



Beyond network pictures: Situational strategizing in network context



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ABSTRACT

The present study combines industrial marketing and purchasing research on network pictures with a practice perspective of strategy research to examine strategizing by small firm managers in a network context. Network pictures are framed to function as a part of a situational mechanism of strategy formation, a dynamic process of emergence at the intersection of cognitive interpretation and network-embedded acting. The situational mechanism is presented and the theoretical framework further elaborated through a case study of three small software firms. As a result, the situational mechanism of strategy formation is discussed in relation to how small firm managers make sense of change in industrial networks and reflect it in the strategic activities of their firms.

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1. Introduction

Strategizing in network context is about making choices concerning relationships and networking, and strategic change implies major changes in these relationships (Mattsson, 1988). Strategy formation is a combination of deliberate and emergent sides of strategy: a combination of management activities whose objectives are to cause changes, and that are reactions to the changes in the relationships (Håkansson & Snehota, 1995; Mintzberg, Ahlstrand, & Lampel, 1998). As these activities are part of the everyday lives of the firms embedded in network context, a key determinant in strategizing is the way managers, through enactment, make sense of their network surroundings, actions and interactions (see Weick, 1979). Strategizing, therefore, is a question of individual cognitions and the historical and situational grounds for strategic activities in an ongoing process.

There has been an increasing interest towards influence of managerial cognitions, called even a “cognitive turn” within industrial marketing research during recent years (Geiger & Finch, 2010). Network pictures have risen as one of the most popular themes (Corsaro, Ramos, Henneberg, & Naudé, 2011; Geiger & Finch, 2010; Henneberg, Mouzas, & Naudé, 2006; Henneberg, Naudé, & Mouzas, 2010; Kragh & Andersen, 2009; Leek & Mason, 2009; Mouzas, Henneberg, & Naudé, 2008; Ramos & Ford, 2010, 2011; Ramos, Henneberg, & Naudé, 2012) that promise to provide the needed linkage from network context to a company's strategy (Ford, McDowell, & Tomkins, 1998). The concept

of network pictures refers to the managers' mental representations of the contexts, capturing actors' views of their surroundings and the underlying subjective logic for managerial action (Henneberg et al., 2006). However, extant literature has to a large extent treated the concept of network pictures as decoupled from strategizing and the empirical evidence on the relationship between actors' network pictures and action is limited (Corsaro et al., 2011). The present study focuses on what it is that small firm managers *see* of their network context and how this is related to what they *do*.

The limited knowledge on strategizing might be due to the fact that network pictures as snapshot-like representations of dynamic network context are not dynamic as themselves (Henneberg et al., 2006). The dynamism comes through the sense-making as an enacted cognitive process in which the network picture as a cognitive frame is embedded. If we wish to understand and explain the strategic actions taken by individual strategists, we must be able to see beyond the network pictures: in what kind of context, as a part of what kind of mechanisms do the pictures operate? Similarly as we cannot understand the cause–effect relationship between sand and traction without knowing whether there is ice or not (George & Bennett, 2005, 145–6), we cannot explain the effect of network pictures on strategic action without knowledge of the other conditions — and of the mechanism that produces the outcome.

The present study focuses on this entwining of network pictures and strategic action in strategy formation. The research question then is how network picture affects strategizing, and how strategic action in turn affects network picture. We use research on network pictures and sense-making to depict the linking of the strategist's cognition and strategizing embedded in the context of industrial networks. Methodologically, this study represents process research (see Pettigrew, 1997; Whittington, 2007) and builds on mechanism-based explanation (Sayer, 1992). Through in-depth study of the developments over time in

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three industrial firms, we establish the relationship between network pictures and strategic action within the process of strategy formation. In the end, we model the operation of network pictures in strategizing as a social situational mechanism (see Coleman, 1986) of strategy formation in industrial markets.

The contribution of the present study arises, first, from the conceptualization of the situational mechanism of network-embedded strategy formation that connects managerial cognition, represented by network pictures, and managerial action, represented by strategizing activities. Second, under the situational mechanism, the business network has an effect on the organization through a manager's process of perception and action. We define "strategy picture" and "network picture" as the situational cognitive structures in interpretation of situational factors and organizing situational knowledge by the managers, and "strategic way-of-thinking" and "network way-of-thinking" as the antecedent, higher-level constructs of beliefs and attitudes behind these pictures (cf. Henneberg et al., 2006). Third, we characterize the complex interplay of cognitive interpretation and strategic action as intermediated by the activity of network visioning.

In what follows, in Section 2 the conceptual framework of the study is built. In Section 3 the process methodology and the idea of mechanisms are discussed and the empirical research design is presented. Section 4 presents the results of the data analysis and the identified situational mechanism of strategy formation. Section 5 presents a discussion of the results, and Section 6 concludes with the contribution and suggestions for future research.

