Actor Bonds and Relational Norms in Networks

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Abstract

Actor bonds and relational norms are argued to be pre-eminent in explaining network relationships over the long-term. A model, based on relational time, is developed to explain relational norms as interacting ‘states’ and ‘processes’ leading to greater relationship ability to prosper. A methodology to test the argument is presented.

Introduction

The interaction and network approach of the IMP Group offers a framework for understanding the complexity of business markets (Håkansson 1982, Håkansson and Snehota 1995). The IMP framework proposes three types of interaction: (1) that between focus firms (i.e., the relationship as a unit of analysis), (2) that between the relationship and the firms, and finally (3) that between the relationship and the wider network. These interactions combine in a complex manner through “reciprocal conditioning” to explain business behaviour (Håkansson and Snehota 1995). Based on empirical case studies Håkansson and Snehota (1995) conceptualised the interaction between firms within a relationship to be composed of three layers, namely, actor bonds, activity links and resource ties. These layers change when the focus of interaction is between the firms and the relationship (i.e., actors, activities, resources) or between the relationship and the wider network (i.e., actor web, activity pattern, resource constellation) (Håkansson and Snehota 1995).

Another view of complexity in business markets arises from the concomitant use of three coordinating mechanisms recognised across the Social Sciences and applicable in business-to-business relationships (Heide 1994, Brodie, Coviello et al. 1997). These coordinating mechanisms are (1) market transactions, (2) authority in hierarchies, and (3) relational coordination based on trust (see Heide 1994). The research of Williamson (1975, 1991) and the Transaction Cost Analysis agenda focuses on the conditions under which markets or hierarchies are efficient. However, this research does not include interaction effects (Blois 1990) and is not able to deal with relational coordination (Heide 1994). Though relational coordination is known to be efficient it is not clear how it develops or works (Heide and John 1992, Heide 1994).

The focus of this paper is on the IMP approach and specifically on relationships formed by interacting firms. This area deserves further research because the nature of the interaction between firms has a direct impact on the ability of a network to learn and adapt to changes in the environment (Håkansson and Snehota 1995, Powell, Koput et al. 1996). The ability to adapt and learn will determine which relationships and firms survive and prosper. Importantly, while the network and the firms interact with...
relationships, the nature of relationships is what provides the options for present and future action.

The first section of this paper presents an argument for the pre-eminence of actor bonds in explaining network relationships. The next section discusses actor bonds and their formation in a relationship through interaction between business partners. The third section discusses the role of norms in shaping the interaction processes of actor bonds and relationships. Norms are defined as “patterns of accepted and expected sentiments and behaviour that are shared by members of an exchange system and have the force of social obligation or pressure” (Gundlach, Achrol et al. 1995). A model of the role of norms in relationships is then presented. Next, methodological directions are proposed to test this model. In a conclusion is a section considering future research.

Pre-eminence of Actor Bonds

In the short term it is not always possible to identify which layer is more important than any other in explaining the nature of a relationship and its emergent properties. However, taking a long-term view may allow each inter-weaving layer to be seen as having a varying degree of instability that leads to change in the relationship as a whole. For example, activity links and resource ties change as technology and raw material inputs vary in time, while actor bonds change as firms change strategy, grow in power or become insolvent. This instability of each layer over the long-term may therefore reveal the importance of each layer in explaining the nature of a relationship.

That actor bonds are pre-eminent among the three layers in explaining the stable and emergent nature of relationships is evident from three observations. First, while the nature of activity links and resources ties is influenced by interactions between the relationship and the firm and between the relationship and the network, the nature of the actor bonds has an important effect on how these interactions are viewed. Second, the nature of actor bonds has important effects in providing acceptable responses to changes in activity links and resource ties. Finally, the interpretation of actor bonds arises in the social and symbolic arena that is partly disconnected from the arena of business transactions. Each of these arguments is elaborated further in the following sections.

Actor Bonds Influence Views of Interaction

Actor bonds influence the view of interaction effects on two levels, firstly within the relationship and, secondly, within interactions external to the relationship.

