



**DCU Business School**

**RESEARCH PAPER SERIES**

PAPER NO. 4  
1996

# **The Grounded Theory Alternative in Business Network Research**

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ISSN 1393-290X

# **BUSINESS NETWORK RESEARCH: A GROUNDED THEORY APPROACH**

## **ABSTRACT**

This paper presents a brief outline of the defining characteristics of grounded theory methodology. Such a focus was motivated by a desire to bring the methodology into clearer focus. Particular attention is paid to the debate grounded theory has engendered. In doing so, a number of misunderstandings, dilemmas and criticisms are highlighted. Thus, while one research strategy should not be emphasised to the exclusion of others, this paper advocates the use of grounded theory methodology as a fresh approach in addressing some of the research challenges associated with network studies.

## INTRODUCTION

The network perspective to business to business exchange relationships is primarily concerned with trying to understand complex interorganisational relationships. It implies a relationship view of business markets, which means that it is concerned with relationships between companies over time, rather than single exchange episodes and transactions. Assuming such a relationships view to be an important empirical phenomenon in business markets highlights a commitment to a basic research issue: how can intercompany relationships be described, analysed and explained. While this relationship view of the network perspective has provided fresh insights to how the dynamics of business markets are coordinated, at the same time, has presented a number of research strategy challenges to researchers in the area. These challenges primarily arise out of the assumptions and characteristics of the network perspective. Specifically, business networks are complicated by the complexity of relationships involved in taking such an approach. This complexity arises out of the connectedness of business relationships which implies interdependencies, and where, there is no such thing as a typical relationship. Similarly, the dynamic nature of business relationships bring into play how relationships evolve over time. These network features of business relationships demand fresh approaches to research strategies, enabling the richness, complexity and dynamics of business relationships to be captured.

The use of grounded theory methodology as a research strategy in business research studies remains minimal. This situation can be accounted for on a number of grounds. Firstly, the perpetuation of the bias favouring deductive approaches. Secondly, a number of criticism of grounded theory methodology reflect an incomplete understanding of the logic and strategies of the method. As a result, such partial understanding can lead to applying inappropriate criteria on which to judge the method. Indeed, Morgan (1983) contends that it is not possible to judge the validity or contribution of different research perspectives in terms of the ground assumptions of any one set of those perspectives, since the process is self-justifying. All researchers approach their subject via explicit or implicit assumptions about the nature of the world and the way it may be investigated (Burrell and Morgan, 1979). Researchers are making choices, sometimes unconsciously because of their values. Accordingly, it is necessary that these assumptions are spelt out clearly when deciding or making judgement on a particular research strategy. This is essential because much of the debate on research strategy is as much about biases and

preconceived notions as anything else. Thus, while one research strategy should not be emphasised to the exclusion of others, greater interest in the grounded theory method is warranted. This paper advocates the use of grounded theory as a fresh approach in addressing some of the research challenges associated with network studies.

This paper advocates that the grounded theory methodology can reduce the significance of some of the network research strategy challenges and also, addresses some of the criticisms levied at network studies. Grounded theory achieves these goals by adopting a process perspective as opposed to a unit perspective, positioning itself as being applicable for practitioners, by taking a social psychological level of analysis and by defining the research problem from the perspective of the focal actor. In doing so, a grounded theory approach can provide another avenue through which these problems can be investigated and more incisive business network analysis might be conducted. In the course of exploring this potential we will explicate grounded theory and its constituent parts, identify some of the problems of business network research and propose ways in which grounded theory might overcome them.

## **THE NETWORK PERSPECTIVE**

This section presents a concise overview of the network perspective, detailing the theoretical foundations, assumptions and distinguishing characteristics. As articulated earlier it is important and necessary to spell out clearly, and in advance, the theoretical assumptions and orientation of the research tradition under discussion. Accordingly, this section attempts to bring the provenance of one such research tradition into clearer focus.

## **THEORETICAL FOUNDATIONS**

The development of the interaction approach and network perspective has provided a rich source of new ideas especially in the industrial marketing area. The network perspective has a number of theoretical underpinnings. This section draws on three sources, empirical studies of the IMP group, social exchange theory and resource dependence theory. In empirical research at Uppsala about Swedish industrial firms in international competition, it was found that major marketing problems in firms concerned establishment, development and maintenance of lasting business relationships with customers, suppliers and other important actors. This observation

led a number of researchers, who became known as the IMP group (Industrial Marketing and Purchasing), to engage in a line of research focusing on interaction in business relationships. Prior to this, the predominant viewpoint in marketing was characterised by an "organisational system perspective" and is exemplified in the so-called "managerial approach" to the study of marketing. The initial focus of the IMP group took the dyadic buyer-seller relationship as its unit of analysis. Empirical data was collected on over 1,000 relationships in European markets. The results of the IMP project demonstrated the existence of stable long-term buyer-seller relationships and identified four groups of variables that describe and influence the interaction between buying and selling companies (Hakansson, 1982). These variables describe the parties involved, the elements and process of interaction, the environment within which the interaction takes place and the atmosphere affecting and affected by the interaction. However, the interaction approach which focuses on single dyadic relationships provided only a partial view of how companies interact. The inappropriateness of focusing solely on single dyadic relationships led to the realisation that firms are embedded in a range of relationships. Business in one relationship is often conditioned by relationships with third parties, such as the customer's customers, the supplier's suppliers, consultants, competitors, supplementary suppliers, middlemen, as well as public or semi-public agencies (Forsgren and Johanson, 1992). This concept of the network of relationships between firms provides a compelling reason for using interorganisational relationships as a research perspective. It is concerned to understand the totality of relationships among firms engaged in production, distribution and the use of goods and services in what might best be described as an industrial system (Easton, 1992).

