

Discourse around Strategizing Processes in Industrial Networks

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Abstract

Many researchers have studied strategizing processes of individual firms. However, little is known about strategizing processes in business and industrial networks. This qualitative study focuses on how strategic practices are legitimated in the Japanese retail industrial network. I conducted a thematic analysis to assess transitions in social perceptions about strategic practices in the industry during the period from about fifteen years before to fifteen years after a rush of global retailers' entries into the Japanese market around 2000. Through the analysis, I identified five frames that were used to talk about the global retailers and strategic practices in the industrial network.

Keywords: strategizing, legitimacy, discourse, Japanese retail industry

Introduction

Research on strategizing processes in business networks has attracted IMP researchers' interests (Aaboen *et al.*, 2013; Gadde *et al.*, 2003). Originally, the concept of strategizing in strategy-as-practice (SAP) as an activity-based view has been associated with "the doing of strategy" within organizations (Jarzabkowski & Spee, 2009). Although SAP researches do not basically deal with the strategizing processes across organizational borders, the perspective has been useful for analyzing inter-organizational networks. Strategizing from the industrial-network perspective is concerned with how particular actors influence interactions in the networks in which they participate and how strategic practices are shaped and/or changed through the actors' interactions in the networks (Gadde *et al.*, 2003).

In this paper, I focus on how strategic practices in a particular industry are institutionalized over time and how they change with institutional and competitive environments. I conceptualize strategizing in an industrial network as an institutional and social process. Evaluation or perception about strategic practices is assumed to develop socially and to be institutionalized in industrial networks. Legitimacy could mean institutionalized positive evaluation or perception of practices and actions. On the other hand, the negative evaluation of actions is institutionalized, which can be conceptualized as illegitimacy. The goal of this study is to grasp how strategic practices are legitimated and illegitimated in an industrial network.

Legitimation in strategizing

I draw upon institutional theory to understand legitimation in strategizing processes, through which particular strategic practices are legitimated or illegitimated in an industrial network. Legitimation refers to the process whereby a practice is accepted socially as a desirable, proper, or appropriate one (Suchman, 1995). Institutional theory assumes that firms' strategic actions need to gain continuous support directly and indirectly from involved actors in order for the firms to be sustainable. The support from involved actors enables firms to access easily social, economic and political resources (Scott, 1995).

Despite the significant research stream of organizational legitimacy, less effort has been devoted to identifying the issue of legitimacy at the industrial level. As the explanation of institutional isomorphism in institutional theory implies (DiMaggio & Powell, 1983), strategic actions of firms get similar and are legitimated in a particular industry. On the other hand, as to strategizing processes, many researchers have studied them within individual organizations as well. However, little is known about strategizing processes in industrial networks. I therefore shed light on how strategic practices can gain and lose their legitimacy in industrial networks.

Institutionalized practices have been often assumed to be unchangeable easily. One has also assumed that actors were conditioned by institutions and had a limited degree of agency. However, recent developments in the institutional perspective made scholars pay attention to institutional changes. They deal with institutions as changeable factors, rather than unchangeable pre-given ones (e.g., Greenwood *et al.*, 2002; Lawrence & Suddaby, 2006; Maguire & Hardy, 2009; Maguire *et al.*, 2004). This implies that actors could manipulate legitimation processes to some extent.

How can actors manipulate legitimacy to change practices and institutions? There had been relatively little practical understanding of how legitimacy is gained, maintained, and lost (Baum & Powell, 1995). In recent years, however, increasing number of studies focus on the issue of legitimacy dynamics (Greenwood *et al.*, 2002; Suddaby & Greenwood, 2005).

Discourse around strategizing

Strategic actions are formed by institutional frames for the criteria of legitimacy, the so-called institutional logics, which enable actors make sense of their world (Friedland & Alford, 1991; Suddaby & Greenwood, 2005). Early institutional studies had assumed overly passive actors' model (Oliver, 1991). Namely, it had been assumed that actors were conditioned by institutions and had a limited degree of agency. However, as the concept of institutional change is drawing attention of institutional theorists, actors are assumed to influence the institutional frames and logics via discursive interactions.

I employ discourse analysis to study legitimation in strategizing processes. The discursive perspective focuses on the roles of linguistic practices in strategizing processes. In recent years, strategizing studies have increasingly paid attention to the discursive aspects of strategy because a variety of produced and disseminated texts are assumed to be powerful resources for making and signifying firms' strategies (Balogun *et al.*, 2014). Legitimation processes are accompanied by rhetorical strategies to use persuasive language deliberately for institutional changes (Suddaby & Greenwood, 2005).

In this study, my research interest is also in the relationship between micro-level strategic actions and macro-level institutional contexts in an industry network. For better understanding of this relationship, discursive studies could be useful.

Research method

In order to explore discourse around strategizing processes, I conducted a qualitative analysis using textual data. The Japanese retail industry from the 1980s was selected as an appropriate research site because one can observe interesting dynamic phenomena related to not only micro-level strategizing but also macro-level institutional contexts in the industry during this time, which include entrance of global retailers into the Japanese retail market (the so-called *Ryutsu-Gaishi*), Japanese retailers' strategizing against the new competitors, legal revision related to the industry, changes in trade practices, legitimation of new practices, and so forth. Obviously, one observed major structural and competitive changes in the Japanese retail industry during the 1980s and 1990s.

