

Micro-positioning as purposeful interaction: a conceptual framework for micro-positioning within dyads

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Abstract

The purpose of this paper is to explore the concept of firm strategic positioning within dyadic business relationships. A case study of a focal business relationship within the electronics industry is presented. An empirically grounded conceptual model is developed where the following three components form the basis for firm's purposeful interactions when engaging in micro-positioning: 1) purpose, 2) strategic identity, and 3) production role (i.e. distribution of responsibilities in the production system). The paper contributes with conceptual ideas and insights into how firms may develop relationship-oriented strategies that build on interaction as a central coordinator in strategy.

Keywords: positioning, micro-positioning, purposeful interaction, perceptions, strategizing, business relationship

Introduction

The aim of this article is to explore the concept of “firm positioning” within dyadic business relationships when the objective is to enhance exchange effectiveness across boundaries. Each firm has a unique position in the network and the ability to manage positions is dependent on how firms interact in a purposeful manner in relation to a counterpart and in ways that is consistent and coordinated across multiple levels of the hierarchical, multifunctional structure of the firm and its business relationships (Parson, 1960). This paper calls for a dynamic, interactive approach to managing micro-position strategically over time (i.e. the distribution of responsibilities within a dyadic business relationship). The “micro-position” conceptualises a firm's distribution of responsibilities in the production system and within business relationships. It has structural and temporal properties, and the basis for firms' action and interaction is how the actors individually or collectively perceive, understand and define their reason for being (i.e. purpose, identity, mission, vision, overall goal, business model, etc.) and what each firm considers the appropriate distribution of responsibilities should be in the production system. This implies investigating the micro-processes that explain how firms move from one position to another in a purposeful manner, i.e. purposeful interaction. Such movements can have clear strategic content and potential. Building on the other writers on strategy and position within IMP, we call for a shift in focus from (1) macro strategy to micro strategy, (2) from strategy intent to process, (3) from strategic action to strategizing and (4) from directing actions *at* others to acting *with or in relation to* others. In the next sections, we present a review of the IMP literature on positioning and strategy focusing on the cornerstone ideas on (1) network position and (2) strategic positioning. A case study is presented as basis for an empirically grounded conceptual model. We then discuss the factors that explains the focal firms' ability/inability to enhance exchange effectiveness between them.

Network position in IMP

Network position concept

The concept of “network position” has long been of interest to researchers within IMP Group (Johansson and Mattsson, 1985, 1988, 1992; Henders, 1992; Axelsson and Easton, 1992; Ford et al., 1996; Ford et al., 2003). Henders (1992, p. 1) refers to the research on positioning as efforts to “describe, quite simply,

how an actor (i.e. a profit-making company, a governmental body, or an individual) fits into an industrial system". The original thinking within IMP concerning position was to distinguish between its structural and temporal characteristics (i.e. dimensions). The structural dimension refers to a specific state of an organisation in relation to other organisations, and this state is bound in time and space. The temporal dimension refers to the way in which positions are subject to change because of minor and major changes in the relationship connections between firms. The structural and temporal dimensions raise the question of how firms manage this fit (i.e. position) within the interactive processes that binds firms together. The embedded nature of firms in networks suggests that positioning demands that one pay close attention to how other actors are acting and the implications these acts have on the connected relationships between them (Henders, 1992, p. 3). As such, the network positions are the result of multiple firms acting and investing in exchange relationships, resources and capabilities over time (Håkansson, 1982). Each position is unique as each business relationship is unique, and the accumulated investments in positions influences the type of economic outputs firms can expect today and in the future (Håkansson, 1982; Johanson and Mattsson, 1985, 1992). As such, positions are both the target and outcome of strategic action.