In addition to the empirical studies above, the network perspective also draws its roots from social exchange theory. Cook and Emerson (1984) describes the primary focus of social exchange theory "as the explanation of the emergence of various forms of social structure, including networks and corporate groups". Specifically, theories of social exchange are primarily interested in explaining the operation of network phenomena. When firms interact and exchange the connection between them is contingent upon the interdependency between them and the other interdependent relationships that they might have. Therefore, the unit of analysis can move beyond the dyad, to the network of both direct and indirect relationships a firm might have.

The resource dependence model provides another perspective on inter-organisational relationships (Pfeffer and Salancik, 1978). The model concentrates on the actions of a single firm and attempts to describe the multiplicity of relationships from a focal organisational point of view. The basic assumption is that organisations use these relationships in order to gain access to the resources which are vital to their continuing existence. The resource dependence model mainly focuses on the way in which firms handle individual relationships. The unit of analysis is different from the network approach because it focuses on the actions of a single firm and the working of the network is seen to be of secondary importance (Easton, 1992).

### **NETWORK ASSUMPTIONS**

A basic assumption in the network model is that the individual firm is dependent on resources controlled by other firms. Because of the interdependencies of firms, the use of an asset in one firm is dependent on the use of other firm's assets (Johanson and Mattsson, 1987). This dependency between firms has to be coordinated. Coordination takes place through firms interacting in the network, in contrast to the traditional market model where coordination is achieved by organisational hierarchy or through the price mechanism.

In the atomistic perspectives typically assumed by economics, individual actors are depicted as making choices and acting without regard to the behaviour of other actors. This ignores the social contexts within which the social actors are embedded (Knoke and Kuklinski, 1982). The network perspectives places greater emphasis on contextuality and time and incorporates two significant assumptions about social behaviour. Knoke and Kuklinski describes these assumptions as follows, firstly, "any actor typically participates in a social system involving many other actors, who are significant reference points in one another's decisions", and thus their relationship may affect each other's perceptions, beliefs and actions, and secondly, "by emphasising the relationship between actors, within which individual actors are embedded, allows social phenomena that has no existence at the level of the individual actor to be detected". Therefore firm's activities are not performed in isolation. They are more or less embedded in the wider web of business activities. These business activities are co-ordinated through interactions between firms. This interaction process develops over time.

The traditional business literature places the single firm as the unit of analysis. The firm is assumed to have a distinct boundary which separates it from its environment. In contrast, the network model assumes that business takes place in a network setting where different business actors are linked to each other through direct and indirect relationships. The network of relationships is the unit of analysis, not the individual firm. Indeed the network perspective assumes that there is no distinct boundary between the firm and its environment. The environment is not transparent to managers. Rather than viewing the environment as a set of separate political-legal, competitive, cultural and social forces, managers perceive their meaning of these forces through enactment (Forsgren and Johanson, 1992). This enactment occurs through the everyday interaction between firms and is not based on single discrete discussions. The interaction involves individuals within firms on every level and lacks the traditional dominant top management perspective. These individuals have different interests, and within the context of interacting with individuals, have great opportunities and possibilities to pursue their interest. The firm as a whole entity is not assumed or taken for granted.

Another basic assumption of the network perspective is that networks are essentially heterogeneous in nature (Hagg and Johanson, 1983). The sources of heterogeneity are rooted in matching heterogeneous resources to heterogeneous demands given that individuals or individual firms needs can be met in a variety of different ways. An additional source of heterogeneity lies in the firms involved in the network. Each firm is individual in its structure, employer preferences, history, resources and the role it chooses, or maybe forced, to play in the transformation process will be determined partly by these factors (Easton, 1992).

### **CHARACTERISTICS OF THE NETWORK PERSPECTIVE**

The characteristics of a network are described by Cook and Emerson (1984) as "sets of connected exchange relationships between actors controlling business activities". The emphasis on connection is important because networks emerge and develop as a consequence of interactions. Business activities are co-ordinated through interactions between firms in the network. When firms interact with each other they exchange resources, products and services. Through interaction, they influence and adapt to each other's ways of performing activities. This interaction process develops over time, parties have to learn about each other's ways of doing and viewing things and how to interpret each other's acts (Hakansson and Johanson,

1988). Relationships form the context in which interactions take place. Johanson and Mattsson (1985) distinguishes between interfirm relationships and interactions behaviour. The relationships elements of behaviours tend to be long term in nature, and comprise of the processes by which firms adjust products, production and routines, whereas, interactions represent the day-to-day exchanges of a business.

Relationships are the sine qua non of the network perspective and comprise of four elements : mutual orientation, dependency, bonds and investments (Easton, 1992). Interfirm relationship is a mutual orientation of two firms towards each other. This implies that the firms are prepared to interact with each other and expect each other to do so (Johanson and Mattsson, 1987). A number of reasons have been identified to explain this mutual orientation. Hagg and Johanson (1983) suggests that "relationships allow a more effective acquisition of resources and sale of product", exploiting the complementarities. A second set of rationale for mutual orientation concern a firm's ability to exploit network access (Easton, 1992). Such relationships allows access to resources consisting of physical assets , financial assets and human assets.

Dependence is the second element used to describe networks as relationships and in some senses may be regarded as the price a firm may have to pay for the benefits that a relationship bestows. It also brings with it the problems of power and control (Easton, 1992).

The third element describing the characteristics of networks as relationships is the bond between firms. Bonds of various kinds are developed between firms : technical, planning, knowledge, socio-economic and legal bonds. These bonds can be exemplified by product and process adjustments, logistical co-ordination, knowledge about the counterpart, personal confidence and liking, special credit arrangements, and long term contracts (Johanson and Mattsson, 1987).

Johanson and Mattsson (1985) identify investment as the fourth element of networks as relationships, and define "investments are processes in which resources are committed in order to create, build or acquire assets which can be used in the future".



