

It's a Relationship Business! An Embedded Network's Internationalization as a Process of Sense-Giving and Sensemaking: The Case of Japan, Shipping Industry

Zsuzsanna JÁRFÁS^{1*}

¹ CoreLogic Japan, Account Director, Japan; Babeş-Bolyai University, Faculty of Economics and Business Administration, Romania

ABSTRACT This is an exploratory study, it seeks to understand internationalization of a business group as a process of sense-making on the individual level. The focus of the enquiry is a Japanese shipping group, bulk cargo segment and seeks to answer the question how a network's administrative heritage enables and/or inhibits the performance of relationship management processes in the context of multiple embeddedness and internationalization. The study finds, that the industry at large and the Japanese Business Group (JBG) as institutions act as enablers for the effective management of existing relationships worldwide by delegating action to the field through standardized processes and shared understandings. As for identifying and developing new relational opportunities, JBG as an institution inhibits coordination and sensemaking capabilities by its strict vertical power hierarchy and a concentration of authority and resources in headquarters.

KEYWORDS:

Internationalization; Business groups; Sensemarketing; Relationship management; Empirical study

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1. Introduction

This empirical study seeks to understand the internationalization of a business group as a process of sense-giving and sensemaking on the individual level by answering the question how a network's administrative heritage enables and/or inhibits the performance of relationship management processes in the context of multiple embeddedness and internationalization. A rich body of literature has sought to understand the internationalization of the firm from various perspectives – liability of outsidership (Johanson and Vahlne 1977, 2009; Vahlne and Bhatti, 2019; Zaheer, 1995), theory of the network (Hadjikhani, Lee and Ghauri, 2008; Borgatti and Halgin, 2011; Gulati, Sych and Tatarynowicz, 2012), institutional logic (Granovetter *et al.*, 2004; Somlev and Hoshino, 2005; Kostova, Roth and Dacin, 2008; Dokko, Kane and Tortoriello, 2014; Járfás, 2019), control and coordination (Belderbos and Heijltjes, 2005; Pudenko and Tenzer, 2013; Iwasaki, 2015; Sekiguchi, 2016), resource contingency theory (Nadler and Tushman, 1980; Collinson and Rugman, 2008; Akutsu and Katsumura, 2016). The great majority of these excellent works are, however, theoretical and quantitative studies. The few empirical studies tend to focus on the internationalization of SMEs (Rasmussen, Madsen and Evangelista, 2001; Danik and Kowalik, 2015), family companies (Choi *et al.*, 2015), platform business networks (Kaartemo, Coviello and Nummela, 2019). Business groups, -interdependent conglomerate organizations with extended and multiplex socially and economically

*Corresponding author: Zsuzsanna Járfás – jarfas.zsuzsanna@gmail.com

construed business networks, also call for empirical query, as their processes have a high tacit dimension (Hitt, Lee and Yucel, 2002; Khanna and Yishay, 2005). On the other hand, business groups have clearly marked boundaries between members and outsiders, which makes it difficult for organization outsiders to access them (Khanna and Rivkin, 2006). Tacit meanings are discovered and interpreted through an intimacy with the subject (Glaser and Strauss, 1967; Charmaz, 1996), and without a personal level of access to them, business group processes will remain little understood. This empirical study proposes to fill this gap and examines sensemaking in the internationalization process of a Japanese shipping group (Company A), bulk cargo segment.

The reasons for conducting the study in a Japanese business group (JBG), and in the shipping industry's bulk cargo segment overlap, both sharing the characteristics of embeddedness (Uzzi, 1996).

From a relational point of view, JBG have been known to be highly successful in promoting efficiencies and on-going adaptation processes (Khanna and Rivkin, 2006; Hadjikhani, Lee and Ghauri, 2008; Gulati, Sytch and Tatarynowicz, 2012) by achieving a high level of consensus among members as to corporate objectives (Ouchi, 1980). While these strong bonds promote efficiency by "social and economic functioning through mutual cooperation within highly cohesive, closed and secure relationships" (Yamagishi, Cook and Watabe, 1998), these will also inhibit growth after reaching a critical threshold; at this point embeddedness holds back performance and exposes firms to external shocks by insulating them from external pools of knowledge (Uzzi 1996). The assurances and advantages of dense ties also lead to inertia, a lack of appetite for change that inhibit further growth (Yamagishi, Cook and Watabe, 1998; Dujarric and Hagi, 2009; Kushida, 2011).

As for the bulk cargo segment of the shipping industry, this is a multiply knit dense network of stable relationships. In addition, this industry is highly short- and long-term investment intensive, which increases the participants' need for assurances and with this, reduce the appetite for change. Due to the industry's boundary-spanning nature, on the other hand, this closed network system operates in a global environment. This tension between embedded and boundary spanning characteristics lends itself very well to studying internationalization processes. For these reasons, conducted an empirical study to understand the internationalization processes of a stable, embedded group organization of a stable, embedded industry. Would like to illustrate the complexity of group company and industry relationships in the figures below.

