The opportunities and limitations of network visioning – the case of strategizing in a distribution network

by

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ABSTRACT

Future plays a key role in any form of strategic thinking. In network strategizing the future perspective is involved in the visioning that has been identified as an important activity related to the formation of network pictures and the sketching of options for strategic action (Laari-Salmela et al. 2015; Möller & Halinen, 1999). However, very few studies exist that explicitly take a future outlook on network strategizing. In recent research, strategizing has been viewed as a process (Abrahamsen et al. 2016; Laari-Salmela et al. 2015) and foresight as part of it (Andersen et al. 2017), but visioning in a complex interactive business network has not been explicitly addressed.

In this paper we describe how visioning becomes part of the process of network strategizing. Based on a theoretical model grounded on existing literature, we will investigate the opportunities and limitations of network visioning. Two research questions are posed: What can companies foresee in the development of their business networks, and to what extent does their visioning inform the emergent strategic path of their company?

The study applies a qualitative, longitudinal methodology, where the key actors in a fresh salmon distribution network in Japan are interviewed at two points in time. The managers’ future outlook of the developments within their network are investigated in period one and then verified in a retrospective analysis six years later. Based on this data we present conclusions as to how well the companies concerned were able to foresee the developments that actually occurred during the intervening time period, and how the strategic intentions of the companies were realized through interaction and networking.

By applying the sensemaking approach and concepts from futures research, the study contributes to the literature on strategizing in business networks. Comparison of data between the two periods in time and between two companies following different strategic paths, provides a basis for both theoretically and managerially valuable conclusions related to network visioning.

Keywords: Network strategizing, network visioning, future(s), organizational foresight, futures research, longitudinal research
INTRODUCTION

The past decade has witnessed an upsurge of research in strategizing in business networks. Research has focused mostly on the cognitive aspects of strategizing (e.g. network pictures and sensemaking) and the interplay between managerial cognition and action (Aaboen, Dubois & Lind 2013; Abrahamsen et al. 2016; Corsaro et al. 2011; Harrison, Holmen & Pedersen 2010; Laari-Salmela, Mainela & Puhakka 2015). The temporal aspects of strategizing, especially the anticipation of future has received limited attention.

In strategic thinking, the future perspective plays a key role. In network strategizing it is involved in the visioning that has been identified as an essential activity related to the formation of network pictures and the sketching of options for strategic action (Laari-Salmela et al. 2015; Möller & Halinen 1999; Möller & Svahn 2004). Network foresight (or the building of expectations in business interaction) has been proposed as a related term (Andersen, Holmen & Pedersen 2017). However, very few studies exist that explicitly take a future outlook on network strategizing: Low and Johnston (2009) identify network positioning paths for companies from the present situation onwards, and Harrison and Prenkert (2009) investigate the strategic planning process of a meat processing company, describing its scenarios and trajectories with respect to network connections. The opportunities and limitations of companies to foresee the future in a complex interactive business network has not been explicitly addressed.

In this paper we describe how visioning becomes part of the process of network strategizing. Based on a theoretical model grounded on existing literature, we will investigate the opportunities and limitations of network visioning. Two research questions are posed: What can companies foresee in the development of their business networks, and to what extent does their visioning inform the emergent strategic path of their company? In networks of interdependent business relationships, strategic action is inevitably contingent upon other actors’ activities and reactions that influence both the development of the network and the strategic outcomes. It is particularly interesting to investigate how visioning functions in such conditions and how it influences strategizing.

The study applies a qualitative, longitudinal methodology, where the key actors in a fresh salmon distribution network in Japan are interviewed at two points in time. The managers’ future outlook of the developments within their network are investigated in period one and then verified in a retrospective analysis six years later. By applying the sensemaking approach and concepts from futures research, the study contributes to the literature on strategizing in business networks.

