Coping with Business Network Dynamics - Strategizing through Role and Position

Work-in-progress paper

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Abstract

The paper aims at contributing to the ongoing debate concerning management in business networks. Strategy thinking is combined with the business network approach through the concepts of role and position. The paper scrutinizes strategizing through two perspectives, institutionalization and sensemaking, in order to conceptually address how a firm may strategize and potentially manage in business networks taking these perspectives into consideration. It is suggested that influencing and changing the firm's role(s) and/or position forms a way to strategize and manage within a business network. Influencing role and position is an important tool for an actor who aims at managing change in a business network. Therefore, this work-in-progress paper identifies initial processes that shape an actor's role and position.

Key words: sensemaking, institutionalization, business network, strategy

1. Introduction

A focus area of business network research is change dynamics or understanding how business networks evolve over time. Several researchers have argued that business networks are dynamic and undergo change, e.g. Thorelli (1986), Håkansson (1989), Powell (1990), Håkansson and Johanson (1992), Easton and Lundgren (1992), Hägg and Johanson (1992), Hertz (1996; 1998), Anderson, Havila, Andersen and Halinen (1998), Anderson, Andersson, Havila & Salmi (2000). In general, it is believed that change in a business network originates on a relationship level, i.e. an event occurs between firm A and B, leading to a change in that particular relationship, which in turn has the possibility of influencing the larger business networks, in which at least one of the firms is embedded. Researchers have throughout the years noted that change in business network may take different forms. Different categorizations have been suggested, such as change sequences identified by Easton and Lundgren (1992), confined and connected change (Halinen, Salmi & Havila, 1999), net joining, splitting, drifting away and drifting closer (Hertz, 1996), stucturizing and heterogenising, mobilization and coordination (Håkansson, 1992), Hertz' domino effects (1998), gradual, incremental and radical changes in relationships (Halinen et al., 1999; Kamp, 2005), and change through the notion of event networks in connection to structural change of networks (Hedaa & Törnroos 2002, 2008).

Most IMP contributions dealing with change in networks distinguish between different types of change, or different degrees of radicality and variation in content depending on the contribution (Aastrup, 2000). The above mentioned examples take different approaches on how to study change, but for instance Anderson et al. (1998) suggest the concepts of role and position as means of studying business network dynamics. The authors argue that dynamics in business networks can be understood on a basis of the interplay between the positions and roles of the actors. Henders (1992) came to the conclusion that positions are constantly changing and it is possible to describe change by comparing an actor's position at time t_0 and time t_1. Through comparing an actor's position at different points in time, the process of change can be analyzed and "made visible". Another key issue is to consider both the past event trajectories with the present situation and the potential future concerning a firm's role and position (Halinen & Törnroos, 1995; Anderson et al., 1998).

Role and position are therefore key concepts when considering change in business networks. However, these concepts have not gained much attention and critical thought in business network research. The underlying mechanisms or processes leading to change in an actor's role and/or position have sparsely been dealt with in the IMP literature. Many questions remain unanswered, such as whether it is possible to distinguish between different kinds of change processes in business networks, or how do change processes affect an actor's role and/or position?

The discussion of using the role-concept in industrial network theory has also recently been associated with the question whether business networks can be managed (cf. Heikkinen, Mainela, Still & Tähtinen, 2007). The meaning of strategy and how business is planned in the network has attracted IMP scholars' interest (Håkansson & Snehota, 1989). The IMP perspective has a critical stance towards the received theory on strategic planning made by firms in isolation from the market (Gadde, Huemer & Håkansson, 2003). Yet, how and on what basis decisions are made are critical aspects of the daily operations in firms – for instance, the importance of emotion and rational calculation. Strategic management also has to do with the firms' perceived need to control the actors and resources in the surrounding network and the need to monitor what takes place in the network (Håkansson & Johanson, 1992). Identifying change processes of role and position may justify strategizing by using these notions. Is it possible for an actor to strategize through roles and position in the business network? In a case study by Heikkinen et al. (2007) it was found that none of the actors in a business network developing mobile services acted only in a single role during the development process of the business network and that actions of actors determine their roles. Thus, management in a net seems to occur through the roles in which the individual, company, and network actors act.

The paper aims at developing our understanding of network dynamics using the concepts of role and position. The objective is further to gain a better understanding of the concepts of role and position by focusing on two processes of changing roles and position; institutionalization and sensemaking. The paper also ties into the ongoing debate concerning management in business networks. The paper discusses the possibility of strategizing through influencing ones role and position. The paper suggests that attempting to influence and change the firm's role(s) and/or position offers a potential way for a firm to strategize and therefore manage in a business network.

Therefore, this paper identifies initial processes that shape an actor's role and position. By understanding processes leading to change in role and position, a firm can also gain an understanding for how it may strategize by influencing its role and position. Here we do not aim at identifying and distinguishing between different types of roles and positions. Rather, according to the authors, it is more relevant to look at the processes behind change in roles and positions, their dynamics and whether any kind of general processes, leading to change in role and/or position, can be identified in theory.

