

Theme: Firms & Networks

**THE NETWORK PERSPECTIVE - ITS
ORIGIN AND DIFFERENCES TO THE
MARKETING MANAGEMENT
APPROACH**

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ABSTRACT

Relationship marketing during the nineties has become an accepted approach in marketing research. This type of marketing, however, consists of many different perspectives. Here, the network approach is covered. This perspective's origin and its differences to the marketing management approach are discussed. It is concluded that the development of the network perspective was influenced by its Swedish context, however the network view is not pertinent on all marketing situations in Sweden. Finally it is argued that research in marketing should prosper with many different perspectives that could be applicable for different marketing situations.

INTRODUCTION

The dominant marketing management approach (eg, Kotler 1997) has, in the nineties, been challenged by a new view of marketing; relationship marketing (Grönroos 1993). This is not a homogeny view of marketing, however, but many different approaches. Payne (1997) categorises the area of relationship marketing in three major groups the American, the Anglo- Australian and the Nordic Approach. The purpose of this article is to discuss an example from the Nordic approach in the area of business-to-business marketing - the network view developed mainly by Swedish researchers (Hammarkvist, Håkansson and Mattsson 1982; Mattsson 1985; Håkansson 1989; Axelsson & Easton 1992). What is the main difference between the network view and the mainstream marketing management view and which influence has the Swedish context had in the development of the Swedish version of the network view? What can we learn from this development?

Firstly, a short description of the network approach will be presented. Secondly, the main characteristics for this approach, contrasted against the mainstream marketing management approach will be provided. Thirdly, the cause of the approach's growing popularity in Sweden will be scrutinised. Lastly, is a discussion and concluding remarks.

THE NETWORK PERSPECTIVE

The network perspective (eg, Hammarkvist, Håkansson and Mattsson 1982) was developed in the area of marketing as an alternative to the dominant marketing management perspective (eg, Kotler 1997). The adherents of the network perspective found that in their empirical studies, the firms did not act in accordance with the marketing management perspective. Especially not firms which delivered to other firms (business-to-business marketing). They did not regard customers and suppliers as competitors, but more as collaborators.

The network perspective has developed over time. In the IMP Project (Håkansson 1982) the focus was on the buyer-seller relationship, but soon the focus was turned towards a larger network with more than two players (Hammarkvist, Håkansson and Mattsson 1982). The network can be divided into three concepts actors, resources and activities. All form their own networks but are dependent on each other (Håkansson & Johanson 1992). The relationship between the different actors is important in order to understand the network. The relationships are characterised by continuity, multiplexity and specificity. Over time mutual knowledge and trust create a framework for future business among the actors in the network. The actors can be linked to each other through technical, social, cognitive, legal, economic and other ties (Hammarkvist, Håkansson and Mattsson 1982).

The network is difficult to grasp for outsiders and is not controlled by one actor but changes continuously, this has consequences for the internationalisation of the firm (Forsgren & Johanson 1992). According to the network view, the traditional textbooks view (eg, Root 1982) of foreign market entries does not fit most real situations (Axelsson & Johansson 1992). It is not possible to gather important information from a market (network) without being a part of it. The entry process evolves gradually through interactions between the actors in the network and involves trial and error learning processes. The foreign market entry process is seen as a learning process where different actors learn about each other. An entry in a new market (network) can be an initiative from an insider in the foreign network and different actors can not control the process individually. Who are the actors in the network? Which resources do they control and which activities do these actors carry out? According to the network view these questions are crucial when it comes to entry processes in foreign markets.

When the firm has access to the network it should expand its knowledge about it by learning of its current activities carried out in the network (Johansson & Vahlne 1990). The main message in the network view is that cooperation is more efficient than competition for the firm's development. If companies trust each other and develop bonds and communication channels between the different actors in the network, the resources and activities in the network can be organised in an efficient way. This creates competitive firms.