LITERATURE REVIEW

Strategizing in business networks

Strategizing is a concept specifically referring to the business network view on strategy (Araujo & Easton 1996; Baraldi et al. 2007; Gadde, Huemer & Håkansson 2003). Strategizing is undertaken to change the network and the company’s position in it, to make choices with respect to interaction and business partners (Håkansson, 2009; Johanson & Mattsson, 1992) and to mobilize actors and influence them through relationships (Abrahamsen et al. 2016; Gadde et al. 2003. Thus, strategizing is interacting and networking with strategic intent.
While the established schools of thought in management strategy typically look at a single company forming a strategy in front of a faceless environment (Araujo & Easton 1996) the network view sees the external actors as active parties of the strategy formation and process (Baraldi et al. 2007). Strategizing occurs through business interaction, at the level of managers responsible for supplier and customer relationship management (Baraldi et al. 2007). This also implies, that outcomes of acting are strongly contingent on other firms’ actions and reactions in the network (Baraldi et al. 2007; Harrison & Holmen & Pedersen 2010); in strategizing the company ultimately seeks to master the complex interdependences created by business relationships. Strategy formation and strategy implementation are organic and incremental progressions rather than rational and linear activities (Laari-Salmela et al. 2015).

The network view on strategizing emphasizes the role of interconnected relationships and the manager’s way of making sense of their network context. This idea is encapsulated into the much-studied concept of network pictures, i.e. managers’ mental representation of their surrounding business network (e.g. Corsaro et al. 2011; Henneberg, Naude and Mouzas, 2007). As such, strategizing becomes a cognitive sensemaking process, involving three key activities: formation of a network picture, formation of a strategy picture, and visioning based on them (Laari-Salmela et al. 2015, p. 122).

It is presumed that managers’ network pictures inform networking activities which then lead to network outcomes (Ford et al. 2011; see also Corsaro et al. 2011; Henneberg et al. 2006). Through network picturing, strategizing companies are able to broaden their network horizon and to better understand the resulting actions and network outcomes (Abrahamsen et al. 2016). Network picturing is a continuous process where network pictures are recursively evaluated and amended according to changed network conditions (Abrahamsen et al. 2016). This raises the question of the sustainability of strategic choices, and calls for attention to the temporal perspective of business network strategizing. To what extent are managers able to anticipate other companies’ moves and reactions? And what is the role of visioning overall in strategizing?

Visioning in business network strategizing – a framework

While research on strategizing in business networks has paid little attention to the future perspective we seek inputs from organizational foresight that entails the idea of an explorative anticipation of the future. It refers to “organizational ability to explore and recognize the underlying structure of the business environment—seeing the drivers of change before they manifest in near-term events” (Burt & Wright 2006, p. 887). Foresight differs from mere predictions by being pre-active rather than reactive, and by assuming that firms and individuals have an active role in creating the future (Godet & Roubelat 1996). Cunha, Palma and da Costa (2006) consider organizational foresight as an on-going collective process where managers create the future along the way, as the present unfolds. Thus, in their terms, foresight is not only the anticipation of the possible futures, but acting upon the present on-goingly and making the future happen.

Based on the contributions of previous research on business network strategizing and futures research, we propose a framework describing the role of visioning in the strategizing process. In this framework, managers have a central role as visionaries and strategists. As key agents acting on behalf of their company, they make sense of the company’s future, they envision network changes and they take an active part in forming and implementing the strategy through business interaction and networking.
The framework concentrates on visioning as a specific type of foresight differing from strategic planning, scenario thinking or planned emergence (Cunha et al. 2006). Visioning as a concept emphasizes the micro-level of business interaction and considers the future at a short time horizon. Visioning is a key sense-making activity linking networks and strategizing (Laari-Salmela et al. 2015).

Sensemaking, as the approach adopted in this study, refers to “the actor’s ability to perceive, interpret, and construct meaning of the emerging business landscape” (Möller 2010, p. 364; based on Weick 1995). Through sensemaking, managers construct their network pictures and theories in-use that frame their view on reality and open up possibilities for strategic action (Mouzas et al. 2008). Network insight generated through manager’s sensemaking and continuous interaction with other actors has an influential role in determining what strategic options managers observe in the networks and which ones they take (Mouzas et al. 2008). In our framework, sensemaking deals essentially with the future outlook on business opportunities and the anticipation of potential development in the field. Framing the view on reality, sensemaking directs but also delimits managers’ view on the future (Möller 2010).

