



# The dynamics of networked power in a concentrated business network<sup>☆</sup>



Per Ingvar Olsen<sup>a</sup>, Frans Prenkert<sup>b,\*</sup>, Thomas Hoholm<sup>c</sup>, Debbie Harrison<sup>d</sup>

<sup>a</sup> BI Norwegian Business School, Department of Innovation and Economic Organisation, Center for Cooperative Studies, NO-0442 Oslo, Norway

<sup>b</sup> Örebro University School of Business, SE-70182 Örebro, Sweden

<sup>c</sup> BI Norwegian Business School, Department of Innovation and Economic Organisation, NO-0442 Oslo, Norway

<sup>d</sup> BI Norwegian Business School, Department of Strategy and Logistics, NO-0442 Oslo, Norway

## ARTICLE INFO

### Article history:

Received 18 April 2013

Received in revised form 13 March 2014

Accepted 15 March 2014

Available online 3 April 2014

### Keywords:

Networked power

Inter-organizational power

Buyer power

Governance systems

Power mechanisms

## ABSTRACT

The purpose of this paper is to investigate the dynamics of networked power in a concentrated business network. Power is a long standing theme in inter-organizational research, yet there is a paucity of studies about how power emerges and is constructed over time at the network level. The paper adopts process, systems and network theory to interpret a rich single case study from the food industry. Three power mechanisms are identified, gatekeeping, decoupling and resource allocation, which form the basis of a model of networked power dynamics. Empirically tracing the dynamics of networked power highlights the economic contents of interactions. The paper extends current understandings of power as ‘conflict and coercion’ to include influencing, leveraging and strategic maneuvering in the actual performance of networked power.

© 2014 Elsevier Inc. All rights reserved.

## 1. Introduction

Power has long been recognized as an essential aspect of interaction in business networks (e.g., El-Ansary & Stern, 1972; Frazier, 1983; Gaski, 1984; Håkansson, 1982; Johanson, 1966; Kinch, 1974; Wilkinson, 1973; Wilkinson & Kipnis, 1978). Research on power in inter-organizational settings draws primarily on social exchange theory (Cook & Emerson, 1978) and power base theory (French & Raven, 1959). However, while recent work discusses aspects of power and dominance (Bångens & Araujo, 2002; Baraldi & Nadin, 2006; Blois & Hopkinson, 2013; Brennan, Turnbull, & Wilson, 2003; Wilkinson & Young, 2003), the field reflects a general lack of empirical research into the dynamics of networked power or how power emerges and is constructed over time in a business network.

Welch and Wilkinson's (2005) study of the Japanese–Australian sugar dispute in the 1970s is one exception, even if their paper deals only indirectly with power. They show how covert and indirect power tactics were used during conflict resolution negotiations in a network, indicating how positional power was used to achieve institutional transformation. Nevertheless, the need remains to empirically investigate the dynamics of networked power without taking the detour via

conflict and conflict resolution, or perceptions of power by the involved actors (e.g., Meehan & Wright, 2012).

The purpose of this paper is to investigate the dynamics of networked power in a concentrated supplier–retailer business network. The focus is on the content of socio-economic aspects of networks including resources and activities as well as actors in line with Håkansson (2006), Håkansson, Ford, Gadde, Snehota, and Waluszewski (2009), Grandori (1997) and Hidalgo, Klinger, Barabasi, and Hausmann (2007), as opposed to conceptions of networks as represented by individuals only such as in social network theory.

Three basic analytical approaches to the conceptualization of power within the social sciences – process, systems and network thinking – are used to aid in our understanding of networked power dynamics. A single case study from the food industry describes the interplays across actors in a supplier–retailer network obtained from a series of court documents concerning a competition law case in Norway. The case concerns how the dominant dairy company Tine SA allegedly excluded competitors from one of the four retail chains, while at the same time having a role as a market regulator (and thus responsible for protecting the residual competition in the protected Norwegian dairy market). It exemplifies interactions across multiple actors where various initiatives seem to move power relations over time and where the resolution in one dyadic relation has severe implications for multiple others.