The paper starts by analyzing the key concepts of role and position as well as categorizing processes leading to change in role and position. Thereafter strategy thinking is reviewed in relation to industrial network theory, linking it to how role and position can be used as a tool for strategizing in a network. Finally, a critical discussion on how to manage in business networks through role and position is carried out.

2. Role and position and change factors in business networks
Network position as a concept has emerged simultaneously with the industrial network approach, whereas the concept of role has gained research interest only during the last decade. Anderson et al. (1998) strongly point out that one cannot discuss position without referring to role (and vice versa). However, the link between position and role within the IMP tradition is not always clear. The difference between role and position is sometime vague, a problem not many researchers address. Attempts at this have foremost been made by Henders (1992) and Havila (1996). A network position is a relative concept as no two parties' positions are alike (Håkansson & Snehota, 1989). Each company in a network has a unique position in relation to the other actors, but the position of a company is perceived differently by the various actors in the network (Gadde et al., 2003). Ford, McDowell and Tomkins (1998) define network position as consisting of a firm's relationships and the rights, limitations on behavior and obligations which go with them. Easton (1992) notes that network position provides a language to talk about network changes as positions in networks are primarily concerned with the nature of network connections. Thorelli (1986) defines network position as a location of power to create and/or influence networks. According to Mattsson and Johanson (1992) network position describes how the individual actors in the network are related to each other in a network structure. Time and commitment are necessary to shape the positions of a firm and position changes are not easy to achieve and sometimes even impossible. A firm's current position is determined by earlier activities in the network both by the firm itself and by other firms. Network positions characterize a company's relations to other firms and are consequences of the earlier activities in the network.

Mattsson (1985) implies that the firm is expected by other firms to behave according to a set of norms, which are associated with the position. Thus, one can assume that the position pre-exists the role(s), since the expectations of behavior are linked to a position in a business network. This largely corresponds with the structuralist approach to roles and assumes that a firm may use its position in order to orientate in a business network. The position becomes a resource, by which certain role(s) are accessed. On the other hand, Anderson et al. (1998) propose that role is a construct of the meanings of a situation and an actor can change the situation by acting in a role, therefore also

changing its position in a process of e.g. role-taking. Role can thus be seen as the dynamic or processual aspect of position and describes what actors intend to do and how they construct meaning from their position. Research on role and position within the IMP tradition largely assumes a symbolic interactionist approach on role, arguing that positions can be influenced and shaped through acting in certain roles. Consequently, position is shaped by the role(s) an actor chooses to act. The symbolic interactionist approach implies that roles are created by individuals in interaction. In business and management studies a structuralist view of roles is largely adopted. A structuralist approach on role assumes that the position determines *which* roles an actor can act. Roles are therefore consequences of the position an actor has. The position concept locates an actor in a structure or system, but role is viewed as the dynamic aspect of position (Havila, 1996). For instance, Håkansson (1987) comes to the conclusion that a company has a position and acts in a role. Havila (1996) furthermore points out that it is always individuals who act and build up relationships with counterparts, i.e. actors have representational roles when acting with other business actors – they play a role and have a position to act for the sake of the firm. Building on the fact that a relationship is the result of an interaction process, the role(s) of a company is created and modified "through the interaction process between the individuals" (ibid, p. 35), thus saying that role and position in business networks indeed follow a symbolic interactionist approach rather than a structuralist approach. However, Baker and Faulkner (1991) argue that a role actually is a resource in two senses, namely it is a means to claim, bargain for, and gain membership and acceptance in a social community. Secondly, it grants access to social, cultural, and material capital that actors exploit in order to pursue their interests. Baker and Faulkner use the concept of "role as a resource" as a tool to analyze the process by which roles are used as resources in order to create new positions and social structures in a specific context, such as a business network, for instance. This view suggests that a position does not necessarily pre-exist a role. Rather, roles are used in shaping positions, an approach similar to the symbolic interactionist approach.

When it comes to the operalization of positions, Henders (1992, p. 102) suggests that a snapshot view of position allows for the "detection of opportunities for and constraints to action through consideration of the fit of resources in the network". First of all, one actor cannot by itself implement change and as already noted by Håkansson (1987) resources have value only in combination with other resources. This leads to constraints and opportunities for change. In the early research where position was included, Johanson and Mattsson (1985) pointed out that e.g. the lack of resources restrains change. The process of change is impacted by how actors are related to each other and the network (Henders, 1992). Position is thus proposed to contribute to the actor's capability to affect change processes. Positions are constantly altered through the process of change. Change, on the other hand, initiates a sequence of additional change, such as changes in activities would demand changes in resources, which eventually may result in changes in actors. Network change is proposed by previous IMP-related research to foremost start at the relationship level, which in turn leads to changes on other levels, i.e. actor and network. These triggers of change sequences are thus mainly seen as internal to the business network. Some researchers have proposed external triggers for change (cf. Zerillo & Raina 1996), but research on role and position have mainly focused on internal triggers of change so far. Henders (1992) notes that an actor can initiate change e.g. trough new product introduction, but also, the lack of resources may restrain change (Johanson & Mattsson, 1985).

