

Self-perceived strategic network identity and its effects on market performance in alliance relationships

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Abstract

This study examines the relationship between a firm's perception of its own strategic network identity within its network of business alliance relationships and its market performance. In addition, the study examines how a firm's relationship management practices serve as antecedents to its strategic network identity. Based on a large-scale study of technology-intensive companies engaged in multiple and substantial collaborative projects with other firms, the empirical findings suggest that network sensing, relational embeddedness, and partner integration lead to strong strategic network identity and, subsequently, to enhanced market performance. The findings contribute to our understanding of how network relationship management activities can create enduring strategic advantages for the firm.

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1. Introduction

In the contemporary era of rapid globalization and specialization, and the subsequent spread of strategic alliances, a firm's relational assets have emerged as a vital source of inimitable strategic capability (Gulati et al., 2000; Zaheer and Zaheer, 1997). As a result, scholars are motivated to examine how a firm's performance is related to its position within a network of alliance partnerships and how its relationships with alliance partners have risen in importance (Achrol and Kotler, 1999; Dyer and Singh, 1998; Gulati, 1998).

As an example of a firm that had established a strong position within a network of alliance partners, consider Sega in the video game market. Over the years, Sega developed

relationships with many game developers, such as AM2, Amusement Vision, Hitmaker, Overworks, Sega Rosso, Smilebit, Sonic Team, United Game Artists, Visual Concepts, Wave Master, and Wow Entertainment (Sega, 2002). Microsoft, a relatively new entrant in this market with its new Xbox game console, actively pursued and established a strategic alliance with Sega with the intention of gaining access to Sega's developer resources (Microsoft, 2002). Sega exhibited what has been referred to in previous research as a strong network identity. (Anderson et al., 1994; Hakansson and Snehota, 1995). Anderson et al. (1994) conceptualized a firm's network identity as the "attractiveness of a firm as an exchange partner due to its unique set of connected relations with other firms, its links to their activities, and its ties with their resources" (p. 4). Firms are viewed as having a strong identity if they are "able to mobilize and leverage the substantial resources of a connected partner" (p. 4).

However, it is not clear whether Sega enhanced its market performance due to its strong network identity. Sega's diminishing share in the game controller market

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would suggest not. This example introduces the notion that firms, such as Sega, may have the opportunity to seek strategic advantage through a strong network identity, allowing them to attract valuable partners and negotiate favorable terms with them, but these firms may not fully realize the opportunity. Indeed, researchers have reported mixed results on the link between connected relationships and the performance of participating firms (Kalmbach and Roussel, 1999). These firms may not perceive their network identity advantage and may lack the strategic intent to pursue it. An interesting question is whether a firm's favorable perception of its own network identity provides the impetus to seek competitive advantage through its ties to others. Thus, the first question addressed in this study is whether a firm's strategic perspective of its own network identity, referred to as strategic network identity, can be empirically linked to its market performance.

While network researchers have emphasized the importance of a firm's links and access to their networks' resources in influencing third parties (Anderson et al., 1994; Burt, 1992; Zaheer and Zaheer, 1997), little has been written about the nature of these connected business relationships. The relationship management research suggests that specific relationship practices differentially impact relationship qualities and performance (Dwyer et al., 1987; Morgan and Hunt, 1994). An interesting question that remains is how a firm's relationship management practices shape the qualities of its connections and its ability to access their resources and, ultimately, influence its attractiveness to others in the market. Based on the relationship management literature, the second question addressed in the present study is how do the following relationship management practices: network sensing, relational embeddedness, partner integration, and network learning, shape a firm's strategic network identity. These practices are viewed as a coherent set of

practices that must be performed well by a firm to effectively access the activities and resources of other firms.

Third, this research explores how the combination of different kinds of network relationship practices influences the development of strategic network identity. Inasmuch as the relationship marketing and management literature has generally been less critical of the conditions that lessen the influence of relationship activities, an intriguing notion is that different types of network relationship activities may be complements or substitutes for each other in developing a firm's strategic network identity.

The remainder of this article is organized as follows. The next section provides the conceptual framework and hypotheses of the study, followed by a discussion of the research methodology. Finally, research findings, including theoretical and managerial implications, and conclusions are discussed.

2. A framework for strategic network identity

Based on industry examples, as well as the network relationship literature, the conceptual model for the present study proposes that a set of deliberate relationship management practices performed by a firm in managing its alliances serves as the antecedents to its strategic network identity, as illustrated in Fig. 1 (Achrol and Kotler, 1999; Anderson et al., 1994; Burt, 1992). The relationship management practices include network sensing, relational embeddedness, partner integration, and network learning. Furthermore, the firm's strategic network identity is proposed to be an antecedent to its market performance. Market performance in this study is conceptualized as the degree to which the firm is superior to its leading competitors in terms of sales

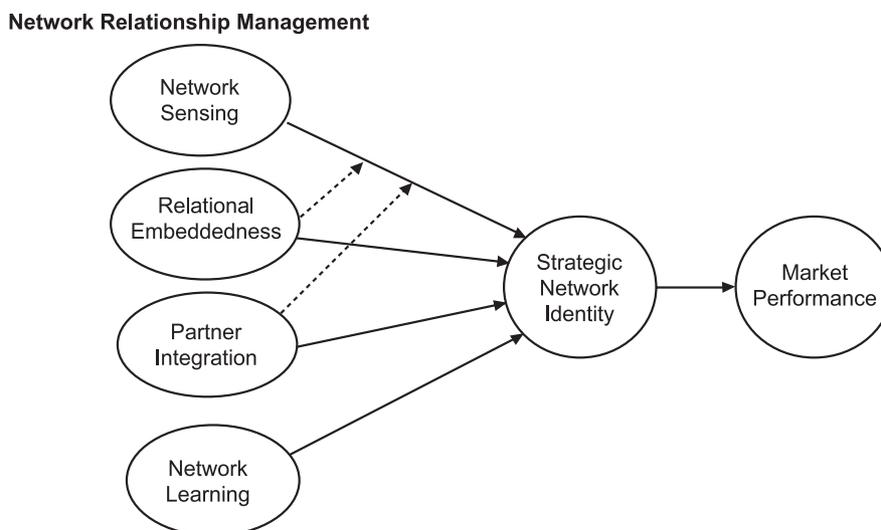


Fig. 1. Strategic network identity conceptual framework.

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