At the relationship level, the actor bonds have an important role in explaining how the inter-weaving of activity links and resource ties are viewed. While activity links and resource ties result partly from the ‘logic’ of the network and the expertise and resource ownership of firms (Håkansson and Snehota 1995), none of these factors combines the interpretative ability and strategic intentions found in the firms and their actor bonds. The decisions regarding the division of activities across and between the firms is not left to external logic, but is taken with regard to firm strategies and actor bonds.

Although one may argue that firms are constrained by their resource mix and activity strengths in the way activities are linked, there are two arguments against this. First, each firm’s resource mix is a result of an actor strategy within a specific network.

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context. Actor strategy includes the choice of partner firms and consequently, the development of specific actor bonds, resource ties and activity links (Hakansson and Snehota 1995). Since relationships require joint actor choice (Hakansson and Snehota 1995), it is the interaction between the actors and the actor bond which is central to strategy choice and which primarily directs how resource ties and activity links are made rather than the other way around. This suggests a primacy of actor bonds at the relationship level.

Second, when resources ties or activity links force a specific actor bond, the nature of the bond will influence how the resource tie or activity link are viewed. For example, where a more powerful firm uses resources or activity expertise to control an actor bond, then power differentials (ie an attribute of actor bond) will be inherent in the way resource ties and activity links are viewed.

The second level of interactions, external to the relationship, is also influenced by the nature of actor bonds. A relationship is open to forces of change from either the participating firms or the wider external network. In either case, while the firms’ resources, actors and activity expertise or the linkages between the relationship and the network all constrain and provide options for dealing with change, it is the nature of the actor bonds in the relationship that provides the setting for interpretation of the change forces at work.

An important aspect in the above arguments is that actor bonds and the member actors are a force for both stability and change.

**Actor Bonds and Acceptable Responses**

Actor bonds contribute acceptable responses to changes in activity links and resource ties, whether the change comes from within the relationship or from external origin. For example, when actor bonds between firms are characterised by high levels of trust and commitment, changes in activity links and resource ties can be openly negotiated and acceptable responses can be more differentiated in time (Luhmann 1979). That is, investment in new resources and expectations of profit flow may be unequal in amount, and over time, for each party in a relationship. Such a situation would not be acceptable where actor bonds are characterised by low trust. Rather, any commitment to change in activity links and/or resource ties in a low trust situation would be minimal.

While this example indicates the importance of trust and commitment in generating complexity of interaction between partners, it also demonstrates that the nature of the actor bonds influences the responses available to firms facing change.

**Actor Bonds and Interpretation**

Actor bonds result from an interpretation of events by actors. Any interpretation necessarily relies upon socially accepted expectations, language and symbols (cf Elias 1991). In the sense that actor bonds are socially generated constructs, within the symbolic arena, they can be seen as partly independent of resource ties and activity links. For example, actor bonds may precede a business opportunity and do not necessarily go away when an external force (eg economic change) forecloses an opportunity. Actor bonds may then remain while the relationship is essentially
commercially inactive until a new opportunity arises. Thus, actor bonds are partly independent and may remain present and operational even when there are no resource ties or activity links.

The usual pattern documented in the literature is that of actor bonds growing as a business relationship develops through a lifecycle (cf. Dwyer, Schurr et al., 1987) or, alternatively experience evolutionary change without stages (Van de Ven, 1992). Ford and Rosson's (1982) longitudinal study suggests that different classes of actor bonds exist, regardless of age, in conjunction with different relationship states (i.e., new, growing, troubled, static or inert relationships). This suggests actor bonds and relationship states may change at any point in time and leaves open the question of how relationships arise and transform.

Given these observations it is apparent that, over the long term, actor bonds can be seen as conduits for business relationships and that over the long term, social exchange is at the heart of business relationships (Håkansson and Snehota, 1995). This suggests that over the long-term the direction of influence is mostly from actor bonds to activity links and resource ties. This argument does not undermine the importance of activity links and resource ties in the short-term, nor the focus on short interactions when environmental change is rapid (cf. Low, 1996).

With social exchange as the predominant part of business relationships over the long-term, the analysis needs to be concerned with understanding actor bonds evolve within relationships.