Positions in an industrial network are representations of what we do (i.e. the activity dimension), what we have (i.e. the resource dimension), who does what, when and how (i.e. actor dimension), or a combination of the three dimensions (Håkansson and Snehota, 1995). Three main perspectives on position are found in the IMP literature. First, the role "that the organization has for other organizations that it is related to, directly or indirectly" (Mattsson, 1984). Confined to the production system, this 'production role' can be split into a qualitative and quantitative role (Johanson and Mattson, 1992, p. 187). The qualitative role refers to function the actor has in the production system. The basic idea is that each actor has "one or more specific functions for which the resources it controls are specialized" (Johanson and Mattsson, 1992, p. 187). The quantitative role refers to "relative importance that the resources the actor has in relation to the resources of other actors, i.e. how much of the total quantity of substitutable resource are controlled by the actor" (Johanson and Mattsson, 1992, p. 187). Second, network position itself is a function of "all the direct –and indirect business relationships a firm has in the network" (Johanson and Mattsson, 1992, p. 187). A distinction is made between micro- and macro-position where micro-position is defined as: a) the role of the firm vis-à-vis counterparts, b) its importance to counterparts and c) the strength of the relationship with or to the other firm (Johanson and Mattsson, 1986). The macro-position on the other hand reflects a) the identity of other firms that a focal firm had direct and indirect relationships with, b) the role of the firm in the wider network and c) the strength of the relationships with other firms (Johanson and Mattsson, 1986). Third, position as strategic identity referring to "the views about the firm's role and position in relation to other firms in the industrial network" (Håkansson and Johanson, 1984a). It refers to how others understand a firm's purpose influencing what other organizations expect from a focal firm in terms of the function they ought to fulfil, the activities they should perform, or the type of resources and capabilities they "bring to the table" (Johanson and Mattsson, 1986).

Strategic positioning

Within IMP, the single-firm strategic action has dominated the positioning literature claiming its relevance due to "its consequence for firms, and because of its implications for the dynamics of industrial systems" (Johanson and Mattsson, 1992, p. 183). In line with how IMP discusses the idea of a Positioning Approach to strategy, the firm's strategic base is formed on three main components. First, network positions are in themselves viewed as strategic objectives or goals that firms' pursue through purposeful strategic actions. Such acts are often understood as attempts to preserve or change specific positions in relation to individual dyads or groups of inter-related firms (Axelsson and Easton, 1992). The general idea is that the firm can direct its actions on its direct and indirect relationships, whereby positions can be changed through "breaking old relationships, changing the character of existing, or preserving relationships endangered by adverse actions by other firms" (Johanson and Mattsson, 1992, p. 189). Second, positions can be changed as a result of the way a firm manages and develops its resource collection and resource ties (i.e. resource interfaces and interdependencies) with counterparts (Håkansson and Johanson, 1992; Håkansson and Snehota, 1989, 1995). The basic argument is that the type of resources and adaptation mechanisms a firm chooses to invest in affect its ability to achieve effective exchange processes with counterparts. Third, positions can be changed through the way in

which a firm develops its cognitive structures on which actions are based (i.e. network picture). These network pictures allow the firm to delimit its network and devise strategic initiatives to mediate and develop relationships with counterparts (See also Henneberg et al., 2003; Ford et al., 2003; Johanson and Mattsson, 1992; Mouzas and Naudê, 2003; Holmen and Pedersen, 2003; Ritter, 2000; Anderson et al., 1994; Halinen et al., 1999). The pictures are a function of the actors' experiences, memories of the past, beliefs about the future, perceptions about "realities", strategies, intentions, and how the firm views the status quo of the focal firm and its direct and indirect business relationships (Johanson and Mattsson, 1992). An essential element in directing actions at others is the idea that firms can influence the network pictures of counterparts via interaction and in some cases creating new and/or dominating views and understandings of the strategic and operational reality surrounding interconnected firms. In other cases, firms engage in purposeful efforts to create a common ground for problem-solving in order to handle interdependencies in a coherent and co-ordinated manner).

