BUSINESS NETWORKING. OFFLINE NETWORKING

Business Networking

Business networking is more than a series of isolated attempts to address specific problems, each initiated by a single actor. Instead, each episode of networking forms part of a sequence of actions, reactions and re-reactions by all involved actors as they initiate and develop their own networking and respond to that of their counterparts. In this way, business networking is the process through which all actors attempt to influence the evolving substance of their interactions.

The substance of the **relationship** can be expressed in terms of the activities, resources and the actors involved in the relationship:

- *Firstly*, interdependencies may have developed between some of the activities of the two counterparts, as would be the case with integrated production or logistics systems.
- *Secondly*, an integrated view of the business landscape infers that the value and usefulness of business resources are heterogeneous, depending on how they are combined between companies. Thus, heterogeneity is a measure of the extent to which the resources of the two companies have been adapted or developed through interaction.
- *Thirdly*, jointness is a measure of the extent to which the two actors in a relationship do things together, for example, joint product or service development, joint price fixing or joint marketing to third parties.

The substance of all **business relationships** evolves as a result of the unintended effects of the interactions of those directly or indirectly involved and because of their conscious networking. These terms describe this evolution :

- *Firstly*, the initial interdependencies between activities may evolve into increasing or decreasing specialization.
- Secondly, the resources of the counterpart companies of the involved activities will follow a particular developmental path.
- *Thirdly*, the involved actors will co-evolve as they interact with each other.

Co-evolution does not mean that the actors will necessarily become more similar to each other over time. Instead, co-evolution means that they are likely to adjust their ways of thinking, their organizational structure, their expectations and aspirations to accommodate the evolving characteristics of their relationships and their counterparts. **Networking** contributes to this evolution of the substance of a relationship over time. But no business

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relationship exists or evolves in isolation from others and the substance of each relationship forms part of a wider pattern of activities, constellation of resources and web of actors (Håkansson & Snehota, 1995).

Business networking takes place under the logic of business relationships as we have outlined, but it also develops within the wider and rather paradoxical context of the **business network** (Håkansson & Ford, 2002), as follows :

- The first network paradox: an actor's relationships both enable and constrain its networking;
- The second network paradox: the characteristics of actors' relationships may be interpreted as the outcomes of their networking but the characteristics of actors are also outcomes of their relationships;
- The third network paradox: actors try to achieve control over the network that surrounds them, but no actor alone has the knowledge or resources to exercise complete control.

It has been argued that networking by owner-managers of small businesses will enhance business performance. The main study highlights: a high proportion of owner-managers use their trading contacts as sources of useful additional information;

- they use 'weak ties' for purposes such as recruitment;
- a sparse use of institutional networks;
- an association between networking activity and business performance, although it seems that this must be qualified by sectoral differences;

an association between type of owner-manager on a scale of entrepreneurship and networking activity..

Offline Networking vs. Networking on social media

Wolff and Moser (2006) define networking as a set of behaviors aimed at building and maintaining interpersonal relationships that possess the (potential) benefit to facilitate work-related activities by providing access to resources and jointly maximizing advantages of the individuals involved. They distinguish between intra organizational networking with colleagues and extra-organizational networking with people from other organizations. Intra-organizational networking often occurs **face-to-face** and the items for extra-organizational networking often refer to face-to-face interactions (*e.g., "I use business trips for …", "I meet with acquaintances from other organizations …"*). Research on professional networking implicitly focused on offline networking. Moreover, they differentiate between building, maintaining, and using contacts .

Gloor et al. (2016) defined the difference between real-world and online ties. Purely **offline ties** are stronger than online ties. The actors have usually met in the real world, and regardless of the strength of the tie, the person remembers the other person. The **online ties** can consist of the friends of an acquaintance or people the person has never met. On the online social media platform, online ties can be created easily by connecting with one another. The online tie can be an indicator of the real-world tie as well or its relationship.