**Interaction and Actor Bonds**

Actor bonds arise through interaction between firms. However, interaction necessarily involves feedback between participants. These actions are influenced and constrained by the actors' understandings of the context in which they operate (Layder, 1981). The interaction also has its own emergent structure and interaction processes (Layder, 1981). An important additional aspect of interaction is the passage of time (Layder, 1981).

Time has been rarely discussed in the relationship literature, yet it constitutes the backdrop to all interactions (Halinen and Törnroos, 1995). In the next section, the concept of time is discussed in relation to interactions so that actor bonds and their nature may be discussed within a time-related framework.

**Interaction and Time**

Halinen and Törnroos (1995) develop the concept of ‘relational time’ where time is not only viewed from the present, but also with reference to the past and future as well as from different contextual perspectives such as personal, organisational and cultural. Thus, the present moment is “understood in terms of its history and its future” (Halinen and Törnroos, 1995). This conceptualisation of time appears appropriate when discussing actor bonds, as both phenomena exist in the symbolic arena where actors attribute meaning.

However, while Halinen and Törnroos (1995) consider the change element of time, and discuss many euphemisms for change, they do not examine closely the nature of
stability over time. Yet Janson et al (1995), found stability to be a dominant characteristic of business relationships. Furthermore, interaction is conceptually composed of both change and stability (Layder 1981, Håkansson and Snehota 1995).

Given the concept of ‘relational time’ it is apparent that time involves more than a stream of events in everlasting change. Luhmann (1979) explains stability in time by actors’ inability to distinguish events from each other so that, within some boundary, the present, past or an expected future may be viewed as a ‘state’ In this sense a ‘state’ refers to a view of some part of the actor environment that remains stable in space and time and so provides a structure from which interpretation may be made. An important time element of this definition is that every present state includes and precludes many future states (Luhmann 1979). It is in this sense that Axelrod (1984) suggests that “the future must have a sufficiently large shadow” for cooperation to be stable.

On the other hand, events are defined as significant changes that stand out from the current interpretation of a state. In addition, events maybe viewed as random (eg Asian economic crisis) or as sequenced and driven by an underlying process of change (eg technology development). Thus, one can view time as composed of the complementary aspects of events and states, depending upon the selection made by the actor (Luhmann 1979).

The distinction between states and events allows for a more dynamic explanation of interactions where both stability and change can be seen as interrelated. Events, or changes, derive their meaning from the state of the actor (Luhmann 1979). In addition, states also derive their meaning from the events in which the actor is involved (Luhmann 1979). This last idea reflects the concept of relationship ‘atmosphere’ where the state of the relationship is viewed separately from the individual transactions of which it is composed (Håkansson 1982).

This more complex view of time and interactions opens the way for a deeper analysis of the nature of actor bonds. This discussion is divided into two sections based on Håkansson and Snehota’s (1995) empirical studies that show actor bonds developing through interaction leading to ‘identity formation’ and the development of ‘relationship attributes’

**Actor Bonds and Identity Formation**

Identity in networks refers to the way firms see themselves in the network and how other firms see them in the network (Anderson, Håkansson et al. 1994).

The inclusion of time to the interaction process demonstrates more clearly how actor identity is derived from the inter-weaving of states and events. Identities in business relationships develop as actors and relationships learn of the patterns of stability (state) between each party. This ‘state’ literally summarises the identity of each actor, be it firm or relationship, in relation to every other firm or relationship.

Furthermore, an understanding of actor identity in the network continues to develop as events unfold, or processes of change occur, in relation to the state of the network. These events, or processes, may arise from past, present or expected future interactions located in all three levels of network interaction. Importantly, however, events are given


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meaning according to the actors’ understanding of the current, past and potential future states of the relationship and network.

An example of identity development based on events and states is the case of Sybiz, a software firm. Sybiz, in 1990 to the surprise of the accounting software industry, produced the first accounting package in the world for the Windows 3.0 operating system (Medlin and Quester 1998). This event was notable as Sybiz is a very small Australian firm. The publicity gained substantially changed the understanding of software customers and producers about the relative position of firms in the accounting software industry (ie network state). At the same time the change in Sybiz’s identity opened new markets for their software.