The proposed sensemaking framework entails four key concepts through which the role of visioning in the strategizing processes can be conceptually conceived and analytically investigated (Figure 1). Strategizing in a network refers to an ongoing process of interacting and networking with strategic intent. Visioning as a sense-making activity revolves around network prospects and strategic intentions that form the basis for strategizing. A network prospect refers to the anticipated changes managers envision in the network structure comprised of actors, activities and resources. Managers construct a network prospect based on their network pictures and network insights gained through business interaction (cf. Mouzas et al. 2008).

The strategic intention of the company, i.e. a strategic choice made by the company, gives direction for interaction and networking (cf. strategy picture by Laari-Salmela et al. 2015). Any strategic intention is importantly influenced by the network prospect that managers have constructed in the sensemaking process, and the strategic options they see in the present network context based on this vision (cf. Abrahamsen et al. 2016; Mouzas et al. 2008).

![Figure 1. The role of visioning in the network strategizing process](image-url)
The temporal dimension is integrated into the framework through the process of network strategizing. Through business interaction and continuous networking, the strategizing of business actors results in new network structures, configurations and constellations i.e. into *network realizations* (cf. Ford et al. 2011). It is proposed that managers continuously evaluate and alter their network prospect according to changed network conditions (Abrahamsen et al. 2016). This visioning forms a new basis for the evaluation of strategic intentions and for consequent strategizing activities. Similarly, through the strategizing activities taken by the focal company in interaction with other companies, the strategic intentions turn into *strategic outcomes* for the focal company over time. The strategic intentions and interaction behavior of other connected actors may both enable and constrain the materialization of intended outcomes. The resulting strategic outcomes are thus severely dependent on the strategizing activities of other network actors as well as the realized network structure. Network realizations and strategic outcomes will in turn create a basis for new network prospects and strategic intentions. Thus, this is a continuing process, here represented by the dotted lines (see Tn in Figure 1).

**METHODOLOGY**

*Research design*

The study applies a qualitative, longitudinal methodology. The strategizing process of two Norwegian exporters and two Japanese importers of fresh salmon were studied with a method of point mapping, i.e. plunging into the process twice for a short period of time (Halinen et al. 2012). In its strict meaning, longitudinal research is seldom conducted in business network studies, since the actors and issues from which the data should be collected rarely remain the same, and comparison of data between time periods may therefore be difficult (Halinen & Mainela 2013; Menard 1991). To maintain a strong connection to the context of strategizing, a rich description of the salmon distribution network was generated in the first round of research, based on extensive interviewing, site visits and documentary sources and the use of both retrospective and prospective orientation in the interviews.

*Data collection*

The data used in this paper is mainly based on interviews conducted in the four companies in November 2007 as part of a major research project on the distribution of Norwegian seafood and again in the period between autumn 2013 and spring 2015 as part of a follow-up study.

The selected respondents are key people in their organisations who have followed the development of the industry closely and have in-depth knowledge about their company’s development over this period. Except for one company, the very same respondents could not be reached for the second round due to personnel turnover and organizational changes. Therefore, in the follow-up interviews a summary of the initial answers from 2007 was given to the respondents as material for reflection. We are confident that the responses reported in the study are representative for how managers in these four companies viewed their network and strategy at the two selected points in time. The data allow comparisons to be made between the network changes initially foreseen and those that later materialized, and also between the original strategic intentions and subsequent outcomes realized for the two large Norwegian salmon exporters (Supreme Seafood and Nordic Salmon) and their salmon importing partners.