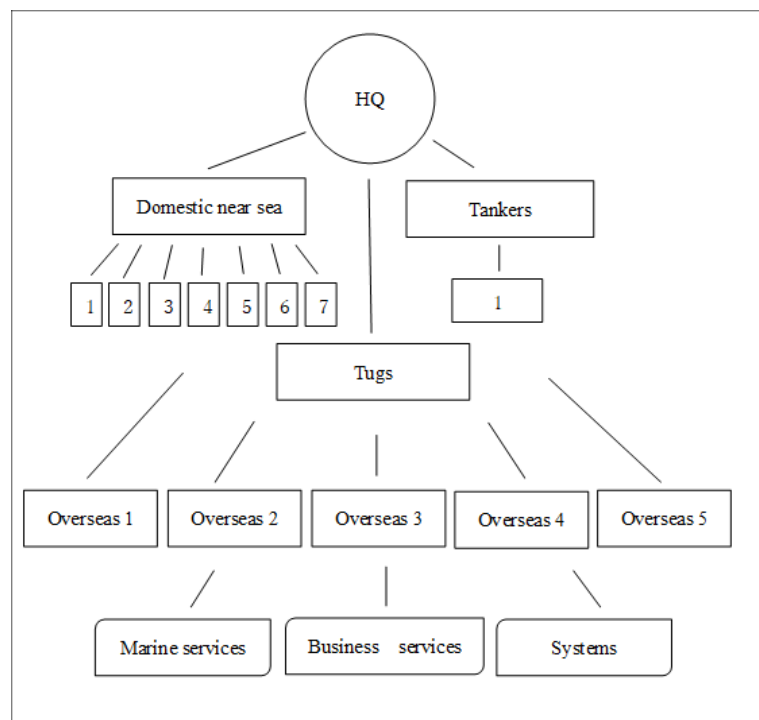


Figure 1. Chart of group companies, Company A

Figure 1 “Chart of group companies, Company A” presents the internal group structure of Company A. All subsidiaries report directly to the group headquarters meaning that the group headquarters is at the top of the hierarchy. Some subsidiaries are themselves headquarters managing their respective subsidiaries. There is a hierarchical ranking among group subsidiaries: shipping subsidiaries form the first and second tiers of the hierarchy, overseas ship operating and brokering subsidiaries come next in the third tier. The fourth tier includes service providers, and this is followed by the subsidiaries’ subsidiaries.

Figures 2 and 3 capture the complexity of the shipping industry.

Figure 2 “Shipping industry stakeholders” charts the typical functional relationships within the industry. Some of these relationships are interactive and involve sustained dialogues. These dialogues take place to “make a deal”. Other relationships are one-way instruction – order fulfillments, these occur to “get things done” e.g. get a ship built or hand over ship management responsibilities. All these relationships are enacted in a strictly regulated and intricately financed environment. As for regulations, shipping companies report to their respective flagship countries as well as to the United Nations. Finance relationships are described in Figure 3 “Shipping industry stakeholders & roles”.