Critics to the strategic positioning approach

The Positioning Approach to strategy has been influential to the idea of strategy within the INA. In its current state, a single-firm and macro-level perspective dominates IMP literature. It can be criticised for being somewhat static and for lacking a necessary dyadic focus on strategic action and outcome, and how such actions allow a firm to develop and manage its network positions. While this approach builds on both, the structural and temporal characteristics of networks, the writers on positioning fail to explain the dynamism and bilateralness involved when a firm tries to direct actions *at* its relationships, when it attempts to influence the network theories of others, or when it tries to restructure the webs of interdependencies within its relationships. The theoretical concepts and assumptions that serve as the basis for this approach build on the idea that interaction within dyadic relationships is the central co-ordination mechanism, but there is little explanation provided of the intricate process involved when strategic actions are enforced within the frame of the dyads. The idea of strategy is portrayed as an individual firm activity and something that is planned unilaterally, which does not fit with the central argument in INA that "no firm is an island". The IMP literature is rich on empirically grounded research demonstrating the constraints and dilemmas facing firms trying to manage in networks. The authors Håkansson and Ford (2002) underline the importance of strategy as process within the frame of relationships when claiming that "strategizing is about identifying the scope for action, within existing and potential relationships and about operating effectively with others within the internal and external constraints that limit that scope" (p. 137). This implies paying close attention to what others are doing and the potential limited effect single firm action can have on dyadic integration and effective exchange. If positioning means directing strategic action *at* the connections and interfaces, micro-positioning commands acting strategically within the frame of interaction between firms.

Methodology

Data was collected through a case study comprising 72 semi-structured interviews, eleven business meetings and six feedback meetings over a four-year period to create a longitudinal narrative of strategic interaction within dyadic business relationships. The time element was important to the study as mapping actions and outcomes was a central theme. For this reason, it became natural for the researcher to analyse the empirical material while simultaneously gathering more data. Mapping how different actors holding different functions and roles in the focal firms viewed the interactive dynamic developments was central to the study in order to capture the what (did they do), why did they do this and how did the actor perceive the implications of their individual and collective actions.

Case study

The focal supplier, a contract-manufacturer operating in the Electronics Manufacturing Service (EMS) segment grew considerably over a five-year period to become one of the leading EMS-provider in Northern Europe. The EMS-provider (hereafter also called the focal supplier) grew from owning two manufacturing facilities in Norway to now owning eight manufacturing facilities and three product-design and engineering firms in Norway, Sweden and Lithuania. Their goal was to become a total EMS-provider capable of servicing their customers throughout the entire product lifespan of products. The focal customer, a leading product-developer and manufacturer of advanced tactical communication system in Europe, decided to specialise in product-design and engineering and outsource their two

manufacturing facilities to their most important EMS-provider, the focal supplier. The customer hoped to focus all their resources on capitalizing on growth in the global military segment. Despite the recent strategic investments and restructuring, the focal firms struggled with excessive costs and inefficient and ineffective management of joint projects. Projects often missed the strict time-to-market deadlines and industrial buyers commanded lower prices. Each firm organised a series individual, uncoordinated cost-cutting and improvement programs but the challenges remained. Management at the focal firms then turned to each other and arranged joint problem assessment meetings to investigate the root causes of the problems. The supplier complained that the customer still treated the outsourced manufacturing operation as an internal function and that the customer's cost-cutting programs were one-sided set-up to force the supplier to lower cost via giving up their margins. To the supplier, the major cost driver in their projects was sourcing which on average could amount to as much as 80 percent of the total manufacturing costs. The supplier also complained that customer tended to alter the design specifications and restart prototype building and testing after the product had reached volume manufacturing and that a vast informal communication flow hampered effective project management. The customer viewed this differently and wanted to maintain the current ways of operating 'as is'. They valued the personal relationships and informal contact between the engineering functions and the manufacturing site as it gave them access to manufacturing expertise needed during design making the product more production friendly. They also argued that early supplier involvement was second to their current supply strategy of playing the supplier market getting the EMS-providers to compete for contracts after design completion.

