

*Three Reviews: Network Resources, Social Capital, and Digital Utopianism*

**Managing Network Resources: Alliances, Affiliation, and Other Relational Assets.**

Ranjay Gulati. New York: Oxford University Press, 2007. 325 pp. \$35.00, paper.

The large-scale incorporation of network perspectives into academic research was one of the major developments in the strategy and organizational fields over the last decade. Although structural sociology broadly and network approaches specifically have been influential in U.S. sociology departments for some time, their explicit incorporation into and popularity in business schools has emerged only since the 1990s. Though the entry of network perspectives into business schools may have been late, it has been spectacular, with all the serious management journals receiving and publishing significant numbers of network-themed articles in recent years. The recognition that business is essentially a social phenomenon, and is therefore susceptible to social influences and not just economic ones, has driven the immense popularity of sociological approaches in business. The availability of well-developed tools of network analysis has further helped to foster the rapid diffusion of this perspective. As with most instances of rapid diffusion of an innovation, however, not all of the consequences have been benign. One could even argue that in their belated rush to recognize the importance of relational and social influences in business, scholars may have let their enthusiasm run ahead of their discipline, as far too many have adopted a network perspective without fully recognizing the assumptions and implications underlying this decision.

It is in the context of this success and diffusion of an academic innovation, and of the attendant excesses that it might generate, that we have one of the early adopters and initiators of the original sociological incursion into the business world returning with an aggregative book that brings together his various papers (both sole-authored and coauthored papers) into one cohesive whole to develop an integrated perspective on networks and other related assets. Although this integrative perspective on an outstanding scholar's work is valuable and useful in its own right, I believe that the importance of this book lies in its possibilities for reminding scholars of both the power of the network approach and of the need for its disciplined, theoretically motivated, and empirically rigorous application. I believe that Gulati's book is noteworthy on at least four dimensions.

First, most explicitly, it is an attempt to bring some discipline into the terminological jungle that has emerged in this area. The success of the networks perspective has led to a profusion of terms with varying meanings across contexts. Gulati has systematized this profusion by introducing standard terminology and logic. Rather than simply using the published papers, however, he has made a significant effort to rewrite and restructure the original papers to ensure that there is consistency across them in the ideas and terminology, making it easier for the reader to aggregate his or her knowledge.

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This reworking has also led to a very convenient (from the conceptually oriented reader's perspective) structuring of the chapters, in which the conceptual issues are linked together nicely within chapters and coherently across chapters while the methodological details are shortened or developed further in appendices. Thus while the rigor of the original work is still on display, it does not interfere with the more important task of knowledge accumulation.

Second, and relatedly, the restructuring of the papers not only helps in introducing consistent terminology, it also helps to bring together the individual papers in such a way that the whole is greater than the sum of the parts. Each of the papers included in the book had an impact in its own way, but importantly, the author has exerted a fair degree of effort in tying these individually outstanding papers into a coherent whole. This perspective on what a research agenda looks like should prove extremely valuable to scholars in general but especially so to younger scholars wanting to develop a research program. Gulati groups his papers under four broad themes relating networks and affiliation structures to the formation of ties, their implications for governance and performance, and finally to their role in entrepreneurial settings. In doing so, he systematically highlights the different benefits provided by networks, access, information, and trust. Similarly, he highlights the importance of different types of networks: between firms in an industry, between buyers and suppliers, and between entrepreneurial firms and venture capitalists and investment banks. By looking at a variety of networks and mechanisms, but using the same conceptual structure, Gulati draws attention to both the power of networks and the importance of definitional and conceptual coherence as a perspective becomes broader in its ambit and coverage.

The third contribution of the book is that it showcases an important precondition of good social network research, but one that is sometimes overlooked as the network part has gained more prominence relative to the social part. To apply social network analysis and arguments, it is important that researchers argue plausibly that there is at least the basis for social ties. Too often in organizational research, an aggregation of actors' affiliations of various kinds is treated as a network, and different measures of network position are calculated and used to explain organizational outcomes of interest for the actors involved. The results from such analyses are then used to herald the importance of embeddedness or other social structural constructs in determining organizational outcomes. But in the zeal of this exercise, what is sometimes overlooked is that aggregated ties do not necessarily represent a social network, nor does having many such ties or being central in the resultant network necessarily imply that there is meaningful social embeddedness. To make an argument for social embeddedness, or social effects in general, it is incumbent upon the researcher to argue or plausibly establish that the interaction represented by the ties will be significant and meaningful and that the content of what flows through these ties is in fact capable of affecting the outcomes being studied. For social effects to operate, there

must actually be a social component linking the human actors in those organizations.

One of the strengths of Gulati's work is the care he has taken to establish that such ties have been formed between actors in different organizations and that relevant information of the kind that could influence decisions is being transferred. Gulati supplements large sample archival research with interviews and field research, providing a rich backdrop for the reader to understand the microprocesses and mechanisms by which information is transferred across social ties between managers in affiliating firms. It serves as a strong reminder to all network researchers that without considering the social ties and their content, a network is little more than a statistical artifact.

The fourth contribution of Gulati's work is that it reinforces a subtle but important methodological issue. In the context of social network research on firms, it is important to remember that firms are economic associations of individuals, so to make a strong claim about social structural explanations of their actions and outcomes, one must be careful to control for the more obvious economic motivations. To Gulati's credit, before claiming a social explanation for observed firm behavior, he does a careful job of controlling for economic motivations. For instance, in claiming network resources as a predictor of which firms are likely to combine with each other, he controls for strategic interdependence, the classic economic motivation for alliance formation.

