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Interconnectedness of actor bonds in service triads – a social capital perspective☆

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ABSTRACT

Inter-firm networks are becoming increasingly important, as firms are influenced by their direct relationships and the networks surrounding them. Our study contributes to the understanding of interconnectedness among business relationships, as we analyze how different dyadic relationships in a firm's network can impact each other. More specifically, we draw on three case studies to describe how social capital between the service buyer and its partner in a service triad is impacted by the other two dyadic relationships in the triad. Besides broadening the theoretic perspective on interconnectedness, we contribute to social capital research and extend the limited theory base on service triads. From a managerial point of view, our work provides a new perspective on managing service outsourcing transactions.

1. Introduction

Actors in our increasingly complex and interconnected world are embedded in their environments (Granovetter, 1985), and it is clear today that "no business is an island" (Håkansson & Snehota, 2006). Over the last 30 years, the IMP Group has thus analyzed from numerous perspectives how individual business relationships and relationship networks impact economic activity (Håkansson et al., 2009; Paliwoda, 2011). Similarly, social network theory has inspired various research streams on the impacts of actors' embeddedness in their social environment (Choi & Kim, 2008; Wassermann & Faust, 1994).

In essence, not only resources inherent to individual firms but also firms' relationships to partners in their environment matter (Ford & Håkansson, 2006; Uzzi, 1997). Such relationships are characterized by a joint use of resources ("resource ties"), interconnected activities ("activity links") as well as by mutual perceptions and knowledge of individual actors within the involved firms ("actor bonds") (Håkansson & Snehota, 1995). They facilitate value creation and allow to generate rents otherwise not accessible without leveraging relationships to external partners (Dyer & Singh, 1998; Lavie, 2006). Inter-firm relationships thus represent an own type of intangible network resource (Gulati, 1999). Moreover, not only individual relationship dyads but also their combination in the form of the wider network of contacts held by a firm, its suppliers, partners and clients are relevant to performance (Choi & Kim, 2008; Ritter, Wilkinson, & Johnston, 2004). For example, relationship networks among several firms can facilitate access to information (Zaheer & Bell, 2005), help to coordinate a supply chain (Fredriksson & Gadde, 2005) or bring together the set of partners and diverse knowledge required to develop a complex new piece of technology (Cui & O'connor, 2012; Hoffmann, 2005). A firm's individual relationships are thus interconnected (Anderson, Håkansson, & Johanson, 1994; Ritter, 2000; Ritter et al., 2004), and the value of network resources often stems from the combination of several rather than individual relationship dyads. These examples, like most of the discussion in literature, are focused on how the combination of resource ties and activity links across several relationships can enhance output value. Yet, while "the activity and resource dimensions are dominating in many industries" (Håkansson & Snehota, 1995, p. 192), the dimension of actor bonds relating to mutual perception and attitude towards each other should not be forgotten (Håkansson & Snehota, 1995). Also for actor bonds, which have a less technical and a more human touch (Finch, Wagner, & Hynes, 2010; Ford, Gadde, Håkansson, Snehota, & Waluszewski, 2010; Ford & Håkansson, 2006), a few examples of interconnectedness have been mentioned in literature (Dubois, Holma, Andersson, & Hulthén, 2011; Roseira, Brito, & Henneberg, 2010; Wu & Choi, 2005; Wu, Choi, & Rungtusanatham, 2010). For example, a firm might be more prone to developing joint activities with a new supplier that existing partners describe as reliable and trustworthy than with a completely unknown player (Gulati, 1999). For established relationships, the introduction of a new supplier might, without changing the set of available resources or activities, stimulate existing suppliers to change behavior as they start to feel the competition (Roseira et al., 2010). Likewise, it has been argued

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that not only the relationship between service provider and buyer in service transactions but also their relationships to related partners (e.g. the customer) might be determinants of the provider's behavior (Hartmann & Herb, 2014; Van Der Valk & Van Iwaarden, 2011).

This manuscript aims to go beyond describing individual examples and to contribute a more systematic analysis of the dynamics that drive interconnectedness among actor bonds. Our focus is on explaining how the social, actor-related facets of relationships, in which network resources reside, influence each other. For three reasons we base this analysis of interconnectedness on the concept of social capital (Adler & Kwon, 2002): First, the core assumption of social capital that social actors are embedded in their environment (Granovetter, 1985) and derive value from social relationships between them and other actors (Baker, 1990; Bourdieu, 1986; Burt, 1992; Coleman, 1988, 1990) mirrors the idea of relationships as network resources. Second, despite differing definitions, the umbrella concept of social capital (Adler & Kwon, 2002) commonly considers attributes like “mutual recognition” (Bourdieu, 1986) or “obligations, expectations and trustworthiness” (Coleman, 1988) as factors essential to mobilizing network resources and thus fits well to the analysis of actor bonds among firms (Batt, 2008; Finch et al., 2010). Third, with the structural, cognitive and relational dimensions of social capital, Nahapiet and Ghoshal have developed a well-established approach allowing a systematic analysis of the attributes of social capital occurring in a relationship (1998).