DIFFERENCES BETWEEN THE NETWORK AND MARKETING MANAGEMENT APPROACH

In the following discussion differences between the network and the marketing management approach are shown. Both approaches are more complex and sometimes also more paradoxical than the following discussion shows. In making the differences more visible, the contrasting elements are focused and similarities are left out.

One of the main reasons for the emergence of the network approach was, as already mentioned, when Swedish researchers were confronted with marketing in Swedish industrial firms, they did not recognise the competitive approach as it was described in mainstream marketing management literature (eg, Kotler 1997). The Uppsala researchers' purpose was to find new models and a concept, which applied more aptly to the Swedish practice. This was the basic difference between the two approaches. The network approach has a more inductive research approach focusing on the phenomena of exchange between companies and tries to describe and explain why this exchange occurs. The marketing management approach is more deductive. It starts with the principles and deducts more detailed explanations as to how a firm should act.

This shows a second difference. The marketing management approach is more prescriptive. It aims to give advice how to act while the network approach is more descriptive. Its prime objective is to describe and explain how business-to-business markets work.

A third difference is that the marketing management approach mainly focuses on consumer markets while the network approach mainly focuses on business-to-business markets. In a consumer market, the selling company has many end consumers which are hard to handle individually. A supplier to organisations in a business-to-business market will probably have fewer customers, which makes it possible to treat its clients individually. In the consumer market, the single end consumer is a very small player compared with the selling organisation. In the business-to-business marketing case the buying part is often larger than the selling part and has the power to influence the exchange process. Another difference is that business-to-business relationships are often more complex than relationships in consumer markets.

This lead to the marketing management view, which emphasises planning as an important element in the marketing process - the network view does not. The individual actor is just one part in a network and has not the power to act independently from the other actors. It is more important to react on changes in the network. Market strategies are not seen as a planned activity, but patterns in a stream of actions (Mintzberg & Waters 1985). Planning and implementation are not seen as separated different activities, but that the firms' strategy evolves incremental and continuously. The marketing management approach has a more

rational view of decision making. They believe that it is possible to gather market information in order for it to be used to make rational decision. The network view holds the believe that important information about customers is hard to get without strong bonds between the companies. These strong bonds can be created over time in long trustful relationships.

The network view does not take a firm's hierarchy for granted ie, the assumption that top management decide the firm's strategy. Its approach emphasises the middle managers and the belief that top management's ability in affecting the firm's strategy is limited (Axelsson & Johanson 1992).

Last but not least, the marketing management approach puts more emphasis on competition as an important factor for economic growth, while the network approach emphasises cooperation. Even though the marketing management approach argue that cooperation is important within an organisation. It does not emphasise both vertical and horizontal cooperations between organisations as the network approach.

Differences Between the Network and Marketing Management Approach

Network approach

inductive
descriptive
business-business
few customers
fewer but stronger
relationships
reacting
bounded rational
middle management
cooperation

Marketing management approach

deductive
prescriptive
consumer
many customers
many but weaker
relationships
planning
rational decision
top management
competition

WHY IS THE NETWORK APPROACH SO POPULAR IN SWEDEN?

The most obvious reason for the strength of this view in Sweden is the Swedish industrial structure. Sweden has, for its size, some very large companies, and a lot of small companies, which are suppliers to these larger companies. The many smaller companies (supplying to the large Swedish companies) are often dependent on few customers. The following example shows the marketing behaviour of a Swedish firm.¹

¹This case is taken from UKOMP which was an executive program conducted by the Institute of Technology, Linköping University in cooperation with the Swedish government and representatives from Swedish industries (1990-1992). The following five customer companies took part in the program: ABB, Alfa-Laval, BT, Electrolux and Ericsson and the following 15 subsuppliers took part in the program: Boxholms Stål, Gislaved Gummi, Nefab Emballage,

