

Working Paper for IMP2004

**Sensemaking in business networks – Making sense of
business networks.**

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“We rarely think people have good sense unless they agree with us”

-Francois de La Rochefoucauld (1613 - 1680)

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Sensemaking in business networks – Making sense of business networks.

Making sense of business relationships and networks in many ways epitomises what the IMP Group of researchers is all about. This paper digs deeper into the concept of sensemaking and posits two different perspectives on its implication on business networks. One, that sensemaking is a fundamental part of what goes on inside the human actors that constitute business relationships and two, that sensemaking can be seen as a research methodology for making sense of what is going on in business relationships.

Introduction

Although IMP research frequently cite the works of Karl Weick when referring to the concept of sensemaking, there does not seem to be anyone who has focused directly on using this concept as a way of understanding and gaining insights into business networks. However, this opinion could be a reflection of this author’s limited knowledge and literature searching abilities, but at least it is a perceived gap which this paper will attempt to throw a few pebbles into, to see if this will narrow the gap. If this attempt is successful, the paper will provide an additional dimension to help make sense of business networks.

As indicated in the title, there are two sides to this: one, how can we define and observe sensemaking processes within a network? And two, how can this help a researcher or a manager to understand what is going on within that network; in other words make sense of the network. In some sense all IMP research can be seen as focused on or constituting the second part of this. IMP research *is* about making sense of business networks (Ford 1997). Therefore the following will focus more on the first part which might not be in line with the papers title, but I am confident that my audience (should there be one) will be able to see the second part as well.

Sensemaking is very strongly associated with the work of Karl Weick (1995; 1979; 2001), but he is not the only author in this area. In fact Weick himself draws upon an impressive body of research and literature from the fields of psychology, sociology, strategy and organizational theory. Weick (1995) traces the lineage of sensemaking back to the works of James (1956), Thomas and Thomas (1928), George Herbert Mead (1934), Boulding (1956), Festinger (1957), March and Simon (1958), Burns and Stalker (1961), Berger and Luckmann (1966), and Giddens (1976) to name but a few.

In this paper I will use the concept of sensemaking as it has been put forward by Weick. My intention is not to investigate or criticise the concept as much as it is to bring the Weickian notion of the concept of sensemaking into the realm of business networks. Therefore this paper will draw on Weick's contributions to the sensemaking concept and relate that to the concepts of business networks and relationships.

Sensemaking

Sensemaking is literally just that: The making of sense. It is the process by which we as human beings come to terms with the events we perceive in the world; how we establish or create some kind of meaning that allows us to cope with enormous complexities. Sensemaking is much more than sensing, but sensing and being aware of events in our surroundings are parts of the sensemaking process.

Research processes are in themselves examples of sensemaking. Even though many of the IMP studies do contain references to sensemaking and to Weick, and even though the IMP group is indeed about making sense of business networks (Ford 1997), there are surprisingly no contributions that actually focus on this process and its implications for business networks. A couple or three articles come close though: Welsh and Wilkinson (2002) who bring forward the concept of mental maps or schemata as a

supplement to the ARA model of IMP. Unfortunately this contribution seems to be more structural than processual in its focus. Therefore it is less useful for studying the dynamic aspects of business relationships. Also Ford et.al. (2002) who suggest that *network pictures* are important in understanding and managing in networks, are approaching thinking and suggesting concepts that are close to sensemaking. They do focus more on the issues of network structure, such as actors, their links, and e.g. closeness or network horizon for their picture, than they focus on the overall sensemaking processes. As I see it, network pictures are a sub-set of sensemaking, which is not very consistent because one is an object and the other a process, but I will let that lie for the moment. Finally Tähtinen (2002) is viewing sensemaking as a process within a larger dissolution phase or stage of a relationship. As far as I can see, her view of sensemaking is more about the retrospective, ex-post process of coming to terms with what has happened. According to Weick sensemaking, although it is certainly retrospective and about making sense of what has already happened, it is just as much about the future and about *enacting* sensible perceptions.

Weick's emphasis on the processual aspects of sensemaking provides a focus on process dynamics, which together with the interaction model of IMP should help make more sense of changes within business relationships such as dissolution or ending of relationships. The concept of sensemaking in business networks could in fact provide an addition to the existing life-cycle or stage models of relationship evolution that brings forward new and hitherto undiscovered dimensions.

