

Early stage network engagement strategies in the network capability development of new ventures

Abstract

New ventures have strong strategic impetus for engaging with networks to overcome their classic limitations of being small and new. This paper identifies the early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability. Early stage new venture engagement strategies are the initial experimental postures new ventures use to activate their business-to-business networks. Strategizing and new venture contexts are relatively new streams of research for IMP. Our qualitative study based on twenty-four new ventures in Ireland, Belgium and the USA identifies five early stage network engagement strategies adding to this largely emerging field: (1) Co-branding/Co-promoting, (2) Social media platforming (3) From maker to adapter, (4) Business-to-business referrals and (5) Network role. 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.

Introduction

The aim of this paper is to identify the early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability. Network capability is defined as a strategy as an ability to initiate, maintain and use external relationships and networks (Walter, Auer & Ritter, 2006; McGrath, O'Toole, Marino, Sutton-Brady, 2017). New ventures have strong strategic impetus for engaging with networks to overcome their classic limitations of being small and new (Semrau and Werner, 2014). The new venture literature views this strategic rationale as one of opportunity refinement and resource access (Ebbers, 2014). Capability development is strategic, complex, uncertain and takes time (Haeussler, Patzelt and Zahra, 2012). Network capability development has a further layer of complexity as it is developed and fine-tuned in interaction with business partners. We know that while all firms are born within a trusted social network (Honig and Yi, 2015), new ventures need to move beyond their initial social network and engage more strategically with a broader business network of relationships, consider resources acquisition needs, and invest time on network engagement (Hallen and Eisenhardt, 2012; La Rocca et al., 2013; Semrau and Werner, 2014). How new ventures engage in this manner remains moot in the existing literature. Using the micro-brewing industry in Ireland, Belgium and the USA as an empirical base, we aim to bridge this gap to identify the early or initial engagement strategies in network capability development that precede their more established post-experiential position on their way to becoming relationally embedded in their network.

Strategic new venture resource access and opportunity refinement in networks have been subject to much research in a variety of literature streams (see, for example, developmental process of entrepreneurial networks (Larson and Starr, 1993), strength of ties at a network structure level (Coviello, 2006), and dyadic opportunity creation through initial social connections (Ebbers, 2014). This is paralleled in the IMP cannon with an added emphasis on the network context in which the venture operates. The IMP approach is relatively recent in its application to new ventures networks (Ciabuschi et al., 2012; McGrath et al., 2017) which

have been traditionally assessed using theoretical perspectives such as resource dependency and social capital. The addition of the IMP insights to new venture research is that all businesses are, to a degree, evolving and developing in interaction with each other. This theoretical assumption is more profound than the new venture simply learning in interaction.

Early stage new venture engagement strategies are the initial experimental postures new ventures use to activate their business-to-business networks. This network engagement becomes a strategy through repetition even in the absence of a planned approach to networks which often characterises the new venture intent on survival and focused on the operational business aspects of same (O'Donnell, 2004). Early stage network engagement strategies are likely to be conditioned by the interaction experience of the new venture with other business-to-business actors and by their motivation to activate networks ties which might vary depending on whether the firm has a preference for retaining its relative independence or interdependence. Positive or negative interaction experience may temper a more active or reactive engagement response (Turnbull, Ford, & Cunningham, 1996; Welch & Wilkinson, 2002). New venture engagement strategies are unlikely to mirror those of a larger venture due to its relative network position vis-à-vis other actors but, more likely, due to the intuitive, action oriented way nascent ventures engage in business decision making (Harrison and Leitch, 2005).

Few new ventures start in a network position that is ultimately favorable to positioning the business for growth. Network capability developed in interaction involves engagement with other actors whom may initially be neutral on such engagement as the new venture has unknown capability in its network. Our contribution rests in identifying early new venture network engagement strategies in network capability development taking an interaction lens (Håkansson and Snehota, 1995; Håkansson et al., 2009). Business network research taking an interaction lens in a new firm context is a rare, but emerging field of research (La Rocca et al., 2013; Ciabuschi et al., 2012). Identifying engagement strategies will add to this literature illustrating the initial strategies to position the firm in their business-to-business networks. Our study also responds to a call for increased research addressing capability development in a new firm context (Autio et al., 2011; Zahra et al., 2006) and for research to take a more interactive perspective on entrepreneurial or new venture processes (Shepherd, 2015; Snehota, 2011). New venture network capability development involves an interactive engagement assumption (Shepherd, 2015) whose complexity cannot be underestimated (McGrath et al., 2017). In practice, identifying new venture network engagement strategies is invaluable for new ventures as it has the potential to relieve some of the resource/time pressure on them by providing them with strategic routes to acquire key resources through their existing and potential network ties.