If relationships are the sine qua non of the network perspective, "the character of business relationships is a consequence of the interaction strategies of the parties." (Cunningham and Homse, 1982). Firms have different interaction strategies towards each other depending on the nature of the relationships. Interacting with each other to develop or solve a technical problem, is different to the interaction that takes place, emphasising sales volume.

The four elements described above are interrelated and imply that a firm's activities are cumulative processes. Because of the cumulative nature of business activities, the network position of a firm is an important concept. Mattsson (1984) defines a position as a role "that the organisation has for other organisations that it is related to, directly or indirectly". Such positions are the result of mutual orientation, dependency between firms, different kinds of bonds and investments.

Position is inherently a dialectical concept, it provides the development possibilities and constrains of the firm in the network (Easton, 1992). A firm's current position is determined by earlier activities in the network both by the firm itself and by other firms. Thus history is important. Mattsson (1984) outlines four characteristics of position: (1) The role the firm has for the other firms; (2) The identity of the other firms with which the firm has direct relationships and indirect relations in the network; (3) The importance of the firm in the network; (4) The strength of the relationships with the other firm. The position concept provides a metaphor to describe network dynamics and change. A change in position for any one firm will change, the relative positions of other firms. Network positions are also the result of the different power some actors have over the activities. Power, the ability to influence the decisions or actions of others, is the central concept in network analysis (Thorelli, 1986). Many relationships are asymmetrical with respect to power. The power structure dictates the way in which the network both operates and develops.

The assumption that business networks consists of lasting exchange relationships does not suggest that network structures can be characterised as static. On the contrary, the structure changes continually as new relationships are established, existing relationships can be further developed or terminated. Gradual changes are made and accumulate over the years, resulting in a radical change to the structure of the network. These changes reflect the dynamic characteristics of networks. Therefore, while networks structures are considered stable, they are not static,

instead they evolve gradually in response to changes external and internal to the network.

Two dialectical processes in networks are competition and cooperation (Easton, 1992). While the network perspective emphasises cooperation, the reality is that in every exchange relationship there is potential conflict between the actors. Hagg and Johanson (1983) argue "that potential conflict or competition in the traditional sense is replaced by rivalry for the control of resources". This rivalry is necessary because for a network to exist there must be at least a partial overlap in domain (Thorelli, 1986). Thorelli defines the domain of any organisation in terms of five dimensions: (1) Product (or service) offered the environment; (2) Clientele served; (3) Functions performed; (4) Territory; (5) Time. Should there be "totally domain overlap then we have a case of head-on competition. Therefore, complete overlap implies competition, partial overlap implies networking.

Indirect relationships are another important characteristic of networks to be considered. Easton (1992) defines indirect relationships "as the relationship between two firms which are not directly related but which is mediated by a third firm with which they both have relationships". Mattsson (1986) identifies seven dimensions which can be used to characterise indirect relationships. They include distance from a focal firm; vertical or horizontal nature; complementary or competitive; narrow or wide connection; the strength, kind and content of the direct bonds concerned; the interdependency of the direct relations concerned and the value added of a focal firm's direct relationship. The importance of indirect relationships can be seen in the way they affect the structure of the network. Firms control resources directly and indirectly, thus in every network there is a power structure where different firms can influence the action of other firms, which ultimately affects the development of the network. The dynamic combination of direct and indirect business relationships leads to the important conclusions that markets are more or less stable networks of business relationships (Hagg and Johanson, 1983).

The assumption that there is no distinct boundary between the firm and its environment gives the network the characteristic that boundaries are arbitrary and depend on the perspectives, intentions and interpretations of the actors (Hakansson

and Johanson, 1988). Boundaries can be drawn for analytical purposes on the basis of technology, product, process, country or focal organisation.

Networks are opaque. Everybody is aware of the existence of business relationships but no one can have a clear view of other relationships than their own. This is particularly true of indirect relationships. It is difficult to view relationships from the outside because they are subtle phenomena, in that intentions, interpretations and expectations are important. Hakansson and Johanson (1988) claims that the opaqueness of networks "has to do with the complexity, fluidity and unequivocal of the interaction; actors have a clear view of their own interaction and bonds with other actors even if the views of interacting actors are not necessarily consistent.

Finally, the network approach can be further distinguished by comparing the approach to the traditional marketing mix model. The exchange partners in the network approach are active and mutually dependent, in contrast to the passive, independent approach of the marketing mix model. Both buyer and seller initiate exchange in the network approach. The main marketing emphasis is to establish, develop, maintain and sometimes break-up relationships versus the optimisation focus of the marketing mix approach.

## **THE GROUNDED THEORY METHOD**

Qualitative research generates large amounts of non-standard data which makes analysis problematic. The grounded theory method has been advocated as a way of handling these problems. However, grounded theory is much more than that. This section presents an overview of the origins of grounded theory and explicates the key analytic procedures of the methodology.

## **EVOLUTION OF GROUNDED THEORY**

Grounded theory is a general methodology for developing theory that is grounded in data systematically gathered and analysed. The methodology was presented initially by Glaser and Strauss in *The Discovery of Grounded Theory* (1967). Glaser and Strauss had three avowed purposes: firstly, to offer the rationale for theory that was grounded; secondly, to suggest the logic for and specifics of grounded theories; and thirdly, to legitimate qualitative research. These authors come from two very different, but complementary backgrounds. Strauss came from the University of

Chicago, which had a long history and strong tradition in qualitative research and analysis. Glaser received his training at Columbia University. He was strongly influenced by the methodology of Lazarsfeld, a formidable innovator of both qualitative and quantitative analysis of data. Both shared a great need to stick to the data, be in the field, and to generate theory that respected and revealed the perspective of the subjects in the substantive area under study.