3. Processes shaping role and position in business networks
We propose that there are two main processes shaping an actors role and position. A process is in this paper defined as (1) a logic used to explain a causal relationship in a variance theory, (2) a category of concepts that refer to activities of individuals and organizations and (3) a sequence of events that describes how things change over time (van de Ven, 1992) A process is a sequence of individual and collective events, actions, and activities unfolding over time in context (Pettigrew, 1997). Processual

research is capable of generating sound knowledge, not only of processes and outcomes but also of why and how outcomes are differentially shaped by processes (Van de Ven 1992; Pettigrew 1997).

Through institutionalization processes actors become socialized into networks and gain a shared understanding of the network and accepted forms of behavior. Through sensemaking processes actors create some kind of meaning and "turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action" (Weick & Sutcliffe, 2005, p. 409) Sensemaking is also about the interplay between interpretation and action, specially focusing on shared action (Czarniawska-Joerges, 1992).

3.1 Institutionalization processes

A review of literature on role and position within the network approach reveals that there are several factors influencing an actors and position. A common understanding is that behavior and expectations on behavior is a central aspect of position. For instance, Havila (1996) highlights the importance of compliance with norms and expectations from other actors in relation to roles and positions. Drawing on role theory from the area of psychology, Biddle (1986) claims that role refers to characteristic behaviors, designated social parts to be played and scripts for social conduct. Individuals behave in different and predictable ways depending on their social identities and respective situation. Firms are also expected by other firms to behave according to a set of norms, which are associated with the position, indicating the importance of compliance with norms and expectations from other actors (Mattsson, 1985). In simple terms, role helps to describe how cooperating actors are expected to behave depending on their functions and tasks (cf. Jahnke, Ritterskamp & Herrmann, 2005), and role-making characterizes how an actor transforms the expectations into concrete behavior.

Actors coordinate their behavior based on preferences, perceptions and interpretations, ending up in jointly defining what constitutes a certain role. A role is thus composed of expectations and requirements about behavior. Acquiring a role also involves interpreting the behavior of others (Turner, 1988), in the sense that role is "the set of prescriptions defining what the behavior of a position member should be" (Biddle & Thomas, 1966, p. 29). The process of role-taking "involves interpreting the behavior of others as a syndrome of gestures that reveals a role" (ibid., p. 86). Role-taking begins with the use of shared role-conceptions as the basis for inputing a role and it is only when the gestures of others do not seem to correspond to these more shared and standardized conceptions that actors begin to construct a situationally unique role for others (ibid., p. 86). Hence, role is related to expectations which can be potentially enforced sanctions being imposed on the role actor. Because the role of an actor is socially constructed roles are therefore emergent and negotiable between individuals (Montgomery, 1998)

Since behavior is a central element of a firm's role in a network, it is interesting to attempt to understand what processes are shaping behavior and how different behavioral norms are created. When attempting to understand behavior of actors it is fruitful to turn to institutional theory, and earlier work by researchers within the IMP tradition offers a starting point for understanding institutionalization processes. A major characteristic of institutions is that they govern relationships between organizations as well as between individuals and groups, and these relationships are understood as networks. In other words, institutions are an inherent feature of networks (Salmi, 1995). From an institutional perspective, it means that institutions constrain or facilitate activities in networks, i.e. institutional structures will have an impact on what goes on inside a network (Jansson, 2007a, 2007b). A major characteristic of institutions is their rule-like or organizing nature – "the rules of the game" – and a second characteristic is their ability to facilitate and constrain the relationships between firms (North, 1990, 2005; Jansson, 2007a).

According to Scott (1995) there are three major contents of institutions: cognitive, normative, and regulative substance. Through these substances, firms are socialized into networks, meaning that

they act in accordance to such norms, values, rules, regulations, schemas and thought styles. In accordance with the normative substance, firms take on roles in relation to other firms. It supports and empowers activities and actors, provide guidelines and resources for acting and constraints on action. In line with this, it influences how firms exchange resources and establish relationships. According to the cognitive substance, they develop a shared understanding by having come to accept a shared definition of social reality through institutionalization of common beliefs. In accordance with the regulative substance, the firms' behavior is promoted or restricted as a result of various norms and values. The regulative content concerns reward and punishment as well as surveillance and assessment systems to control enforcement. Enforcement mechanisms can be either formal (e.g. wage reductions or increases) or informal (e.g. losing or gaining face). The latter operate through diffuse mechanisms such as "shaming" or "shunning" activities (Ionascu, Meyer & Estrin, 2004). Formal rules external to firms are housed in specialized institutions such as the police or the courts. The regulative substance involves the capacity to establish rules, inspect others' conformity to them, and manipulate sanctions such as rewards or punishments in order to influence behaviour. For instance, powerful actors may impose their will on others, provide inducements to secure compliance, or use authority in which coercive power is legitimized by a normative structure that both supports and constrains the exercise of power (Scott, 2001). Thus, the authority system has a decisive effect on how relationships are organized. The power of regulations is the costliness of ascertaining violations and the severity of punishment (Scott, 2001).