The addition of relational time allows a more detailed definition of identity in networks. Thus, identity in a network is defined as the position of firms and relationships given the understanding of past, current and possible future states of the network. Identity is necessarily bounded as any understanding of these different states depends on the knowledge, competencies and position of the firm in the network.

**Actor Bond and Relationship Attributes**

Trust and commitment are identified by Håkansson and Snehota (1995) as important attributes of actor bonds. Trust provides the means for actors to reduce the complexity of chaotic events (Luhmann 1979) into the stability implied by a relationship. Commitment provides on-going evidence that the trust is justified, whether commitment is affective, cognitive or behavioural (Gundlach, Achrol et al. 1995). Thus, relatively high levels of both trust and commitment are necessary for relationships to achieve steady states that are able to adjust to events and processes of change occurring in the environment.

However, trust and commitment are but two of a range of relational norms. Relational norms are defined as the norms necessary for on-going relationships (Macneil 1980). The next section discusses the role of relational norms within actor bonds.

**Interaction, Actor Bonds and Relational Norms**

Relational norms were identified by Macneil (1978, 1980) in contractual situations and used to explain how transactions could be conducted using contracts that did not completely specify all contingencies. Thus, relational norms arise as parties interact in the completion of a contract, providing solutions to the problems of interaction not covered by the contract. Relational norms identified and operationalised in the literature include trust, commitment, role integrity, open communication, flexibility and harmonisation of conflict (cf Macneil 1980, 1983, Gundlach, Achrol et al. 1995, Achrol 1997). Each of these is now discussed in turn within an interaction context that accounts for relational time.

**Trust**

Trust is a multi-dimensional construct composed of elements such as; expectancy, reliance upon others, faith, surrender of control, consistency, mutuality and utility for risk (Corazzini 1977). However, rarely has trust been viewed at this level of complexity.
in the inter-firm literature. The dimensions most often considered are those of expectancy, based on the idea that the party has the expertise and ability to perform, and benevolence, based on the idea that the other party will treat the risking party well under new conditions (Anderson and Narus 1990, Ganesan 1994, Morgan and Hunt 1994).

In addition, the dynamics of trust over time have not been fully considered. Achrol (1997) suggests two models: one where faith comes first followed by risk-taking behaviour so that trust is developed and the second where risk-taking signals a willingness to trust. These two approaches interact in a mutually reinforcing spiral (Golembiewski and McConkie 1975, Achrol 1997).

The important point, from a relational time perspective, is that trust is only possible in the present (Luhmann 1979). That is, a firm does not trust in any of the potential future states (ie expectancy) except from the firm’s present knowledge. In addition, trust in a past period is always superseded by new events (Luhmann 1979) as the spiral of risk taking and faith progresses. Thus, trust is bound in the present, rather than attached to events in the past, present or future. This means that the level of trust within actor bonds is a partial definition of the current relationship state.

Commitment

Commitment has been defined as “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer, Schurr et al. 1987). An important indicator of commitment is that while firms may maintain awareness of alternative partners, they do so without “constant and frequent testing” (Scanzoni 1979, p 87). Meyer and Allen (1991) have developed a more complete definition of commitment based on Scanzoni’s (1979) earlier work. Their model of commitment has three elements:

1. An input component, ie. a dedicated allocation of resources specific to the relationship (cf Anderson and Weitz 1992),
2. An attitudinal component with the parties wishing to maintain a long-term relationship, and
3. A temporal dimension where the inputs and attitudes reveal consistency over time (Scanzoni 1979).

Gundlach, Achrol and Mentzer (1995) tested the consistency - or time - component of commitment though their use of a ten period simulation. Their results suggest that the credibility of commitment inputs has a spiraling effect, as suggested by Anderson and Weitz (1992), with commitments made in the present tending to reinforce present beliefs about long-term commitment and attitude. This suggests that the nature of commitment in actor bonds is a partial indicator of the present state of a relationship.