To deal with these challenges, the EMS-provider decided to alter its business model and re-evaluate its position in the supply chain with the aim to enhance customer-integration. They were convinced that investing in, re-organising, and strengthening their sourcing function would motivate the customers to change their approach to sourcing. Their current sourcing and product lifespan management (PLM) system only stored static, historical data. A new Component Information System (CIS) was built that would be integrated with the distributors systems now giving them access to updated market, component and supplier information on a global scale only available with the distributors. The focal supplier also set up a new sourcing department centralising their component and sourcing experts from the various facilities, a change they believed would generate new value adding services that could enhance the customer's PLM process. Still, the focal customer did not respond positively to these changes wanting to maintain the status quo. To the customer, the focal supplier was primarily a manufacturing specialist and they firmly believed little could be gained from replacing their own sourcing function with that of the focal supplier. In addition, the focal customer already had access to the distributors' expertise relying on them for sourcing advice and support.

The focal supplier then initiated strategic communications with several customers including top management and operational personnel central to their projects. These dialogues provided insight into the predicaments and considerations of a vast number of customers. The supplier used this insight to approach the focal customer with the idea to set up a pilot project. They selected a product already being volume manufactured and wanted to explore a new distribution of responsibilities in the next generation model soon to be developed. As the original problems had remained for several years despite their many improvement initiatives, the focal customer now showed a willingness to try something new. The parties agreed to formalise the arrangement by setting up a new joint management team (JMT) consisting of technicians and managers from both firms responsible for confronting current practices and creating new procedures for implementation. Top management at both firms supported the initiative and so the mandate of JTM was to enforce radical changes in the pilot project and evaluate the effects on life span cost in general and manufacturing cost in particular. The firms also agreed to hire a project manager from outside for the management of the product-development process, which to the focal customer was unprecedented. JMT designed a new communication procedure specifying in detail what departments and functions to include at the different industrialisation stages. They also created new decision-making principles and routines explaining who, what, when and how decisions were to be performed. The new sourcing set-up was now in focus.

The pilot project resulted in 40 percent cost savings compared to the previous version of the product, shorter time-to-market delivery as the product-development time was reduced, and more effective communication and management of the pilot project. Through the JMT, the focal firms had managed to mobilise and involve key personnel from all levels of their organisations using their expertise and

insights. Still, despite the success of the pilot project the focal customer were reluctant to implement the new distribution of responsibilities onto other projects. Doing so would require them giving the focal supplier the sourcing responsibility in projects where other EMS-providers were involved something the customer was not prepared to do.

The focal firms dissolved the JMT but the focal supplier used the momentum of the pilot project fuel internal discussion on how to deal with the organisational constraints. The internal discussions reaffirmed the idea that while manufacturing was their core business, sourcing was the core competence needed to succeed with their manufacturing strategy. The focal supplier believed that transforming the sourcing department into an independent sourcing firm provided opportunity for positioning them as a sourcing specialist in the production system and give them an edge over competitors. However, the collaborative arrangement between the focal firms ended without a formal closure for several reasons. The focal supplier got a new top management that restructured their business in a radical way. The two main managers that had led the discussions between the focal firms had left their organisations. With the end of the JMT, so too did the collaborative arrangement that JMT represented end hindering the focal firms from reusing the changes and experiences from the pilot project onto other projects.

Findings and discussion

The case narrative shows interaction in networks as a core feature of the exchange economy and involves pooling resources, coordinating activities and learning (Zhang et al., 2016). Inter-organisational interaction is an exchange activity especially called for in cases of strong reciprocal interdependency demanding mutual adjustments between two or more firms in a network (Ford et al., 2017). The case demonstrates how the firms traditionally acted strategically at the counterpart opposed to with, and that it was not until they changed their approach to problem-solving and made it a bilateral, collective matter that the results came. This change process, however, occurred over time in line with the notion of strategizing (Håkansson and Ford, 2002). The failure to produce results and the ability to learn from these failures gradually transformed their strategic approach from *acting at* to *acting with* the counterpart. The case also illustrates how single-firm initiatives to restructure the web of interdependencies is not easy. On the contrary, underestimating the nature of these interdependencies and viewing the connectivity between the organizations differently caused them to behave in manners that constrained the counterpart from implementing their strategic agenda and obtain their desired position in the production system. Furthermore, despite having invested heavily in resources and capabilities and re-defining the strategic profile and direction of the individual firm, these changes had limited positive effects on the connections (i.e. joint projects) between them. The problems of inefficient and ineffective projects remained. The way the parties approached each other also constrained them from changing the distribution of responsibilities to reflect their new strategic and operational reality.

