BUSINESS FRIENDSHIPS

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ABSTRACT

Business friendships are increasingly common. Research in organizational behavior has identified a number of benefits to career and organizational performance of these relationships. These instrumental benefits derive from the affective qualities of these relationships, through the mechanisms of trust, empathy and sympathy. Yet the combination of instrumentality and affect produces a number of difficulties for business friends. Business friendships represent potential threats to the self-concept of friends if they obtain differential business outcomes; they involve the exchange of resources which are incompatible; and they represent contrasting norms of reciprocity. We also present new evidence that people prefer affective and instrumental relationships to be embedded in very different network structures. This evidence presents a non-trivial challenge to embedding business friendships, which represent both affect and instrumentality. We recommend that the field respond to these challenges by considering the impact of business friendships on broad outcome variables such as wellbeing that may reflect both the benefits and tensions of those relationships, and by evaluating the approaches available to effectively manage business friendships.

In their compelling account of the publishing industry, Coser et al. (Coser, Kadushin, & Powell, 1982: 89) report an interview with a publicity director of a major trade publishing house, where the conversation turned to the obligatory attendance at industry parties: "One of us remarked that it sounded as if publishing were founded on pseudo *gemeinschaft*—a phony sense of community: that it was supposed to look like a family but really wasn't. She burst into tears." That vignette illustrates two important facts of modern business life. The first is that many workers, particularly managers and professionals, are seeing an increasing intermingling between their social and work lives. The second, derived from the first, is that those workers experience notable tension due to the mixing of the professional and personal parts of their lives.

These phenomena are intricately tied to research on organizational behavior, as our field sits on the vanguard of the social networking zeitgeist, at least where it intersects with business. We have generated the evidence on how networks can help workers and organizations, and we teach the classes and run the workshops that encourage business students and executives to build networks for professional advantage. Yet, we have not come fully to terms with the tension inherent in our advice, that in asking business people to cultivate advantageous friendships, we are asking them to combine spheres of life that may contaminate each other.

Beyond our field, there are ideas about how economic and affective relations may combine. Zelizer (2005) categorizes scholarly treatments of the interaction between intimacy and economy into three sets. The first, separation logic, holds that economy and intimacy should be held as separate spheres, and predicts tragedy and inefficiency when they are combined. In this view, intimacy is corrupted by the imposition of calculative concerns. This position is commonly held for love and sex relationships (Walzer, 1983) but also extends to a range of less intense affective relations. For example, it is the belief that friendship is corrupted when combined with economic calculation that so distresses the publicity director described in our opening paragraph. Correspondingly, affective relationships may also undermine economic ones through nepotism, cronyism and decisions that compromise efficiency. An example is presented by Chan-Serafin and Brief (2007) who show that women who use sex (an extreme form of relational intimacy) as a tool at work are paid less and promoted less often. The general caution regarding affect at work has been prominent for a century in organizational theory (DiMaggio, 2001; Weber, 1921/1968). It has been part of folk wisdom for much longer, as evident in Antonio's advice to Shylock in Act1 Scene 3 of *The Merchant of Venice*:

> *If thou wilt lend this money, lend it not as to thy friends; for when did friendship take a breed for barren metal of his friend? But lend it rather to thine enemy, who, if he break, thou mayst with better face exact the penalty.*

Separation logic is the perspective on business friendships that is most likely to be reflected in the policies of contemporary corporations, at least in the Western world. For example, Siegel, Licht and Schwartz (2007) quote a form letter that a Korean businessperson could expect to receive if they gave a gift to a Motorola executive:

> *I hereby wish to thank you for your kindness in sending a gift. While I know that your intentions were positive, in order to avoid even the appearance of anything but a business relationship built on the business value offered by our respective organizations, Mororola's code of business conduct requires that we not accept gifts from our business partners, other than low cost promotional items. Therefore, I am respectfully returning your gift. I would like to take this opportunity to emphasize that it is really unnecessary to send gifts and thank you once again for your gesture of friendship. (Motorola Korea Gift Policy, December 1, 2003).*

The corporate imperative to keep friendship and business was further reinforced at Motorola Korea by a $25 cap on per person spending at business meals, which seems sure to keep the Motorola executive friendless in a country where business meals are extended alcohol-infused events with costs ranging between $100 to $1000 per person. While Motorola's policies are textbook illustrations of separation thinking, their jolting application to the Korean business context suggests another dimension to the topic of business friendship, that it manifests itself differently in different cultures.