DiMaggio and Powell (1983) distinguish between three different forms of institutional pressure that cause organizations adopt certain structures, programs, policies, and procedures, i.e. coercive, normative and mimetic pressure. Coercive pressure means that companies are subject to pressures by a more powerful authority. Coercive pressures are both formal and informal processes carried out by other organisations to which an actor/firm has a dependency relationship to. Coercive pressure may take the shape of coercion, convincing or invitation to cooperation (Schaumann, 2003). Sometimes coercive pressure is a result of direct decrees from authorities, such as legislation. The existence of a common legal environment affects many aspects of an organizations behaviour and structure.

Normative pressure arises from the firm's embeddedness in different types of networks that span a multitude of organizations, because these network function as distribution channels for new models and methods. Normative pressures forces organizations to adopt patterns considered appropriate in the environment. How these adoption processes occur is a result of the development of professional networks that span many organisations and also function as efficient distribution channels for new models and methods. Universities and professional training institutions are important centres for the development of organizational norms among professional managers and their staff. A final important mechanism for normative isomorphism is the filtering of personnel. Within many organizational fields filtering occurs by hiring individuals from firms within the same industry or through recruitment of staff from a narrow range of training institutions. Though this, individuals who make it to the top of organisations are virtually indistinguishable (DiMaggio & Powell, 1983).

Mimetic pressure forces one unit in a population to resemble other units that face the same set of environmental characteristics (DiMaggio & Powell, 1983). Uncertainty is a powerful force that encourages imitation (Hatch, 1997). When the environment creates uncertainty, organizations may model themselves after other organizations. Through mimetic processes firm learn appropriate behavior and adjust their behavior accordingly. This type of mimicking can take place without the knowledge of the organisation being a "model". Mimicking can also be unintentional as a result of an employee moving to another company and implementing some model that has been successful in the previous organisation. Typically mimetic pressure is often realized consciously and supported by consulting firms or trade organisations (DiMaggio & Powell, 1991). Large consulting firms can have a big influence on an institutionalization process by spreading certain models or methods throughout a country / industry in a short period of time.

As a result of institutionalization processes firms in a way become "locked into" a position, which makes it difficult to change its position or role. The actor is rather expected to behave according to the norms which are associated with that particular position. As an example, government regulations and policies that favor competition highly affect the interaction between actors within telecommunications markets. A telecom operator with significant market power must allow competing actors to enter the market by leasing infrastructure network capacity. Regulation is thus forcing actors to establish buyer-seller relationships rather than the actors voluntarily engaging in interaction. Similarly, many subcontractors and suppliers of large firms such as Nokia and Hewlett Packard find themselves forced to certain actions (locked-in role) due to their strong dependence on their main customer.

3.2 Sensemaking processes

Some studies take the approach of only studying the results of a process, not the process itself. Such studies describe for instance the changes to a certain product rather than the processes leading to the change of that product. Sensemaking, on the other hand, is about "the process that culminates in interpretation" (Craig-Lees, 2001, p. 514). Geersbro (2004, p. 3) defines sensemaking as the process by which people "come to terms with the event we perceive in the world: how we establish or create some kind of meaning that allows us to cope with enormous complexities". Weick and Sutcliffe (2005, p. 409) define sensemaking as "turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action". Based on Mills (2003) the authors view sensemaking as the primary site where meanings materialize and inform and constrain identity and, specifically, action. Sensemaking is thus about the interplay between interpretation and action. Action takes a central role in the sensemaking process. For instance, Weick (1995) points out that without action, there is no sensemaking. Czarniawska-Joerges (1992) continues that sensemaking depends less on e.g. shared goals, but more on shared actions.

Weick (1995) describes sensemaking in terms of a number of properties that stress its dynamic, social and retrospective nature. The making of sense is a process that has the seven identifiable characteristics described in the following section. (1) Sensemaking is grounded in identity construction, indicating that "the sense maker" needs to establish and maintain an identity in order for the sensemaking process to begin. The sense maker undergoes continuous redefinition and the identity is, according to Weick, constituted out of the process of interaction with other human beings. (2) Retrospective means that people can know what they are doing only after they have done it. By this Weick (p. 25–26) indicates that "it is only possible to direct attention to what exists, that is, what has already passed. […] whatever is occurring at the moment will influence what is discovered when people glance backward". The creation of meaning is thus an attentional process. Sensemaking also includes expectations about the future. (3) Enactive of sensible environments is a property by which Weick describes the fact that people shape and are shaped by the context in which all sensemaking takes place. (4) A social dimension indicates that sensemaking is a social process since meanings are intersubjectively shared (a collective mind). Sensemaking is thus "never solitary because what a person does internally is contingent on others" (p. 40). (5) Sensemaking is ongoing; it neither starts nor stops. It is a dynamic process. (6) Sensemaking is focused on and extracted by cues, indicating that people can make sense of anything and they tend to see the product rather than the process. Finally, (7) sensemaking is driven by plausibility rather than accuracy, meaning that sensemaking is an individual activity. The interpretation need not be accurate, merely plausible and acceptable. Accuracy is secondary to plausibility due to e.g. the need to filter information (data, signals) or otherwise they would be overwhelmed by incoming information. (cp. the notion of time and process as "social events" and relational time noted above).