In addition, the link between trust and commitment has been well-recognised (Dwyer, Schurr et al. 1987, Achrol 1991) and it is evident from Morgan and Hunt’s (1994) study that beliefs about commitment are mediated by the level of trust. Given the close link between trust and commitment it appears logical to conclude that both provide partial representations of relationship state.
Role Integrity

Role integrity refers to the way activities are divided amongst the parties to an exchange (Macneil 1980). When transactions are discrete in nature, self-interest, contractual terms, property rights and the law (Achrol 1997) guide the activities of each party. That is, the atmosphere between parties is adversarial and each firms’ activities are kept separate. However, as relational norms arise, the division of activities reflects the internal rules of the relationship, social customs, obligations between parties and the need to maintain the relationship into the future (Macneil 1980).

With higher levels of role integrity the division of activities becomes more complex, with activities and resources becoming more intertwined. Thus, role integrity not only encompasses actor bonds, but also resource ties and activity links. As the relational norm of role integrity arises, firms move from separate entities to an organic relationship. This last point highlights that role integrity can be best described as a state of the relationship in the present, past or potential future.

Importantly the complexity of role integrity does not result only from the attainment of relational norms. Rather, complex role integrity is equally required for trust and commitment to be displayed in a relationship (Achrol 1997). In other words role integrity, trust and commitment are concomitant constructs.

Given the linkages between trust, commitment and role integrity and the way variation in complexity of role integrity is bound to a specific time period, it appears logical to treat role integrity as an indicator of relationship state. Thus, role integrity more broadly defines relationship state than does trust or commitment which are actor bond attributes.

Communication

Information exchange, or communication, is an important aspect of business relationships (Mohr and Spekman 1994). As a mutual orientation arises, communication becomes more open with an expectation that each party will pro-actively provide information to the partner (Heide and John 1992). It is known that a higher level of communication quality and information sharing is associated with more successful partnerships (Mohr and Spekman 1994).

It is important to distinguish between openness of communication and the quantity of communication events. It is likely that the number of communication events is higher in developing relationships and those where the stakes are high, but such communication quantity does not equate necessarily to a mutual orientation. It has been suggested that in long-term committed relationships the level of communication may actually fall, as efficiencies are gained (Anderson and Weitz 1989).

Open communication does not require that confidential information be necessarily provided. The measure of communication openness is the usefulness of the information to the other party. It may even be that the information is publicly available. Qualitative research undertaken by the author suggests that open communication is recognised when useful information is made available at an appropriate time.
The nature of communication in time is different from the three relational norms discussed previously. Communication is an event-based phenomenon. That is, communication events signal, precede, and eventually follow, changes and processes at work within a relationship. Thus, the norm of communication in a relationship is based on interpretations of communication events and processes.

There are two criteria that may be used to judge the openness of communication in a relationship. First, it is possible to judge the veracity of communication and the degree of openness as communication events unfold over time. The second criterion is a comparison of relational communication norms with the communication norms of the industry. The industry norms of communication are present when a firm joins an industry. Although industry norms do change, only a very powerful firm could influence an industry norm, so that generally an industry norm may be considered a state. This means comparison of relational norms with industry norms allows an externally verifiable assessment of the openness of communication.

Finally, there is “reciprocal conditioning” between actor bond and communication processes. The actor bond has an impact on the assessment of communication openness, as highly relational states are likely to lead to more positive appraisals. In addition, appropriate communication can alleviate feelings of distrust when environmental events result in poor conditions for a mutual venture (Anderson and Narus 1990).

**Flexibility**

Flexibility refers to the willingness of exchange partners to make adaptations as circumstances change (Boyle, Dwyer et al. 1992).

Flexibility is similar to communication in that it is an event based phenomenon. Changes in flexibility signal and precede new processes at work in a relationship. The attribution of flexibility by relationship parties is likely to be based on two interrelated criteria. The first of these criteria is the degree of flexibility of a firm with regard to activity links and resource ties over time. This can be measured by the events where changes are made to activity links and resource ties. The second criterion is a comparison between the relational flexibility norm and the flexibility norms of the industry. This criterion can be used to provide an externally verifiable assessment of relational flexibility. Thus, the events and processes of flexibility in the relationship are assessed against the norms for the industry.