Zelizer's second category describes approaches that treat the combination of intimacy and economy as seamlessly integrated, so much that they do not see the necessity of differentiating between affective and instrumental motivations. She groups here adherents of various theories that see social, economic and political behavior as deriving from a single motivation. Influential examples include Gary Becker's *The Economic Approach to Human Behavior* (1976) which has been extended by the contemporary law and economics movement (e.g., Friedman, 2000). Sociobiological accounts of human relationships also qualify as seamless explanations with their ultimate resort to inclusive fitness, while neo-Marxists reduce everything to power relations. This category is also the natural home for arguments such as that of Wilensky (1961), that social integration depends on workplace integration.

In contemporary network analysis, there are no serious claims that economic relations can be reduced to affect, but the opposite interpretation is sometimes made. This occurs because of the emphasis in our scholarly work towards demonstrating the economic implications of affective relations rather than studying affect as a dependent variable. Comprehensive advice on profiting through networks typically includes a caveat that some form of sincere affect is required to translate social capital into financial capital. Yet, every network scholar who has talked about our research with business people knows that they sometimes interpret the point as being that the profit motive supersedes any authentic affective relationship.

Zelizer's final category, which could be called "negotiated integration", is the focus of her own work. The negotiated integration approach is motivated by the observation that we establish a range of personal ties of varying affective intensity that are also associated with economic activity. In any social setting, multiple types of relationships overlap, but participants in affective relationships insist on the special character of their relationships and adopt economic practices that conform to their understandings of the relationships at hand. To illuminate the form of this relational work, Zelizer makes comparisons. A mother and daughter insist on a special character of their relationships whereas a woman and her gynecologist do not. Dating couples employ distinctly and conscientiously different practices of economic exchange than do prostitutes and their clients.

Zelizer's comparisons are evocative as to just what must be done to maintain affect in the face of economic exchange. But they represent very stark distinctions: mothers and daughters and dating couples have relations where affect weighs heavily compared to economic interests, while on the other hand the relationships between gynecologists and patients and those between prostitutes and their clients are stereotypically impersonal. Such distinctions are usefully applied to the contexts that Zelizer (2005) writes about which are affect-dominant--coupling, caring, and household life—but they are a strained fit to our topic of business friendships. The analogous relationship to business friendship is neither mother-daughter nor gynecologist-patient, but a mother who serves as gynecologist to her daughter. The professional codes of gynecologists (and prostitutes) preclude such relationships, yet these really are much closer to what we ask of manager and purchasing agents when we encourage them to befriend their employees and suppliers.

The point is that while the recognition that economy enters stereotypically affective relationships is complicated and intriguing, the entry of affect into stereotypically economic relationships is, apparently, even more unnerving to the related parties, just as it is less rare in social theories (Zelizer, 1996; DiMaggio and Louch, 1998). Silver (1990) suggests one explanation for this phenomenon in his analysis of the concept of friendship through the lens of the Scottish Enlightenment. The Scots, Silver argues, linked the purity of friendship to the emergence of commercial society. In precommercial society, all personal relations were necessarily motivated by symbiotic interests, where friends, spouses and other allies were chosen partly due to their functional compliments to the individual. There was simply no alternative to personal relationships for obtaining the necessities of life. In contrast, the market creates a middle category of strangers between friends and enemies; a group with which one may engage in purely instrumental exchange. This possibility purifies the category of friendship—because instrumental concerns can be satisfied in the market, friends may be chosen on the basis of affect.

According to Silver's Scottish storey, the economic dependence on friends and lovers is prehistoric, and may therefore be familiar, even if the bald combination of affect and interest is uncomfortable. On the other hand, the transactional roles that were created with the market and the concurrent division of labor—buyer, seller, co-worker—were enlightening exactly because they were free from affect. The insertion of affect into a business relationship threatens the category of friendship in a way that the reverse does not.