In the following, we focus our analysis of interconnectedness among actor bonds on service triads, as illustrated in Fig. 1. Service triads are defined as business constellations where a service buyer relies on a service provider to provide services which require maintaining an ongoing interface to one of its clients or suppliers (Dubois et al., 2011; Hartmann & Herb, 2014; Li & Choi, 2009). Service triads are thus transitive (Madhavan, Gnyawali, & He, 2004; Wuyts, Stremersch, Van Den Bulte, & Franses, 2004), meaning that all three actors maintain direct relationships among each other. Examples are the outsourcing of goods-oriented industrial services, such as maintenance and spare-parts supply (Ulaga & Reinartz, 2011), or logistics triads, where a logistics service provider manages the flow of goods and information between two firms (Beier, 1989; Larson & Gammelgaard, 2001; Stefansson, 2006). Due to the bidirectionality of service and the relevance of the customer interface in service operations (Lusch, 2011; Maas, Herb, & Hartmann, 2014; Sampson, 2000; Sampson & Froehle, 2006), service triads exhibit a high degree of direct interaction among all three actors and thus illustrate well the interconnectedness of actor bonds in relationships. Also, given the complexity of business networks, triads, the most fundamental microstructures of networks (Choi & Wu, 2009; Harrison, Holmen, & Pedersen, 2012; Madhavan et al., 2004), allow us to curb complexity by focusing on a limited subset of a business network (Easton, 1995; Halinen & Törnroos, 2005) while still providing insights into general network mechanics (Simmel, 1950). Further reducing complexity, we define the relationship between service buyer and partner, which is part of the service buyer's direct supply chain (Mentzer et al., 2001), as the focal relationship for our analysis. We thus concentrate on how actor bonds in this relationship are influenced by other relationships in the service buyer's surrounding ultimate supply chain (Mentzer et al., 2001), namely by the relationships with the service provider and among the service buyer and partner.

Summarizing the above, we formulate our research question as follows: How is social capital in the dyadic relationship between service buyer and partner firm in a service triad impacted by social capital in the respective triad's other dyadic relationships?

Given the early stage of research on triadic relationships (Van Der Valk & Van Iwaarden, 2011), we chose multiple inductive case studies as an appropriate approach to start building theory (Edmondson & Mcmanus, 2007; Yin, 2009). We analyze three different cases of service triads, describe their actor bonds in terms of social capital and explain how they impact the relationship between service buyer and partner firm.

We see our key contribution as broadening the perspective on interconnectedness (Ritter, 2000; Ritter et al., 2004), as we describe how actor bonds between two actors are influenced by other relationships in the surrounding network. In addition, we contribute to social capital research (Batt, 2008) and extend the limited theory base on service triads (Hartmann & Herb, 2014; Li & Choi, 2009; Van Der Valk & Van Iwaarden, 2011). From a managerial point of view, our work provides firms with a new perspective on managing service outsourcing transactions, which, despite their relevance to today's industries (Chapman, Soosay, & Kandampully, 2003; Ostrom et al., 2010), are perceived as difficult and often failing (Ellram, Tate, & Billington, 2007; Li & Choi, 2009).

The remainder of the manuscript is organized as follows. First, we introduce our research framework based on social capital literature. We then elaborate on our multiple case study approach. Case study findings are discussed along the social capital framework and aggregated to empirically testable propositions. The paper concludes with a discussion of our results and potential paths for further research.

2. Social capital

2.1. Background

Initially originating from sociology (Portes & Sensenbrenner, 1993), the concept of social capital has gained increasing popularity in research on business networks (Batt, 2008). The idea of social capital is based on the embeddedness of actors in their environment (Granovetter, 1985), meaning that actors are influenced by the social networks around them. The term “capital” thereby implies that an actor's relationships represent a form of resource that can be leveraged to reach the actor's goals. This role as an intangible resource which “enables (the firm) to produce efficiently and/or effectively a market offering that has value for some market segment(s)” (Hunt, 2000, p. 138) has been extensively discussed and empirically validated (e.g. Finch et al., 2010; Inkpen & Tsang, 2005; Krause, Handfield, & Tyler, 2007; Lechner, Frankenberger,

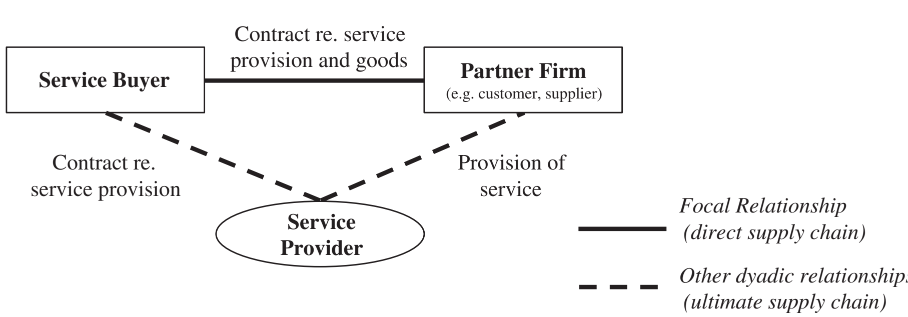

Fig. 1. Service triad.