## **DATA COLLECTION**

Data may be collected from interviews, observation or documents, or from a combination of these sources. Grounded theorists start with a set of experiences they wish to explore. They begin with general research questions rather than tightly framed pre-conceived hypotheses. Charmaz (1990, p. 1167) suggests that interview questions can be framed and ordered by developing five different kinds of questions: (1) short face-sheet, (2) informational, (3) reflective, (4) feeling, and (5) ending. The short face-sheet questions are intended to be neutral, factual and limited to necessary information. Informational questions establish chronology, types of events, degrees of awareness. Reflective and feeling questions are normally directed at the respondent to elicit data, about self. They take the form of 'how' type questions. The overall consideration is to elicit "the narrative of the respondent's story with only minimal framing by the researcher". Ending questions are designed to complete the interview on a positive note.

In using the grounded theory approach the problem is allowed to emerge from the data and is thus defined by the actors in the situations. Accordingly, proponents of the grounded theory methodology advocate that an approach which concerns itself with the meanings, definitions, and interpretations which are made by the subjects of the study has greater potential for depicting their world and priorities more accurately than methods which begin by preconceiving the world and its meaning (Mullen and Reynolds, 1978).

## **CODING AND CATEGORISING**

The novelty of grounded theory lies not in the mode of investigation associated with it, but in the manner in which the information is collected and analysed. The grounded theory method is distinguished from other approaches in that data collection and analysis proceed simultaneously. By analysing data from the lived experience of the research participants, the researcher can, from the beginning

attend to how they construct their world. Two key processes highlight this phase of analysis: coding and categorising (Stern, 1980). Coding, the initial phase of the analytic method, is simply the process of categorising and sorting data. Codes serve as devices to label, separate, compile, and organise data (Charmaz, 1994). The researcher begins by looking for processes. As the data is collected the researcher applies a system of open coding. Open coding is an analytic device of examining the data line by line, the objective being to identify the processes in the data. Codes provide the pivotal link between data collection and its conceptual formation. Glaser (1978) advocates that the coding processes should be developed in two phases: the initial coding followed by focused coding. In the initial phase researchers look for what they can define and discover in the data. The development of such codes during this initial coding phase serves to summarise, synthesise, and sort the many observations made of the data. However, it is important to emphasise that researchers make codes fit the data, rather than force the data into codes.

Categories are developed from the coded data in the second phase by what Glaser called focused coding. The purpose of focused coding is to build and clarify a category by examining all the data it covers and variations from it. In focused coding, the researcher takes a limited set of codes that were developed in the initial phase and applies them to large amounts of data. The coded data are compared with other data and assigned to clusters or categories according to obvious fit. This process of comparison is labelled by Glaser (1978) as the constant comparative method, where bits of data are compared with other data and where coded data is constantly confronted with new data for verification purposes. This general method of constant comparative analysis is a central feature of grounded theorist's analytic approach. The resulting categories are simply coded data which seem to cluster together. Thus, focused coding raises the sorting of data to an analytic level by developing categories rather than simply to summarise large amounts of information. Stern (1980) makes an analogy with factor analysis by suggesting that considerable similarity exists between the treatment of data in the constant comparative method and factor analysis. Unfortunately, using the grounded theory approach the researcher's brain has to act in place of the computer.

## **THEORETICAL CODING**

Through a process of theoretical coding, memo writing and the constant comparative method, grounded theorists generate theory. The process proceeds as follows.

After developing a set of focused codes into categories the researcher has to weave them together in developing a grounded theory. The emerged grounded categories, derived from the data, are the basic building blocks for the theoretical understanding of the area under study. The categories should outline a framework that preserves the complexities of everyday life. Stern (1980) identified three major steps that assist in developing the emerging theory: reduction; selective sampling of the literature; and selected sampling of the data. Reduction and selective sampling of the literature can be thought of as inductive processes, because they involve searching for clues. On the other hand, selective sampling takes on deductive aspects, as the already discovered categories, are then verified.

Reducing the number of categories by comparing category with category to see how they cluster or connect is the main focus of attention at this point. Glaser and Strauss (1967) refer to this reduction process as the vital step in discovering the major processes called "core variables". The researcher is essentially trying to link or fit everything together. As a result, clustering categories is considered a more theoretical form of analysis than clustering coded data. As linkages emerge, categories collapse and form more general categories (Stern, 1980).

The overall objective is to look for the core variable which accounts for the most variation in the data, and to which other variables appear to be related. To this end integrating categories at a higher conceptual level means making a series of decisions. Hence, the researcher actively shapes the research process. The researcher has to decide whether the conceptual category reflects a significant process, relationships, event, or issue. In addition, it means making connections between it and other conceptual categories. Two analytic processes contribute to raising categories to conceptual categories: constant comparison and continued questioning (Charmaz, 1990). Both these processes are achieved through a process Glaser (1978) calls theoretical sampling and the selective sampling of the literature. Essentially, the researcher needs to confront the conceptual categories with more data in order to define them carefully, delineate their properties, explicate their

causes, demonstrate the conditions under which they operate, and spell out their consequences.

Theoretical sampling primary function is to provide the researcher with the opportunity to discover properties of the core variable under study by collecting new data to check, fill out and extend conceptual categories. As a result, theoretical sampling has both deductive and inductive aspects to it. The conceptual framework developed from the conceptual categories is tested by collecting data which provides support (or not) for the framework hypotheses. On the other hand, theoretical sampling has an inductive aspect. Data are collected to identify and elaborate the properties of the conceptual categories. Theoretical sampling continues until the categories the researcher is developing are exhausted. Subsequently, the researcher samples whatever groups or events will provide the relevant material for the category. Charmaz (1990) provides in her study three examples of what comparing data with data means (1) comparing different people's situations, beliefs, behaviour, or accounts of the same type of event or issue, (2) comparing data from the same people at different times and (3) comparing properties found in the data with other properties.