Gulati groups his work under four major themes. The first theme covers his papers on the formation of new ties. He presents three studies elaborating and detailing the role of networks as conduits of information that shape subsequent firm behavior. The first study examines how network resources obtained from prior alliances, in the form of access and referral benefits, and firms' alliance formation capabilities condition the proclivity of firms to form alliances. In the second study, he develops this argument further by demonstrating that network resources affect not just the frequency of alliance formation but also with which partners a firm forms alliances. He distinguishes three sources of network resources: a firm's proximate and direct ties (relational embeddedness), its more distant and indirect ties (structural embeddedness), and its location in the overall network (positional embeddedness). In the third study, Gulati focuses on network resources based on board interlocks rather than interorganizational alliances. This study highlights the importance of considering closely the nature of the ties in a network and not just the presence of the ties to draw inferences about their effects. It shows that the behavioral content of ties (whether the ties are positive or negative) may promote or discourage the formation of new alliances. It also shows how network resources in one arena (board ties) may be used to develop network resources in another arena (interorganizational alliances). This part of the book provides support for Gulati's broader thesis that the development of alliances and the resultant interorganizational networks is the result of a dynamic process involving both exogenous resource dependencies and an endogenous network dynamic wherein

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embeddedness in a given network structure influences the future evolution of the network. It would be fair to say that highlighting this network dynamic is one of Gulati's major contributions and one with many implications, as the rich literature that has since developed on this path demonstrates.

In part 2, Gulati expands the ambit of the network resources approach to cover the governance of alliances. In the first of two studies in this section, he argues and demonstrates that prior ties between firms themselves serve as a form of network resource: when firms form repeated ties with the same partner, then they are likely to choose less hierarchical forms of governance for those subsequent ties. Gulati's explanation of these patterns is based on his thesis that familiarity gained through prior ties serves as a key mechanism for the development of both knowledge-based trust and deterrence-based trust. Thus, for repeated ties, firms are likely to choose less equity-based governance structures. In the second study in this section, Gulati argues that just as network resources provide information that mitigates appropriation concerns, they can also provide information that reduces the risks associated with coordinating tasks between alliance partners. By coordination costs he refers to the uncertainty arising from the anticipated organizational complexity of decomposing tasks among partners. To support this argument, he presents evidence showing that alliances with higher levels of interdependence are more likely to employ more hierarchical forms of governance. This chapter is also notable for a very nice use and extension of Thompson's interdependence typology to capture the variance in coordination needs across alliances, thus extending the concept from organizational to interorganizational settings.

In part 3, Gulati focuses on the performance consequences of network resources. In the first chapter in this part (chap. 7), he focuses on whether firms with greater network resources are able to extract correspondingly greater value from their ties. Taking a dyadic approach, he argues and demonstrates that network resources affect the total value created by an alliance but do not affect the relative value appropriation between the partners. This last finding is somewhat at odds with the existing literature and raises some interesting questions. This is one of many areas in which Gulati identifies new puzzles and is also one of the things that makes the book worthwhile reading from the perspective of other scholars. The chapter is also noteworthy in that Gulati tries to separate the effects of relational and structural embeddedness. I think that this work, which has been less prominent, in fact deserves a lot more attention—scholars in the alliances area may be well advised to reflect on this work more closely, as it raises many interesting issues for follow-up work. In the second chapter in this part, Gulati takes a more expansive view of network resources and looks at the entire relational context of the firm—buyers, suppliers, alliance partners, and internal subunits. The core idea is that firms are simultaneously shrinking their cores while expanding their peripheries and that this change is occurring faster in higher-performing firms. Using this core idea, Gulati pre-

sents a new operating model, the network-resourced organization.

In the fourth section, Gulati turns his attention to network resources in entrepreneurial settings. Here the focus moves to include the network resources that originate from the personal ties of the upper echelons. The chapters in this section examine the role of network resources obtained through the prior employment and board memberships of the upper echelon and their role in helping the entrepreneurial firm obtain other resources such as investment bank endorsement. The chapters also examine the effects of these resources on the performance of the firm's initial public offering (IPO). In chapter 10, Gulati extends this research by investigating the contingent value of various types of interorganizational resources at the time of a firm's IPO. The findings here suggest that different types of market uncertainty focus investors' attention on different factors and become more or less important depending on the nature of investors' concerns in a given market context.

Gulati concludes the book with a forward-looking chapter highlighting several areas that need further research. Most importantly, he highlights the fact that while the research represented in this book has focused largely on the positive effects of networks, there is both accumulating evidence and need for further work establishing some of the effects of the darker side of embeddedness. Another area that Gulati identifies as fertile ground is the interplay between network and other resources. Overall, the last chapter should be an extremely valuable one for scholars on this journey. Along with the first chapter, it represents a part of the book that is completely original work and has not appeared elsewhere before, so in this sense it adds value to the other chapters by giving us Gulati's perspective not just on how to bring this work together but also on how to take it further.

Gulati began this work with the objectives of coherently weaving together his various individual pieces in this area and bringing some discipline into an arena with a profusion of concepts and terminology. These are both laudable objectives, and he definitely weaves together his previous work into a thought-provoking and reasonably continuous narrative. On the issue of discipline, only time can tell whether the field will heed his very sensible call to bring structure to the area. That said, this book deserves a place on the shelf of every macro organization theorist, network aficionado, and strategist. The book highlights several key principles of network research, which themselves make it a worthwhile purchase. The additional chapters at the beginning and end raise another set of questions and thus provide a potentially fecund arena for future research projects. Last but not least, by laying out his own research agenda in the form of a single narrative woven together around the network resources concept, Gulati challenges other scholars to conduct a similar exercise and add to a central lode, rather than continuing to mine idiosyncratic veins. If others accept that challenge, the process of knowledge accumulation in this area might indeed move much faster.

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