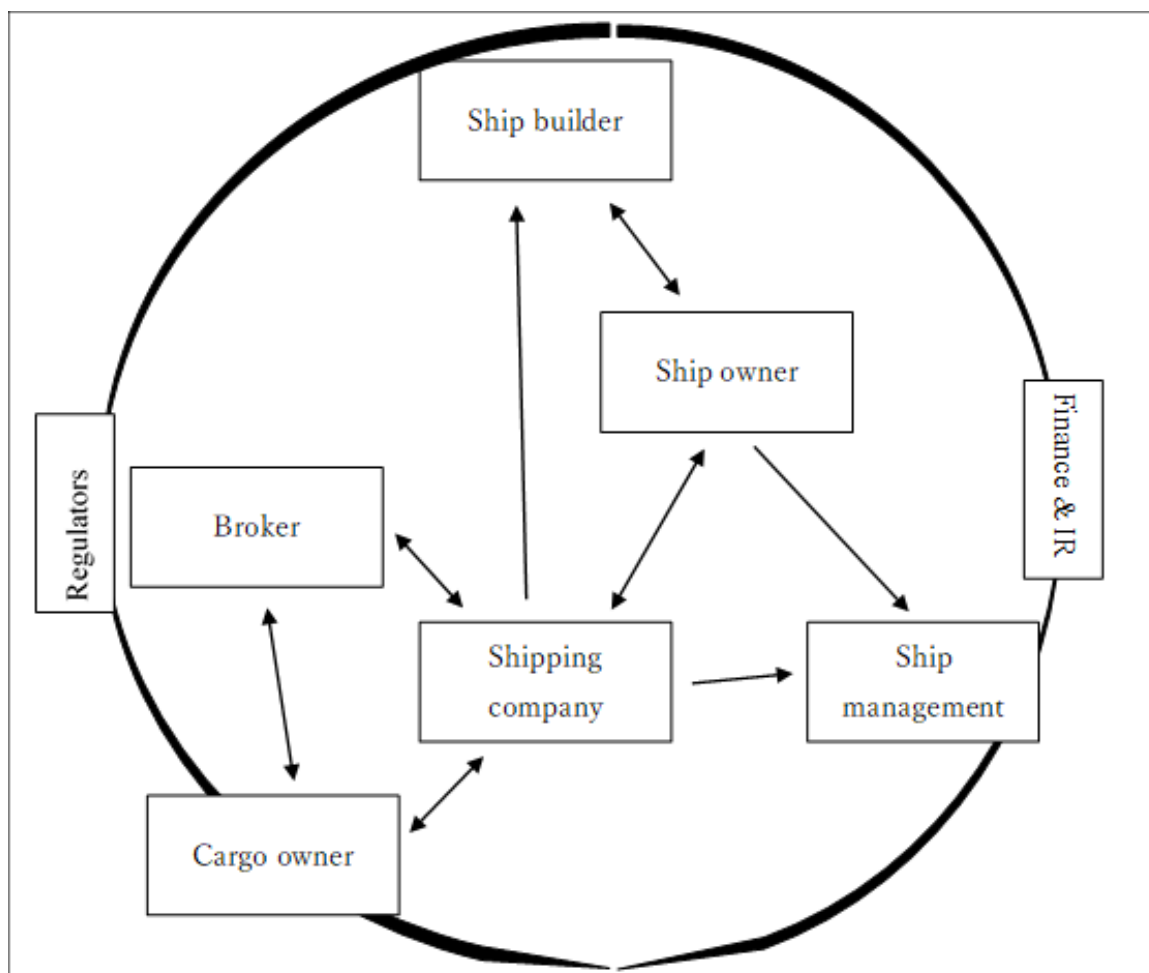


Figure 2. Shipping industry stakeholder relationships

As industry participants act in multiple roles simultaneously, Figure 3 “Shipping industry stakeholders & roles” gives the interactions of Figure 2 a role-specific overview. As illustrated below, participants are heavily involved in the industry’s business cycles beyond their respective core operations. From this chart it stands out, that all industry participants have material “vested interest” in the industry by way of investments. Managing investments within a tight-knit circle ensures the fulfillment of very large short and long-term obligations and provides easy access to funds for growth as well.