In addition, effective theoretical development is greatly enhanced by theoretical sensitivity. This theoretical sensitivity consists of disciplinary knowledge or professional knowledge, as well as both research and personal experience, that the researcher brings to his or her inquiry (Strauss and Corbin, 1994). A rich source of theoretical sensitivity can be gained from a carefully selective sampling of the literature. Relevant literature can be scrutinised and the concepts compared as data. However, researchers who use those conceptual roots as sensitising concepts to alert them to central issues, need to remember that, in using the grounded theory methodology, literature is only used as data to explain the theory, the theory is not derived from it. Like all data it has to earn its way.

Through the process of reduction, theoretical sampling and selective sampling of the literature the core variable of the investigation emerges. This whole process is defined by Glaser (1978) as theoretical coding. What Glaser means by theoretical coding is how categories derived from the coded data are related to each other as hypotheses to be integrated into a theory.

Throughout this process of theory development one major process dominates the research process - memo writing. Memo writing takes place throughout the research process starting with the first interview or observation. Through memo-writing the researcher moves directly into analysis of the data. Memos are written elaboration of ideas about the data and the coded categories. The memo informs what the code is about and provides the pivotal step of breaking the categories into components and elaborating the codes Charmaz (1990, 1994). Glaser (1978, p.83) considers the core stage in the process of generating theory is the writing of theoretical memos

"memos are the theorising write-up of ideas about codes and their relationships as they strike the analyst while coding"

Accordingly, it is imperative to interrupt coding for writing a memo when an idea occurs, so that the idea is not lost. Writing memos accomplishes at least five important aspects of generating theory (Glaser, 1978, p.84)

1. It raises the data to a conceptualisation level
2. It develops the properties of each category which begins to define it operationally
3. It presents hypotheses about connections between categories and/or properties
4. It begins to integrate these connections with cluster of other categories to generate the theory
5. Lastly, it begins to locate the emerging theory with other theories with potentially more or less relevance

At the end of the process memos have to be sorted and integrated. Sorting memos simply means putting those that elucidate the same category together in order to clarify its dimensions and to distinguish it from other categories. Finally, by integrating the memos the researcher reveals the relationship between the categories.

Through the process of theoretical coding, memoing and constant comparison, the core variable emerges. The question often asked is how do you know when you are at that stage. That stage is reached when all the categories are saturated. Saturation occurs when no new information is being received which



further explains that particular aspect of the emerging hypotheses i.e. when you stop hearing anything new about it.

### **DEBATES, MISUNDERSTANDINGS, DILEMMAS AND CRITICISMS**

This paper has concentrated its attention so far on presenting a brief outline of the defining characteristics of the network approach to business marketing research and grounded theory methodology. Such a focus was motivated by a desire to bring the methodology into clear focus. Too often the labels "soft", "lacking rigour" and "not really scientific" are applied without giving due consideration to what these observations and interpretations mean. Like all methods in research, the method has strengths and weaknesses. However, a number of the criticisms of grounded theory methodology reflect an incomplete understanding of the logic and strategies of the method. Such partial understanding can lead to applying inappropriate criteria on which to judge the method. Hence, it is essential that the mechanisms that lead to these observations are uncovered and the debate which grounded theory has engendered be articulated. The next section focuses its attention on the debate grounded theory has engendered and pays particular attention to the similarities and differences of grounded theory to other research strategies, its strengths and weaknesses and the meta-theoretical assumptions it is based on. In doing so, a number of misunderstandings, dilemmas and criticisms are highlighted.

The previous section of this paper explicated grounded theory methodology. The defining characteristic of grounded theory is that of a general methodology for discovering theory that is grounded in data systematically gathered and analysed. The theory evolves during actual research, and it does this through a continuous interplay between analysis and data collection. In discussing the similarities and differences of grounded theory with other research strategies a number of claims have been made by proponents of the method. Stern (1980) has highlighted several ways in which grounded theory differs from other methodologies: (1) the conceptual framework is generated from the data rather than from previous studies, although previous studies always influence the final outcome of the work; (2) the researcher attempts to discover dominant processes in the social scene rather than describing the unit under study; (3) every piece of data is compared with every other piece; (4) the collection of data may be modified according to the advancing theory; that is, false leads are

dropped, or more penetrating questions are asked as seems necessary; (5) rather than following a series of linear steps, the investigator works within a matrix in which several research processes are in operation at once. In other words, the investigator examines data as they arrive and begin to code, categorise, conceptualise, and to write the first few thoughts concerning the research report almost from the beginning of the study.

Similarly, Charmaz (1990, p.38) places the emphasis on how grounded theorists construct theory from data.

"By starting with data from the lived experience of the research participants, the researcher can, from the beginning attend to how they construct their worlds. That lived experience shapes the researcher's approach to data collection and analysis. In comparison, more traditional logical-deductive approaches explicitly derive hypotheses from pre-existing theories, what fundamentally structure both the data collection and analysis toward verification or refutation of these hypotheses."

Grounded theory differs from other qualitative approaches. Traditional qualitative approaches collect the data first before commencing the analysis and long after they have left the research site. In contrast, grounded theorists use their emerging theoretical categories to shape the data collection while doing the fieldwork. The rigour of the grounded theory method depends upon developing the range of relevant conceptual categories, saturating those categories, to explain the data.

### **META-THEORETICAL ASSUMPTIONS OF GROUNDED THEORY**

A major problem when reading the grounded theory literature is a lack of clarity about key terms such as codes, theoretical codes, categories, theoretical categories, concepts, conceptual frameworks, theoretical sampling, etc.,. Different authors seem to engage in unnecessary jargon for labelling different aspects of the methodology. However frustrating this can be to the first time reader struggling to get a grasp of the methodology, the main problem with grounded theory is how it glides and glosses over its ontological and epistemological assumptions. The relationship between subjectivist and

objectivist realities are left unspecified. Similarly, how grounded theorists use their prior theoretical perspectives remains ambiguous.