Weick (1995) identifies seven dimensions of the sensemaking process: The *social* aspect, that it is grounded in *identity*, that it is *retrospective*, focused on and by extracted *cues*, *ongoing*, driven by *plausibility* rather than accuracy, and that it is *enactive* of sensible environments. In the following I will briefly go through these seven dimensions because they are critical in understanding the concept of sensemaking.

Weick (1995) brings the concept of sensemaking into an organizational perspective by looking at four different areas: Occasions for sensemaking, the substance of sensemaking, belief-driven processes of sensemaking, and action-driven processes of sensemaking. I will use the same structure for this discussion about sensemaking in a business networks setting.

Social

Although the basic sensemaking process is by definition a subjective, cognitive process, it is also very much a social process. Sensemaking is constantly occurring and providing the background on which actors (people) can then act. Because events as the outcome of such acts are potentially visible to other actors and thus potentially influence their sensemaking processes, what starts out as a micro-level, individual process becomes emergent influences at the next level. According to Weick the organisations (or perhaps more correctly the *organisating*) are in fact the result of sensemaking.

It is interesting to note here that the event model proposed by Hedaa and Törnroos (1997) provides an illustration of this link between a micro-level of sensemaking and the next level. To Weick this next level is the organisational level which is the focus of his interest. However, to take sensemaking into the realm of business networks, we must realise that we need to focus less on the organisational level and more on the relational or dyadic level, as well as the level above the dyad: the network level.

Thus a model of sensemaking in networks needs to consider at least three levels: the level of the individual, the level of the dyad, and the level of the network, to be consistent with the concepts of business networks.

Even though sensemaking is a social process with a strong element of social construction, sensemaking does not necessarily imply spatial or temporal co-location. Sensemaking occurs even when people are not physically together in the same place or when events are separated by time. It is still a social process although it does not always take place in face to face encounters. Using the concept of sensemaking in research therefore require the researcher to include events that are not within the immediate spatial or temporal space. Such events could potentially be influential and therefore important to the study of the sensemaking processes.

Sensemaking depend less on shared *goals*, but more on shared *actions* (Czarniawska-Joerges 1992) or on shared *means* (Weick 1979). This is an important point in understanding how we can create or obtain a shared view. People will see (make sense of) their surroundings differently and they will see goals and actions differently. By recalling a shared situation involving action, two people will most likely not sensemake this situation in the same way. But since they both recall the activities or actions that took place, they will both make sense of it in the same way as when they first experienced it. Thus both recall what happened as they saw it from their point of view.

The word share is tricky because it can mean at least two things: One, it can indicate that something, material or immaterial, is *divided* between, or *distributed* among, two or more people. And two, it can indicate that two or more people have the *same* of something or something in *common* (e.g. an opinion, interest, or hobby) or in the case of an experience, that they somehow *participated* in the same event. When Weick and Czarniawska-Joerges (1992; 1995) use the term shared action, I take this to indicate that two or more actors *participate* in the action, not necessarily in the same place at the same time. Sending e-mail back and forth between two people is in my opinion an example of a shared action. Telling someone about an event in which they did not participate is in my opinion *not* the type of shared action mentioned here.

To create something shared (as in having in *common*) we need to refer to an *action* that was shared (as in *participated* in). This will trigger both our sensemaking processes and recall our feelings etcetera. Studying sensemaking processes must therefore pay special attention to shared actions because they provide opportunities for sensemaking to collectivise. Seen in an IMP perspective, we can say that actions, shared in the sense that they involve two actors not necessarily synchronic in time and or space, allow actors to create that which is shared: the relationship. Or to put this in another way: Relationships come from shared actions rather than shared goals.

Grounded in identity construction

Sensemaking is grounded in identity (Weick 1995 p.18-24). For sensemaking to occur there must be someone to do the sensemaking, i.e. an identity. Often sensemaking will take place as a result of a failure in affirming the identity or self image. Sensemaking seeks to maintain a consistent, positive self-conception. If there is a disturbance in this image, the sensemaking process will seek to remedy the situation. This can be accomplished by changing ones self perception or by changing or adjusting ones view of the implications of the events that let to the disturbance.

Sensemaking is also responsible for our learning about our own identities. We experience other people's reactions to how we present ourselves and how we act in general. From those observations of other people's reactions we develop our sense of identity. We get our cues to our identity from other people not from within ourselves.

This means also that the sensemaking process becomes self-referencing. The identity where the process is taking place is formed by the environment while at the same time the environment is shaped by the

sensemaking process. What a given situation means to me is defined by who I become while dealing with it or what or who I represent. The meaning of the situation is derived or made from that identity.