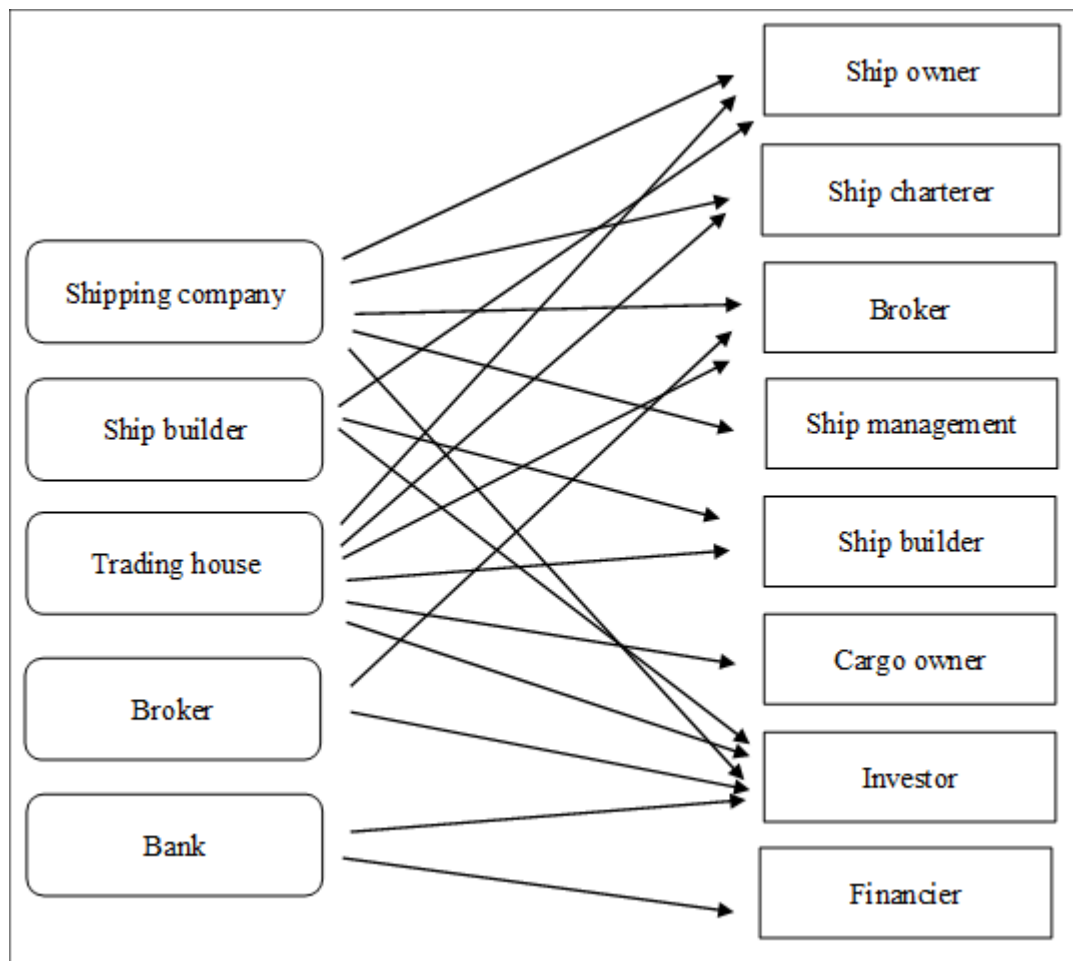


Figure 3. Shipping industry stakeholders & roles

Findings from 61 narrative episodes related by 13 employees and managers of a Japanese shipping group (Company A) are presented in this paper, divided into 6 sections. After the present Introduction, 2) describes the study's epistemological stance and theoretical approaches. This is followed by an overview of the internationalization's structural contingency and sensemaking theory literatures. The methodology and the analytical process are described in 4). Findings, contribution to body of research are summarized in 5) and managerial implications, limitations of study and call for further research conclude the article in 6).

2. Theoretical framework and literature review

2.1 Literature review: internationalization, structural contingency theory

This paragraph reviews the internationalization literature of JBG from a structural contingency perspective. This is then followed by references to JBG and shipping industry behaviors and academic critique.

Structural contingency theory contends that firm specific advantages help promote/hinder the internationalization of the firm. In order for the firm to succeed in a new environment, the firm needs to address internal organizational constraints: realign its administrative legacy, develop dynamic learning capabilities to absorb, disseminate and utilize knowledge (Somlev and Hoshino, 2005; Dokko, Kane and Tortoriello, 2014), increase socialization across geographies in order to penetrate knowledge and standardize processes (Nonaka and Peltokorpi 2006; Collinson and Rugman 2008; Iwasaki, 2015; Maki, Ebisuya, and Sekiguchi 2014). Equally important is to decouple from external organizational constraints, to disconnect from the existing knowledge base - network, in order to be

compatible with new environments (Dunning, Fujita and Yakova, 2007). The reluctance and/or inability to perform either of the above will pose a hurdle for the firm in adapting to new institutional environments or meeting the innovation needs of new customers (Belderbos and Heijltjes, 2005; Kushida, 2011).

Having said that, disconnecting from extant networks in the shipping industry's bulk cargo segment may prove challenging. First, as mentioned previously, this segment is a tight-knit community encompassing the globe regardless of players' geographic location and/or origin. In addition, the barrier to entry is extremely high due to investment risk and relational assurance needs and therefore the set of available partners will be stable. For this reason, the industry can be described as a network with a narrowly-defined and stable set of stakeholders. These stakeholders compete on margin and relationship quality. Due to these characteristics, decoupling from extant networks is little meaningful.

Second, a general tendency of JBG to preserve the status quo adds further reinforcement to the industry's lack of appetite for change. Trust theorists explain this reluctance to change with the collectivist nature of Japanese business relationships, where "efficiencies are achieved in social and economic functioning through mutual cooperation within highly cohesive, closed and secure relationships" (Yamagishi, 1998). It is also substantiated, that these relationships prevent the firm from opening to outside relationships when these outside relationships prove more profitable than the existing set of relationships (Yamagishi, 1998). The scarce or no availability of new outside relationships may further underscore the Japanese shipping industry players' unwillingness to decouple from extant outside networks. In addition, efficiencies derived from cooperation are achieved by long-term adaptation, which is likely to cement existing power structures and prevent the firm from decoupling from its administrative heritage.

2.2 Literature review: internationalization, sensemaking theory

Paragraph 2.2 overviewed the internationalization of complex embedded network organizations, such as JBG, from a structural contingency perspective - how firm specific advantages help promote and/or hinder the internationalization of the firm. This paragraph argues, that in complex scenarios such as internationalization, an organization's sensemaking capabilities also constitute competitive advantage as the potential for misunderstandings due to cross-cultural – national, organizational and personal differences and the heightened demands of coordination, are significant (Bartlett and Ghosal, 1987; Caproni, Lenway and Murtha, 1992).

From an action perspective, the internationalization of business groups can be viewed as managing embedded relationships. Relationships are "social constructions that are dynamically created, confirmed, modified and terminated by people in interaction" (Biggemann and Buttle, 2009 p. 549 cited in Ivanova and Torkkeli, 2013). Given the emergent nature of these relationships, these will be subject to individual perceptions and interpretations. From an interpretive point of view, relationships are an enactment of interactions. These interactions will also be contextual, carrying institutional and individual-subjective meanings (Maitlis and Christianson, 2014). Meaning is discovered, interpreted and acted on through sensemaking, whereby one seeks to comprehend the world by connecting "discrepant observations and beliefs into coherent frames" (Weick 1995 cited in Schildt, Mantere, and Cornelissen 2019). This coherence removes dissonance and makes the world comprehensible by aligning dispersed "observations, beliefs and actions both with one another and with broader belief systems" (Schildt, Mantere and Cornelissen, 2019).

