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Fields of opportunity: How marketers design the transaction game with transaction field maps

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ABSTRACT

While the importance of transaction institutions, or rules, has long been established in the area of marketing governance, marketers and academics alike would benefit from guidance in the strategic use of the rules of the transaction game. This is particularly important in B2B and industrial markets where innovations in the rule-making environment have a significant effect on innovation. Strategically, the organization achieves its customer objectives by creating arenas for transacting, termed transaction fields, in which social actors transact. The fundamental argument is that organizations create transaction fields to depict the benefits of transacting to customers. Accordingly, managers must focus on strategic transactions; those that fundamentally change the way that transacting takes place in the transaction field. Using a historical case of the American cotton factor, this research demonstrates how marketers overcome factors that limit transacting by mapping their actions in transaction fields using rules. This specialization may result in the emergence of marketing intermediaries and lead to competitive advantage.

1. Introduction

1.1. The need for institutional thinking about B2B marketing strategy

Rules, or institutions (Hodgson, 1997, 1998; North, 1999) are an important part of marketing today and a vital part of marketing tomorrow in industrial and B2B markets.[1] Marketing researchers have demonstrated a number of ways in which B2B marketers use rules as governance mechanisms both formally through contracts and formalization (Bengtsson & Kock, 1999; Dahlstrom & Nygaard, 1999; Gundlach, 1994) and informally through informal contracting and norms (Heide, 1994; Kumar, Scheer, & Steenkamp, 1995; Wathne & Heide, 2001).

Further, there are a number of frameworks useful for institutional strategy analysis (Carson, Devinney, Dowling, & John, 1999; Ghosh & John, 1999; John & Reve, 2010; Wallman, 2009). However, due to the diminishing emphasis on marketing strategy in the marketing literature, a growing gap exists between the interests of marketing academics and the specialized needs of marketers (Reibstein, Day, & Wind, 2009). This is particularly true in the area of institutional marketing strategy.

While academic research is relevant to other academic researchers, it is too often irrelevant to the increasingly complex role of marketing strategy executives today (Jaworski, 2011) particularly in B2B markets. Further, this increasing complexity has created demand for new thinking about marketing capabilities (Day, 2011). B2B marketers need new ideas from institutional theorists to meet their strategic needs. That is, how institutional capabilities are used strategically to reach organizational objectives.

Both North (1999) and Williamson (2012) have noted the strategic importance of the rules of the transaction game. Further, since the inception of institutional economics scholars have contended that transaction rules are used strategically to overcome factors that limit transacting (Commons, 1934). However, there has been little guidance for marketers and marketing academics about how this is done.

Because the rules of the game have a great impact on innovation, the strategic use of rules is critical for B2B managers. That is because in business-to-business markets innovation has been shown to be important for orchestrating value for the organization (Lingreen, Hingley, Grant, & Morgan, 2012). Value is created in B2B markets through innovation in learning (Calantone, Cavusgil, & Zhao, 2002), dynamic capabilities (Weerawardena & Mavondo, 2011), sustainability (Mariadoss, Tansuhaj, & Mouri, 2011) and brand value (Leek & Christodoulides, 2012). Accordingly, the purpose of this research is to provide a framework for understanding how institutional innovation helps marketers use institutions strategically by depicting the benefits of transacting to customers in order to overcome factors that limit transacting.

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[1] The terms rules and institutions are used interchangeably in this research. This is consistent with both economic (Hodgson,1988; North, 1999) and managerial institutionalism (March et al., 2000). While rules may exist at the cultural level (i.e. customs) or government level (i.e. laws) this research focuses primarily on micro-level rule making processes.

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1.2. Background in institutional thought in marketing

In the early 20th century the discipline of marketing in America was heavily influenced by institutional thought (Sheth & Parvatiyar, 1995). At the time, marketing was considered more of a trade than a profession. Early marketing institutionalism focused on marketing methods; operational methods for organizing marketing practices and marketing intermediaries. Historically, marketing institutionalism was both managerial and economic; focused on organizations and how they achieve efficiency.

In fact, publications advocating institutional thinking in marketing such as Butler's (1917) *Marketing Methods* preceded Commons' (1934) *Institutional Economics* by a number of years. The first institutional marketing thinkers used economic theory to develop frameworks for solving marketing problems while Commons and other institutional economic thinkers (i.e. Veblen) used institutional theory to critique the economic system. Over time, marketing theory moved away from its roots in institutional economics. This occurred in part because it became clear that marketing was not merely a trade or profession but a developing social science (Alderson, 1957).

More recently the new institutional economics has emerged with a focus on transaction cost economics (TCE) and governance (i.e. Williamson, 1985). This has revitalized the importance of institutional theory in marketing (Rindfleisch & Heide, 1997) and resulted in a number of contributions in the area of marketing strategy (Carson et al., 1999; Ghosh & John, 1999; John & Reve, 2010; Wallman, 2009).