Cues to what the situation means is extracted from the self that feels most appropriate to deal with the situation. The more selves I have access to the more meanings I should be able to extract and the less likelihood there is that I will be surprised.

Retrospective

Sensemaking in a realist perspective must be retrospective. The realist perspective assumes that there is a reality “out there” to be made sense of. The process of sensemaking is about coming to terms with and making sense of events that have happened. This is clearly backward looking and it is analogue to Mintzberg et.al.’s (1998) idea of strategy as *pattern*. Pattern is only detectable ex-post and only makes sense when looking back. But sensemaking is not entirely retrospective. Sensemaking also include expectations about the future and fears about the unknown into the process. Thus sensemaking becomes a balancing of experience against expectation. At the same time sensemaking both create expectations and is mediated by existing expectations.

Weick (1979; 1995) mentions the concept of *future perfect thinking* where events are imagined to have already happened and thus belong to the imagined past even when they have not. Imagining that something has already happened is an application of sensemaking that potentially can illuminate disagreements about the current situation. This makes it possible to have both the past and the potential future inform and guide current decisions. Again we can see the strong link to Hedaa and Törnroos’ (1997) notion of future and past *loadedness* of events. According to them, an event will at the same time contain both elements of the past and elements of the future. The event contains the past in the sense that the event dependent upon a number of prior events, and it contain the future in the sense that the event can lead to future events. Weick (Weick 1995 p.51) uses the metaphor of the acorn and the oak tree to explain this. The acorn can be said to “contain” the oak tree, but the acorn does not really contain the oak tree. The acorn can be seen as a vehicle or medium through which the oak tree can form in interaction with its environment. The acorn does not dictate exactly how the oak tree will eventually look like but it does in a sense contain the future.

Focused on and by extracted cues

Sensemaking is often very swift and occurs almost instantaneous without us consciously noticing it. This means that we are more likely to notice the outcome of the sensemaking that has already occurred than the actual process (Weick 1995 p.49). We need therefore pay close attention to the way in which people notice and observe events as cues to sensemaking to understand this process.

Cues are “simple, familiar structures that are seeds from which people develop a larger sense of what may be occurring” (Weick 1995 p.50). Cues illustrate the inherent duality of the sensemaking process. Cues are at the same time the events that trigger the process and the outcome of acts enacted as a result of the sensemaking. Cues or events both define the context for sensemaking and constitute the visible outcome of the sensemaking process. Sensemaking is influenced and being shaped by cues, and at the same time the sensemaking processes provide the rationale for acts, which may or may not constitute other cues triggering other sensemaking processes.

Which cues are salient, which cues are extracted, and the emphasis put on them depends on the context, but all cues are potentially important as indicators of underlying causes or explanations. Cues are signals that people pick up on, and infer what must be behind by sensemaking cues into plausible scenarios.

Ongoing

Because sensemaking is an ongoing process, past events which have already been sensemade, can be re-sensemade at a later point in time in effect *rewriting* history as new events are perceived. Sensemaking cannot be turned off or on at will. People are always in the middle of sensemaking.

One metaphor, that could be used to describe and capture this aspect of sensemaking, is provided by Cohen, March, and Olsen (1972) in their description of the *garbage can*. The garbage can contains streams of problems, solutions, people, and choices that are not necessarily synchronised or spatially co-located. In the garbage can model, elements in those streams may or may not bump into one another.

Weick (1995 p.30) sees people as constantly being involved in “projects” which shape their span of attention as well as their sensitivity towards certain types of events. As events are perceived they may

trigger *arousal* in people which is what make basic sensemaking take place. We can view the arousal as an emotion that is caused by an interruption to an ongoing project. Arousal will continue to exist as long as there is an interruption or until a suitable response (i.e. a work-around) is found. The more interruptions the more arousal, and the fewer options for creating work-arounds the more arousal. Typically, the projects that are tightly organised are the projects that allow for the smallest amount of deviation. Therefore such projects when interrupted will create more arousal than projects that are more loosely defined and organised.

Events can positively influence emotion in two basic ways: one, events can help remove obstacles that impede the progress of the project, or two, events can speed up the completion of the project. Seen from a relationship perspective this means that events that will either be perceived to remove obstacles or perceived to speed up completion of ongoing project will enhance the emotions in that relationship. The opposite is true as well, which indicates that seeing e.g. relationship evolution or dissolution processes from an event, arousal, emotion, and sensemaking perspective potentially provide insights into basic relational aspects.