2. Network pictures in strategy formation process

Antedating the recent focus on actors' network pictures (Henneberg et al., 2006; Leek & Mason, 2009; Ramos & Ford, 2010; Ramos et al., 2012), certain concepts within the business network literature referred to the cognitive aspects of networking activity. Johanson and Mattsson's (1992) "network theory" is seen as the first attempt to describe network characteristics as perceived by managers in the form of their theories-in-use about the characteristics of the relevant business network (Henneberg et al., 2010) – that is, what the network is like and how it works. Anderson, Håkansson, and Johanson (1994), in turn, used the concept of network horizon to discuss the scope of an actor's network view – i.e., how far one can see and how wide the network visible for the viewer is.

The more recently coined concept of network pictures builds on two lines of research: cognitive maps, and organizational sense-making. The one that is based on theory on cognitive maps focuses on how maps can be constructed and used for decision-making (Eden, 1988; Eden & Ackermann, 2004). In relation to this, there has also been specific interest in using network pictures primarily as a research tool (Henneberg et al., 2006; Ramos & Ford, 2010). The approach has taken the idea of cognitive mapping from strategic management literature as a method of capturing managers' perceptions of a firm's environment (Fiol & Huff, 1992) with pictorial representations of the network structures drawn by either the researchers (e.g., Holmen, Aune, & Pedersen, 2013) or the managers (e.g., Leek & Mason, 2009). This line of research aims at a more objectified notion of network pictures, as illustrated by, for example, the concepts of network insight by Mouzas et al. (2008) that refers to a collectively defined view on the network. The other line of research is based on organizational sense-making perspective (Weick, 1995; see, e.g. Colville & Pye, 2010; Harrison & Kjellberg, 2009; Neill, McKee, & Rose, 2007), which is a particular management field concerned with how people author and interpret situations. The present study builds on this view, in particular.

2.1. Network pictures within the organizational sense-making perspective

According to Weick (1995), sense-making can be described as a process in which "groups and individuals socially construct meaning of an

ongoing flow of experience". Individuals create meaning of the situations at hand, although retrospectively, by constructing a relation between the past moments of socialization (frames) and present moments of experience (cues). A person notices information, or 'extracts cues' which he/she then relates to the past experiences forming frames and categories.

Henneberg et al. (2006) present network pictures to be taken literally for what they are, situational, pictorial snapshots of the inherently dynamic network context. These network pictures form the basis for networking activities (Ford, Gadde, Håkansson, & Snehota, 2003). Sense-making not only entails an individual's interpretation, involving the fitting of information and accommodating new experiences into some cognitive structures for understanding and action but also concerns the ways in which people generate what they subsequently interpret (Daft & Weick, 1984; Thomas, Clark, & Gioia, 1993). This study builds on the sense-making line of research and sees network pictures as both the outcomes of sense-making, and sense-making devices: They help managers to understand their own positions, as well as their available options for change (Henneberg et al., 2010). Network pictures frame decision-making and also affect networking activities, that is, the managerial actions taken to position a company within a network (Ford et al., 2003).

However, the link between managerial cognition and managerial behavior in the sense-making process of the managers might not be a straightforward one. According to Smirchich and Stubbart (1985), strategic decisions are enactments of individuals' belief systems or attitude formations that are the antecedents of network pictures (cf. Henneberg et al., 2006). This interpretation presumes that the network pictures, although representing only a part of the whole structure, have been used as a metaphor for the higher-level constructs of beliefs and attitudes that have directional behavioral repercussions (Henneberg et al., 2006). Hence, one must take also these antecedents into consideration.

2.2. Strategy in network context

In a network context, strategies emerge in a process of change, with several intertwining elements developing simultaneously in the network and in the related perceptions of the managers (Håkansson & Snehota, 1995; Möller & Halinen, 1999). When Ford et al. (2003) suggest network pictures to be about choices within the existing relationships (choices about positions, choices about alternatives, and choices about how to network), they connect network pictures with strategizing, i.e. activities and practices that focus on finding, creating, and exploiting strategic choice (Ford et al., 2003; Mintzberg et al., 1998). Through strategic choice, the antecedents of network pictures provide the context and conditions for the network pictures to be used as meaning-creating devices and decision-making tools. This way, network pictures do represent an important aspect of a firm's strategy and strategizing activities (Ford et al., 1998, 2003; Gadde, Huemer, & Håkansson, 2003; Henneberg et al., 2006; Holmen & Pedersen, 2003; Möller & Halinen, 1999; Tikkanen & Halinen, 2003), but can be understood only in the context provided by the beliefs and attitudes as these have an effect on the perceived option set in the first place.

Ford et al. (2003, cf. Smirchich & Stubbart, 1985) discuss the enactments of individual's belief systems. Network pictures are about choices when understood within wider belief systems – for instance, beliefs about what is possible and what is not. According to Henneberg et al. (2006), choice is about the perceived set of options, within the limits of expectations, and it is shaped by the framework of the network pictures (Spender & Eden, 1998; Weick, 1979). Network pictures also constitute a choice in themselves: "a choice of what the network actor wants to believe" (Henneberg et al., 2006). This way, network pictures both cause change and inhibit change: As mental models of the situation at hand, they have an effect on the way opportunities are perceived and actions are taken, which again affects these mental models (cf. Hodgkinson, 1997; Porac, Thomas, & Baden-Fuller, 1989;

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