Despite the immense development of online technologies, **offline networking** still remains an integral part of the marketing activities of small and medium-sized companies. In business relationships, it is not yet fully possible to replace personal meetings. Personal meetings with business partners create trust, which is the cornerstone of business relationships and a launching pad for referrals. Each company creates and maintains its business network of contacts. The business network includes customer, supplier and business partner contacts, respectively. The facilitator of offline networking is most often the business owner or a senior manager with decision-making responsibilities. Developing and utilizing offline contacts is typically an internal business matter and forms a part of the company's know-how

Online networking has opened the door for innovative companies to connect with each other and to operate more efficiently. Entrepreneurs with broader social networks are more likely to receive funding from investors and accomplish business development. Due to the emergence of online social networks and social media, there are more opportunities for entrepreneurs. The entrepreneurs' network revealed three essential components: the content of network relationships, governance, and structure. Network content describes the resources that flow and exchange between individuals and organizations. On the one hand, relationships provide advice, information and emotional support to entrepreneurs, while on the other hand, networks can also lead to the exchange of resources. Schonsheck suggests that the practice of networking is about making business friends, who can advance our business results: *"it's not who, you know, it's who knows you"*. Networking aims to improve relations by "*establishing, maintaining and expanding the circle of business friends"*. Considering the competitiveness of businesses, social networks and access to information are dominant factors of successful enterprises and appreciated by entrepreneurs. Since no one shares and receives entirely the same information at the same time, the probability of opportunity discovery and development are distinct and correlate with network building. It has been shown that startups that have larger informal communication networks - the weak ties - increased their chance to overcome external shocks. Online social networking is undoubtedly a global phenomenon. Online connections may strengthen and develop weak-tie relationships while at the same time broadening the opportunities of strongly tied pairs for communication.

Online social networks are currently used to maintain and strengthen existing real-life social connections, rather than establishing ties that exist only online. However, users incur significant time and search related costs in replicating a naturally occurring social interaction using a social networking site (SNS). Therefore, there exists a gap between initiating social contact in real-life versus initiating social contact via an online social network. **Social media** allows organizations to communicate their affiliations with other entities to stakeholders and external audiences (Treem & Leonardi, 2013) via follower–followee relationships, retweets, tags, and mentions. This public display of affiliations to a third party or to the general public creates a type of representational network that does not necessarily involve actual interaction or information flow between connected members.

Organizations form different types of relationships (*e.g., board interlocking, symbolic affiliation) with other organizations for reasons ranging from resource acquisition to legitimacy building (Oliver, 1990*). A multidimensional network approach emphasizes the necessity of understanding the differential nature of relations among varied types of social actors to advance knowledge of social networks, more generally, and interorganizational communication specifically (O'Connor & Shumate, 2018; Shumate & Contractor, 2013). Among various types of relationships, most research on interorganizational communication to date has focused on affinity relationships, which are socially constructed by parties involved and are often more enduring. Notably, offline interorganizational collaboration represents affinity relationships that are formed for resource sharing, service delivery, activity coordination, and the achievement of common goals.

BUILDING MEANINGFUL CONNECTIONS IN BUSINESS

The importance of international **business connections** for a country's development has been observed. International business connections played a critical role in the catch-up of its firms, although the forms of these connections have changed over time. International business connections are extremely important for firms in countries catching up and learning new technologies. International business connections are significantly more important during the very earliest stages of a successful development experience. Networking is a life skill and it is in managers' interest to acknowledge its importance and develop their own networking skills. The research considered networking important to business success and stated that they would have benefited from training on building relationships, earlier on in their careers. Based on these findings, it is recommended that educators at all levels, managers and policy makers focus on networking as part of management training.

Research has shown that there was an increase in stories of users meeting new employees through the site, to make personal and business connections that in some cases have led to significant business and personal interactions outside the site. The main research findings are:

- *Not Sharing With Close Colleagues* - users said they started using the site for that purpose, but over time decreased their communication with their close coworkers, as they increased their communication with others on the site. Users do not use the site to keep up with the colleagues they know well, but rather use it to connect with those they would like to know better;
- *Getting to Know Weak Ties on a Personal Level* - the photos and lists of these weak ties within the organization formed lasting impressions on our interviewees and they described learning new things about the people, in particular about their non-work lives.
- *Meeting New Colleagues* - many of the research participants said they knew a large proportion of the colleagues, up to 75%, exclusively through the site. In several of later research, users said that they now considered some of these online connections to be close colleagues.