An interview guide with open-ended questions was constructed to allow respondents to reflect on key themes. During the original interviews, the respondents were asked how they interact with their main counterparts, what changes they experience and what direction their network
Data analysis

The data was analysed in three phases, following the steps of conventional content analysis and progression from empirical data to abstract conceptual categories. First, two researchers separately analysed the transcripts and identified six broad empirically derived themes that seemed to concern the respondents in their strategizing (1. Disintermediation of the distribution channel, 2. Retail power, 3. Role of traditional distribution, 4. Interaction and integration, 5. Resource development and utilization and 6. Activity links and coordination). Since the themes related to either network structures or strategizing activities we could assign them to the four conceptual categories of the strategizing framework: network prospects and realizations, and strategic intentions and outcomes (see Figure 1). In the second phase, we analysed in further detail the future visioning of the respondents related to their network prospects and the strategic intentions. Thirdly, we proceeded to the longitudinal analysis comparing managers’ visioning at t1 with the realized outcomes at t2 (see Figure 1). We contrasted managers’ initial network prospects with perceived network realisations, and similarly, the strategic intentions with the perceived strategic outcomes. In order to determine what managers were able to foresee and to what extent their visioning ultimately informed the emergent strategic path of their company, we established two further categories in the analysis: a) anticipated developments, and b) not anticipated developments.

RESULTS

Table 2 below provides a summary of the results.

Table 2: Summary of main findings

<table>
<thead>
<tr>
<th>Network prospects</th>
<th>Network realizations</th>
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</thead>
<tbody>
<tr>
<td><strong>Main expectations</strong></td>
<td><strong>Anticipated</strong></td>
</tr>
<tr>
<td>Changing structure of distribution network</td>
<td>More turnover from direct sales to retailers</td>
</tr>
<tr>
<td>Direct, closer ties between exporters and retailers</td>
<td>Increasing concentration on the retail level</td>
</tr>
<tr>
<td>Retailers will develop a more powerful position in the network</td>
<td>Fishmarket still important, but major suppliers are less involved</td>
</tr>
<tr>
<td>Traditional fishmarket will have a diminished role, but may still serve a purpose</td>
<td>Fishmarket has taken on new roles and functions</td>
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<table>
<thead>
<tr>
<th>Strategic intentions</th>
<th>Strategic outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main expectations</strong></td>
<td><strong>Anticipated</strong></td>
</tr>
<tr>
<td>The actors will become more integrated (cooperation, ownership and joint ventures)</td>
<td>More integrated network structure (ownership and preferential partner agreements)</td>
</tr>
<tr>
<td>Adaptation of existing and introduction of new products</td>
<td>Increased range and volume of value-added products</td>
</tr>
<tr>
<td>Seeking efficiency from locational concentration of activities</td>
<td>Production facilities established (in Norway)</td>
</tr>
</tbody>
</table>
Our results suggest that there are some developments in the industry that are relatively easy to anticipate, with a high level of agreement between the respondents. In the studied industry, the positions and the roles of the players were predictable. All respondents foresaw the changing nature of the fish market predicated by the ever-increasing levels of disintermediation, as well as the increasing importance of the retailers (see network prospects and realizations in Table 1). This was not due to consolidation but to the increasing demand of consumers and retailers for traceability of the fish. In addition, there was a very low level of change in the players themselves, with no notable new actors emerging over the seven-year period.

Given these trends, it was also relatively easy to foresee how the key suppliers will aim to change their resources and activities (see strategic intentions and outcomes in Table 1). The processing of the fish, a task traditionally undertaken by the secondary wholesalers, was correctly foreseen to move further upstream, increasingly to be undertaken by the Norwegian exporters, with the additional advantage of the ensuing lower transportation costs. This change was coupled with the realization that the resources required for these activities would require investments by the suppliers in filleting equipment. Besides, all respondents envisioned rightly that the fish market would shrink in size and importance and that retailers would move closer to the suppliers.