Whereas an institutionalization process depicts that an actor is locked into a position due to institutional pressure, a sensemaking process focuses on the prerequisites for interpreting business networks and actor environments. A firm makes sense out of both internal and external environments. However, concurrently as the firm tries to form a mental map of counterparts and

actors, which constitutes a sensemaking process of the external environment, a sensemaking process carries on internally. Whether these two processes are aligned is difficult to judge, but even if they were two separate processes, they must eventually meet if the firm is to formulate strategies for the future. For instance, determining a firm's role and position is a strategy, where the firm intentionally tries to impact either the position it holds in the market or in a business network. The symbolic interactionist approach to role implies that position is altered through acting in roles, whereas a structuralist approach to role determines the role(s) an actor plays based on the actor's position. Weick (1995) implies that an actor's role and position is determined based on its counterparts' perceptions of that actor. An actor interprets these perceptions and forms an understanding of its own role and position. The different sensemaking processes that take place indicate that an actor's perception of itself is based on counterparts' perception of the actor. The actor's counterparts, on the other hand, form their perceptions of the actor's role and position through interaction and exchange processes, word-of-mouth and other cues. This may be termed *dual sensemaking*, since firms influence each other's perceptions of role and position.

The sensemaking process leading to change in or the establishment of role and position is thus dependent on creating understanding of the firm (1) internally, (2) in relation to counterparts and also, (3) creating understanding of the counterpart's role and position in the wider network. Thus, the dual sensemaking process aims at mapping the network and forming a picture of the network actors, and their relationships with each other. This type of navigating the network landscape is necessary for managing in the network as well as acting in it.

As an example, many actors felt forced to invest in various technologies and enter new market domains during the Internet boom and hype period at the late 21st century. Events that took place during this era justified a number of investments, mergers and acquisitions as well as buyer-seller relationships such as media companies offering mobile services through leasing agreements with mobile operators. The era included an identity seeking process, where every company had to explore the business field in order to find the most lucrative markets and best partners in order to be technologically competent and attractive. Expectations of the future were colored by great return on investment and a vision of a technologically advanced society. The fact that a large number of firms engaged in this process indicates a collective mind (Weick, 1995). The sensemaking process also serves as a role and position seeking strategy, in which the firm may enter business networks. New roles and positions may be shaped through sensemaking processes due to, for instance, outsourcing activities. The idea behind Hamel and Prahalad's (1994) core competence approach shifts the focus more into the internal world of corporations at times when outsourcing non-key functions to other companies takes place. This concerns both business networks as well as markets in general. Those actors to which activities are outsourced are assigned or create new roles in the network, which constitutes a situation to which other network members must adjust. This situation and the problems at hand also show the importance of timing and gaining positions and new roles in business networks. Timing may be too early for creating a favorable opportunity structure for the firm. We will turn to this issue next.

4. Strategy and the network approach

Strategy is usually used for exploring how a company deals with its external environment in order to survive and prosper in intelligent competition in constantly changing environmental conditions. Business strategy is closely related to time and timing and processual issues (e.g. how the past development and present situation affects, enables or hinders future value creation). Strategy also deals with how specific events in the environment affect the company in a specific context. What is clear in the strategy-literature is that they are often predominantly based on a specific logic concerning strategy:

1. Strategy is forming a part of how a single business organization is managed in order to be competitive and create value in relation to an external business environment (the "lonely rider" view).
2. Strategy is often seen as something that is predominantly intentional and planned in order to deal with present and future directions.
3. When strategy is seen as something deliberate and planned, also unrealized and emergent strategies are noted (cf. Mintzberg, Ahlstrand & Lampel, 1998).
4. Strategies also have a form and can be formulated (op. cit.).
5. Strategy aims at a market position that a company possesses (or aims to get to) at a certain point in time in relation to its competitors.

When taking a network perspective to business strategy the 'market' or 'the environment' is to a large extent replaced by the web of relationships that a company is actually dealing with in business markets (Thorelli 1986; Turnbull & Valla 1986; Håkansson & Snehota, 1989). Key propositions for this approach are that firms invest in relationships with other firms concerning supply and their downstream markets as the basis for their strategy. Strategy becomes something that is related *jointly* to companies in a network rather than individual firms. This can be labeled as the "jointness" of value creation processes where many actors are interrelated in their value production and where strategy deals with combining competencies (Ford & Håkansson, 2006). The logic of strategy in this kind of reasoning are articulated in the following manner:

1. Strategy deals with handling interdependencies between firms and many actors are depending on each others skills and resources, meaning that mutuality and complementarities are stressed.
2. The notion of connectedness is needed in order for a company to find a relative position in the web of relationships where value processes are developing.
3. The value created by one firm in the network should give value to other counterparts (as well as other actors in the actors' web) (noting the need for mutual gains and mutual dependence)
4. By "relating" to other business actors, firms are acting and interacting with firms in the value net that forms the key strategy for how a company perceives its value offering and what value it is gaining from other assets provided by e.g. its key suppliers. This relatedness can be said to form the role a company plays in the value creation process (cp. Håkansson & Snehota, 1989).
5. Strategy deals with co-operation as well as competition and the network is the key area where this takes place.