All researchers approach their subject via explicit or implicit assumptions about the nature of the world and the way it may be investigated. Likewise, grounded theorists bring to their studies the general perspectives of their disciplines, their own philosophical, theoretical and methodological proclivities, their research interests, and their biographies. Individual researchers need to examine their own epistemological premises. This would clarify the relationship between subjective and objective views, sharpen the research process, and delineate the theory of reality to which the researcher subscribes (Charmaz, 1990).

The early work of Glaser and Strauss (1967) seem to share both a phenomenological and positivistic emphasis. On the phenomenological side Glaser and Strauss have always emphasised going directly to the 'real world' to look for what emerges. On the positivistic side, these authors seem to suggest the method takes a life of its own, independent of its proponents and independent of the researcher. However, the more recent work of Glaser (1978), Strauss and Corbin (1990), Bigus, Hadden and Glaser (1979) and Charmaz (1990) provide evidence of a strong orientation towards a subjective approach to research with an ontology based on constructivism with a strong anti-positivist epistemology. Indeed, Charmaz (1990) views grounded theory from a social constructionist view point which assumes an active observer whose decisions very much shape the process and outcome. Similarly, Blumer (1979) has argued strongly that Glaser and Strauss "tabula rasa view of inquiry is open for serious doubt." Indeed, he accuses grounded theorists of espousing pure induction and views their approach as a shaping process which occurs as a result of the interaction between the researcher and the data. The categories that result are based on the researcher's assumptions and substantive interests. However, grounded theorists would argue that they use their conceptual roots as sensitising concepts to alert themselves to processes without committing these to reproducing the initial set of concepts. At the same time it is difficult to accept this distinction and it can be argued that what emerges is simply the old conceptual roots relabelled.

However, engaging in debate at this level camouflages the real problem, which is the tendency by many authors to conflate epistemology and methodology. To a

large extent the debate and dilemmas with respect to grounded theory reflect this lack of distinction between grounded theory as a methodological approach and grounded theory as a research strategy, which demands it to be upfront on its ontology and epistemology assumptions before it decides on its methodological approach.

At this point it is important to look at how grounded theory attempts to make its knowledge claims. This section draws extensively on the work of Bigus (1972) and Bigus, Hadden and Glaser (1979). The whole basis of grounded theorists' knowledge claims is based on understanding process. The contention of grounded theorists is that by focusing on process, as opposed to units, facilitates theory development. While this may be the case it should not be confused with knowledge claims (epistemology).

Grounded theorists contend that social process can be studied by way of a theoretical construct they refer to as 'basic social process' (BSP) (Bigus, Hadden and Glaser, 1979). These authors contend that the grounded theory method is particularly oriented toward understanding processes and as a result focuses on social units to study the movement of social life through time rather than on units such as persons and their roles. According to these authors basic social process can be distinguished from researching units as follows. They make the argument that unit sociology is generally concerned with developing static description and/or conceptualisations of such units and their properties. Such an approach suggests that these units can be studied and understood in spatial and temporal isolation. In contrast, basic social process takes generic process as its basic analytic focus which accounts for the availability and propensity for theoretical development of grounded theory. The belief is, that while basic social process existing in particular units may change over time, as the conditions change, the fundamental core process and its essential properties remains substantially intact. Essentially the basic social process is confronted with new data and elaborated upon given the changing set of conditions. For example, Glaser and Strauss (1967) suggest that their discovery of "status passages" occurs in the context of religion, education, marriage, ageing as much as in illness. Similarly Bigus's (1972) research on how milkmen "cultivate" relationships was a basic social process that transcended boundaries and could be applied to other units in which relationship cultivation occurred. This assumption of durability is the basis of the generalisability of grounded theory. Although a basic

social process may have been originally derived from a particular unit, the conditions, properties, consequences, and so forth of the process transcend the unit. To find these processes, grounded theorists carefully scrutinise participants' statements and actions for patterns, inconsistencies, contradictions, and unintended consequences (Charmaz, 1994). Findings from further studies in another setting can be integrated into the development of the theory reflecting the basic social process, and thus, gives the theory greater theoretical coverage. This notion of theoretical coverage is in contrast to the notion of "immaculate coverage" which places emphasis on developing the properties of the unit under study to satisfy descriptive completeness. However, the essential point is that the researcher is not studying the units per se, rather it is the incumbent processes which are the focus. Social units are focused on in so far as to study the movement of social life through time and not on units such as persons and their roles. As a result the problem of understanding processes and time influences looms largely. Mullen and Reynolds (1978) refer to the social psychological level of analysis. This means that grounded theorists are essential interests in modal patterns of behaviour i.e. the form it takes rather than the substance. Explanations of behaviour patterns are viewed as problems with which the individual is coping and not as inherent within him.

In conclusion, Strauss and Corbin (1994) sums up the position as follows: researchers are interested in patterns of action and interaction between various types of social units. They are not especially interested in creating theory about individual actors as such, rather, they are more concerned with the discovery process. These authors contend that as long as theory is developed through this methodology, and is able to specify consequences and their related conditions, the theorist can claim predictability for it, in the limited sense that if elsewhere approximately similar conditions obtain, then approximately similar consequences should occur.

Most grounded theory procedures have been directed at "substantive" theory rather than "formal" theory. Glaser and Strauss (1967, p.32-33) distinguish between substantive and formal as follows:

"By substantive theory, we mean that developed for a substantive, or empirical, area of sociological inquiry, such as patient care, race relations, professional education, delinquency, or research organization. By formal

theory, we mean that developed for a formal, or conceptual, area of sociological inquiry, such as stigma, deviant behavior, formal organizations, socialization, status congruency, authority and power, reward systems, or social mobility. Both types of theory may be considered as "middle-range". That is, they fall between the "minor working hypotheses" of everyday life and the "all-inclusive" grand theories".

