Networks and Networking: What's Social and What's Business?

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Abstract

Business and social networks both play important roles. There has been considerable work on both kinds of network but little work that considers the ways in which these networks interrelate and impact on each other. Nor has there been much consideration of the kinds of value that emerge from the interactions of business and social networks. This paper brings the different literatures of these areas together, reports preliminary findings of preliminary investigation and proposes a method by which investigation in this area can progress.

Keywords: Social networks, business networks, networking, network value

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Background

Networks of firms are recognized as providing competitive and collaborative advantage (Wilkinson and Young, 2005). This advantage is most often considered in economic terms and from the firm's perspective. Specialization, reliable supply, acquisition of business allies, etc. are the components of the value sought through the development of network relationships (Young and Wilkinson, 2002) and that these build social capital (Hewitt and Forte, 2006; Dudley, 2004). This recognises that the personal relationships often embedded in these business connections, including personal trust and possibly social connections, friendship, etc. between individuals can play an important role (Dwyer, Schurr and Oh, 1987; Gummesson, 1987; Wilkinson and Young, 1994). Often the assumption is that these personal relationships emerge as a result of doing business (Halinen and Tornroos, 1998) although the relationship can run both ways.

In contrast, consumer marketing literature highlights the often-important role that personal relationships play in generating business, e.g. retailers and service providers are chosen based on personal connections. This choice may be based on a direct and personal connection with the provider or an indirect one, with decision-making based on information derived from other personal relationships (Kraut, Steinfield, Chan, Butler and Hoag, 1999). The importance of personal connections (e.g. in generating credible word of mouth) has been long recognized by marketers but this has arguably become even more important recently with a growth of interest in the nature and role of referral networks (Johnson Brown & Reingen, 1987; Reingen & Kernan, 1986). It is argued that the growth of personal and professional social networking sites and the resultant ease with which information is moved through the social network has increased the overall important of personal networks and the need for understanding of them (Gangadharbatla, 2009; Brown, Broderick and Lee, 2007).

This paper reports the design of a program of research considering the relationship between and potential synergies of social/professional networking and business network value creation. In particular this research looks at the way that personal social networks assist in the building of business networks, are built by business networks and are sought for that purpose. Five objectives guide the research:
- To investigate the value derived by engaging in networking within a professional context.
- To explore relationships emerging from purposeful and facilitated networking activities.
- To identify how relationships are maintained after initial contact has been made.
- To map the social, professional and business networks of professionals who participate in organised networking events and analyse the extent and nature of overlaps within them.
- To identify the value that emerges from these overlapping networks

The remainder of this paper considers the insights that emerge from B2B networks research when considered in conjunction with the social networking research and the development of a method to investigate this area. The paper is organized as follows: first the literature of business network development is considered, followed by consideration of social networking and the way in which these two literatures can inform each other. This is followed by consideration of methods that allow investigation of network connection development. The paper concludes with an outline of a recently-commenced research programme.

Business Networks – and personal ones

No business is an island. Research into the ways in which networks bring value to firms has been underway for over 30 years (e.g. the IMP group's published work goes back to the 1980s and research into channels of distribution goes back decades further) (e.g. El-Ansary and Stern, 1972; Ford, 1980; Hakansson, 1989). Research into the role(s) personal relationships play in B2B networks shows that such relationships guide and direct networks and are guided and directed by them (Kraut et al. 1999;Cross and Prusak, 2002; Awazu, 2004). Top levels of management have strong interconnections, e.g. senior executives are on the same boards, in the same clubs, attended the same universities (Kanter, 1999; Ring and Van de Ven, 1994). And, managers report that personalization is a valuable outcome of business relationships, facilitating further business capabilities and improving relationship performance (Wong et al. 2010). Personal relationships have been seen to facilitate business by "extending" the firm (Wilkinson and Young 2005) thus expanding business opportunities and providing better access to marketing capabilities and better quality marketing intelligence (Powell, Koput and Smith-Doerr, 1996; Webster and Morrison, 2004).

Social psychology has long recognized the value of social relationships - we are inherently social beings (Asch, 1952) and the influence of personal connections is a central part of this (Katz and Lazarsfeld, 1955). These are central in guiding people's lives. Trust is recognized as more readily emerging in close interpersonal relationships than otherwise (Young, 2006) and this guides the extent that information is perceived as credible and acted upon. This is particularly important in making high involvement decisions in business (Mohr, Webb and Harris, 2001). It is therefore surprising that there has been little work that considers the role played by social relationships and networks in business relationships and networks.

Social Networking

While not widely studied in marketing, social networks have been the subject of both empirical and theoretical study in the social sciences for over 50 years (Wasserman and Faust, 2005; Watts, 2004), partly because of inherent interest in patterns of human interaction, but also because they have important implications for the spread of disease, behaviour and knowledge (Newman, 2001). These studies provide insights both as to the structural properties of networks and highlight effective methods for the study of them.

