BOUNDARY BLURRING THEORY AND THE STRATEGIC MANAGEMENT OF BUSINESS TO BUSINESS RELATIONSHIPS

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SUMMARY

Many theoretical perspectives on interorganizational relationships rely on organization theory to define boundaries. Aldrich (1979, 1999) defines organizations as goal-directed, boundary-maintaining, and socially constructed systems of human activities. To maintain boundaries and separate themselves from their environments, organizations must distinguish between members and nonmembers (Weber 1947). Thus, by design, according to well-established organization theory, an organization's most external members *rigidly* define its boundaries. The implications of accepting such definitions of organizations have had a profound effect on our literature.

Here, we reject the view that people rigidly define organizational boundaries and argue that, in the modern business context, an organization's boundaries are less adequately defined by its most external people (e.g., boundary role people) than by the reach of the activities those people perform. The concept of boundary permeability can thus have new meaning – namely; it could embrace the truly intangible nature of organizational boundaries. At the extreme, the opposite of making boundaries less permeable (more rigid), would be the elimination of boundaries altogether – which is what unambiguously occurs at the inter-firm level through mergers and acquisitions. Interestingly, in cases of mergers and acquisitions, organizational membership changes and those changes establish new boundaries – even under existing theory. On the other hand, one must recognize that *organizational boundaries do change without corresponding changes in membership.* In reality, infinite alternatives lie between the extremes of inter-organizational relationships characterized by rigid boundaries and those best characterized as non-existent. Relationships across organizational boundaries form a continuum of strategic alternatives that are critical to the strategic management of B2B relationships. The concept of forging relationships would thus involve the conduct of activities oriented toward achieving jointly important outcomes (e.g., making boundaries more porous) – which requires getting beyond rigid boundaries without merging organizations. Conceptually, the conduct of such activities tends to blur the boundaries between organizations.

In stark contrast to the traditional context in which many organizational theories evolved, today, interorganizational relationships have dramatically changed along three critical continua: from competitive to cooperative partnerships (Anderson and Narus 1990), from a focus on distributive to integrative outcomes (Clopton 1984); and from short-term to long-term temporal objectives (Dwyer, Schurr, and Oh 1987). Accordingly, assumptions regarding the conditions underlying organizational norms – for example, the need for bargaining to reduce dependencies on external constituents in boundary role theory (Adams 1976) – are less apt to apply in the modern relational context. Indeed, the changes in interorganizational relationships are so profound, that even the natures of organizational boundaries have changed.

Among other effects on interorganizational relationships, these changes in the relational context have given rise to more vertically integrated forms in most channels of distribution that mandate alteration in a market-oriented B2B sales function. Such is the case in the modern embrace of the integrated supply-chain concept. In a variety of industries, including consumer package goods, integrated vertical systems of firms have been designed to deliver better value to the end channel consumer. To compete in such industries, today, firms face important strategic alternatives concerning supplier-distributor relationships. A firm can either reduce its dependency on other firms by isolating itself (making its boundaries less permeable) and continuing its efforts in a horizontal competition manner – in which each channel member competes with other channel members at the same level of production or distribution – or, it can collaborate with other firms by sharing activities to achieve jointly important interests (blurring its boundaries with its supply chain partners). In short, at the extreme, without engaging in mergers or acquisitions, firms manage their boundaries using BBT strategies to make their boundaries more porous or less rigid through the conduct of common-purpose activities. Thus, from a seller's perspective, the essence of developing collaborative relationships with key accounts evolves around the conduct of tasks that make its boundaries more porous with respect to its customer's boundaries.

We refer to the set of tasks that improve collaboration, cooperation, and shared effort between or among organizations as relationship-forging tasks (RFT's). Thus, the theory helps account for widespread changes in business relationships. In a general sense, relationship-forging tasks refer to activities conducted by boundary spanners to forge or merge their organizational boundaries

with an external organization's boundaries. For example, from the seller's perspective in a buyer-seller relationship, relationship-forging tasks represent key mechanisms by which salespeople blur organizational boundaries to build more effective business relationships with customers.

Simply stated, boundary-blurring theory (BBT) posits organizational boundaries are less adequately defined by their most external people (e.g., boundary role people) than by the reach of the activities those people perform. The implications of redefining a firm's boundaries, while theoretically profound, are consistent with modern practice and thus establish theoretical premises both more palatable to application and consistent with modern B2B management practices. The opposite extreme of making boundaries less permeable or more rigid – as is the case in BRT – would be the elimination of such boundaries – which is what occurs through mergers and acquisitions. Infinite alternatives lie between these extremes and form a continuum of strategic alternatives for managing interorganizational relationships. The concept of forging relationships would thus involve the conduct of activities oriented toward achieving jointly important outcomes (e.g., making boundaries more porous) – which requires getting beyond rigid boundaries without merging organizations. The conduct of such activities tends to blur the boundaries between organizations. Buyers and sellers should actively manage boundary blurring activities with external business constituents. References available upon request.

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