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A sensemaking perspective on coepetition

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ABSTRACT

This study approaches coepetition as a strategic change and aims to bridge the gaps in micro level cognition and strategy by exploring how a coepetitive frame is constructed, as well as how individual level differences in this creation can be explained. The empirical case study findings contribute to existing coepetitive research by showing that individuals differ in their ability to create future accounts of engagement in strategic activities, as well as in modifying established frameworks of competition to fit an emerging coepetitive frame. Based on the case study findings, a model of sensemaking is presented, which indicates the influence of attitudes and expectations over time on the development of a coepetitive frame. Managers that were unable to update their expectations from the past accordingly struggled in their sensemaking, whereas the interpretative process was aided by optimism and high expectations of the future. A key contribution of the empirical study lies in the focus on sensemaking differences that sheds light on the complexities inherent in coepetitive strategizing.

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1. Introduction

The business network approach has over the years shown an interest in managerial sensemaking and network pictures to understand how managers approach and interpret their environment (e.g. Abrahamsen, Henneberg, & Naudé, 2012; Colville & Pye, 2010; Mattsson, Corsaro, & Ramos, 2015). From a strategic point of view, bringing a cognitive perspective to strategy recognizes the role of individual level mental frames in determining strategy developments and outcomes (e.g. Balogun & Johnson, 2004, 2005; Bartunek, Rousseau, Rudolph, & DePalma, 2006; Kaplan, 2011; Narayanan, Zane, & Kemmerer, 2011; Stensaker & Falkenberg, 2007).

When faced with a strategic change or implementation of strategies, organizational members engage in sensemaking to create a meaningful interpretation (Gioia & Chittipeddi, 1991; Gioia & Thomas, 1996), as well as shared cognitive frames of a new reality (Daft & Weick, 1984; Weick, 1995). The new reality might be, for example, a coepetition strategy, defined as the simultaneous existence of cooperative and competitive interactions between two or more actors, forming a paradoxical relationship (Bengtsson & Kock, 2014; Bengtsson, Eriksson, & Wincent, 2010). In fact, the benefits of the simultaneity of mutual cooperation and individual competition between actors have also been portrayed as the cause of experienced contradictions and tensions for the individuals involved in the strategy (e.g. Dahl, 2014; Kylänen & Rusko, 2011; Raza-Ullah, Bengtsson, & Kock, 2014). This complexity has accordingly been argued to require the development of new cognitive frames on

the part of managers in particular (e.g. Mariani, 2007; Padula & Dagnino, 2007; Ritala, Hurmelinna-Laukkanen, & Blomqvist, 2009).

To approach the paradox of coepetition, the coepetitive research field has during recent years seen an increased interest in the individual level and the cognitive dimension (Bengtsson, Raza-Ullah, & Vanyushyn, 2016; Gnyawali, Madhavan, He, & Bengtsson, 2016; Le Roy & Fernandez, 2015). This interest has for example been manifested in a focus on managing tensions (Bengtsson et al., 2016; Fernandez, Le Roy, & Gnyawali, 2014; Tidström, 2014), on individual level emotions (Raza-Ullah et al., 2014), on identity (Näsholm & Bengtsson, 2014), as well as to some extent on individual level sensemaking processes (Enberg, 2012). Despite these interests, we are to date lacking an in-depth assessment of the interpretative activities taking place in a coepetition strategy (Bengtsson & Kock, 2014; Dahl, Kock, & Lundgren-Henriksson, 2016), and consequently how a coepetitive frame is constructed.

The aim of this study is to scrutinize how managers make sense of their engagement in a coepetition strategy. In addition to the knowledge gap concerning coepetition and cognition, the coepetitive research field has been argued to benefit from the adoption of a micro level lens on strategy (Bouncken, Gast, Kraus, & Bogers, 2015; Gnyawali et al., 2016), particularly from a strategy-as-practice perspective (Bengtsson & Kock, 2014; Dahl et al., 2016). From a strategy-as-practice approach, the creation and development of strategies takes place through interconnected situated actions and interactions between individuals, influenced by shared views on legitimate behavior (e.g. Jarzabkowski, 2004; Jarzabkowski, Balogun, & Seidl, 2007; Seidl & Whittington, 2014; Whittington, 2006).

We approach coepetition as a strategic change, indicating a reframing of established ways of thinking and acting for organizational members (Balogun & Johnson, 2004, 2005; Maitlis & Christianson, 2014;

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Maitlis & Sonenshein, 2010). In particular, we delve deeper into how a cooperative frame is developed through matching this new frame with established competitive frameworks, sustained through past actions and interactions. Influenced by the sensemaking view, we further define and explain individual level differences in this creation, as well as factors influencing the process (Stensaker & Falkenberg, 2007; Weick, 1995). We consequently bridge the gaps in individual level cognition and participation in strategy in terms of cooperation, by combining the sensemaking and strategy-as-practice approaches.

The study displays findings that extend our knowledge of cooperation from a cognitive and strategic point of view. We particularly contribute to the field by introducing sensemaking as a new perspective on cooperation strategy research, which serves as a tool in explaining individual level differences in the ability to create and adhere to a cooperative frame. Combining the sensemaking and strategy-as-practice approaches, we consequently demonstrate the value of approaching the creation and development of cooperative strategies as dependent on individuals' continuous sensemaking processes. We also make an empirical contribution by examining the early stage of a cooperation strategy in the media industry, when a cooperative frame is being created. Given the early stage, we particularly focus on the perceived underlying motives for managers' engagement in the strategy (Czakon & Rogalski, 2013), as well as the expectations of the future.

The study proceeds as follows. The theoretical framework is presented below, followed by the case study description where the analytical method is accounted for. A presentation of the findings follows, and the study ends with a discussion of the findings, conclusions, and suggestions for further research.