In complex scenarios, such as internationalization, an organization's sensemaking capabilities constitute competitive advantage and there is a growing body of research on sensemaking within the internationalization literature. Sensemaking in the internationalization process is examined in terms of managerial cognition (Helfat and Peteraf, 2015; Maitland and Sammartino, 2015), legitimacy (Vlaar, Van Den Bosch and Volberda, 2006), narrative theory (Haley and Boje, 2014), knowledge flows (Hong, Snell and Mak, 2016; Bathelt, Cantwell and Mudambi, 2018), expatriation (Glanz, Williams and Hoeksema, 2001). Sensemaking in the firm's internationalization has increasingly been examined from a power theory perspective (Ravasi and Schultz, 2006; Clark and Geppert, 2011; Geppert, Becker-Ritterspach and Mudambi, 2016; Hong, Snell and Mak, 2016). Sensemaking is suffused with power, as the shared understandings guiding interpretations are the taken-for-granted cues that are the

products of extensive socialization. Organizational studies recognize socialization and shared understandings as key vehicles of power in organizations (Ouchi, 1980; Schildt, Mantere and Cornelissen, 2019). These shared understandings become part of one's closest-held and enduring beliefs and as such create one's identity (Weick, 1995). Identification with an organization is an integral part of one's identity and, at the same time is a key mechanism of power, "as actors tend to dismiss negative cues and beliefs concerning organizations with which they strongly identify" (Pratt 2000 cited in Schildt, Mantere and Cornelissen 2019). When ambiguities and contradictions do generate sensemaking, this will threaten the status quo and will have repercussions on the distribution and mechanisms of power (Balogun *et al.*, 2014).

3. Methodology, data collection

This is an understanding oriented culture study, an emergent theory derived from thick data constructed through the "interaction between the observer and observed" (Glaser and Strauss 1967; Charmaz 1996). This method is appropriate to examine processes by "discovering significant aspects of human experience", which is the topic of interest of this research; particularly suited to discover sensemaking in the process of internationalization .

Data were collected in 13 semi-structured interviews from staff, middle and top managers of Company A. All respondents are directly involved in international operations and/or international strategy making. All the interviewees have, at some time(s) of their career, been assigned to work in at least one overseas representative office. Staff are in their early 30s and have an approximately 10-year track record, while top managers are in their mid-50s. All respondents are male and except for two, Japanese. The non-Japanese respondents are from the Philippines and from Germany. To protect their identities, these narratives are excluded from this study but will be processed when an appropriate number of overseas respondents is collected. The interviews took approximately 1 hour each and were conducted across June and July, 2019 in Tokyo and London. In Tokyo, the interviews took place outside working hours and in meeting rooms reserved outside the office. In London, the interviews were conducted in the office, during working hours. Respondents were asked to express their thoughts freely about the shipping business, typical internal operational and external/internal relational interactions. Direct references to internationalization were avoided to allow a free development of narratives i.e. unintentional application of cognitive schema. A motivational question on the reasons for deciding to join the shipping industry served as a trigger for the story-telling and clarifying questions punctuated-facilitated the overall direction. The interviews were conducted in English and Japanese, voice-recorded and transcribed verbatim. While story-telling in one's mother tongue is richer in vocabulary and more suffused with emotion, respondents were free to choose the language of their preference. As all the respondents are seasoned in international relationship management and in intense goal and emotion driven negotiations, expressing oneself in English was most welcome. Three respondents opted to storytelling in Japanese.

The analysis in both languages is conducted by the author of this study. The author has been a long-term resident of Japan and was a member of three Japanese expatriate communities for 11 years, with a high degree of linguistic and cultural immersion. As for linguistic immersion, the author is both proficient in Japanese and is knowledgeable about English as a second language for Japanese speakers. This analysis is then further reviewed by experts whose native tongue is Japanese, which adds credibility to the interpretation of the data. To comply with confidentiality terms, the identity of the company and the respondents is masked.

This study addresses the sensemaking aspects of internationalization; the narratives shall relate both interpretations of scenarios and the individual's positioning himself in relation to these scenarios. When analysing narratives, this study takes the position to assume that these individual and institutional cognitive schemas are unconscious and unintentional.

Data was first analyzed to understand, in a general sense, what was happening, what people were saying – the concepts taken for granted and the way discourse's structure supported this. Then looked at cues to identify issues, examine how these issues developed, the consequences that were triggered by them. 61 scenarios were selected from these narratives that are related to relationship management and out of these, 14 are quoted to avoid repetition and to highlight the most succinct messages. The quoted examples represent the legs in an emotionally charged and often self-contradicting journey of

sensemaking. These scenarios are authored by multiple respondents. The general theme of these scenarios is referred to by all respondents in the discourses – voiced explicitly or referred to implicitly in terse telling.