Social networks both emerge naturally through kinship, school, common acquaintance, etc., and there also are deliberate attempts to build social nets. The literature that considers the latter highlights the kinds of value that building of networks provides including in job search, promotion of products and services, knowledge management, collaboration opportunities, etc. (Anderson, 2008; DiMicco, Millen and Geyer, 2008; Krackhardt and Hanson, 1993). Recent work argues that the scale of deliberate networking activities has increased enormously in recent years with the emergence of social networking via the Internet (Keenan and Shiri, 2009; Kumar, Novak and Tomkins, 2006) and due to the recognition of the increasing value in extended networks (Wilkinson and Young, 2005). The interpersonal connections developed and maintained within online social networks have proven to be a powerful source of influence for the people within the network (Keenan and Shiri, 2009; Hewitt and Forte, 2006; Stutzman, 2006; Subramani and Rajagopalan, 2003). Such influence has been studied in part using theories associated with word of mouth (WOM) communication (Gangadharbatla, 2009; Brown et al. 2007). In line with these theories, internet-based social communication is shown to be often important and credible/trusted (Brown et al. 2007; Schiffman and Kanuk,

1995). However the relative importance of Internet social network contacts remains less than close friends and family in making important decisions (Young, Donald, Benn and Freeman, 2008) and direct, personal contacts such as work colleagues have also been shown to be more important than their Internet "equivalents" in professional development and value creation.

The primary focus of work to date is on how professional networking activities improve one's own professional standing and its benefits. However there has been little work that has considered the extent/way that networking provides value to one's work/organization and the extent to which this is what motivates professional networking (as distinct from seeking personal benefits). We argue that both need to be considered. Insights into the impact of social networking on business network development emerge from considering theories of business relationship and network development in conjunction with those of social networking (Tsai and Ghoshal, 1998; Holm, Eriksson and Johanson, 1996).
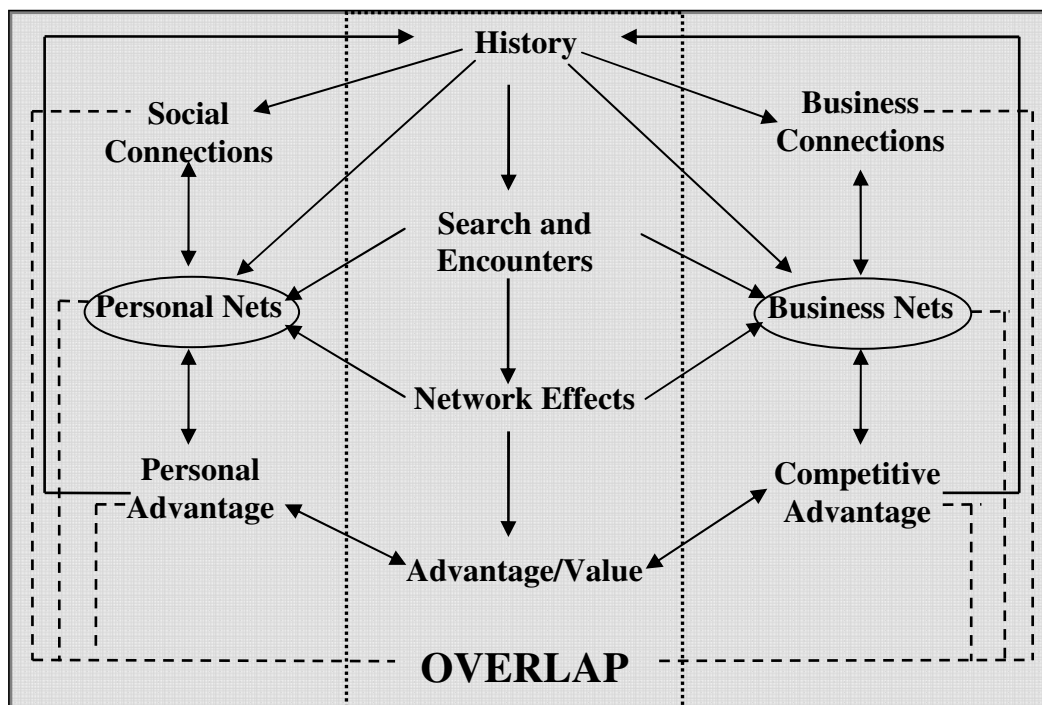
Figure 1: Proposed Model

Figure 1 presents our proposed model which combines this work. The model indicates that the processes of business network development and social network development are similar and overlapping. Over time personal networks are built via deliberate and chance encounters which build new contacts that interact with existing relationships. The process network evolution is mediated by the history of past interactions which influence perceptions of what is sought from the social network. Business networks are also built via new and existing contacts and through history (as the outcomes/value of the networks influences their continuing development) and they develop through time as the advantages and value provided by networks facilitate further network activities. The figure also highlights that the two kinds of networks overlap with members of the social network possibly also being part of the business networks (this can include families who run businesses together, employees who are also friends, suppliers who are also part of the same community as their customers, etc.). The social network can be a source of membership and value for business networks and vice versa.