Interruptions cause arousal and have emotional implications only to the extent that they are unexpected. This holds implications for different stages of relationships (Weick 1999 p.48); one actor's ability to unexpectedly provide positive events in the relationship diminishes over time. The longer the relationship has existed, the more the actors know what to expect, and the more difficult it is to provide that positive surprise. The longer the relationship has lasted the more actors come to expect and count on the help from the other. This means that the occasions for making a positive difference diminish over time, but the occasions to provide negative events, e.g. by discontinuing expected activities, are constant or even increasing as the expectations create more opportunities to create negative emotions.

Driven by plausibility rather than accuracy

Because sensemaking is often an almost instantaneous process that allows us to cope in situations of ambiguity and great uncertainty, the process is more concerned with plausibility than it is with accuracy. The sensemaking cannot wait until we have “the answer” but must fast provide a reasonable explanation or hypothesis on which we can act. One of the problems is that the sensible often is not sensible which means that we fill in the un-sensible to make the overall picture sensible or plausible (Weick 1995 p.55).

Since sensemaking is also about *enactment*, what we can know accurately today may be less relevant than taking the actions necessary to enact the future. We need not know exactly where we are going because we will know that only once we get there. Accuracy is bad for action if this leads us to do nothing until we believe we have all the facts. And conversely; if we have strong biases or preferences, it will allow us to filter out events that are not consistent with the bias speeding up our ability to act quickly. The time pressure that exists in many situations creates a bias for plausibility rather than accuracy in order to be able to react quickly with an approximately adequate response rather than being late with an absolutely right answer.

Being less concerned with accuracy forms a kind of single-mindedness in which the question of absolute accuracy is not allowed to dominate over and delay action. The action will then trigger sensemaking or learning. Accepting plausibility as a criterion on which to judge decisions will allow a person to act expediently under uncertainty. Because the enactment of the perception might change reality anyway, whether or not our predictions are accurate, is less important.

Enactive of sensible environments

While the identity and retrospective aspects of sensemaking is about that which is made sense of, this section is about the activity of *making* that which is sensed. Enactment or is about creating. It is the forward looking aspect in contrast to the retrospective aspect of sensemaking.

Weick refers (1995 p.30) to this activity as *enactment*. Although this is close to Berger and Luckmann's (1966) idea that the reality is socially constructed, there is a difference. Weick is referring more to the actual, even physical, putting into the real of ideas, assumptions, and goals, where Berger and Luckmann are talking about our perception or the construction of the real.

Weick is pointing out throughout that action is important. Without action, there is no sensemaking. Indeed the focus on process rather than structure implies that action must take a central role. Even non-action or action that is delayed or misplaced is of importance. That which is not created must still be made sense of:

“The act that never gets done, gets done too late, gets dropped too soon, or for which the time never seems right is seldom a senseless act. More often, its meaning seems all too clear.” (Weick 1995 p.37)

Again we must note that there is a duality here: That which is enacted influence future sensemaking at the same time as it is the result of sensemaking itself. This is a consequence of the ongoing aspect of sensemaking. We cannot define an independent and a dependent variable. Sensemaking is constantly shaping and creating just as well as it is constantly being shaped and being created.

Sensemaking is both about making sense of what is and therefore of what has been enacted previously, and it is about enacting or bringing about future situations which makes sense by *enacting*.

Bringing sensemaking into the realm of business networks

It is fair to view the research of the IMP group as a process of making sense of business networks {Ford 1997 106 /id}. By taking the concept of sensemaking more explicitly into the processes, events, and episodes that occur and constitute business networks, hopefully we will get a better understanding of a specific set of the processes; the processes that have to do with sensemaking.

Processes of sensemaking, as noted by Weick (1995; 1979), occur both on an individual, cognitive level and on an organisational, social level. Can such processes also be seen from the perspective of business relationships and networks? If so, what does that imply for our understanding (i.e. making sense or sensemaking) of such relationships and networks?

A sensemaking perspective on business networks

Adopting a network perspective clearly does not change the process of sensemaking. However, the network paradigm can probably benefit from the concept of sensemaking. The seven aspects of sensemaking that Weick (1995) presents provide seven aspects from which to view networks and relationships. In addition to viewing networks in terms of structures like e.g. activities, actors, and resources (Håkansson 1982; Håkansson and Snehota 1995), the concept of sensemaking allows us to view business network phenomena in a process perspective with a focus on the *networking*.