4. Findings: Relationship management

This paragraph opens with an overview of Company A's overseas operations. It then examines how headquarter relationship management practices are transferred to and performed in overseas operations in terms of managing existing relationships and the process of identifying and developing new relational opportunities.

According to the global nature of the industry, Company A manages operations in multiple time zones across 24 hours, with standardized processes. Communications are almost entirely done by mail, text or phone, which alleviates the need for physical presence. The work language is English, which, again, removes the need for local interpretations i.e. physical presence. Physical presence is essential, however, for two main reasons. First, to be promptly and/or continuously responsive in multiple markets and time zones. Second, to cultivate relationships – relationship quality being the leading competitive factor next to prices. Overseas offices are fully owned subsidiaries of the headquarters. These are independent entities with their respective human resources, funds, balance sheets etc. and are assigned a contingency of fleet to operate. In addition, these overseas offices are tasked with managing operations and relationships on behalf of the headquarters and identifying new relational opportunities. The strategic location of overseas offices in shipping hubs serves multiple purposes. The prioritization of these purposes, however, differs from the order described above. First and above all, Company A headquarters has been the overseas subsidiaries' most important client. As such, headquarter operations are assigned to these subsidiaries to extend HQ operations to full 24 hours. These assignments will be given first priority. Secondly, subsidiaries have their own fleet to operate mostly, but not exclusively in their respective geographies. In addition, clients and partners are all clustered in these hubs, therefore overseas offices' mandate includes cultivating relationships that lie beyond "visiting reach" from the headquarters. Lastly, as the business model has been shifting from long-term relationships to spot transactions, local presence in terms of response speed i.e. "snatching the deal" has increasingly gained a top spot as a competitive factor next to prices and "services" i.e. relationship quality. From among these operational priorities, this study is focusing on how headquarter relationship management practices are transferred to and performed in overseas subsidiaries in terms of managing existing relationships and the process of identifying and developing new relational opportunities.

4.1. Managing existing relationships

Here, the relationship management processes and their transfer from headquarters to overseas subsidiary will be examined from a macro institutional, and then a micro, action oriented perspective.

From a macro institutional perspective, Company A is consistent with its global industry context. Home country headquarter relationship management practices underscore the global bulk shipping industry's need for closed and high-assurance relationships that shield high investment-risk operations. In an "everybody knows everybody through somebody" tight-knit community, face-to-face contacts serve as an effective deterrent against opportunistic transgressions. Mr. D:

"No one can receive 1 million tons of coal ...The potential clients are not truly new comers. We always guess who's there – there's some guy here, there's some other guy there. (...) In the history they must have had some contact with us before. My predecessors must have attracted them to have some contract with us before. The hidden network has always been there."

From the other side of the coin, participation in the industry infers a great degree of embeddedness. The industry as a tight-knit community has developed a distinctive culture as a result of extensive socialization i.e. relationship management (Ouchi, 1980; Yamagishi, Kikuchi and Kosugi, 1999). Shared meanings – taken for granted etiquette (within this the high reliance on personal contact), globally adopted work routines with highly tacit components and a common language rich in jargon create and recreate this exclusive culture. Given the global breadth of the

industry players, local and global information is interpreted alike regardless of these players' specific geographic presence. Mr. C:

"It's something more... A bit more of an artisanal thing. It's not like that anyone can do it. Because there's this... There's this so..... many unwritten rules in shipping. So many unwritten rules. It is very unclear. The terms that we use are very, very difficult for anyone to understand. It's ... let's say this(sketching on paper). (...) This means anytime, day and night, Sundays and holidays included ... Anyone, who would take a look at this, would say oh no, what does that mean...? I think it's most natural. But we use tons of these abbreviations." "It's mysterious... And you kind of get a feeling that no one understands, only we do."

From a micro, action perspective, headquarter relationship management practices are duplicated in the overseas offices. As global industry relational needs underlie these practices, there is no conflict in either meanings or processes between the geographies. In addition, overseas offices tend to rely a great deal on staff assigned to overseas offices from the headquarters. These expatriates continue a well-versed routine that makes sense in the industry environment, regardless of location. Mr. F:

"The job itself is the same. Almost the same. We are almost doing the same thing. In New York, in London, in Japan... As long as sitting on the commercial side."

While there are no ambiguities as to meanings and processes, the scene is suffused with dynamic external and internal power tension. The power tension existing between Clients and Suppliers and its implications will be examined in depth in a separate article. Here, the author limits herself to describing Client – Supplier interactions from a power dynamic perspective. The internal power tension between and headquarters and subsidiary, on the other hand, does contain a great deal of ambiguity. These paragraphs' purpose is to understand the driving forces behind these ambiguities and to reveal their academic and management implications.

The core-periphery nature of Client - Supplier relationships is demonstrated in the sequencing and contents of communications. Visits are paid by the periphery i.e. Company A to the core i.e. respective client and/or strong partner and the intervals between these visits must be short. Mr. A:

"If you don't see him for 3-4 months and once you need something and you just make an appointment that's a no... right... The most important is to continue the good relationship by keeping providing information."