To research early network engagement strategy process we first review literature on network capability and new venture network strategizing, employing a business or industrial network perspective (Håkansson and Snehota, 1995; Håkansson et al., 2009). Three key network engagement process (awareness, information search/share and joint problem solving) are put forward and how they vary in intensity for the new venture. Using a qualitative case study methodology and analysis we identify five early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability. Findings are presented, discussed and, finally, conclusions drawn.

Literature

We have defined early stage new venture engagement strategies as the initial experimental postures new firms use to activate their business-to-business networks. The firms, regardless of whether they have a deliberate plan or not in place for how they wish to see their business relationship and networks develop (O'Toole and McGrath, 2018), will try to interact to access or co-create resources to ascertain if they can gain any traction from the particular network actors to whom they engage. New firms begin outside of the network (McGrath et al., 2017), and are challenged to "break-in" to develop a position within a pre-existing network of established relationships to gain access to resources, technology and customers (LaRocca et al., 2013). This lack of relational embeddedness translates to interacting by trial and error with their business network. This is likely to commence at a customer or supplier level where new ventures can experience the advantage of joint engagement and adapting their business offerings in conjunction with their network as superior than those stemming from discrete or recurrent transactions (Aaboen et al., 2013; Gadde et al., 2012). Networks are developed in interaction with, and dependent on, other actors in the network (Håkansson et al., 2009; La Rocca et al., 2013). Hence, in many cases these new ventures have to work hard to gain traction from their network as it requires others to change to accommodate them.

Given the general paucity of resources in the new venture, they are unlikely to risk significant resources in initial engagement strategies or only ones which can be withdrawn and offered to other network actors until a more regular relationship is established. Whilst their need for resources is high, they have to reach out into their business networks to aim to get some interaction from this posturing on which to begin building their business network. This experimental engagement is distinct from social networking patterns which may be under or over developed for the firm. Social networking ties have been found to have a significant impact on the performance and creation of new ventures (Ebbers, 2014; Slotte-Kock and Coviello, 2010) but are not the subject of this research.

Seminal strategic marketing thinking in the new venture space has focused primarily on the independent organisation and their strategy as being niche or aggressive (McDougall and Robinson, 1990) or product versus marketing focused (Carter et al., 1994). Conversely, from an IMP 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). Space for strategizing in new ventures is limited, they engage by doing, and trial and error. New ventures, associated with a survival mentality and constant firefighting in their day-to-day activities (O'Donnell, 2004) may not have time to see, or 'take stock' of the wider network to which they could be embedded and may lack the time to strategize potential movements between their local and wider network contexts. Much early network activity is constrained by the need to access resources to survive (Aaboen et al., 2013; Baraldi, Gregori, & Perna, 2011). Accessing network resources in this way may commence as a one-way activity for many entrepreneurial firms as they struggle to survive. This acquisition will often be by necessity and on as needed basis rather than being driven by a deliberate plan (O'Toole and McGrath, 2018). Engagement processes in the development of network capability are unlikely to be a focus of strategy for many entrepreneurial firms as other priorities may take precedence such as the need to increase the customer base (Semrau and Werner, 2014), yet it does require engagement in business-to-business networks.

The engagement strategies the new venture uses are likely to be seen in of engagement across three key network engagement process – awareness of network context; willingness to share information; willingness to problem solve with a business-to-business partner (Dwyer et al., 1987; McEvily and Marcus, 2005; McGrath et al., 2017). Given our view of network engagement as a process, each strategy we inductively identify is likely to have a component of each of the engagement process that is an awareness process, an information sharing process, and a problem solving one. The awareness process element of a strategy concerns the new venture reaching out to a wider business context and horizon (Anderson et al., 1994; Holmen and Pedersen, 2003). It involves seeing the potential in and using a broader set of of conduits to building their firms in a business network where they can have access to wider pools of resources (McGrath et al., 2017). We posit that early experimentation in networks of customers, suppliers and competitors through being willing to acquire and share information resources is an important network engagement process of a strategy. Information exchange captures “the degree to which each party discloses information that may facilitate the other party’s activities” (Heide and Miner, 1992: 275). Information exchange is not an automatic process (Szulanski, 1996), it is a discretionary process and new ventures may choose to soak in and hoard information as opposed to share it (Huxham & Vangen, 2000). Information exchange is not a one-way stream, hence engagement processes in information search and share captures interaction. The problem-solving layer of the strategy is the process of how the resource is changed in-between the two or more actors in interaction in the network (McEvily and Marcus, 2005).

New ventures might share the same, relative to their larger firm counterparts, lack of resources but are likely to vary in the intensity of interaction with their business-to-business actors. Their level of engagement is likely to be tempered by the desire and need of the new venture for resources from its business-to-business partners, and their experience in interaction. Past positive experience and opportunity creation through relationships and networks might enhance engagement intensity (McGrath and O’Toole, 2013; Sluyts et al., 2011). A growth ambition (Gartner, 1990; Lechner & Dowling, 2003) versus quality of life protectionism (Morrison et al., 2003) and related view of the new venture from a hobbyist or business-based perspective (Kuhn and Galloway, 2013; McGrath and O’Toole 2013) might also temper engagement intensity.