The industrial network theory views **business markets as webs** of interdependent business relationships, where exchange is contingent upon the extant activity links, resource ties and actor bonds between the parties. While business networks have been described as interactive and inherently dynamic, our understanding of their process character has remained limited. Events are vital for managers to better understand the opportunities and constraints exposed in business networks, so as to strategize in line with changing conditions. When focusing on events as the key elements of a process, it is logical to inquire why these events occur (what makes them emerge) and how they influence the business network (what changes do they trigger). In the business network context, critical events have been considered manifestations of various change forces inherent in networks and defined either as triggers for radical, structure breaking change, or – from a processual perspective – driving or checking forces for relationship development.

CREATING A NETWORK STRATEGY

The **business network** approach enriches a dyadic perspective by contributing the knowledge that focal relationships cannot be managed in isolation from the other relationships a firm has and represent a conduit to other relationships through which resources may be accessed. The behavior of the whole network, in turn, is controlled by its specific pattern of interrelated fums. The conceptual development of industrial networks is rooted in both a behavioral theory of firm decision-making whereby organizational goals are the result of / a social bargaining process based upon existing coalitions of organizational participants and in a resource dependence perspective in which organizations are always subject to external control since they must inevitably acquire resources by interacting with their social environment. These conceptual roots can be seen in the varying ways industrial networks have been described in different studies . Dimensions along which managerial representations of networks are created:

- *The first dimension* – describes whether managers emphasize their own internal value-creation capabilities and performance or look to external linkages to reinforce their own internal capabilities. While joint value creation can lead to superior profits, firms that achieve superior value creation through tightly coordinated sets of relationships do so at the expense of autonomy.
- *The second dimension* – describes the importance to the firm of preserving its structural autonomy within its set of relationships.

The combination of these two dimensions yields four types of representations. Each reflects the **influence of networks** on a firm's choice of strategy in how it creates a competitive advantage:

Social Networks – Organizations recognize the value of having relationships in which individuals are spontaneously motivated to go beyond prescribed roles and perform above and beyond the call of duty. The social embeddedness of economic exchange implies that individuals may have an affective attachment to each other for its own sake. Socially developed networks provide the basis for parties to develop confidence in the stability of their relationships.

Market-based transactions – Firms which have a low emphasis on joint value creation and attach high importance in maintaining their own autonomy pay little attention to the network of relationships in which their firm is embedded. While it is possible for firms to conduct repeated transactions over time with the same buyers and suppliers, these relationships are conducted in a transactional mode with a high emphasis placed on price competitiveness.

Vertical Integration – Firms depend on the market mechanism to regulate their relationships which recognize the potential for joint value creation but attach considerable importance to preserving their own firm's independence are likely to vertically integrate in order to maintain control of the value-creation process. Vertical integration represents a traditional approach to capturing value by acquiring increased control and margin within the value chain.

Value-Creating Networks – describe the purposeful cooperation between independent firms along a value-added chain to create strategic advantage for the entire group. i Firms with this orientation recognize the potential for synergy in developing capabilities which reinforce rather than minimize their dependence on outside firms. The key concept that drives value-creating networks is the delivery of superior customer value. The traditional ways of adding value by integration or pushing suppliers for concessions are not as effective as before, which is prompting firms to move towards long-term relationships with suppliers.

The essence of sustainable profitability for any given economic activity is that it can be performed in a unique way (ie. that the company performing it cannot be replaced by another company which does the same thing). If networks of interconnected relationships possess advantages beyond the sum of their individual dyadic relationships, they must be able to consistently offer superior value to a distinct customer segment. Many of the early **value-creating networks** emerged from the dyadic and triadic relationships that firms need to conduct business. These networks were probably not purposely defined a priori, but developed slowly as the key firm built relationships with other firms in the supply chain. As managers pursued goals of creating both customer value and a defensible competitive position, the key firm increased its coordinating activities between various partners until the network or set of dyadic and triadic relationships they had created gave them a unique and defensible competitive advantage. Network management then becomes a strategic activity whereby the key firm begins to actively manage the network and develop a value-creating network strategy. Value-creating networks are by their very nature, managed relationships.

Source

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