These visits must also be meaningful as to sharing privileged knowledge. The core-periphery bias can again, be observed as knowledge sharing exchanges heavily benefit the core i.e. the Client and/or strong Partner. Mr. A:

"I believe that information is not free. It is very invaluable and you have to pay for it. Not money-wise but by providing the information that our client doesn't have. Say, ten times visiting those companies and provide plenty of information and then I get ONE important information. (...) So we explain about what's happening in the world and what is supposed to happen in the next quarter, things like that. And they appreciate that and can provide us with some not public information..."

An internal Client – Supplier relationship subsists between headquarters and subsidiary. This implies that, as opposed to agentic behavior, the periphery i.e. overseas subsidiary, would take actions on behalf of the core i.e. headquarters. Mr. A:

"As I said face to face relationship is very important. And this is something we cannot do by sitting in Tokyo, right... So our London office, New York office sometimes go and visit people or sometimes go to visit the ship. That's how we continue and maintain a good relationship by face-to-face relationships with foreign clients."

Since the maintenance of relationships is routine – therefore painless work, the internal power tension does not constitute a major ambiguity that would trigger sensemaking. Instead, the core-periphery nature of the internal relationship is either ignored or denied. The narrative below illustrates the inconsistencies that mark sensemaking processes and the preference to ignore negative aspects of one's identity. Mr. A:

"We don't think that they're subsidiaries of our company. But their very important role is as one of our arms. To look into what's going on in the market in the Atlantic, right...? So if they have some fresh news, which is not published yet, they that's why they're there for."

To summarize, the HQ management processes of existing relationships are fully replicated by the overseas subsidiaries. Two factors enable this transfer. First, the shipping industry's global operating environment contains no ambiguities as to relationship management - the same etiquette and routines

are meaningful and as such are performed regardless of location. Second, JBG as an institution supplies the premises and the processes of action, which are internalized by staff as a result of extensive and lengthy socialization. This identification with the firm makes staff predisposed to engage in dominated sense-making against the headquarters' sense-giving and accept performing a periphery role in an overseas subsidiary (Ouchi, 1980; Aoki and Dore, 1994; Bhappu, 2000). Mr. B:

"You just do what you're required to do... Depends on where you are or with whom you work with. So that's why rotation is part of the... part of the job.... It's part of your work style..."

4.2 Identifying and developing new relationships

As previously mentioned, overseas offices are tasked with both managing relationships on behalf of the headquarters and identifying new relational opportunities. Identifying new relational opportunities requires agentic behavior on the part of the subsidiary. The espoused corporate expectations are cited below in the extended excerpt by Mr. A. cited in paragraph "5.1. Managing existing relationships":

"We don't think that they're subsidiaries of our company. But they're very important role is as one of our arms. To look into what's going on in the market in the Atlantic, right...? So if they have some fresh news, which is not published yet, they that's why they're there for, right... So they need to propose about new strategy, and what they want to do in their region. That's one of very important roles for them."

These espoused expectations lie in stark contradiction, however, with the overseas offices' subordinate role against headquarters. In addition, identifying new relational opportunities is not routine task, therefore this action incurs a good measure of pain. Negative emotions enable sensemaking. As illustrated in the passage below, the lower power status in the relationship with headquarters is accurately perceived and interpreted. Mr. D:

"And basically, the foreign offices... I mean all our foreign subsidiaries, are working for our headquarters. The headquarters are working for themselves. The subsidiaries are working for the headquarters. There's something like, maybe,you know... The headquarters must be yeah... can be said, something like a customer to the foreign subsidiary. That is, they have the higher power in the relationship."

The overseas subsidiary's periphery power position manifests itself in a lack of decision-making authority as to development of relationships. Mr. D:

"I always discuss with my guys - [What is our proposal? What is our target? or What is the extent I can propose them?]". Then we go there and have some discussion. In that sense, there's you know, in that sense, basically, the foreign staff always has to check the availability, the right to propose beforehand. So, either go to a party and catch chance by accident. Or go to a planned opportunity. Everything is controlled."

The conflict between espoused expectations and practice emerges as subsidiary initiatives are found inconvenient and are, as such, resented and stalled in headquarters. Mr. A:

"Sometimes they go beyond our authorization and they give us a call - I mean 2AM, 4AM, whatever. And we just give them another authorization or make a decision without jumping in. Or stay and look at another business during daytime in Tokyo."