These authors argue that substantive theory can be seen as a bridge between data and formal theory, and as a result prevents the distortion, forcing and neglect of data by a formal theory. However, by studying processes that cut across and transcend the boundaries of separate units, provide a way of relating different units to each other, thus allowing theoretical development at a formal level by the comparison of generic processes under different conditions.

In summary, the above debate and dilemmas highlight the misunderstandings and confusions that grounded theory methodology has engendered. However, there seems to be a core view of grounded theory methodology that has emerged that reflects a common set of beliefs and assumptions among a number of proponents of the method. Specifically, the position can be summed up as follows: grounded theory proponents generally assume the American pragmatist position which emphasises consequences and the antecedent conditions that precipitated them, and urges the abandonment of the impossible quest for truth. They do not assume a theory of reality 'out there' waiting for them to report on. Theory is not the result of discovering some aspect of a pre-existing reality out there. Therefore, they assume an anti-positivist position. Their view is that theory is enacted, through interpretations made from a multiple actors' perspectives. Theory develops as a result of a process of reduction, theoretical sampling and selective sampling of the literature, memoing and the use of the constant comparison method, the core variable emerges. Assuming such a grounded theory approach to research strategy, there is strong evidence to suggest that grounded theory has the potential to reduce the significance of the methodological problems highlighted by some networks researcher.

## **A GROUNDED THEORY RESPONSE TO THE CHALLENGES OF BUSINESS NETWORK RESEARCH**

The theoretical foundations and assumptions of the network perspective give rise to an unique set of characteristics with respect to business coordination. In particular, the characteristics of interdependency, contextuality, time, no distinct boundary, the unit of analysis shifting away from the single firm to the network of relationships between firms, have presented a number of research strategy challenges to researchers in the area. In addition, a number of other characteristics highlighted earlier in the review, specifically the dynamic nature of business networks, the notion of no distinct boundary and opaqueness, bring into relief other considerations which network researchers need to address. Besides these challenges, network studies have been accused of lacking any basic theory. This final section of the paper highlights a number of such network research strategy challenges and suggests ways in which the grounded theory methodology can reduce the significance of these challenges and in doing so address some of the criticism levied at network studies.

Easton (1995) highlights four characteristics of business networks which need to be addressed: connectedness, complexity, the sociality problem and time. Accordingly, the first challenge network researchers are faced with, stems from the characteristics of connectedness, which is usually considered in terms of economic exchange relationships. Hakansson and Snehota, (1995, p.17) describes how relationships are connected:

"relationships are connected when a given relationship affects or is affected by what is going on in certain other relationships."

Indeed, the connectedness of business relationships becomes evident, when we consider the numerous interdependent links such as technology, knowledge, social relations, administrative routines and systems and legal ties. Understanding this connectedness is important because it can have significant implications for economic performance.

In principle the chain of connectedness is limitless and it is possible to argue that in a global economy, there is but one network; that is, all firms are linked. In addition, the assumption that there is no distinct boundary between the firm and its

environment, highlights additional issues. Network researchers assume the environment is enacted. Accordingly, where to draw the boundary in network studies is an important methodological challenge for network researchers.

This connectedness has clear implications for network research. Easton (1995) suggests that this connectedness leads to two profound sampling implications for network researchers. The first is concerned with representativeness and inference. Since the units in a network study are connected, they do not satisfy the assumptions of independence and therefore cannot in theory have access to theories of statistical inference. However, this is to assume that theory develops as a result of this type of inference. The second implication of connectedness highlighted by the author is the choice of sampling unit. To date, business network studies have concentrated on dyads or small nets as the sampling units. Such units of analysis do not capture the connectedness which is the essence of the network. On the other hand, studying a single large network retains connectedness but raises the problem of representativeness.

The grounded theory approach to the concept of connectedness of business relationships and the subsequent sampling implications are primarily considered under the notion of theoretical sampling. Theoretical sampling's primary function is to provide the researcher with the opportunity to discover properties of the core variable. As a result, sample size and sampling is determined by the necessity of theoretical coverage, which by definition caters for representativeness and inference but in a different way. Theoretical sampling is the means grounded theorists collect new data to check, fill out and extend their categories. As a result, it has both deductive and inductive aspects to it.

Representativeness and inference in the way described by Easton (1995) represents the classical way of viewing research as a move from the inductive to the deductive mode where hypotheses gleaned from either data or the literature, or a combination of the two, are then tested for verification. In contrast, using the grounded theory approach, the emerging codes shapes the direction and ultimately decides the relevant units to continue sampling. This process continues until the codes are saturated. When sampling no longer produces new ideas, theoretical saturation is reached and the need for further sampling ceases. Similarly, this notion of theoretical saturation addresses the question of where to draw the boundary in



network studies. The boundary will be decided by the emerging data and when theoretical saturation is reached.

Furthermore, the issue of representativeness and inference is catered for in the manner in which the information is collected, coded and analysed. Grounded theorists argue that by analysing data from the lived experience of the research participants, the researcher can, from the beginning attend to how they construct their world. The researcher begins by looking for underlying processes, which are then coded. These codes are compared with other data, and assigned to categories according to obvious fit. By reducing these categories further the researcher is essentially trying to link or fit everything together. As the linkages emerge, categories collapse and form more general categories. Theoretical sampling is the means by which grounded theorists develop these categories. More data is collected in order to, define the categories carefully, delineate their properties, explicate their causes, demonstrate the conditions under which they operate, and spell out their consequences. The process continues until the categories are exhausted. The researcher samples whichever groups or events will provide the relevant material for the category. The emerged grounded categories, derived from the data, are the basic building blocks for the theoretical understanding of the area under study. A conceptual framework is developed from these categories. This framework is subsequently tested by collecting data which provides support (or not) for the hypotheses and reveals the relationship between the categories, which forms the basis for the subsequent emergent theory. Accordingly, grounded theorists would argue that adhering to the principle of theoretical sampling enables grounded theory to claim representativeness and the ability to draw inferences from the data.