The paper proceeds as follows. Section 2 reviews the literature on inter-organizational power, before a broader approach to the empirical analysis of networked power, drawing on the research approaches of process, system and network is outlined. The case study research methodology used is described in section 3, along with some background to

<sup>☆</sup> This paper benefited from comments by Tore Bakken and Håkan Håkansson and from two anonymous reviewers. We gratefully acknowledge their valuable suggestions for improvements.

\* Corresponding author. Tel.: +46 76 18 38 138.

E-mail addresses: per.ingvar.olsen@bi.no (P.I. Olsen), frans.prenkert@oru.se (F. Prenkert), thomas.hoholm@bi.no (T. Hoholm), debbie.harrison@bi.no (D. Harrison).

the sector and the court case. Section 4 provides the empirical data by discussing power within three specific sets of buyer to seller interactions, which we term 'power games'. In section 5 we identify how three power mechanisms, gatekeeping, decoupling and resource allocation, appear to be utilized as networked power develops over time. By ordering the mechanisms and discussing how they are combined and developed, we propose a model of networked power dynamics.

The paper supports existing literature by confirming that network positions represent a useful starting point when discussing networked power (e.g., Axelsson, 1992; Barzilai-Nahon, 2008; Thorelli, 1990). However, we also go beyond current work because understanding the dynamics of networked power requires us to consider network positions as points of departure from which one can investigate the underlying mechanisms involved. This is because networked power is exercised in focused interactions with interdependent counterparts that are striving to counteract these mechanisms as well as their impact. Overall, the paper extends current understandings of power as 'conflict and coercion' (e.g., Liu et al., 2010) to include influencing, leveraging and strategic maneuvering in the actual performance of networked power.

## 2. Inter-organizational power: A review

Powerful organizations of various kinds have always been part of economic systems. Within neo-classical economics, market power and dominance are typically discussed as deviations from an ideal 'perfect market', and considered as representations of market imperfections (Arrow & Debreu, 1954; Stiglitz, 1989). A classic definition of power – such as the one offered by Dahl (1957, p. 202) – “A has power over B to the extent that he can get B to do something that B would not otherwise do” – implicitly assumes that B is unable to escape from the relationship. This unidirectional passive definition has been challenged by definitions emphasizing bilateral active features of power (Emerson, 1962). In order to discuss a broader analysis of power that moves from structural contingencies for decision making towards a relational perspective including mobilization, resistance and knowledge, a number of approaches have emerged (Foucault, 1980; Fox, 2000; Lukes, 1974/2005).

In general, early works tend to focus on individual power whereas later research deals also with other types of organizational entities. This paper deals only with inter-organizational aspects of power. We follow the suggestion of Clegg (1989) that power cannot be adequately understood nor investigated without relating to a given situational context. The context to which we address is that of networks of business relationships (e.g., Håkansson et al., 2009) whereby a company relates with others with which it has both positive and negative connections (Axelsson, 1992). Networked power is thus defined as 'an actor's attempts in a multi-actor network to utilize their current position to allocate and decouple actors, resources and activities according to its own benefit'.

### 2.1. 4 Ways to discuss power in inter-organizational settings

To develop an understanding of inter-organizational power requires a careful consideration of earlier works because these provide an important backdrop to the theoretical position developed here. Table 1 below uses a two-part categorization. The themes are partly overlapping but distinct enough to act as organizing devices. First, the conceptualization of power tends to be *behavioral*, *structural* (Brass & Burkhardt, 1993) or *relational* (Emerson, 1962) or combinations of these. Second, the main level of analysis is *individual*, *organizational* or *inter-organizational*.

Power is discussed in a variety of ways at the inter-organizational level (Blois & Hopkinson, 2013; Brown, Johnson, & Koenig, 1995; Gaski, 1984; Hopkinson & Blois, 2013). Some see power as something that can be *held* as a property of an entity (Pfeffer, 1981). Studies adopting this view look at sources of personal power as part of a

structural context (Brass, 1984; Burkhardt & Brass, 1990; Emerson, 1962, 1972; Krackhardt, 1990; Molm, 1990; Wrong, 1968).