Sensemaking is a painful and laborious process, which may reframe taken-for-granted truths and deeply held beliefs - as such impact one's identity. The ambiguity surrounding new relationship development by overseas subsidiaries is painful but does not cross the critical threshold to trigger sensemaking. The gap between expectations and practice is perceived but the institutional power structure remains unchallenged. Hollow sensemaking occurs: the inconsistency is perceived and a blind eye is turned on it. Instead of engaging in sensemaking, energies are poured into routines aimed at meeting headquarters' relational and operational needs. Mr. D:

"All action is routine work. That is less chance to go out. Also, you know, it's a little bit difficult to encourage ourselves that it is very important to meet something that nobody knows. It's quite difficult. If it's an important one, there must be much garbage (to sift through).... It's easy to stick to routine work. Or the 90% business. And also.... philosophically, even though the headquarters would say, OK, find new business...etc. etc. on the other hand the phone is calling mainly about routine work. Day by day...., so you know.... There's really some gap between the ideal and the fact, yeah."

As staff accustomed to be supported by a large infrastructure in HQ finds itself fend for themselves in an overseas office, this routine will be overwhelming – thus further discouraging exploratory initiatives. Mr. D:

“You know, abroad, in the foreign offices, in accordance with such a very small scale, the coverage of one single person is much broader. Compared with Tokyo. In Tokyo, there’s the admin department, the financial department, the computer guys, everything like that. So maybe, I can ask someone to ... to fix my problem. Or PC or something like that. But abroad, we have to do it – basically, all ourselves.”

Subsidiary management and staff are predisposed to engage in hollow sensemaking against headquarters’ hollow sense-giving cues and concentrate on meeting headquarters’ relational and operational priorities for two reasons.

First, subsidiaries are mostly staffed with expatriates from headquarters. As such, both the premises and the philosophy of headquarters expectations are internalized through a strong identification with the firm. This is achieved as a result of a long and thorough socialization process (Ouchi, 1980; Schildt, Mantere and Cornelissen, 2019). Frequent job rotations are part of this socialization process, whereby staff will learn to perform any scope in any environment. Second, the expatriate management and staff “descend” from the top of the conglomerate hierarchy to a dominated position only for the duration of the overseas assignment. This change to a lower status is compensated by a return to headquarters within a definite period of time and a most likely increase in performance evaluation that is to pave the way for a rise through the hierarchy. This compensation proves to be an additional – and powerful deterrent against sensemaking.

To summarize, subsidiaries are expected to supply relational opportunities for new growth. This mandate remains hollow, however, due to a lack of resources and authority allocation to the subsidiary. Against the firm’s hollow sense-giving, staff engage in hollow sensemaking by turning a blind eye to this mandate and focus instead on performing routine operations relationship management. In this instance, JBG as an institution inhibits coordination and sensemaking capabilities as the strict vertical power relations and hierarchy processes act as potent deterrent against attempts at change.

4.3 Contribution to body of research

This study makes two main contributions to the literature on sense-giving and sensemaking in internationalization processes, in the context of multiple embeddedness.

HQ management processes of existing relationships are fully replicated by the overseas subsidiaries. Enabling this transfer are the shipping industry and JBG as institutions. As for the institution of the shipping industry, its global operating environment contains no ambiguities as to relationship management - the same etiquette and routines are meaningful and as such are performed regardless of location. From the other side, JBG as an institution supplies the premises and the processes of action, which are internalized by staff as a result of extensive and lengthy socialization. This identification with the firm makes staff predisposed to engage in dominated sense-making against the headquarters’ sense-giving and to perform standardized routine relationship management on behalf of headquarter colleagues.

Second, JBG as an institution inhibits coordination and sensemaking capabilities and as such serves as an obstacle to achieving espoused objectives of developing new growth by withholding authority – and subsequent resources allocation to the subsidiary. Strict vertical power relations and hierarchy processes act as additional deterrents against attempts at change. Against the firm’s hollow sense-giving, staff engage in oppositional/hollow sensemaking by turning a blind eye to the mandate to develop new relational opportunities and focuses instead on performing routine operations.

These two findings verify that embedded networks excel in on-going adaptation and achieving efficiencies by coordination through shared meanings and highly standardized processes. It is also verified, that embeddedness discourages agentic behavior by suppressing sensemaking at the individual level.

5. Managerial implications, limitations of research, call for further studies

This study has managerial implications in terms of effective intra-organizational dialogue, stakeholder management, organizational knowledge management. Namely, standardization and consistent application of processes delegates power of action to the field and results in high efficiencies and serves, at the same time, as a potent tool of quality control. For an organization to fully leverage this operational advantage, a certain level of decision-making authority also needs to be delegated to the field. As evidenced in the study, strict concentration of decision-making power in the center inhibits growth by losing out on opportunities due to lags in responses and by demotivating field to take and pursue initiatives.

The narrow focus of the study has certain limitations as it examines a group company operating in a closed and tight-knit industry segment. For this reason, the triggers and enablers of sensemaking processes may not apply in other industries or other segments of the same industry. The institutional context of Company A, while global, also contains many elements specific to Japan, further studies on embedded networks of disparate contexts would be called for (Fisman and Khanna, 2004; Khanna and Rivkin, 2006). Sensemaking in the context of multiple embeddedness lends itself to studies from a power theory point of view: How do embedded organizations manage change? What kind of power distributions and mechanisms within embeddedness promote or inhibit change?

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