The data sources consist of textual data in newspaper articles of the leading business newspaper, *Nikkei*, over the past thirty years since the Japan-U.S. Structural Impediments Initiative started in the late 1980s and global retailers started influencing largely the Japanese retail market. The interest of this study is in social perceptions, which are reflected and influenced by discourse mass media produce and disseminate. Therefore, analyzing textual data in newspaper articles is relevant in this study

Through this study, I reveal how strategic practices were shaped and legitimated in the Japanese retail industry over the past thirty years, during which the institutional and competitive environments have changed due to global retailers' entry into the Japanese market. Table 1 shows the overviews of global

retailers who entered the market. My research contributes to extending the existing knowledge related to strategizing in industrial networks by providing a discursive study.

Table 1: Historical overview of global retailers' market development in Japan

	Store type in Japan	Year of entry	Year of exit	Number of stores
Toys"R"Us	Category killer (toys)	1991		160
Boots	Drugstore	1999	2001	
COSTCO	Wholesale club	1999		25
Carrefour	Supermarket	2000	2005	
Wal-Mart (SEIYU)	Supermarket	2002		345
METRO	Wholesale club	2002		9
TESCO	Supermarket	2003	2013	
IKEA	Specialty store (furniture)	2006		5

Results of thematic analysis

In order to assess transitions in social perceptions regarding global retailers' entries into the Japanese retail industry, I conducted a thematic analysis (Miles & Humerman, 1984). Through the analysis, I identified the five frames that were used to talk about the roles of global retailers entering into the Japanese market in changing strategic practices in the industrial network—regulation, practices, competition, assortments, and efficiency. They legitimize and illegitimate the global retailers using texts categorized into the five frames.

Regulation

In the 1980s, an enormous trade deficit with Japan developed in the U.S., and economic and trade friction between Japan and U.S. grew pronounced. In such a circumstance, the Japan-U.S. Structural Impediments Initiative started, in which the authorities of the two countries discuss about the large-Scale Retail Stores Law in Japan as an agenda. The law regulated store developments of large-scale retailers to protect small and medium-sized retailers. U.S.-based global retailers expected the U.S. government's political pressure on the Japanese government to repeal the regulation. The regulation was relaxed in the early 1990 when Toys"R"Us began to develop stores in Japan.

During the period of analysis, the percentages of articles about deregulation and Toys"R"Us in all newspaper articles on global retailers into Japan are greater in the 1980–1990 and 1991–1999 periods than in 2000–2015. In other words, by 2000, the regulation in this industry was socially illegitimized. At the same time, the large-Scale Retail Stores Law was repealed in 2000.

Practices

In the 1980s and the early 1990s, the U.S. government and companies viewed Japan-specific trade practices as well as regulations as a barrier to entry into the Japanese market. Interestingly, as Japanese major retailers grew increasing their market shares, some traditional trade practices gradually failed to function.

It was articulated in the 1980–1990 and 1991–1999 periods that the Japan-specific trade practices in the distribution channels were expected to collapse. The Japan-specific practices in distribution channels of consumer goods had been illegitimized in the periods. As a result, it was in the 1990s when manufacturers of consumer products, wholesalers, and retailers made efforts to reform the traditional practices. After 2000, the percentage of articles about trade practices has dramatically declined. The reason is that the reform was almost completed by then.

Competition

In the 1991–1999 period after Toys"R"Us's entry, coverage of intense competition increased as if as a warning for retailers as well as wholesalers in Japan. Articles of the competitive frame articulated that global retailers had rich assortments and wanted to transact directly with manufacturers, not through wholesalers. The competitive frame was used to underpin the strategic necessity for retailer to build competitive advantage and for wholesalers to reconsider the *raison d'être* of themselves.

Efficiency

From the qualitative analysis, I found that the percentage of articles regarding the efficiency frame is greater in 2000–2015. I assume that efficiency can be evaluated in various dimensions. Efficiency-oriented management of introducing demand-driven supply chains was legitimated in the industry during the period. The requirement of investment in information technology and seeking demand-driven efficiency was emphasized to sustain the fierce competition with global retailers.

Assortments

As to the assortment frame, I found so interesting discourse. Social perception reflected the fear in global retailers' rich assortments during the earlier periods. The evaluation of their rich assortments was institutionalized then. However, as some global retailers exited from the Japanese market, the negative assessment of their assortments was established that the assortments had not matched the Japanese consumers' needs. The Japanese market is quite unique and different from

Discussion

This study contributes to an emerging body of IMP research on strategizing in industrial networks. This paper show a process thorough which strategic practices have been legitimated and illegitimated in an industrial network. The findings suggest the five frames that were used to describe the change of strategic practices in the Japanese retail industry. Indeed, the global retailers' entries into the Japanese market played an important roles in changing the strategic practices. However, the legitimation processes were shaped not by the individual actors but by the interactions among involved actors. As a result, some traditional practices were illegitimated and the new ones were legitimated.

I identified some complement relationships between the five frames although I did not describe them fully. This study is at an earlier stage. This is one of the issues I should continue to address.

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