But perhaps the more interesting findings in this study are related to what managers cannot see, or what we refer to as the “unanticipated future” (see Table 1). While there was agreement as to the shape of the future, our results indicated that there were also a number of facets that did occur and which were not foreseen. The first was the changing role of the fish market – while the drop in business via this route was visible, what was not anticipated was the fact that the fish market would continue to demand a share of the new business: invoicing continued to be done through it. Secondly, something that had not been foreseen was the increasing intensity of the interaction with other parties. For example, the managers had not foreseen the time and effort that would be required in their direct dealings with the retailers, who both wanted to visit Norway to inspect the farming and factory operations and also demanded that brands be developed specifically for them. The third commonly shared surprise had to do with the speed of the change. While they seemed to have been able to predict the direction of change, they were far less adroit at ascertaining the timing involved. For example, the closer interaction with the retailers happened faster than expected, requiring organizational actions and reactions that they had not anticipated, while the weakening of the role of the fish market was clearly happening at a slower rate than expected.

Our results point to the fact that managers are relatively good at identifying the future trends and hence the structure of their industry. However, what they are less good at foreseeing is their own required response. Just what events will occur in their interactions with their counterparts is something that occurs more randomly and inexplicably. Both the speed of the response required and the actors that need to be involved in dealing with the unfolding events often come as a surprise. So while the direction in which the industry develops is relatively easy to anticipate, the exact road by which the companies get there is not.

To what extent then managers anticipations about future developments informs their strategizing activities. We saw that the managers in our sample set out to do what they had envisaged, and the network had developed along the lines envisaged by the managers. At the same time, our analysis illustrates that there are developments taking place that the managers have not anticipated, showing that strategizing is as much about responding to the actions of others than envisaging one’s own. Strategic outcomes were importantly influenced by actions of others.
Another observation is that even within the same business field, where the actors perceive the future of the business in a relatively similar manner, they make fundamentally different strategic choices. For instance, Supreme Seafood has chosen an integration strategy whereas Nordic salmon has adopted a partnering strategy. One explanation for this may be that managers’ present strategic choices are rooted in choices in the past, which condition their strategic intentions about the future. This suggest that even when faced with a similar envisioned future, managers will make different strategic choices manifested in different realized network paths.

DISCUSSION AND IMPLICATIONS

In this study we have proposed a process framework that describes visioning as an integral part of business network strategizing. The framework identifies network prospects and strategic intentions as key foci of visioning and perceptions of network realizations and strategic outcomes as important reflection points for the forthcoming visioning and strategizing.

Our findings suggest that in a slowly changing industry, the basic structure of the network (the actors, activities and resources), the network horizon and the direction of change (key trends in the development) are easy to foresee, while the speed of change and the interaction and investments required to maintain the structure or to produce change needed for the materialization of the trend are far more difficult to anticipate. The findings are in line with futures studies indicating that it is easiest to foresee trends detectable based on the past and occurring in domains that are expected to have an influence on the focal network (Bruun, Hukkinen & Eklund 2002). Our informants clearly focused on the most probable trends within their network context, but they did not extend their view beyond the most evident business horizon (Holmen & Pedersen 2003) nor to possible influential events (Halinen, Törnroos & Elo 2013).

In the studied case, the focal strategizing companies (salmon exporters) and their key partners in the distribution network (importers) shared a fairly similar outlook on the future. It may be that the close relationships between the parties formed conditions of groupthink (Burt & Wright 2006) or collective industry recipes (MacKay et al. 2006), making managers see the same commonly expected future. Following keenly the same strategy and looking strongly into the same direction (Neugarten 2006) may prevent managers from seeing the broader horizon as well as the interactive depth of future developments.

Given that predicting network change is impossible, companies should pay serious attention to network visioning. This means that the potential reactions and actions of other actors, and the trends and events further away from the closest domain of competition need to be get appropriate attention. Companies need to be “prepared to engage with whatever may happen” (cf. Tsoukas & Sheppard 2004, p. 140). For that they need to enhance their visioning capabilities (Möller & Svahn 2003) for instance by engaging in networked foresight that entails a purposeful effort to make sense of the future trends and events together with other network partners (cf. Robelat 2000; Heger & Boman 2015; see also Andersen et al. 2017).

We suggest further longitudinal research to be conducted in industries where the pace of change and level of uncertainty are clearly higher than in the studied sector, and also to investigate visioning in different cultural settings where the perspective on time and future differs.
REFERENCES