Others see power as something that is *used* by an entity as a wielding force (Kipnis, Schmidt, & Wilkinson, 1980; Thompson & Luthans, 1983; Muthusamy & White, 2006). The focus is on ego's ability to use power of various kinds (French & Raven, 1959) and the effects power has for the person in question (e.g., Allen & Porter, 1983; Dahl, 1957; Schilit & Locke, 1982). A distinction between potential power and the use of power can therefore be made (see Bacharach & Lawler, 1980; Brass & Burkhardt, 1993), although others suggest that this dichotomy is superficial and unrealistic (McCall, 1979; Mintzberg, 1983), echoing the voice of Emerson (1972, p. 67): “to have a power advantage is to use it.” Indeed, Gaski and Nevin's (1985) empirical study reported that relationships with exercised power sources were empirically stronger than with unexercised ones.

**Table 1**

Summary of selected research on power.

Work	Concept of power	Level of analysis
Allen and Porter (1983)	Behavioral	Organizational
Bacharach and Lawler (1980)	Structural or behavioral	Organizational
Beier and Stern (1969)	Behavioral/relational	Inter-organizational
Blois and Hopkinson (2013)	Review-paper	Inter-organizational
Brass and Burkhardt (1993)	Structural and behavioral	Organizational
Brass (1984)	Structural	Organizational
Brown and Frazier (1978)	Behavioral	Inter-organizational
Brown, Johnson, and Koenig (1995)	Review-paper	Inter-organizational
Burkhardt and Brass (1990)	Structural	Organizational
Cook (1977)	Relational	Inter-organizational
Cook et al. (1983).	Relational	Inter-organizational
Dahl (1957)	Behavioral	Individual
El-Ansary and Stern (1972)	Behavioral/relational	Inter-organizational
Emerson (1962)	Structural	Organizational
Emerson (1972)	Structural	Organizational
Etgar (1976)	Behavioral/relational	Inter-organizational
Frazier (1983)	Behavioral	Inter-organizational
Frazier and Summers (1986)	Behavioral	Inter-organizational
French and Raven (1959)	Behavioral	Individual
Gaski and Nevin (1985)	Structural and behavioral	Inter-organizational
Gaski (1984)	Review-paper	Inter-organizational
Gaski (1986)	Behavioral	Inter-organizational
Hopkinson and Blois (2013)	Review-paper	Inter-organizational
Hunt & Nevin (1974)	Behavioral	Inter-organizational
Hunt, Mentzer & Danes (1987)	Behavioral	Inter-organizational
Ibarra and Hunter (2007)	Relational	Individual
Ibarra (1993)	Relational	Organizational
Johnson et al. (1985)	Behavioral	Inter-organizational
Johnson et al. (1993)	Behavioral	Inter-organizational
Kilduff and Brass (2010)	Relational	Individual
Kipnis et al. (1980)	Behavioral	Organizational
Krackhardt (1990)	Structural	Organizational
Lusch (1976)	Behavioral	Inter-organizational
Lusch (1977)	Behavioral	Inter-organizational
McCall (1979)	Structural and behavioral	Organizational
Mintzberg (1983)	Structural and behavioral	Organizational
Molm (1990)	Structural and behavioral	Individual
Ozanne and Hunt (1971)	Behavioral	Inter-organizational
Pfeffer (1981)	Structural	Organizational
Raven and Kruglanski (1970)	Behavioral	Individual
Schilit and Locke (1982)	Behavioral	Organizational
Thibaut and Kelley (1959)	Relational	Organizational
Thompson and Luthans (1983)	Behavioral	Organizational
Welch and Wilkinson (2005)	Relational	Inter-organizational
Wilkinson (1973)	Behavioral	Inter-organizational
Wilkinson (1974)	Behavioral	Inter-organizational
Wilkinson (1978)	Behavioral	Inter-organizational
Wilkinson (1979)	Behavioral	Inter-organizational
Wilkinson (1996)	Relational	Inter-organizational
Wilkinson (2001)	Review-paper	Organizational and Inter-organizational
Wilkinson and Kipnis (1978)	Relational	Inter-organizational
Wrong (1968)	Structural	Individual

Download English Version:

<https://daneshyari.com/en/article/1016910>

Download Persian Version:

<https://daneshyari.com/article/1016910>

[Daneshyari.com](https://daneshyari.com)