This type of reasoning takes the value creating role of a company (as a supplier, OEM manufacturer or as a system integrator) as one key issue concerning strategy (Anderson & Narus, 2003). This means that the role that an actor has in combining its value propositions and offerings forms the basic for its strategy and existence (i.e. what value a corporation can offer to others in the marketplace). Through interactive processes these roles develop and vary through learning, commitment and adaptation processes. Value analysis and strategic role taking and "making" will result in a relative position of a firm in its network of relationships. Strategy in a network perspective relates to how a firm can come to terms with how relatedness can be achieved, that is, how to influence ones role and/or position.

5. Strategizing through role and position in business networks

It is suggested that networks in their broadest sense cannot be managed by one single actor (Easton, 1992; Ford, Håkansson, Snehota & Gadde, 2002; Håkansson & Ford, 2002), whereas some researchers (Möller & Halinen, 1999; Ritter, Wilkinson & Johnston, 2002; Möller & Svahn, 2003) argue that managing *in nets* is possible. Nets refer here to local concentrations within networks (cf.

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Easton, 1992). By managing in nets is mostly meant the capability to influence the net. Heikkinen et al. (2007) note that managing in a net is about managing interactions with others, not about managing others. Taking this view, managing nets/networks thus becomes an issue of strategy. Strategy from a network perspective is about managing and influencing relationships. Strategizing deals with finding tools and methods for influencing a firm's role and position. By changing/influencing its role and position a firm can influence the network and therefore also its success.

A network perspective on strategy clearly shows that a firm is not able to implement strategies on its own, since it is dependent on other actors for many critical resources. Through a network perspective on strategy it becomes clear that because of, for instance, various institutional pressures a firm might become locked into a position/role by other actors and therefore also locked into certain strategies. A firm´s strategy must also result in a behaviour that is accepted by the other actors in a network. This implies that firms in fact are not free to strategize in network, but rather are limited to certain types of strategies/behaviour. The network is also the key area where the firm forms a network mental map of the company, in relation to network members and their perceptions of the firm and the firm's role, position, resources, network fit and strategy. This means that strategy is as much about a perception of self as it is about action, because a firm has a mental map/perception about its role and position and its strategic choices. These mental maps and perceptions can be difficult to change. Firms that have a strong position and large size can use its power e.g. towards its suppliers and thus use role and position without facing the same restrictions than firms who are directly dependent on a large firm. Nokia, as an example, forces suppliers to take on specific roles in the supplier network. Nokia thus acts as the trigger of an institutionalization process among suppliers, since Nokia has expectations on each actor in the network. The institutionalization process affects the network actors' roles and positions, which also in some respects implies that the network can be managed.

A strategy which intends to influence a firm's role and position means that also other actors in the network will be affected. Institutional theory clearly shows that actors within a network exercise control through various institutional pressures on a firm on how the firm is suppose to behave. Network actors are therefore, in a sense, allotting a certain role and/or position to a firm, which in many ways can limit the firm's manoeuvrability. The sense-making perspective also shows that a firm creates its own understanding of its role and position, and this understanding is directly related to the role and position of the firm at that specific point in time. This means that when a firm draws up its strategies in order to influence its role and/or position, the firm needs to accomplish two things. First of all, it needs to overcome its own "mental" barrier of resisting change. Secondly, it needs to overcome the reluctance of changing, experienced by other actors in the network. An important conclusion is that strategizing in networks is prone to resistance, especially if the goal of the strategy is to influence a firm's role and position in relation to other network actors. Other actors might even be expected to resist such a strategic choice; if a firm attempts at changing its role and position, it will also affect the other actors´ roles and positions. Strategizing therefore deals with managing resistance to change, and strategizing is also much about managing and overcoming different institutional pressures.

Can a network be managed or can an actor manage within the network through strategizing based on the actor's role and/or position? Strategy is often seen as something that is predominantly intentional and planned in order to deal with present and future directions, indicating that firms make strategy related decisions based on their perceptions of earlier, current and future events in their internal and external business environment, i.e. a sensemaking process. Strategy is furthermore said to be aiming at a market position that a company wishes to possess or maintain at a certain point in time and in relation to its competitors. In doing so, interdependencies between firms must be handled and managed due to the fact that many actors are depending on each others skills and resources.

This paper proposes two processes of change in role and position, the *institutionalization process* and the *sensemaking process*, which must be taken into consideration when determining strategy in order to manage in a network or, perhaps even, in order to manage a network. Being aware of counterparts' perceptions of a firm's role and position in the business network as well as how the counterparts' themselves determine their roles and positions, may add valuable information to the firm's decision making process, especially concerning future strategies. For example, institutional theory shows that actors within a specific industry often share quite a similar understanding about their environment and role/position due to the fact that actors are adopted into their network, i.e. they are institutionalized to the prevailing set of norms and values of the network, which are considered correct and proper. A predetermined role-set is designed to these actors entering the network. The institutionalization process may lead to firms becoming locked into a position and/or role. Strategies that involve radical change may require that an external actor is brought into the network/firm to implement the strategy.

