Understanding types of organizational networking behaviors in the UK manufacturing sector ☆,☆☆

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ABSTRACT

This research is aimed at understanding firms' different types of 'networking behaviors', i.e., how and why firms affect their strategic network position by activities/routines/practices aimed not just at their business partners, but beyond such direct relationships. Thus, we adopt a network perspective to examine how firms exploit their webs of direct and indirect business relationships in order to assess and embrace the potential opportunities and constraints in the network. Based on the industrial network approach (INA), this exploratory research specifically focuses on networking behaviors in the UK manufacturing sector. Thirty-one semi-structured interviews with executive managers from fifteen firms were conducted. We identify four types of organizational networking behaviors by the way in which firms utilize their web of relationships to achieve certain goals. By using the concept of networking behaviors based on the INA as well as the strong-and-weak-tie argument in economic sociology, purposeful networking behaviors can be categorized into the following: *information acquisition*, *opportunity enabling*, *strong-tie resource mobilization* and *weak-tie resource mobilization*. These four 'types' of organizational networking behaviors provide a deeper understanding of how firms operating in business-to-business exchanges relate to and exploit their webs of direct and indirect relationships, taking into consideration the embeddedness and interconnectedness of the network context.

1. Introduction

Networks of inter-organizational exchanges represent a specific form of markets, made up of direct as well as indirect business relationships (Achrol, 1997; Miles & Snow, 1992; Möller, Rajala, & Svahn, 2005). Understanding systemic structures such as networks, as well as the embeddedness of firms within these structures, has been regarded as a specific research orientation (Achrol, 1997; Thorelli, 1986). With it came a gradual shift in focus in the business marketing and the inter-organizational strategy literature from a monadic perspective, to dyadic business relationships, and finally to business networks (Achrol, 1997; Morgan & Hunt, 1994). In this context the importance of *direct business relationships* for a firm's success has been well established (Morgan &

Hunt, 1994; Palmatier, Dant, & Grewal, 2007). In addition, a focus on such direct business relationships has helped to understand the essence of business exchanges and interactions that take place in a relationship between two organizational actors (e.g., Anderson & Narus, 1990; Barnes, Naudé, & Michell, 2007; Hallén, Johanson, & Seyed-Mohamed, 1991).

However, direct business relationships do not exist in isolation (Anderson, Håkansson, & Johanson, 1994; Granovetter, 1985; Ritter, 2000). Instead, they are interconnected and aggregated as business networks, in which firms and numerous other actors are embedded. This means that while companies have a portfolio of direct relationships, within the network context many *indirect business relationships* exist, i.e., second-order connections where the relationship is mediated by one or several other actors. Therefore, a crucial question arises as to how firms can efficiently and effectively *manage in such complex networks* with regard to mobilizing not just their direct business relationships, but also to exploit the potential inherent in indirect business relationships (Ford, Gadde, Håkansson, & Snehota, 2003; Möller & Halinen, 1999; Mouzas & Naudé, 2007). In this context it has been suggested that a firm's ability to utilize and capitalize on the wider business network (i.e., not just its direct business relationship portfolio) can become a source of competitive advantage, because possessing the ability to cope with, as well as shape and exploit the complexity of the business networks, represents a

capability that is difficult for competitors to imitate (Barney, 1991; Gulati, Nohria, & Zaheer, 2000).

Despite this significance of indirect business relationships, current research into how firms interact with their networked environment remains relatively unexplored compared to research on direct business relationships (Äyväri & Möller, 2008; Dyer & Hatch, 2006). Studies in economic sociology (e.g., Thorelli, 1986; Uzzi, 1996; Uzzi & Gillespie, 2002) show some of the key mechanisms that foster the efficiency and effectiveness of knowledge sharing and resource mobilization in the network. However, being embedded in a web of business relationships as part of a network can be a constraint at the same time (e.g., Burt, 2000; Granovetter, 1985, 2005; Rivera, Soderstrom, & Uzzi, 2010; Uzzi, 1996, 1997). In this context a single firm cannot control its network; nevertheless, it can manage within its web of direct and indirect relationships, given the constraints of the network (Håkansson & Ford, 2002). From a focal firm's point of view, how and why companies strategically interact with various direct and indirect counterparts to realize the opportunities and safeguard against the constraints afforded by the network is still unexplored. Therefore, there exists the need to provide an understanding of organizational behaviors aimed at utilizing the multitude of direct as well as indirect business relationships. These behaviors will be subsumed under the construct of *networking behaviors*. We thus borrow this construct from the theory of managing in business networks (Ford et al., 2003; Håkansson et al., 2009), where it represents the notion that a firm's behaviors are aimed at changing its network position.