Osby Armatur was formed in 1971 and by 1992 was mainly a subsupplier company. In 1991 the turnover was 57 MSEK: the largest customer was Scania, who bought products for 20 MSEK from Osby in 1992; the second largest customer was Alfa-Laval, who bought products for 16 MSEK. These two customers were very important for the company. Volvo Trucks, who bought products for 4 MSEK in 1992, was the third largest customer. The company's marketing goal is to have a small marketing organisation, as marketing should be a part of the responsibilities of all departments in the organisation. Osby has tried to get large important customers with relationships on many levels within the company ie, the technician at Osby should talk directly with technicians at Scania - the communication should not go through the sales department. Another goal was to be a large supplier with one customer in the industry instead of a smaller supplier to many different customers. In the truck industry Osby would rather increase its sales and be a larger supplier to Scania than increase its sales to Volvo. If the company has a large part of the procurement in a firm the buying company is more dependent of Osby.

The case above shows the similarities between the firm's strategy and the network perspective. Other firms in Sweden have behaved similarly, and the network view is a reflection of empirical studies which have shown the importance of lasting business relationships (Forsgren & Johanson 1992).

The behaviour of Swedish firms with long lasting relationships can be seen as a reflection of the cultural context, this also directly influences the theoretical development. Hofstede (1996) discusses the national influences on organisation theories. The main example in his article compares practices within the US and France. Hofstede concludes that American theories are market influenced and French theories are power influenced. In Sweden cooperation has been viewed positively and has been encouraging development for some time. Conflicts are regarded as destructive and should be avoided. I visited a seminar by Håkan Håkansson, one of the wellknown Swedish researchers, who advocated cooperation as a positive instrument for developing organisations. He used raising children as an example. He said he was convinced that encouraging children to cooperate and to learn from each other was more constructive in their development than teaching them to compete. If applying this theory to business, cooperation could be constructive for the development of firms as well. Although my experience of business practice within the US is not as extensive as my experience of Sweden, it seems to be undisputed that competition is regarded as a major positive factor. The importance of competition can also be seen in the laws of the country. In the US, the antitrust laws are harder and are also implemented in a much more decisive way than in Sweden. The cooperation and horizontal

Vadstena Industriplast, Oxelö Komponenter, Sunnex, Skogslund Fabriks AB, Bergqvist Hydraulik, Nyströms i Gnosjö, Svensk Tryckgjutning, RIFA, Munksjö, Skultuna Produktion and Osby Armatur.

mergers and acquisitions are seen more positively than in the US (Sölvell, Zander and Porter 1991).

Regarding internationalisation, the Swedish context is a reflection of the network view. Sweden is a small country dependent on international trade with a successful internationalised industry. The international business is, however, dominated by a few very large companies, such as Volvo, Ericsson, Astra, Electrolux, Stora, Tetra-Laval, ABB (50 % Swedish, 50 % Swiss), Saab, Scania etc. These large firms are highly internationalised and have been for some time. The smaller industrial firms are often only doing business within Sweden as sub-suppliers to the larger Swedish firms. If they do have international business links, they are often established via the larger Swedish firms with whom they are already trading.

The discussion above shows that the Swedish context was very important for the development of the network view. Does that mean that the network view should replace other approaches completely in Sweden? Well, there are situations in Sweden where the network approach does not seem to be sufficient to understand some phenomena.

For example, a radical strategic change is difficult to explain with the network approach. The approach is built on the assumption of the importance of stable bonds on a middle management level (Axelsson & Johanson 1992). However, mergers, acquisitions and the closing down of a unit are often initiated from top management and that has a dramatic influence on firms' strategy, structure and relationships to other players. The Asea Brown Boveri merger is one example of top management's influence on firms' relationships with other actors in the network.

Another example from Sweden was Thorn's production of light fittings in Sweden. Thorn had a small successful unit in a small community in Sweden. They bought a larger unprofitable production unit in a larger town. Although, the unit in the small community, had strong bonds with a lot of different actors in Sweden and with a successful and profitable history, the unit was closed down and all resources in Sweden were transferred to the production unit in the larger town.

These examples show that the assumption about top management's limited ability to affect strategic change does not seem to apply to the situations discussed above. The network view is more pertinent when it comes to understanding incremental changes and stable relationships.