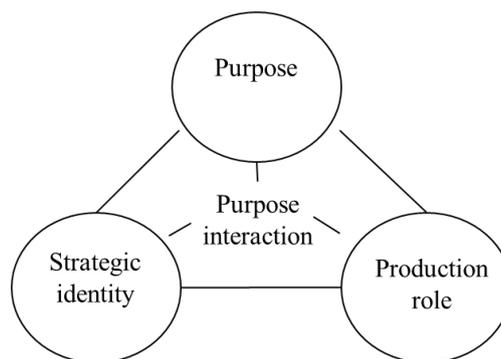
Although actions were directed at a focal business relationship, the ability to change and improve the exchange processes was a function of how the focal firms related to other actors in the production system. Access to resources via distributors allowed the focal supplier to develop a new information system (called CIS), but getting the focal customer to use this system was much more problematic. Not only did the customer have its own system, they also had their own direct relationship with the same distributors. Hence, the focal supplier believed little could be gained from changing the current distribution of responsibilities. Not surprisingly as the industrialization process is a networked functionality. The case study exemplifies how the focal firms over time managed to involve different layers of the organisation in the bilateral communications that gradually emerged. Parsons (1960) points out that a production system consists of three layers; (1) technical, (2) managerial and (3) institutional. The technical layer comprises what Alderson (1965) describes as value-creating transformations. The managerial level encompasses knowledge to planning and leading production at an operational as well as strategic level. These two types of activities are embedded in discourse, the culture of producing described as the institutional layer. The technical level may be described as governed by an institutionalised production economy, while management may be understood as governed by an institutionalised exchange economy. In the beginning of the case, the focal firms detached, uncoordinated actions did not produce enhanced exchange effectiveness and they approached the problem-solving unilaterally. Over time, the parties developed a collective approach through their bilateral communication while navigating between and through the hierarchical structure of the organizations. The case also shows that while each firm had radically changed their business model and

invested in additional resources representing unexploited opportunity that the firms were unable to tap into singlehandedly. The ability to integrate the technical and managerial produced enhanced exchange effectiveness. The joint management team (the JMT), the pilot project, and the computer information system (CIS) database all represented new mediating functions that facilitated integration (Holmen and Pedersen, 2003). but the inability to solve the organizational constraints meant that the institutional behaviour and business practice remained intact.

Micro-positioning as purposeful interaction

The way actors create meaning shapes the way they relate to others and the type of actions they pursue. We argue that *purposeful interaction* is the central micro-process that explains how firms manage micro-position. The way firms act and interact purposefully is a function of how they create, confront and influence the meanings of others. Our conceptual understanding of the pillars of such sense-making are the following three: (1) purpose, (2) strategic identity, and (3) production role (see figure 1). All these three factors are central ingredients in the way firms determine, understand, define, act and execute the distribution of responsibilities vis-à-vis counterparts. As each actor’s notion of purpose changes in accordance with how they understand the nature of their strategic and operational reality, it pressures them to work towards a common purpose and reality with important counterparts. Managing heterogeneous network pictures with the intent to create common views and understanding with counterparts is a prerequisite for collective actions or actions that support a common strategic agenda (i.e. problem or direction). The ability to confront, change (when needed) and manage these three factors will influence the firm’s ability to operate effectively with counterparts.

Figure 1: Micro-positioning as the management of purposeful interaction



Conclusion

The contribution of this paper is to show how aligning strategic thinking and behaviour inside and outside of the firm boundaries occurs within the frame of interaction processes and it forms the basis for managing network positions interactively in a dynamic context. Hence, positioning, not position per se, refers to the process where strategy is process and where strategic action derives from how firms interact and relate to counterparts in order to enhance economic performance. Future research can follow the lines of this study and consider in further detail the role of the mediating functions as integrator and positioning tool within dyads.

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