Our perspective of networking, based on an interaction approach related to the Industrial Network Approach (INA) pertains to *organizational behaviors*. This study, based on the INA, assumes that some firms can leverage their network context better than others by strategically mobilizing and thereby utilizing the web of direct and indirect relationships that they are embedded within. These networking behaviors enable firms to go beyond managing 'intentional nets', i.e., a firm's web of direct business relationships (Möller et al., 2005), and specifically focus on mobilizing multiple direct and/or indirect relationships within the wider network, thereby taking into account the interconnectedness and embededdness of a firm's network context (see Håkansson, 1982; Håkansson & Ford, 2002; Håkansson & Snehota, 1989; Turnbull, Ford, & Cunningham, 1996). Thus, these behaviors are not about how well firms can manage business relationships, but how firms *manage and strategize in* their network context to embrace the inherent opportunities and hindrances. We thus define the nature of networking behaviors by drawing on Day's (1994) categorization of organizational capabilities, which distinguishes 'inside-out capabilities' (qualification practices) and 'outside-in capabilities' (strategizing practices). As networking behaviors are 'outside-in capabilities', they are aimed at utilizing different types of business relationships strategically based on a focal firm's network position. Such behaviors relate to *activities/routines/practices*,[3] *which enable firms to make sense of and capitalize on their networks of direct and indirect relationships*. Based on this definition, this study aims to answer the following research question: what different types of networking behaviors by a focal firm can be observed in business networks?

This article is organized as follows: First, we carry out a literature review on *network management*, *organizational networking* and *strategizing in networks*. Secondly, the research design will be introduced, and the research results will be presented. Finally, this article will conclude with a discussion of the research findings, the implications for existing literature and managerial practice, as well as outline limitations of this study and future research directions.

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[3] We use activities, routines and practices interchangeably, depending on how a specific networking behavior is used by the firm; they are complementary in our conceptualization.

2. Network management

Network management is a research area derived from the need to go beyond dyadic customer or supplier relationship management, given that firms operate in a complex networked environment in which various counterparts are embedded (Ritter, 1999). There exist several concepts aimed at capturing firms' network management, which are summarized in Table 1.

Network competence is defined as "*the degree of network management task execution and the degree of network management qualification possessed by the people handling a company's relationships*" (Ritter, 1999, p.471). The concept was developed to capture the competence that 'networking companies' hold. It is the internal organizational ability that qualifies a firm to deal with its network of direct relationships and that enables a firm to carry out relationship-specific tasks. *Network capabilities*, on the other hand, are the "*abilities to initiate, maintain and utilize relationships with various external partners*" (Walter et al., 2006, p. 546). Note that the former concept takes a competence-based approach, whereas the latter has an emphasis on a dynamic capabilities perspective. Network competence is treated as organizational qualification practices, while network capabilities are seen as an organizational characteristic. Nevertheless, they share some similarities in that they relate to the management of the web of a firm's direct relationships with various counterparts, which relates to 'inside-out' organizational capabilities (Day, 1994). The main contribution of these two studies is therefore in adding another layer of understanding on top of dyadic relationship management and identifying the way in which firms can manage multiple relationships more efficiently.

Networking capability, a concept developed by Mort and Weerawardena (2006), encapsulates how small entrepreneurial firms develop some sort of routines within their networks to configure and reconfigure resources through the networks they build during the process of internationalization. The authors suggest that such capabilities have to be developed and nurtured by the owners of the firms. A recent study by Mitrega et al. (2012) also uses the same term, *networking capability* to denote the organizational capabilities of initiating, developing and terminating business relationships, which is conceptually similar to network capabilities by Walter et al. (2006), except that the former incorporates relationship termination in the conceptualization in order to capture the full life cycle of relationships.

Based on the review of the above network management studies, this growing stream of research has adopted a competence- or capability-based perspective to understand how firms internally 'gear up' as part of a portfolio approach for efficiently initiating, developing and terminating business relationships, through which firms can benefit from combining and configuring resources from various counterparts. While the relationship and network management literature provides ample evidence showing the need for firms to engage in business relationships with various counterparts in order to compete successfully in the market place, these results must be qualified when a network perspective is adopted. In this context, resources and information can flow from one point to another and across the whole network of connected organizations, through webs of connections comprised of direct and indirect relationships. When firms develop relationships with their counterparts, not only do they form connections within these relationships, but also further relationships that are indirectly connected with them; thus, relational outcomes can result from interactions across various partners, even those without direct contact (Anderson et al., 1994). Relationships can therefore be argued to be useful not only to mobilize resources in direct relationships, but also in indirectly connected ones (Gargiulo, 1993; Wuyts, Dutta, & Stremersch, 2004).

3. Organizational networking

Organizational networking is an emerging research area that deserves more attention from business marketing researchers (Ford &