The sensemaking process highlights the creation of reality as a collective process, where both the past, present and future perceptions play a large role. Strategy is an intentionally designed plan for the future, which in a network setting indicates that firms are dealing with interdependence between companies. Heikkinen et al. (2007) also note that managing in networks is about managing relationships. This interdependency can, however, be managed through taking change processes of role and position into consideration.

Because of institutionalization and sensemaking processes it becomes difficult for a firm to strategize in a network. Although strategizing might not be possible, firms must still learn to manage their roles. And because all networks are characterized by change, firms might get new roles and have to learn how to manage a new role. Firms can get new roles for various reasons, reasons which are, however, not the focus of this paper. Roles are given to firms, and they can not do anything about that (e.g. as a result of legislation and regulation). But managing a network means that a firm has to learn how to manage being assigned a new role. If a firm gets a new role, a whole network might get a new function, and this also indicates that if a firm gets a new role, the whole network must also manage/handle this new situation, i.e. the actors in the network must (collectively and independently) be able to handle a new role in the network. This clearly highlights the basic aspect of networks, that is, interdependence.

When a firm gets a new role the firm might also start to behave in a different way, which the other actors are not used to and opposes expected behavior. Other network actors must therefore adapt to this new behavior, and if the network will continue to function, a re-institutionalization process must take place. Other actors have expectations on a firm's behaviour, and if a firm gets a new role these expectations must change. Weick (1995) discusses a phenomenon labelled a "collective mind" which means that when change occurs all involved actors must think about how they understand a new situation, a new actor, a new role, and then a common understanding must be created.

Strategizing in a network means that a firm needs to be aware of different institutionalization pressures in its environment, and realize that change will lead to resistance among other network actors. There are many different ways other network actors can impose pressure on a firm. Implementation of a strategy includes as much anticipating how other networks actors will react and creating strategies for managing other actors´ reactions to a strategy/change.

6. Conclusions and suggestions for further research

The paper has conceptually treated strategizing in business networks through institutionalization and sensemaking perspectives. It is suggested that these approaches are fruitful to combine when firms develop roles and positions in connected exchange relationships. The approaches are not mutually exclusive approaches but relate to each other. The sensemaking approach deals with sensing the

networking and environmental processes and events by detecting cues as the basis for action. The institutional approach on the other hand gives tools to understand the institutional adaptive processes and different institutional pressure mechanisms that deal with how relationships are handled with other organizations and the role of mutual organizing, which also affect role and positions. It is furthermore suggested that influencing and changing the firm's role(s) and/or position becomes a way to strategize and manage within a business network. This is a complex task to perform.

Strategizing in networks pose many challenges for network members due to several ongoing sensemaking processes. It is worthwhile emphasizing the individual's active role in constructing the social reality, in other words, constructing the environment in which the relationship exists. The actors in a relationship construct, re-organize, choose and make invalid many of the "objective" characteristics of their environment (cf. Hatch, 1997). In fact many of them create their own restrictions and hurdles. Firms may also create own obstacles by e.g. resisting change, misinterpreting a situation etc. Intertia may be caused through institutionalization processes; it may be difficult and costly to change the existing role-set. Also, institutions change slowly, which may lead to intertia in network change and development. An important factor to remember is the role of external factors as triggers of change in role and position, or as triggers of the suggested change processes, sensemaking and institutionalization processes. For instance, a study by Nyström (2008) shows how external factors, rather than events in the business relationships per se, cause business network dynamics in technology sensitive industries. The influence of external events as triggers of change in role and position also highlight the importance of adapting and learning in business networks. This also involves a sensemaking process, as network members jointly make sense of imposed change and its implications.

Role and position are complicated and elusive concepts that are always present in business network settings. Role is seen as the dynamic aspect of position and an actor can possess multiple roles. It has been noted that researchers have fairly diverse impressions and definitions concerning role and position concepts. For instance,

- The position concept should always be handled referring to role (and vice versa). The link between position and role is not always clear (cf. Anderson et al., 1998).
- Network position forms a location of power to create and/or influence networks (Thorelli, 1986).
- A network position describes how individual actors in the network are related to each other in a network structure (Mattsson & Johanson, 1992)
- Each firm in a network has a unique position in relation to the other actors, but the position of a firm is perceived differently by the various actors in the network (Gadde et al., 2003).
- Network position consists of a company's relationships and the rights, limitations on behavior and obligations that go with them (Ford et al., 1998).
- Network position provides a language to talk about network changes as these primarily concern the nature of network connections.

