

# **AN IMPENETRABLE GULF?**

## **OBJECTIVITY AND SUBJECTIVITY IN BUSINESS NETWORKS**

Competitive paper

Comparing Views on Business Networks in Economic Sociology and Business Marketing

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The IMP School has brought a deep sophistication to the general field of marketing with a detailed examination of the process of formation and reproduction of persistent business relationships and extending the traditional dyadic focus to the complexity of supply and purchasing networks. The approach has provided many valuable insights into the management of the portfolio of business relationships typically encountered from inception to maturity and has inspired a great deal of related research into the characteristics of successful, networked, relationships.

A major distinction in this literature is between actors' perceptions of their relationships and the production system of activities and resources (Johanson and Mattson 1992; Håkansson and Snehota 1994). Johanson and Mattson (1992) argue that the production system for a particular product can be identified from resource interdependencies arising from an "objective", "specific industrial logic" (p. 210), which influences the actor network, alongside an actor's own "network theory". But this suggests the industrial logic is to some extent independent of the relationships among actors. Hallén (1992) also identifies less instrumental non-task infrastructural "contact" networks. These are anchored to some extent in firm-specific activities but which, like a railway, are established to provide the potential for communication rather than for specific connections. They tend to be weak ties and centre on the board chairman, while firm-specific relations tend to be stronger and centre on executive directors.

While there is some tension between objectivist and subjectivist conceptions of network position in the IMP tradition, it is generally argued that strategy in networks is the product of subjective assessments: the focal firm's conception of its own position, its "strategic network identity" and the perception of other firms' position, their "network identities". Strategy in networks centres on anticipated resource transfer, activity complementarity and actor-relationship generalizability, in comparison to alternatives; greater anticipation underpins cooperation and commitment (Anderson, Håkansson et al. 1994).

An organisation's assessment and choice of relationships is subject to the cognitive limitations of its members, that is, an organisation has a "network horizon" (Snehota 1990). This horizon will tend to be greater, the larger the firm and will be conditioned by its history of relationships (Gulati 1995). The horizon can be extended disproportionately with the development of new relationships, because of informational effects of weak ties. A firm's network horizon is particularly likely to expand with participation in strategic alliances,

which are forged to leverage complimentary resources in part of a value system (Hamel, Doz et al. 1989) and are thus typically outside existing supply chain networks [(Hallén and Lundberg 2004).

The concept that a firm's strategic realm is conditioned by the network theories of its members or the aggregate network horizon goes some way to explaining the gulf between the IMP approach and social network analysis, as "objective" measures such as centrality are inapplicable [Anderson, 1994 #58]. But it is argued in this paper that from a broader economic sociological viewpoint it is quite possible to measure attributes of networks, even subjectively defined, using the techniques of social network analysis and that the IMP emphasis on the underlying reality of the production system sets real measurable limits on actor perceptions of networks.

## References

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