Connectedness brings into relief further implications, mainly the issue of the complexity of the links. While the complexity of business relationships stems in part from this connectedness, there are two further dimensions of complexity, mainly the notion of interdependency between firms and the opaqueness of relationships. These interdependencies are not just simply described. Indeed, Johanson and Mattsson (1987) distinguished earlier between interactions and relationships. Hakansson and Snehota (1995) identify several ways in which business relationships are complex. One aspect of the complexity of business relationships is the number, type, and contact pattern of individuals involved in the relationships. Another aspect is the scope and use of established relationships. Whatever the reason, according to

Easton (1995) trade-offs have to be made in network studies. These trade-offs concern the links between firms, as the richness of any one link can only be investigated in a somewhat restricted number of cases. However, this is not a sampling issue, rather, an issue of richness and depth due to the complexity of the links between firms.

The complexity of the links is further heightened when the opaqueness of the network are taken into consideration. Everybody is aware of the existence of business relationships but no one can have a clear view of other relationships than their own. Therefore, it is difficult to view relationships from the outside because they are subtle phenomena, in that intentions, interpretations and expectations are important.

A further characteristic of business network studies stems from its interdisciplinary roots. Components from different disciplines are difficult to integrate because they come encumbered by values, meanings and associations that often remain immiscible. Easton (1995) call this the "sociality problem" which presents a challenge for network researchers when it comes to methodology.

The final characteristic of business network studies highlighted by Easton (1995) is the importance of contextuality and time. Given the unit of analysis, business networks are ostensibly subject to change, especially if we accept the assumption that networks are essentially heterogeneous in nature. These changes reflect the dynamic characteristics of networks. Relationships evolve over time. Their content, strength and nature is constantly changing as those involved interact.

Understanding the dynamics of change in relationships and with the network is perhaps the most critical issue for management and has important implications for methodology.

Grounded theorists contend that issues such as complexity, interdependencies, opaqueness, contextuality and time, and the sociality problem can be addressed by focusing understanding and explanation on processes rather than on units. They believe that the grounded theory method is particularly oriented toward understanding processes and as a result only focus on social units to study the movement of social life through time rather than on units such as persons and their roles. Grounded theorists distinguish between the two as follows: researching units is generally concerned with developing static description, whereas, processes are

conceptually developed to account for behaviour as it occurs over time. Hence, in assuming a process orientation dynamic, cross-contextual properties of behaviour can be uncovered. The complexity and interdependency of business relationships can be understood and explained by taking process as the unit of analysis. The grounded theory approach provides a specific and systematic approach to the study of process.

Grounded theorists contend that by cutting across and transcending the boundaries of separate units, a generic process orientation provides a way of relating different units to each other. This notion of a generic process orientation addresses the "sociality problem". Grounded theorists would argue that studying processes as basic uniformities of social life, enables them to cut across boundaries by which sociology has traditionally been subdivided. Likewise, they would argue that the "sociality problem" arises out of reading the literature prior to the collection and analysis of the data. Charmaz (1990) articulates the problem as follows:

"Prior theoretical socialisation in a researcher may produce ideational and ideological baggage, which inhibit forming fresh ideas and promotes tunnel-vision."

The problem of attempting to integrate components from other disciplines is not a problem for the grounded theory method, as those concepts are only allowed as data and if they do not 'fit' the emerging codes and categories they are rejected. Grounded theorists claim that the key to their method is that the data should fit the theory, not the other way around.

With respect to the issues of contextuality and time, grounded theorists contend that theories cannot be frozen in time. Changing historical conditions can alter any area of inquiry. The belief is that while a basic process existing in particular units may change over time, as the conditions change, the fundamental core process and its essential properties remains substantially in tact. The basic process is confronted with new data and elaborated upon given the changing set of conditions.

The issue of opaqueness of network relationships is considered by grounded theorists as follows. The core variable emerges as a result of the constant interplay between analysis and data collection. Grounded theory methodology incorporates

the assumption that the actors under study have perspectives on and interpretation of their own and other actors' actions and those interpretations and perspectives become incorporated into the researcher's own interpretation. The theory evolves through a continuous interplay between analysis and data collection, however, this redefining involves interpretative work and grounded theorists accept responsibility for their interpretative role. While multiple prospective are systematically sought during the research process, the emerging theory are interpretations made of the data and all interpretations are temporarily limited and therefore fallible. This is not to deny that judgements can be made about the soundness or probable usefulness of the theory (Strauss and Corbin, 1994).

The final and perhaps the most profound issue for network researchers is that business network studies has been accused of lacking any basic theory. Wilson (1994, p.345) articulates the case as follows:

"Networks have value as descriptors of markets, but their acceptance for purposes beyond description is hampered by the lack of quantitative research supporting them and the lack of basic theory."

In addition, Moller (1994, p.365) describes the intellectual aims of networks' studies as:

"primarily descriptive, with an emphasis on understanding..... and because the network approach embraces situational complexity it enables researchers to include and try to understand idiosyncratic factors that cannot be included in parsimonious and effective explanatory frameworks."

While it is not necessary that all research must lead to the development of theory, grounded theorists argue that by adhering to their methodology, theory emerges from the data. Thus, they advocate that the application of grounded theory methodology to network studies would generate theory.

This paper has already explicated grounded theory methodology as a general methodology for discovery theory that is grounded in data systematically gathered and analysed. The theory evolves during actual research, and it does

this through a continuous interplay between analysis and data collection. Grounded theorists contend that the significance of some of the network research strategy challenges could be reduced and some of the criticisms levied at network studies addressed by the application of their methodology. This paper has attempted to exemplify the grounded theory case.

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