It is therefore clear that we are dealing with a multifaceted issue when combining the concepts of role and position with strategy. The role of a firm is linked to its strategies (cf. Baker & Faulkner, 1991; Heikkinen et al., 2007). In a network setting, strategizing should deal with both role and position. We therefore suggest that role and position as means of strategizing in business networks should be one of the focus areas in the discussion whether or not business networks can be managed. This paper proposes two processes of change in role and position, the *institutionalization process* and the *sensemaking process*, which must be taken into consideration when developing strategy for managing in a network or in some cases maybe even to co-manage a network. It is pointed out here that networks are not manageable without sensing the jointness in value creation processes or the relative aspect of position in a structure of connected relationships in a web of actors or the interplay of role playing through the position in order to co-manage value through sensemaking and institutionalization processes.

An institutional analysis of a business network provides an understanding (cause) for the behavior and structure of firms, and established the sources of certain behavior. Analyzing institutions highlights similarities and differences between firms and therefore makes it possible to identify possible challenges for the management of business relationships (effect). Studying institutions requires understanding behavior on several level of awareness. Institutions are social structures that have attained a high degree of resilience. They are multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources. Institutions are transmitted across generations, to be maintained and reproduced (Scott, 2001). Institutions standardize behaviour and transfers rules, norms and ways of thinking between individuals. Institutions form a continuum moving from the conscious to the unconscious, from the legally enforced to the taken for granted (Scott, 2001). In terms of studying how institutions affect relationships, researchers need to understand how a network actor understands the surrounding environment. There is a need to understand such things that are taken for granted and defined as the 'way things are' and or 'the way things are to be done' (Salmi, 1995), consisting of values, expectations, regimes, authority systems, jobs, roles and obedience to duty (cognitive substance). Researchers need to investigate behaviour, that is. how actors separate between preferred and desirable behaviour (normative substance), for instance making a profit (values), the appropriate ways of reaching them, for instance conceptions of fair business practices (norms). Values set standards to which existing structures or behaviour can be compared and assessed, while norms define legitimate means to pursue valued ends. Furthermore, they consist of formal written rules as well as unwritten codes of conduct (regulative substance) that underlie and supplement formal rules. In case someone breaks any of the rules, a punishment is delivered. If using the analogy of 'institutions are the game and organizations the players' (North, 1990, 1993), the cognitive substance identifies underlying assumptions about society ('the game is always played'), normative substance defines goals or objectives ('to win the game'), and also appropriate ways of reaching them ('in which way to win the game'). The regulative substance specifies legitimate from illegitimate action ('the rules of the game').

In accordance with the sensemaking perspective, the reality of an actor engaged in a business relationship is shaped by the subjective experiences of those actors, i.e. knowledge is constructed based on the actors' experiences. The social reality (or the social order of relationships) is constructed between individuals through "negotiations" and implicit understanding, which in turn is built on a common history and shared experiences (Hatch, 1997). Various relationship concepts and categories will have different meaning to different people, since they build on different history and experiences. For instance, a category such as trust is constructed by people interacting with each other; it is not a distinct or set entity. This also means that the meaning of any specific category will be quite elusive, because it changes over time and from one place to another (Bryman, 2002). In other words, in order to understand how relationships function, there is a need to collect information about the actors' experiences. The challenge for research on institutions is how to 'collect' such actor experiences. In order to analyze institutions, the empirical data need to be rich and descriptive. Therefore the sample often needs to be non-random and small, but in-depth. This usually often means that the researcher needs to interact with what is researched.

A sensemaking approach to studying role and position may reveal important information about how actors in a network perceive each other and how these perceptions influence a specific firm's role and position and, consequently, strategy. Sensemaking is something that exists and that can be examined (Weick, 1995). Sensemaking is not about interpretation. Rather, it is about "the process that culminates in interpretation" (Craig-Lees, 2001, p. 514). Geersbro (2004, p. 3) defines sensemaking as the process by which people "come to terms with the event we perceive in the world: how we establish or create some kind of meaning that allows us to cope with enormous complexities". Weick and Sutcliffe (2005, p. 409) define sensemaking as "turning circumstances into a situation that is comprehended explicitly in words". Based on Mills (2003) the authors view sensemaking as the primary site where meanings materialize and inform and constrain identity and,

specifically, action. Sensemaking is also about the interplay between interpretation and action. Action thus takes a central role in the sensemaking process. For instance, Weick (1995) points out that without action, there is no sensemaking. Czarniawska-Joerges (1992) continues that sensemaking depends less on e.g. shared goals, but more on shared actions. Thus, in order to study a sensemaking process of change in role and position, researchers should focus their attention on perceptions and ideas each network member has of other actors in the network. Sensemaking is thus the primary site where meanings materialize and eventually inform and constrain identity and action (Mills, 2003). Weick and Sutcliffe (2005, p. 409) continue that sensemaking is, among other things, an issue of language, talk and communications where "situations, organizations, and environments are talked into existence". Therefore, role and position as concepts are something that is created during a certain period of time by looking back over earlier observations and seeing patterns. Only through forming an understanding of how roles and positions are perceived and "talked into existence", their relevance for business networks can be understood. Also, through understanding and analyzing network members' roles and positions, more specific strategies may be formulated in order to manage interaction, relationships, positions in networks, or perhaps even the network itself. More research and discussion is required in order to draw plausible conclusions on managing networks.

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