Lastly, there will be “reciprocal conditioning” between flexibility processes and relationship state. More flexibility by one party can lead to an enhanced relationship state, while the relational state has an impact on the assessment of flexibility with highly relational states leading to more positive appraisals.

**Use of Power**

Each firm in a relationship uses its competencies in a mixture of self and collective interest in the pursuit of strategy (Young and Wilkinson 1997). The use of power in relationships is evident in the way firms use resources, activities, network position and external actor bonds for collective or self-interest purposes (Håkansson and Snehota 1995). The literature on the use of power is divided on the question of control and
cooperation. Studies on the use of power and influence in distribution channels (cf Gaski 1984) have focused on use of power to control channel intermediaries to achieve the interest of one party. In contrast the IMP approach has focused on power use for cooperation and the collective interests of relationship parties (Ford 1990, Hakansson and Snehota 1995).

It has been suggested that when firms focus on self-interest, conflict is likely to be harmonised through hierarchical power mechanisms, or through external means (Achrol 1997) such as litigation or arbitration. Alternately when firms focus on collective interest, it is suggested that the relational norm of conflict harmonisation develops (Macneil 1981). With this relational norm, conflict is removed by following non-hierarchical procedures developed within the relationship (Achrol 1997). This involves finding mutually acceptable answers to the conflict so that the exchange can continue into the future. It is known that relationship performance is enhanced where conflict resolution procedures are functional, constructive and harmonious (Mohr and Spekman 1994).

The use of power in the development of relational norms remains an area for further research. Boyle, Dwyer, Robicheaux and Simpson’s (1992) study of influence strategies suggests that threats, legal pleas, and requests went against the development of relational norms. In a second study, reported in the same paper, the authors found that the frequency of recommendations, promises and information exchange was associated positively with the development of relational norms. No attempt was made in these studies to distinguish self from collective interest, although there must be a link between self-interest and the influence strategies of the first study and collective interest and the influence strategies of the second study.

A number of reasons can be identified to explain the lack of research on the use of power in the development of relational norms. First, the use of power to control, or cooperate to jointly control, is essentially a strategic process that may only be assessed through events and their significance in time. Thus, time must be explicitly defined. Second, there is difficulty in untangling self and collective interests within relationships. Any attempt to separate self and collective interests requires at minimum a dyadic study, with its inherent problems (cf Kumar, Stern et al. 1993). Third, the problems of time and interest interact. In the short-term self and collective interest may be separated, but over the long-term self-interest tends to merge into collective interest (Ellis 1971). Given these difficulties, it is clear that any research including the power use construct must explicitly define time.

When time is defined in a relational sense, it is apparent that parties harmonise conflict through use of power. This is done by controlling events, either individually or jointly, in the current state or in potential future states so as to achieve an on-going relationship.

For example, when a software producer and distributor settle on an exclusive distribution agreement, they must then use their power to achieve a series of events in order to set up a series of states into the future (ie a structure) to maximise their joint efforts. The producer must continue to research and develop the software to meet new hardware configurations and customer needs (states). The distributor must build market share in their geographic area (state) by employing sales staff and setting up promotional events and activities. Each firm uses its power to plan and achieve future states in
conjunction with the other. These states must not conflict: the distributor does not take on new principals with competing lines and the producer does not appoint a new distributor. Each firm must carefully balance their self-interest against the collective interest.

This example suggests that the nature of power use is essentially a process of events. The relational norm of conflict harmonisation involves the firms in managing effectively future states, so as to maximise their joint efforts and so as to reduce conflict. As an event-based phenomenon, the use of power signals and precedes new processes at work in a relationship.

The attribution of power use by relationship parties with regard to activity links and resource ties is likely to be based on two interrelated criteria. First, a series of power use events and processes assessable over a period of time, with regard to self-interest versus collective-interest. The second criterion is a comparison of relational power use norms with the norms of power use within the industry. This comparison allows an externally verifiable assessment of relational power use.

Finally, there will also be “reciprocal conditioning” between relationship state and power use processes. The relational state has an impact on the assessment of power use, as highly relational states are likely to lead to more positive appraisals.