Another weakness with the network view is that it does not discuss in depth how to create relationships when you do not have any. How should firms get new customers? It also does not cover advertising at all.

The following quote from a classic advertisement shows the importance of advertisements in the initial phase in a new business relationship (Dowling 1994):

I don't know who you are.
I don't know your company.
I don't know your company's product.
I don't know what your company stands for.
I don't know your company's record
I don't know your company's reputation.
Now - what was it you wanted to sell me?

The above discussion shows that even if the network approach provides some new interesting angles to marketing problems, especially regarding business-to-business marketing it is not applicable to all marketing situations. Other views are necessary for these situations.

CONCLUDING REMARKS

This article is an argument for the importance of different views in marketing for different situations. Different nations are one of many different situations, which has to be taken into account. The improvement of communication technology and the decrease of regulations, which make it easier for people, goods and information to travel all over the world, has made some researchers doubtful about the importance of nations, when it comes to research about marketing (Levitt 1983). Many studies, however, show that nations still matter. Although differences between nations are getting smaller, differences still exist and knowledge about these differences is crucial to succeed in international business (Andersson 1996; O'Grady & Lane 1996)). ANZMEC' 97 had several papers, which showed the importance of including concepts that include national differences to understand firms marketing behaviour. For example Tang & Heeler (1997) show the importance of the Japanese industrial group - Keiretsu - to understand Japanese firms choice of establishment mode in North America. To understand the marketing behaviour of Japanese firms you have got to have a theory that includes Japanese institutions and culture. "Japanese and American management are ninety per cent the same, but differ in all important respects" (Hofstede 1996, p.531).

Another consequence of this article is that the goal to find theories and models, which can be implemented on all organisations and situations can be a project which is hard or impossible to realise "An author's claim to have developed a universal theory of organisations is as unbelievable as an inventor's claim to have found the Perpetual Motion device" (Hofstede 1996). A more fruitful attempt would be to find meta theories and to be aware of under which circumstances the theory is applicable (Strandskov 1993). Instead of arguing which two of these theoretical approaches is most true, it seems more fruitful to discuss during which

circumstances and in which way an approach is useful. Different circumstances can be consumer, service or business-to-business markets, marketing in different cultures and nations, different market domains (customer markets, referral markets, influence markets, recruitment markets, supplier/alliances markets and internal markets (Payne 1997)).

The marketing management approach has been a paradigm (Kuhn 1970) in the marketing area, which, in a part, has stopped new interesting views to emerge. Of course, a lot are the same all over the world but the differences that still exist are important. The relationship marketing view has, however, challenged the marketing mix paradigm and can nowadays be seen as an accepted approach in marketing (Payne 1997). This article does not argue for a paradigm shift (Grönroos 1993), in the meaning of Kuhn (A paradigm as a set of unquestioned assumptions held by those who, at a particular point in time, profess a particular science), but claims that different views should exist at the same time. Hopefully new views can be developed in the future. As it is difficult for a new view to be accepted it is important to relate the new findings to existing theories and to show the theoretical, empirical and cultural origins, and discuss which meaning these origins have had on the research conducted.

The Nordic approach of relationship marketing is an example that shows the possibility to be successful in research without adapting to the mainstream conception of the US research which is dominant in marketing research. Even though most of the publications from the Nordic approach are not in the most well known marketing journals, it has been well accepted in many countries outside the Nordic region. This shows that a small country, such as Sweden, can be a successful environment to create new views of marketing. Australasia, with close connection to Asia, seems to be a good environment to develop marketing concepts for international marketing in Asia, which is an interesting area for future research.

To conclude, marketing is a complex phenomenon that is influenced of culture, business environment, technology development etc. Many different approaches are needed to cover the phenomenon. The marketing management approach has been fruitful in practising consumer marketing in the US and the network view has been fruitful for the understanding of business-to-business marketing in Sweden. However, the marketing environment is changing. We need new concepts to better understand marketing in a world with new information technology tools and to understand marketing in different cultures.

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