MANAGING NETWORK RESOURCES: ALLIANCES, AFFILIATIONS, AND OTHER RELATIONAL ASSETS, by Ranjay Gulati. Oxford, UK: Oxford University Press, 2007. ISBN: 978-0-19-929935-5; 325 pages.

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In the face of growing cooperative relationships between firms, researchers in various disciplines (including economics, sociology, strategic management, etc.) have become fascinated by the study of interorganizational ties over the past two decades. One of the fastest growing sets of interorganizational ties has been alliances that firms enter into to achieve a common goal. Within economics, there have been several approaches to study such alliances, including industrial economics, game theory, and transaction cost economics. While these approaches have been influential and helpful from a heterodox point of view, they have failed to grasp some of the social factors that may shape the dynamics associated with alliance formation.

From the Granovotterian embeddedness perspective (Granovetter 1985 & 2005), following which economic action and exchange operate in the context of personalized relationships within a network that informs the choices and decisions of individual economic actors, Kellogg School Professor Ranjay Gulati (2007) recognizes the role that history and social relations between organizations play in shaping new alliances.[1] From this vantage point, organizations are treated as fully engaged and interactive with the environment rather than as isolated atomistic entities impervious to contextual influences just as in conventional economics.

The purpose of Gulati's new book is to provide a more socialized account of firm behavior and economic outcomes by introducing a network perspective to the study of interorganizational ties under the generic label of "network resources." Gulati defines network resources as "resources that accrue to a firm from its ties with key external constituents including - but not limited to - partners, suppliers, and customers" (p. 3). He distinguishes traditional resources from more subtle network resources. The former existing "within a firm's boundaries" (typically including intellectual property, factories and plants, technology, human capital – any asset hold by a company which can produce value) and the latter existing "outside a firm's boundaries and within its social networks" (p. 8). These include valuable information flows and timely access to new technological developments in the industry, as well as the ability to identify future alliance partners through referrals from current and prior allies. In today's global economy, managers must recognize and use all available assets - within and external to their firm.

To create a framework for the study of these complex dynamics, Gulati puts forward network resources that are embedded in both interorganizational ties and interpersonal relations and benefit firms through one major social mechanism: the

[1] Ranjay Gulati is an influential scholar of strategic and organizational issues, who has been ranked among the 10 most-cited researchers in economics and business by ISI-Incite.

transmission of valuable, rich, and timely information. Information, in turn, help raise firms' reliability and reputation, increase their mutual familiarity and trust, signal their quality and legitimacy, and further help reduce firms' uncertainty concerns with opportunistic risks, and decrease their search cost for new alliances and coordination costs. Gulati examines this proposition through its effect on four outcomes: alliance formation (Part 1), alliance governance (Part 2), the performance of firms and their alliances (Part 3), and entrepreneurship (Part 4). He uses prospective quantitative data sometimes in combination with evidence from qualitative fieldwork.

This book illustrates Gulati's early and extensive efforts to develop the construct of the network resources. As this book is a synthesis of Gulati's (9) previously published studies over the last 15 years under the single umbrella label of "network resources", his specification of network resources varies with his different research concerns across chapters. A firm's network resources (i.e., clique membership and closeness with other firms in alliance networks) increase its chance of entry into new alliances (chp.2). Firms' network resources (measured by prior alliances, common partners, and proximity in prior alliance networks) increase the possibility of alliance with other firms (chp.3). Network resources embedded in interpersonal ties (i.e., independent board control and CEO-board cooperation) also influence alliance formation (chp.4). More network resources (i.e., prior alliances, prior equity alliances, and international alliances) also have an effect on alliance governance, specifically generating more nonequity alliances (chp.5). More network resources (i.e., repeated, domestic, bilateral alliances) also produce alliances with less hierarchical governance structure (chp.6). Concerning the performance of firms and their alliances, network resources (i.e., the size of prior direct joint-venture ties) increase the total value creation of joint ventures (chp.7). Firms can create more returns to shareholders by accumulating network resources from four sources: customers, suppliers, alliances and internal units (chp.8). With regard to entrepreneurial firms, network resources (i.e., upper echelon horizontal and downstream affiliations, range of upper echelon affiliations) help them to attract prestigious underwriters. Network resources (i.e., TMT affiliations, top manager background, and underwriter prestige) also help these firms capture high-quality investors (chp.9). Furthermore, network resources (i.e., venture capital partner prominence, underwriter prestige) help these firms achieve successful initial public offerings (chp.10).

Gulati concludes his book by stressing many unresolved issues and significant future directions (chp.11). Future works must pay attention to the curvilinear, or dark side (negative functions) of network resources, their interplay with traditional intrafirm resources, their heterogeneity in terms of multiple levels, diverse ties, and different partners, their theoretical typology and empirical examination, their multilevel nature and across-level associations, their accumulation through multiple partners, their embeddedness within constellations of firms, and their variation with institutional contexts.

From my point of view, heterodox economists will appreciate Gulati's new book because, while the Granovotterian perspective of embeddedness was originally concerned with the micro-level social processing and how network resources embedded in interpersonal relationships determined individual behavior and outcomes

(Granovetter 1985), the author extends the embeddedness argument to the meso-level. By doing so, he demonstrates the social dynamics behind network resources, which derived from prior interorganizational relationships and beyond intrafirm resources, ultimately serve firms through the use of a series of longitudinal studies on multiple outcomes as well as the proposition of future directions. Accordingly, Gulati's book is exemplary for its insightful expansion of social network studies.

Nevertheless, Gulati's analysis is intriguing for heterodox economists. As an economist, I am extremely concerned by the enrichment of economic analyses with sociological ideas and Gulati's achievements in extending the micro-level perspective into the meso-level. Yet, I regret he does not draw on relevant micro-level sociological studies and in particular their discussion about network resources' multiple mechanisms at the individual level. This meso-level network resources approach may be more convincing with the inclusion of diverse social mechanisms at work. In addition, although a rigorous theorization of the concept of network resources at the organizational level remains a sizable challenge and beyond the goal of this book, this theorization remains essential for the progress of the concept.

This conceptual vagueness is obvious when Gulati analyzes ties as sources of network resources, while also using ties or tie properties to indicate network resources. Moreover, he theorizes information and trust primarily as benefits of network resource, and sometimes as elements of network resources, etc. This conceptual vagueness may be partly due to the loose conceptualization necessary to bring separate works into a single common theme of network resource (p. 258). It may promote the use of the concept in economics just as the concept of social capital has achieved considerable international currency in the social sciences through the very different work of Bourdieu (1986), Coleman (1988), Putnam (2000), and Burt (2005). Yet, without a coherent conceptualization, specification and causality, the concept runs the risk of being a black box concept poorly defined and hard to measure just like the concept of social capital (Dasgupta and Serageldin, 2000).

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