Additional Comments

In line with the argument that actor bonds exist in the symbolic arena, it is noteworthy that norms, and consequently relational norms, have their root in social structures and cultures (Hofstede 1980, Heide and John 1992). This suggests that research must explicitly account for cultural variations across industries and countries.

Macneil (1980) regards all relational norms as interdependent so that it is not possible to separate commitment and trust from the other relational norms. Thus, the relational norms exist as a group and may only be separated analytically.

Given the roles of relational norms, as either indicators of actor bond and relationship states and relationship processes, it is now possible to develop a model of relational norms in actor bonds.

Model of Relational Norms in Relationships

Actor bonds in relationships are composed of two interacting aspects, relational norms and on-going identity formation (Håkansson and Snehota 1995). Furthermore, actor bonds, and therefore implicitly relational norms, are pre-eminent in the way resource ties and activity links interact. Given this line of argument, it is proposed that those firms entering relationships and developing relational norms are more likely to achieve their goals than those firms unable to achieve such relational norms.

Relationship Motivation and Performance

Firms enter into relationships with suppliers, customers and significant organisations for strategic reasons (Borys and Jemison 1989, Ford 1990, Axelsson and Easton 1992). At
the heart of this strategy is an interest in maintaining future exchange based on expected net gains from joint action (Dwyer, Schurr and Oh 1987).

This mutual alignment of motivation involves the recognition of the role played by both self-interest and collective interest. The role of self-interest is evident in the need for rewards as a basis for motivation to interact, while collective interest is partially displayed by the way the other party mediates rewards. Both self-interest and collective interest coexist in relationships (cf Young and Wilkinson 1997), however, in the final analysis, it will be commercial results that provide indicators of relationship performance.

Relational Norms as Interacting States and Processes

A full understanding of relational norms in actor bonds can only be developed when time is also considered. Given that norms provide both “patterns of … sentiments and behaviour” (Gundlach, Achrol et al. 1995) and the previous discussion, it is clear that relational norms may be separated across the complementary elements of ‘relational time’. Thus, those relational norms that identify judgement act as structural bonds and maybe considered as indicators of the state of actor bonds and relationships, while those relational norms that provide a pattern of behaviour will be apparent as a sequence of events that is indicative of relationship processes.

The relational norms of commitment, trust and role integrity should be seen as indicative of actor bond state and relationship state as it is these attributes of actor bond that structure the parties. The relational norms of flexibility, communication and power use on the other hand describe acceptable patterns of behaviour, or processes at work within the relationship. Figure 1 provides a diagrammatic representation of the model proposed in this paper.

Together ‘state’ and ‘process’ norms interact to provide the level of complexity and differentiation in time that is possible in a relationship. While actor bonds are not the only element of inter-firm interaction, the nature of relational norms in actor bonds provides for variations in the level of response that firms can make to environmental change and change within the participating firms. Thus, relational norms act as mediating variables in explaining the performance of relationships given their strategic motivations. Higher development of relational norms implies stronger actor bonds and a more complex relationship. This should increase possible future states (Luhmann 1979) and lead to more successful and adaptive business operations.

On the basis of the above discussion and the model proposed in Figure 1, a number of hypotheses may be formulated:
H1: Relational norms are mediating variables between the motivation of the firms in a relationship and the performance of the relationship.
H2: The relational norms describing relationship ‘state’ are positively related to the performance of the relationship.
H3: The relational norms describing relationship ‘processes’ are positively related to the performance of the relationship.
H4: There is an interaction effect between the ‘process’ and ‘state’ relational norms in explaining the performance of the relationship.
Figure 1 Relational Norms as Actor Bonds in Business Relationships

Methodology

The methodology proposed to test this model is a dyadic cross-sectional survey of computer software firms engaged in continuing relationships with distributors or agents selling their business software applications.

The use of a dyadic study allows for testing of the interaction between state and process relational norms. In addition a dyadic study results in a unit of analysis at the relationship level and, importantly, tests relationship level constructs from at least two respondents. To assume that one side of a relationship is able to correctly determine if mutuality is returned oversimplifies a complex relationship. There has been continuing argument whether both sides of a dyad are required in relationship research, with very few studies using this methodology (cf Anderson and Weitz 1992, Heide and John 1992, Ganesan 1994) due to its inherent difficulties (Kumar, Stern et al. 1993).