Methodology

Collection of network data has included ethnography (i.e. observation), questioning, and secondary data (business contracts in place, sales data, etc.). Social networks are typically mapped and analysed for network properties (such as density, connectedness) or in terms of individual nodes (e.g. number of connections relative to rest of network, position, etc,). To study the processes outlined in Figure 1, innovative methods are needed because these previous studies primarily focus on networks' descriptions. In contrast, this research seeks to ascertain the ways personal networking creates business network value, i.e. insights into causal processes are sought. Both reflective and behavioural data is needed, i.e. in addition to relationship/networking histories and vignettes, observation of networking behaviour and its consequences are needed as is a longitudinal approach that allows the changes in networks to be observed. Further value comes from interrelating the two data forms to increase reliability and create synergy of insight (Yin, 2009).

Ethnographic observation is central, as it is through this approach that insight into process, evolution and causality can be derived. "Ethnography involves a long period of *intimate study* and residence in a well-defined community employing an ideal range of observational techniques including prolonged face-to-face contact with the members of local groups, direct participation in some of the group's activities" (Conklin 1968, p.172). The context for this study will be social/professional networking events, where observation of the actions of individuals and groups that take place will occur (as suggested by Bates, 1997). The ethnography will include observations and photograph sampling, thus capturing the interactions and movements of the attendees during such events.

The first stage of research involves investigation into nature of formal and semi-formal professional networking opportunities. Preliminary work has been undertaken. Interviews with three people with considerable background knowledge of organisations who organize network events have been conducted with several further interviews planned. Informants include a past president of an organisation that promotes the Western Sydney region and provides networking opportunities for businesses in that area, a current board member of that same organisation and the committee chairperson of another branch which focuses on providing personal networking opportunities. These interviews are being used to facilitate the design of preliminary research. Informants have indicated that some events are more concerned with facilitating professional networking, i.e. assisting firms to make contacts with one another while others focus on personal network development. The process of facilitating networking is fairly similar, i.e. setting up events to which people are attracted so there is a critical mass of potential contacts. These informants further highlighted that people have networking strategies and there appear to be a wide range of these, e.g. pre-identifying people that you want to talk to and planning a pattern of movement through an event that will allow the meeting of as many of these people as possible. These interviews confirm the necessity of the research including attending functions and observing the processes of networking rather than relying on reporting by participants because there are strong indications that not all networking behaviour is consciously planned nor are the responses by others to networking necessarily understood. In addition, by attending these functions, it is anticipated that there will be an opportunity to introduce the study to attendees, invite them to complete a short one page questionnaire and recruit participants for in-depth interviews (up to 60) to be conducted at a later date.

Photographic surveys will be used instead of videography for a number of reasons. First, taking photographs within a social setting is less intrusive than video recording and is particularly so in the observing of conversations. (While this means the content of conversation is not captured in the observation, this is not the primary focus of this part of the data collection and will be considered during interviews – discussed next.) Second, the photographs will allow photo elicitation to be used at subsequent interviews to prompt the participant's memory. This provides a number of benefits. "Images evoke deeper elements of human consciousness than do words… (it is) an interview process that provides a different kind of information" (Harper, 2002 p.13). In addition it allows the interviewer to develop a semi structured interview script while providing stimuli for the interviewee (Clark-Ibanez, 2004) and it is more time efficient than watching a video – an important consideration in interviewing business professionals. Our informants agree this is the better approach.

In addition, collection of reflective data will be undertaken. This will include interviews including both semi-structured and structured (for building of network maps) components. Interviews will include discussion of the nature/role/history of individual's social, and in particular, professional networks as well as consideration of the network(s) his/her organization is in. Explicit examples of overlaps between professional and organizational networks and vice versa and assessment of value emerging from overlaps will be sought as well as discussion of networking processes. The photos will also facilitate our ability to elicit stories, examples and anecdotes of business networking activities. Such stories present personally constructed views of a shared world (Hopkinson, 2003). This makes stories a particularly effective analytical device for the study of co-created phenomena such as relationships and networks. The similar and different foci of the stories, the choice of what topics to relate with stories and the congruence and divergence of the stories presented all offer potential insights (Alvesson and Karreman, 2000).

Interview transcripts will be analysed lexicographically (computer based content analysis) to seek commonalities in informants' reflections. Interpretation of photo elicitation using discourse and storytelling analysis will be undertaken. Network mapping from structured data (i.e. who is in professional and organizational networks and any overlaps) will also be undertaken. These maps may form the basis of follow up interviews with selected informants that will be included in several longitudinal cases (chosen theoretically and to maximize diversity) where the impact of networking and evolution of structure is followed over time.

Conclusion

This research has the potential to make three important contributions. First it can increase understanding of how business networks evolve. Second, increased insight into networking practices and value of networking can assist organizations in determining how much value is received from these activities. This in turn has the potential to suggest ways that networking activities of employees can be further leveraged and more effectively designed to provide value to the organization as well as to the employee. Third, the proposed method is innovative and evaluation of the relative contribution of components (and synergies arising) can assist in the further development this kind of mixed method and its applications to other contexts. Both multiple method research which includes social network analysis is under-represented in marketing, in contrast to other discipline areas. This work has the potential to open exciting pathways for future research.

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