Occasions for sensemaking in business networks

According to Weick (1995) events provide the cues that trigger sensemaking. Taken from a network perspective, events can be considered within the context of the network, shaping as well as being shaped by relationships.

If one assumes (or attempts to assume) a value free terminology, then one can view business relationships, not as evolving or developing, but as *changing* over time. Change can be of many forms: change in closeness, commitment or trust. Or change can exert influence in the relationship, on the relationship or on the network. Changes can be structural or content related.

Business relationships can be viewed as an accumulation of episodes/events over time. Another perspective is to view relationships as the emergent phenomena of underlying processes such as interaction between the networks constituents, the individual actors. In both views we can gain a better understanding of the changes that occur if we employ a sensemaking perspective.

Let me propose that it is the ongoing stream of events (as defined by Hedaa and Törnroos (1997)) and the sensemaking processes taking place that constitute or define business relationships. Change in the context of a business relationship can then be viewed as changes in the perceived patterns of events. Events have the potential to change the future pattern of events. If we accept that events do not necessarily cause change to the future pattern of events, we can define a *critical event* as an event that do cause change to future patterns. Now to imagine a noticeable event that is devoid of any potential impact on the future is very difficult if not impossible. This means that the notion of critical events must be seen as a practical distinction, which is somehow based on an event being critical with respect to a specific dimension that we are interested in. Also we need to note that the criticality of an event can just as well come from the event not taking place or not being perceived. Events therefore are not inherently critical or non-critical. Their criticality depends on context, situation, and the subjective sense that the event makes or fails to make to individuals.

By being alert to events (and to events that do not occur) we can analyse the possible impact and implications of that event *in* a relationship, *to* the relationship, and *in* the network by using the seven aspects of the sensemaking process as an analytical framework.

Content of sensemaking in business networks

Studying the process of sensemaking one should not forget the *content* of the sensemaking process or that which the sensemaking is actually about. Is the sensemaking about the behaviour of certain actors or is it about the structure of the network? Or is it about something different?

Elsewhere it has been suggested that business networks can be understood through actors, activities, and resources: the ARA model (Håkansson and Johanson 1992; Håkansson and Snehota 1995). Also the actor-bonds, the activity-links, and the resource-ties provide a conceptual frame for understanding business networks. In a sensemaking perspective we could then study relationships and networks from the perspective of sensemaking about activities, actors, resources, actor-bonds, activity-links, and the resource-ties providing six different types of content for the sensemaking.

For other purposes the interaction model (Håkansson 1982; Turnbull and Valla 1986) could be a better choice with its focus on the interaction, time-perspective, and atmosphere, and because of this models stronger process focus.

Whatever model we use to structure the discussion about the content of the sensemaking process, however, we need to consider more than one level of analysis. Looking at the dissolution process of relationships Tähtinen (2002) suggests that we need to consider several levels of analysis to understand change and to understand sensemaking in network context. She proposes four different levels: the level of the individual, the level of the organisation, the level of the dyad or the relationship, and finally the level of the network. Understanding for example a case of relationship dissolution will typically require a joint understanding of all four levels. I think that this is true also in other stages of relationships and that we can extend the argument to cover relationship processes in general. What takes place at one level (e.g. human actor) will have implications for what goes on and for what can go on at another level (e.g. the level of the organisation). Even though the level of the organisation typically receives little attention in the literature on business networks, Halinen brings to our attention that sometimes this level contains valuable information as well.

Conclusion

Sensitivity to sensemaking within a network context allows us an additional opportunity to make sense of the network and the constituent relationships.

The paper has proposed a framework in which streams of events trigger seven different aspects of sensemaking. The sensemaking process is constantly evolving and reshaping a relationship. The ideas presented here can be put into e.g. the ARA model (Håkansson and Johanson 1992; Håkansson and Snehota 1995) providing a conceptual model for understanding the sensemaking processes with respect to actors, resources, and activities or it can be combined with the interaction model to provide a process focused framework in which concepts like for example interactions, time-horizons, and relationship- atmosphere are in focus.

Sensemaking provides a way of studying complex and dynamic aspects of change within a business relationship or network context without resorting to the collapse of important elements of time, space and situational context.

In addition there are likely managerial implications of the framework as well. Sensemaking allows managers and practitioners alike to be aware of the implications of the process and at the same time use the concept to make sense of the network that they may find themselves embedded in.

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