidström, 2014), for example, manifested through contradicting emotions (Bengtsson, Raza-Ullah, & Vanyushyn, 2016; Gnyawali et al., 2016; Raza-Ullah, Bengtsson & Kock, 2014). In order to fully understand cooperation outcomes, scholars have stressed the importance of addressing coping with tension from a cognitive as well as multilevel approach (Le Roy & Czaron, 2016; Le Roy & Fernandez, 2015; Park, Srivastava, & Gnyawali, 2014). In addition, few empirical studies have sought an explanation on the balancing of cooperation and competition between organizations (Park et al., 2014) at the individual level (Ingram & Yue, 2008; Näsholm & Bengtsson, 2014), and at least to our knowledge, moved downward to lower levels in the organization to investigate the day-to-day activities and challenges of middle managers in particular. Grounded in these calls, we approach cooperation as a strategic change, with a particular focus on understanding how cooperation is made sense of in terms of generated tensions, as well as given sense of (Gioia & Chittipeddi, 1991) across multiple actor levels (Abrahamsen et al., 2012).

The aim of this paper is consequently to identify interpretative activities at the individual and collective levels following a cooperative strategic change initiative, as well as to explain how these contribute to the development of a cooperation strategy at both intra- and inter-organizational levels. We therefore bridge the identified knowledge gaps in the cooperative research field by approaching the following research questions: How do micro-level interpretative activities contribute to the balancing of cooperative dynamics? What are the associated emotional responses stemming from cooperative strategic change initiative and development, and why do these arise? Accordingly, how and why do managers cope differently with tensions?

We intend to contribute both theoretically and empirically to network research, particularly in the cooperative research stream. The novelty of the study lies in the intersection of sensemaking, strategic change, and cooperation. In this manner, we increase the theoretical understanding of cooperative strategies from the micro-level by establishing a link between emotions and sensemaking processes across inter- and intra-organizational levels, and with strategy and relationship development. We also make a noteworthy contribution to the cooperative tension and paradox discussion, by approaching middle managers' emotions from the sensemaking and strategic change perspectives. Empirically, in this paper, the emotions and interpretative dynamics are illustrated through a case study that follows cooperation from its initiation to the development phase, contributing with in-depth understanding of the link between the origins of implementation issues and resulting inertia, middle managers' coping strategies, as well as the outcomes of cooperative strategy development.

## 2. Theoretical background

### 2.1. Sensemaking in networks

Individuals' mental frames determine how the environment is perceived, through which sensemaking takes place (Weick, 1995). From a strategic management perspective, competitive maps, i.e. perception of who your competitors are, form over time based on social exchange between competitors (Porac, Thomas, Wilson, Paton, & Kanfer, 1995). Adopting a perceptual approach to competition, shared understandings of competition in an industry emerge as managers cognitively group similar organizations together into strategic groups (Porac & Thomas, 1990). Accordingly, the generated competitive maps determine competitive behavior. In the IMP approach, the frames that determine perceptions of relationships and accordingly cooperative behavior are termed network pictures (e.g. Henneberg, Mouzas, & Naudé, 2006).

The IMP approach assumes business relationships are socially embedded, and dynamic constructions that are continuously changing following social interaction (e.g. Håkansson & Snehota, 1995, 2006). As sensemaking is also ongoing (Weick, 1995), network pictures are produced by sensemaking, and constitute the mechanisms through which sensemaking takes place. Adopting a perceptual approach to cooperation, network pictures are individual, yet making sense of networks is grounded in interaction both at the intra- and inter-organizational levels (Mattsson et al., 2015). The previous studies have shown that social interaction at inter-organizational levels (Medlin & Törnroos, 2014) and intra-organizational levels (Mouzas, Henneberg, & Naudé, 2008; see also Leek & Mason, 2010) contributes to shared network pictures. From an individual point of view, sensemaking contributes to identity construction on a network level (Holmen & Pedersen, 2003), and enables managers to understand their own position in the network, as well as their scope of influence (Henneberg et al., 2010). However, lower level employees might have a different view of the network and the relationships therein, than do top managers, based for example on their degree of day-to-day involvement in inter-organizational interactions (Leek & Mason, 2010).

Approaching strategizing in networks, the existence of both cooperation and competition in networks has been acknowledged (Gadde et al., 2003). However, in this paper, we acknowledge the simultaneity of cooperation and competition in the same business relationship, i.e. cooperation (Bengtsson & Kock, 2000). We depart from a competitive background in which social exchange shifts from purely forming perceptions of competition in the industry to also encompass continuous social interaction, forming relationships and emerging cooperation. In this context, the introduction of cooperation implies a revision of the competitive map (Lundgren-Henriksson & Kock, *in press*; Mariani, 2007), and hence we focus on emerging cooperative relationships in a strategic group, i.e. how managers make sense of an emerging network and create as well as enact a network picture.

### 2.2. Cooperation as a business relationship and as a strategy

The concept of cooperation has its roots in two seemingly opposing paradigms, the IMP approach and competitive dynamics, where the former captures the relational dimension of cooperation and the latter the strategic dimension (Bengtsson et al., *in press*). The IMP perspective builds on the assumption that organizations are interconnected through social interaction and exchange in direct and indirect relationships, forming dynamic networks (e.g. Håkansson & Johanson, 1992; Håkansson & Ford, 2002; Håkansson & Snehota, 2006). The competitive paradigm largely draws on the resource-based view, assuming that competitive advantage is generated based on an organization's position in the markets, as well as their ability to combine and leverage resources in an optimal manner (e.g. Barney, 1991).

Traditionally, it has been assumed that organizations cooperate with some actors in their network while competing with others (Brandenburger & Nalebuff, 1996). It has, however, been acknowledged that social embeddedness in networks must be combined with an economic dimension, such as resource extraction and organizational leverage (Gnyawali & Madhavan, 2001), and hence the simultaneity of cooperation and competition in the same relationships must be acknowledged. Bengtsson and Kock (1999, 2000) for example underline the existence of social exchange in relationships with competitors in an organization's network. In terms of cooperation, organizations are therefore assumed to combine cooperation and competition to benefit from the simultaneity: through inter-organizational cooperation resources are accessed, and combined at the intra-organizational level, hence competition enables continuous stimulation and improvement (Bengtsson, Eriksson, & Wincet, 2010; Gnyawali & Park, 2009, 2011). In other words, value creation takes place through inter-competitor cooperation, and value capture through individual competition (e.g. Bengtsson & Kock, 2000; Ritala & Tidström, 2014). Bengtsson et al.

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