



Sense-making in business markets – the interplay between cognition, action and outcomes



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ABSTRACT

Business markets are characterized by interdependences between business actors. How these actors make sense of such interdependencies is a matter of both theoretical and practical importance. Research on cognitive foundations for competition in business markets, based on organization and strategic management, has evolved considerably since the 1980s. Also, researchers on business markets that are based on marketing and adopt a network perspective, have become increasingly interested in cognition and sense-making over the last two decades. The concepts *network pictures* and *network understanding* have been in focus for this research, which has resulted in a demand for improved clarity of the interplay between cognition, action and outcome, as well as for a stronger integration between parallel research developments from related disciplines and research approaches. A better understanding of how individual and collective views are developed is also required. This Special Issue, originated in the network perspective of business markets, is aimed to address these issues.

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1. Introduction

Researchers drawing on a network perspective on markets, and who were interested in understanding the role of cognitions for business behavior, started by investigating managers' individual cognitions. Later, they began to look into how collective cognition emerges in interaction in business networks, and what consequences it generates. The concepts *network pictures* and *network understanding* were developed and used in the emerging research on business markets. Despite theoretical and empirical progress, there is still no consensus however on how sense-making is formed through interaction and how collective views are achieved. Moreover, so far the focus has been essentially on cognition, and not on its interplay with action and outcome.

During this research process, concepts and findings from other streams of research, especially those reported in organizational cognitive science and cognitive strategic management literature, have been adopted and applied to business market studies. Specific business market phenomena are focused by scholars in several research traditions, but mostly in parallel and with little overlap, and there is limited integration between conceptual frameworks and consideration of research results, as we can judge when comparing reference lists.

In the following sections, we will first provide a short overview of research on sense-making in business markets, then present the impetus for this Special Issue (SI), and finally discuss the contributions of this SI and comment on directions for further research.

2. Sense-making in business markets

Sense-making has its origins in cognitive science and sociology, and it is an interdisciplinary field of research. Sense-making includes two main aspects (Weick, 1995): 1) the process of sense-making, and 2) the outcome of that process. The process of sense-making is about how individuals, drawing on their past experiences and access to information, try to structure and give meaning to the unknown by forming individual *cognitive structures*, or frameworks which will then guide individual behavior. These frameworks, which are the outcome of the sense-making process, correspond to what researchers in business marketing identify as *network pictures* (Ford et al., 2003). Analyzing and rationalizing past events corresponds to a process of organizational learning and once the resulting frameworks are formulated into norms, they will guide individuals' behavior in intra- and inter-organizational settings (Weick, 1979, 1995), thus affecting present and future actions and resulting outcomes. As a consequence, sense-making is a process that relates cognition, action and outcome.

Different streams of research can be found in the literature to study business markets. That will have effect on how sense-making issues are approached. Some market perspectives are competition oriented, linked

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to organization and strategy frameworks (e.g. Hodgkinson, 2005; Porac, Thomas, & Baden-Fuller, 1989). The evolution of research in this perspective is the focus of the article by Gerard Hodgkinson in this SI. Others are oriented towards complementarities in networks of interdependent actors and linked to inter-organizational and marketing studies (e.g. Axelsson & Easton, 1992; Håkansson et al., 2009; Turnbull, Ford, & Cunningham, 1996). Marketing researchers' interest in sense-making in business markets began with the understanding that business networks and dyadic relationships in networks do not exist independently, neither are they objectively given. They are instead the product of subjective interpretations by those involved (Anderson, Håkansson, & Johanson, 1994; Ford et al., 2003; Håkansson & Snehota, 1995; Mattsson, 1985, 1987).

Drawing on sense-making theory (Berger & Luckmann, 1966; Bougon, Weick, & Binkhorst, 1977; Weick, 1979), scholars who investigate business markets asserted that organizational actors are expected to (un)consciously develop frameworks or cognitive structures conceptualized as *network pictures* (Ford et al., 2003) that will help them to deal with the complexity of the context in which they are immersed, and guide (and be guided by) their actions and subsequent outcomes (Colville, Brown, & Pye, 2012; Colville, Hennestad, & Thoner, 2013; Ford et al., 2003). This reflects the *performative effect* of cognition (i.e., business actors' ideas or theories about the business landscape) in their business practices and market processes (Kjellberg & Helgesson, 2006; Mattsson, 2005).

Several other concepts in the business network literature refer to the general notion of *network pictures*, such as *network theories* (Johanson & Mattsson, 1992), *network horizon* (Anderson, Håkansson & Johanson, 1994; Holmen & Pedersen, 2003), *ideas or schemata* (Welch & Wilkinson, 2002), *network maps* (Borders, Johnston, & Rigdon, 2001), and *network insights* (Mouzas, Henneberg, & Naudé, 2008). The basic idea is that actors need to develop and use cognitive frameworks to select, process and interpret relevant information as a base for decisions and actions (Daft & Weick, 1984; Gioia & Chittipeddi, 1991). Therefore, and in line with information processing and strategic management theory, interactions in business markets are seen as directed by the result from the interpretation of the selected information.