2. Theoretical background

We argue in line with previous scholars that cooperation requires individuals to develop a new frame. We suggest that cooperation can be approached as a strategic change that consequently triggers sensemaking processes, in order to reach a shared understanding that enables actions and interactions (Weick, 1995; Weick, Sutcliffe, & Obstfeld, 2005), both at the intra- and inter-organizational levels. We refer to sensemaking as ongoing interpretative processes through which individuals assign meaning to events, situations, and experiences, which are unknown and ambiguous (e.g. Maitlis & Christianson, 2014; Maitlis & Sonenshein, 2010; Weick, 1995).

2.1. Approaching cooperation as a strategic change

Frames can be defined as general frameworks through which managers see and interpret the environment (e.g. Fiol & Huff, 1992; Goffman, 1986/1974; Porac & Thomas, 1990). At a collective level, continuous interaction between individuals over time contributes to shared organizational understandings, upon which individuals draw when interpreting events (Daft & Weick, 1984; Weick, 1995), and engaging in interactions (Weick et al., 2005). Likewise, at the industry level, interactions between competitors have been argued to shape perceptions of competition (e.g. Baldwin & Bengtsson, 2004; Easton & Araujo, 1992; Ford & Håkansson, 2013; Porac, Thomas, Wilson, Paton, & Kanfer, 1995).

We approach cooperation as the simultaneous existence of cooperation and competition between individuals that are members of three different organizations (see Fig. 1). The existence of competition is approached in terms of individual cognition (Bengtsson & Kock, 1999; Bengtsson et al., 2010; Tidström, 2009) rather than solely based on structural characteristics at the industry level (Chen, 1996; Gnyawali & Madhavan, 2001).

Individuals' competitive frames might be shared and specific to organizations (Bogner & Barr, 2000), but also influenced by shared views on competition within a strategic group at the industry level (Porac & Thomas, 1990; Porac et al., 1995). We therefore extend in our reasoning the collective level of shared interpretations beyond the

organizational boundaries into the industry (see dotted lines in Fig. 1). Consequently, the competitive frames individuals have acquired and apply to cooperation could be assumed to incorporate shared industry frameworks of competition, but also perceptions of competition specific to particular inter-organizational relationships (Bengtsson & Kock, 1999), as well as organizations.

Previous advancements in the cooperative research field show that cooperation might form due to changes in an industry (Gnyawali & Park, 2009) and in competition (Baldwin & Bengtsson, 2004; Luo, 2007). Strategic changes are often associated with environmental threats or opportunities (Gioia & Chittipeddi, 1991), contributing with a "substantial shift in overall priorities and goals to reflect new emphases or direction" (Gioia, Thomas, Clark, & Chittipeddi, 1994: 364). The sensemaking literature has noted that especially in times of strategic change, individuals engage both individually and collectively in cycles of interpretation, in order to work out the new reality and accomplish a shift in established frames (e.g. Balogun & Johnson, 2004, 2005; Gioia & Chittipeddi, 1991; Gioia et al., 1994).

As we illustrate in Fig. 1, when cooperation is approached as a strategic change, the established competitive frames (Mariani, 2007) at the individual and collective levels must be redefined. This reasoning is grounded in the assumption that ambiguity arises due to incompatibility between established legitimate ways of acting and the new reality cooperation presents. Drawing on Baldwin and Bengtsson (2004), the strategic change is also assumed to be associated with different emotions when making sense of changing competition. Below we extend our discussion on cooperation and sensemaking in the context of strategic change.

2.2. The role of sensemaking in strategic change

Sensemaking becomes a crucial process in the creation of new mental frameworks (Hill & Levenhagen, 1995). Scholars in the sensemaking field have noted a number of characteristics, as well as influencing factors on the process (Maitlis & Christianson, 2014; Sandberg & Tsoukas, 2015; Weick, 1995). One shared view is that when faced with uncertainty, individuals are assumed to draw on earlier patterns of actions, as well as similar events in the past, in order to act and interact (Tsoukas & Chia, 2002; Weick, 1995; Weick et al., 2005).

While sensemaking is thus a retrospective process, it also incorporates expectations and beliefs about the future (e.g. Gioia & Chittipeddi, 1991; Gioia, Corley, & Fabbri, 2002; Sonenshein, 2007). In arguing that attitudes and expectations play a crucial role in how individuals frame cooperation, as well as create meaning for future participation, we draw on previous insights on the link between emotions (Loch, Galunic, & Schneider, 2006; Raza-Ullah et al., 2014), as well as individuals' interpretations of past cooperative experiences (Dahl, 2014; Gnyawali & Park, 2011; Mariani, 2007; Tidström, 2009; Tidström & Hagberg-Andersson, 2012), and engagement in cooperation. This reasoning is further grounded in the assumption that affective elements, such as emotions and expectations, have a significant influence on sensemaking (Bartunek et al., 2006; Maitlis & Sonenshein, 2010; Maitlis, Vogus, & Lawrence, 2013; Sonenshein, 2007; Weick et al., 2005).

Another common view in the sensemaking tradition is that identity (e.g. Creed, Scully, & Austin, 2002; Maitlis & Sonenshein, 2010; Sandberg & Tsoukas, 2015), as well as social interaction (Maitlis, 2005; Weick, 1995), become important influencing factors on sensemaking. When it comes to strategic change, individuals have been argued to engage in social activities related to influencing and shaping others' views of reality to their own, ranging from expressing an opinion in discussions to calling a meeting (Maitlis & Lawrence, 2007). These activities are assembled under the label of sensegiving (Gioia & Chittipeddi, 1991; Maitlis, 2005).

We thus propose that a sensemaking perspective on cooperation can capture how actors motivate their engagement in the strategy (Gioia &

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