One aspect of dyads that must be accounted for is the varying levels of interdependence. The use of principal-distributor/agent relationships ensures there is a broad range of relationships with varying levels of interdependence. These relationships are not held together by strong structural forces, as would be the case for Joint Ventures, emphasising the need for relational norms to maintain the relationship.

Given the role of culture in the development of relational norms, care needs to be taken in controlling for cultural variation at the levels of the firm, industry and society. The context of the study - in the computer software industry with continuing relationships - should control for the effects of industry sub-culture on relational norm development.

In addition, this study is to be undertaken on relationships with Australian and New Zealand principals and Malaysian/Singaporean distributor agents where strong cultural differences exist, especially on the individualism-collectivism dimension (Hofstede 1980). Using a contrasting cross-cultural context should lead to relational norms based on the emerging social structure of the relationship, rather than on relational norms based on the participants' cultural and social context. Relationships with Australian and New Zealand principals and distributor/agents will also be surveyed as a control group, as these cultures are very similar (Hofstede 1980).

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Directions for Future Research

This paper reveals a number of avenues for further research. Research is required in the areas of (1) relational time, (2) relational norms, and (3) power use for evolving collective interests. These topics will remain part of the larger agenda of linking the complexity of business markets explained by the IMP interaction and network approach with that explained by the simultaneous performance of the three coordinating mechanisms: (1) market transactions, (2) authority in hierarchies, and (3) relational coordination based on trust.

While this study will bring some understanding of the dynamics of time in interaction processes and networks, it is limited by its cross-sectional nature. Further research will be required to elaborate on the nature of states, processes and their interaction with regard to actor bonds, resource ties and activity links. In addition, an area not fully developed in this paper is the way states develop structures that exist through time and act as contexts for interaction processes (Layder 1981). A mixture of cross-sectional surveys and longitudinal case studies will be required to verify the ways these relational time constructs are interrelated.

Studies in other industries than the one proposed will be useful as the computer software industry is embedded within a technological development stream and therefore very future oriented. As a result, control of future states is important in the software industry. The Microsoft gift of Network Explorer with Windows 95 exhibits this need to control a future state. Without this gift, Microsoft could never have gained the degree of control it now has over future developments of the World Wide Web. One can imagine that other industries may be more oriented towards the present and even toward the past. For example, universities with long histories appear steeped in tradition that limits their choice of future states.

The role of relational norms provides a partial answer to the way relationships are structured (Heide and John 1992). The research proposed in this paper should provide further evidence of how relational norms and relationships arise in time. This should help answer the question of whether relational norms and relationships develop by sequential stages or move from one mode, or form, to another in any sequence. If the latter model is supported, research will need to look at the factors leading to stability and change for each relational form. It is possible that completely different factors could be at work for each type of transition.

Part of the problem of understanding relational norms and how they work relates to their embeddness in culture, language and symbology. Just exactly how each culture and industry sub-culture uses relational norms as states from which to make interpretations is difficult to determine, given that each of us is bound within our own cultures. One way of approaching this research problem may be to look at the impact of external change on the way perceptions of past, present and future states are changed.

The role of relational coordination of exchange in this study barely begins the research required to fully understand the use of power for self and collective interest over time. Theory development and empirical research is required to clarify the differences and similarities between self and collective interest in business markets.
understanding of the trade-offs between these concepts is gained it should be possible to
manage the structuring of cooperative ventures and changes in these structures over
time. This research will require dyadic methodologies as a single respondent, or
multiple respondents from one firm, can not faithfully report on power differences, the
intent of influence strategies and the perceptions of intent by the other party.

In conclusion, this paper provides a new conceptualisation of relational norms
embedded in time. The state and process nature of relational norms provides an
understanding of the mechanisms by which relational norms arrive at stability and
change. The model proposed in this paper, and the methodology for testing it, should
help increase the understanding of the complexity inherent in business networks and
relationships formed by interaction.

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