However, Williamson argues that with respect to its current use in marketing, TCE is primarily concerned with the governance (“how the game is played”) not the institutional environment (“the rules of the game”) (Williamson, 2012). This accentuates the need for a strategic approach that focuses on the rules of the game.

In general, the rules of the transacting game are prescriptive rules such as “in transaction situation X, perform action Y” (Hodgson, 1998). Thus, transaction rules are defined as “what is to be done by whom in the organization when transacting with customers.”

Marketing researchers in general argue that the institutional environment is also a key to market innovation (Grewal & Dharwadkar, 2002). Yet, largely because of the TCE focus on costs, there is little managerial guidance from institutional economics with respect to the importance of innovation in the rules of the game.

Williamson argues that this is an important research issue in marketing because of the fact that that the “institutional environment has a significant influence on innovation, particularly leading edge innovation” (Williamson, 2012, p. 83). Hodgson (1997, 1998) contends that the rules of the game have been ignored because TCE focuses on costs and, accordingly, the benefits of institutions are largely ignored. Thus, this research will show how marketers use rules strategically to depict the benefits of transacting to customers and overcome limiting factors through institutional innovation.

1.3. How rules provide benefits

Institutional management theorists argue that rules solve problems (March, Schulz, & Zhou, 2000). For example, marketers use rules to solve transaction problems by creating customized institutional designs (Carson et al., 1999) using means–end chains (Weber, 1949). This may create joint value (Ghosh & John, 1999) through value leadership (Wallman, 2009) and dyadic problem solving (Aarikka-Stenroos & Jaakkola, 2012). Evidence demonstrates that this is accomplished using specific assets (John & Reve, 2010).

Institutional economic researchers have shown how rules create economic growth at a national level by providing a “hospitable environment for cooperative solutions to complex exchange” (North, 1999 p. vii). However, there is an important need to understand how managers use transaction rules to overcome factors that limit economic growth at the transaction level. While limiting factors have long been a topic of institutional economics (Commons, 1934), neither academics nor practitioners understand how marketers use transaction rules strategically to overcome these types of problems. This begs the question, “How can transactions be strategic?” (Wallman, 2010).

A strategic transaction is defined by Commons as a transaction that fundamentally alters the rules of transacting in a market: “The strategic transaction represents the dynamic element, the transaction that alters the set of incentives or constraints that will bear on routine transactions.” (Rutherford, 1983, p. 726). As Alderson (1957) notes once a strategic transaction has been developed, subsequent transactions becomes routinized to the form of a rule and “everyone understands the rules.” Accordingly, strategic transactions are important to growth because they create additional transacting capacity for the organization that may spill over into other accounts (Wernerfelt, 1984).

1.4. The transaction field and the transaction field map

This research introduces the concept of the transaction field. Institutional scholars argue that sets of rules often develop into fields. A field is defined as an arena for action and interaction between social actors (Bourdieu, 1977). Fields emerge when social actors both organize and frame their actions vis-à-vis one another using rules (Fligstein, 1997). Organizations create, revise and suspend rules in order to reach their objectives (March, Schulz and Zhou, 2000).

Thus, a transaction field is defined as a system for creating, revising and suspending transaction rules

This research also introduces the concept of the transaction field map. The field map is a physical or conceptual device used by marketers to depict the benefits of transacting to customers. Using the transaction field map, the organization depicts its actions in the transaction field from negotiation through execution using rules. The transaction field map is a positive and normative tool for understanding institutional solutions to transaction problems.

The basic assumption is that the organization and its transaction counterparts organize and frame their actions in the transaction field vis-à-vis one another over time using rules. To obtain commitment from customers during the negotiation stage, for example, the supplier maps its rules for performing specific actions in the execution stage either formally or informally. The transaction field map describes how a supplier uses innovation in transaction rules to demonstrate the benefits of transacting to customers. This moves the buyer through the transaction field from the negotiation stage to the commitment stage.

Following the call for conceptual work aimed at institutional theory building in marketing (Yadov, 2010) this research synthesizes institutional approaches to marketing strategy (Carson et al., 1999; Ghosh & John, 1999; Wallman, 2009) to develop the concept of transaction fields. Following a theoretical discussion, a tool for evaluating transaction fields, the transaction field map, is explicated. Then, using the case of the American cotton factor, this research demonstrates how innovation in transaction fields may result in strategic transactions that create value at the organizational level.

2. Transaction rules and fields. Conceptual basis, theoretical discussion and methodology

2.1. Transaction rules

John Commons, the father of institutional economics, contends that “(o)ur subject matter is the transactions of human beings in producing, acquiring and rationing wealth” (Commons, 1934, 121). He argues that in this search for wealth the central problem of economics is providing security of expectations for transaction counterparts (Commons, 1934). Security of expectations is provided through rules.

Commons divides the transaction into three stages of time: the negotiation stage, the commitment stage and the execution stage. During the negotiation stage, transaction counterparts use rules for defining what actions will be taken during the subsequent stages of transacting