Methods

This study identify the early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability. Given the wide scope of the research aim and the lack of prior studies in the area we employ a case study approach (Yin, 2010), a favoured method when studying complex relational processes (La Rocca et al., 2017). The main source of primary data was in-depth face-to-face personal interviews. We interviewed nineteen micro-brewery owners in Ireland, six in Limburg, Belgium and seventeen in Georgia, USA. The techniques used to analyse the data for this research were drawn mainly from the work of Yin (2010), Eisenhardt (1989) and Schurr et al. (2008). Consistent with Yin (2010), data analysis consisted of examining and categorising the evidence to address the core research question posed in the study and there was a recurrent overlap of data analysis and data collection (Eisenhardt, 1989). Having the engagement processes (awareness, information search/share and joint problem solving) identified from the literature in advance provided the anchor for the work on their refinement during the

analysis and helped to maintain focus on the same phenomena across the cases and over time (Aaboen et al., 2012). We initially isolated critical interaction episodes using the three processes over the study period from interviews and supplementary documentation and arranged them to compile a complete map of the events, which could inform new firm engagement strategizing (Schurr et al., 2008; Halinen et al., 2012).

Findings and Discussion

Understanding early stage network engagement processes is important as, despite the recognition that new ventures are becoming increasingly dependent on external resources and capabilities to achieve their goals, we know surprisingly little about these key engagement processes to facilitate the initiation, maintenance, and use of business relationships to gain access to key resources controlled by other actors (Mitrega et al., 2012; Walter et al., 2006). Engagement processes in the IMP literature center on co-adapting and innovating with a partner (La Rocca and Snehota, 2014; Partanen et al., 2014), accessing and mobilising external resources (Ciabuschi et al., 2012; Gadde et al., 2012), and the establishment of routines in interaction (Håkansson and Ford, 2016). These engagement strategies assume a level of network capability, a fair assumption for the established venture. For the new venture, our findings identify five early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability: (1) Co-branding/Co-promoting, (2) Social media platforming, (3) From maker to adapter, (4) Business-to-business referrals and (5) Network role. The five strategies are defined in Table 1. With the exception of social media platforming which showed little evidence of joint/problem solving, each strategy was found to comprise, and is defined as having three core engagement processes, awareness, information share and joint/problem solving.

Our findings also suggest that the use of engagement strategies varied in terms of degree or intensity across the participants in the study, and are hence defined in this way. Variation stemmed from the degree of self-reliance in the sense that not only did some new ventures wish to be the sole decision maker, they also believed in their ability to carry out their vision without external support (Lee & Tsang, 2001). Prior experience in interaction, their view of the venture as primarily a hobby versus a business (Kuhn and Galloway, 2013; McGrath and O’Toole 2013) and growth ambitions (Morrison et al., 2003) also accounted for variation in intensity in the use of early stage engagement strategies.

Business-to-business referrals	The degree to which new ventures reach out into the horizon to strategically engage the network
Co-branding/Co-promoting	The degree to which new ventures co-create activities to strategically engage the network
From maker to adapter	The degree to which new ventures adapt in collaboration to strategically engage the network
Social media platforming	The degree to which new ventures use social media platforming or digital relationships to strategically engage the network

Network Role	The degree to which new ventures take an active network role to strategically engage the network
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Table 1: Definitions of early stage engagement strategies

Conclusion

This paper identifies the early stage network engagement strategies that new ventures employ to gain traction in interaction in the development of network capability. New ventures can use network capability to mobilize resources and engage in interactive networked activities to counterbalance their disadvantages of size and newness. There has been no previous research examining early stage engagement strategies that new firms use in developing network capability. Given the inherent value of networks for the new firm to overcome contextual challenges, the five engagement strategies presented in this research represent a vital contribution to the new venture literature in business networks. In doing so, we combine two relatively new streams of research for IMP, new ventures and strategy, which are promising to expand the domain of IMP.

In the present study, it is clear that early engagement strategizing is important for the new venture for innovation, to attain legitimacy and reputation, in addition to being important for reputation of the microbrewery sector as a whole. The trajectory and intensity of engagement strategizing was uneven and highly dependent on the patterns of understanding of engagement in interaction that developed over time and with experience. It is clear that new venture owners have no problem strategizing engagement interactions that make sense, albeit in an unplanned manner. Strategizing for engagement in a more planned and deliberate way could move a new venture into more complex forms of collaborative activities in a more timely fashion, enhancing reputation, building legitimacy and gaining momentum and position once engaged.

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