Contemporary challenges for managers to make sense of business markets are growing due to intertwined socio-techno-economic trends such as globalization, technological complexity, economic and political crises, and the emergence of complex forms of relationships and networks (Ford & Mouzas, 2010; Möller, 2010). These trends towards complexity, uncertainty, and to an ever-changing environment, make it more challenging for managers to develop sense-making capabilities (Möller, 2010; Neill, McKee, & Rose, 2007). This happens as a result of there being limited information, time, and processing capacity, with information gathering and analytical cognitive elaboration becoming less relevant in favor of observing how decisions made follow a limited set of clues resulting from observable reactions to their own actions (Porac et al., 1995; Weick, 1995).

There have been substantial developments in terms of research in this area over the last two decades. One decade after Johanson & Mattsson (1992) suggested the concept *network theories*, Ford et al. (2003) introduced the model of managing in networks, which presented the notion of *network pictures* and the importance of actors' subjective view of the surrounding network to understand networking actions and outcomes. Since then, a substantial amount of research can be found on the topic with specific focus on different, related themes.

Several papers can be found on the conceptualization and operationalization of network pictures (e.g. Colville & Pye, 2010; Henneberg, Mouzas, & Naudé, 2006; Holmen & Pedersen, 2003; Purchase, Lowe, & Ellis, 2010; Ramos & Ford, 2011; Welch & Wilkinson, 2002), and on the exploration of the different meanings that the concept may adopt (e.g. Geiger & Finch, 2010; Ramos, Henneberg, & Naudé, 2012). The identification of key factors

conditioning the characteristics of individuals' views of their surroundings has also been investigated (Ramos, 2008; Tonge, 2010).

Taking the discussion forward, Neill et al. (2007), Mouzas et al. (2008), Purchase et al. (2010), and Medlin & Törnroos (2014), study the dynamic social and intra- or inter-organizational processes through which network views are formed. There has also been considerable interest in the extent of overlapping between the developed frameworks as well as in the consequences that commonality between actors, space, and time, may have over activities in the business network (e.g. Corsaro & Snehota, 2011; Forkmann et al., 2012; Kragh & Andersen, 2009; Leek & Mason, 2009, 2010; Ramos, 2008; Ramos & Ford, 2014; Reid, Brentani, & Kleinschmidt, 2014). Ellis & Hopkinson (2010), Powell & Swart (2010), and Öberg, Henneberg, & Mouzas (2012), explored how cognition in business networks can be captured, using for example existing organizational artifacts or adopted language (i.e. discourse analysis). Different methodologies have also been suggested in the literature to grasp actors' views of their surrounding (e.g. Abrahamsen, Henneberg, & Naudé, 2012a; Henneberg et al., 2006; Ramos & Ford, 2011), such as pictorial representations or dotgrams. Moreover, empirical studies show how network pictures can be a useful tool in helping managers to manage business relationships (e.g. Corsaro, 2014; Holmen, Aune, & Pedersen, 2013; Mandják, Simon, & Szalkai, 2011; Möller, 2010).

Some effort has also been devoted to further understand and empirically show the interaction between cognition, action and outcomes (e.g., Corsaro & Snehota, 2010; Corsaro et al., 2011; Diaz Ruiz & Kowalkowski, 2014; Ford & Redwood, 2005; Guercini et al., 2014; Harrison, Holmen, & Pedersen, 2010; Harrison & Kjellberg, 2010; Holmen et al., 2013; Neill et al., 2007; Öberg, Henneberg, & Mouzas, 2007; Roseira, Brito, & Ford, 2013; Schepis, Purchase, & Ellis, 2014; Storbacka & Nenonen, 2011; Vanharanta & Easton, 2010). This research has often concerned change in business networks: research shows how actors' worldviews condition their networking choices and network outcomes, and consequently the way networks evolve over time, subsequently leading to changes in actors' cognitive frameworks. (e.g. Abrahamsen, Henneberg, & Naude, 2012b; Chakrabarti, Ramos, & Henneberg, 2013; Corsaro & Snehota, 2012; Ford & Redwood, 2005; Öberg et al., 2007).

It is evident that the interest in cognition and sense-making applied to business markets in a network perspective has increased noticeably over the last 15 years, also generating a lively debate and sometimes a certain disorientation about the use of different conceptual categories, as explained in the next section. With reference to Hodgkinson's article in this issue, it is evident that also the parallel competition focused research stream on business markets has developed substantially and opened up for similar further research needs. However, there are areas that require further clarification, theoretical development and empirical support.

3. Impetus for this special issue

Such a large number of contributions provided in a short time period has enriched the existing knowledge on sense-making in business markets. However, it has also generated some confusion in the literature, and the lack of an integrated and widely accepted view on the subject. An important contribution was provided by the 2010 IMM Special Issue on Cognition in Business Networks, edited by Stephan Henneberg, Peter Naudé and Stefanos Mouzas. The papers were not so much about the impact of sense-making on managing and strategizing in networks, but on developing the network pictures concept and on the actual cognition-related activities. The editors set a research agenda, including six types of issues on the topic of sense-making and management in business networks: individual sense-making, sense-making and the relationship with networking, sense-making as interaction, artifacts of sense-making, researching sense-making, managerial implications of cognition and sense-making. The issues in this research agenda were related to three areas in the literature that we found in need of further

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