Against the backdrop of work by Silver and Zelizer, and with regard to the everyday evidence that relationships that combine business and social interests are sometimes strained, we ask in this paper "why is the combination of affect and economic interest in business friendships so distressing for many?" and "how might business people achieve a more smooth integration of affect and economy?" First, however, we put these questions in context by investigating what is different about business friendships compared to other business relationships and friendships, and what these differences mean for important outcomes.

WHAT IS DIFFERENT ABOUT BUSINESS FRIENDSHIPS?

To start, we need definitions of friendship and business friendship. Friendship is a personal, affective relationship. Personal signifies that the relationship is contingent on the specific participants, as contrasted with an impersonal relationship which could endure substantially unchanged with the substitution of the persons involved (Wolff, 1950: 138). Friendship is "grounded in the unique and irreplaceable qualities of the partners (Silver, 1990: 1476)." Affective highlights that the friendly interaction is based on intimacy and emotive exchange. As Takahashi (2005: 54) puts it, affective relationships are those that "satisfy our needs for emotional support, exchanging warm attention, and giving nurture." Business friendships are friendships that coincide with a business relationship, which we recognize as either competitors, buyers or suppliers in a market, co-workers within an organization, or actors that occupy similar positions in different organizations or markets and may therefore provide each other with useful business information.

Business friendships occur in varying degrees of intensity. When interviewing hotel managers about friendships with competitors for Ingram and Roberts (2000) we routinely heard "yes, but he's not my closest friend in the world." For reasons that reflect the issue at the heart of this paper, managers often wanted to differentiate their business and non-business friendships. Indeed, they occasionally seemed self-delusional in this regard. One manager went so far as to deny a friendship that a second manager, call him James, had claimed to have with him. Yet in the course of our interview, he took a phone call and after hanging up announced to us excitedly "James' wife has just had a child, we're all [referring to a group of hotel managers] going to meet for drinks and cigars to celebrate!" Enthusiastic celebration for the birth of someone's child is clearly an act of friendship. Just as friendships may be weak or strong, so may business friendships. The key distinguishing factors are the coincidence of a personal affective relationship with a business relationship.

In practice, the operationalization of business friendship should depend simply on the co-occurrence of the categories of business relationship and affective-personal relationship. One network survey approach to capture business friendships is to ask respondents to think about the set of others with which they have a particular business relationship (e.g. competitors, co-workers, buyers or suppliers) and ask for whom in that set the respondent has positive affect ("Who do you like?"; "Who would you do a favor for?"). An alternative is to have respondents list all of their network contacts and then investigate affective and instrumental relationships for each separately. A key advantage of both of these approaches is that they rely on a direct measure of the affective content of a given relationship, rather than simply asking respondents who their friends are. That latter approach would be biased by the tendency for people to resist applying the label "friend" to others with whom they have substantial material interdependence (Fischer, 1982), a resistance that is derived from the very tensions that are the focus of this paper.

The instrumental benefits of business friendships are fundamentally tied to their affective component. Whereas affect in a relationship may be broadly characterized as liking, liking generally leads to trust, sympathy, and empathy, which in turn influence economic outcomes (Uzzi, 1996). We describe these mechanisms below.

Trust and Relational Exchange

Many of the instrumental benefits of business friendships can be collapsed under the label "relational exchange." Relational exchange refers to a transaction system that is distinguished from economic exchange by its relatively imprecise accounting. In economic exchange the values of the items to be exchanged are stipulated with precision—even if a tangible good is traded for a promise to pay something in the future, the something is identified. In contrast, goods go back and forth in relational exchange according to a fuzzy sense of worth. A favor is associated with a debt of a type, but the repayment terms are left vague. The role of affect here is critical, as it is affect that is the basis of the necessary trust that the recipient of the favor will recognize it and repay it. Because relational exchange is not simultaneous it also has a reciprocal effect of reinforcing the relationships on which it is based, as the parties become cemented to each other through incompletely specified rights and obligations that can only be exercised in the ongoing relationship, and never completely satisfied (there is no terminal value to a friendship).

In a business context, the benefit of relational exchange is to lower transaction costs, and related, to enable some transactions which would be otherwise impossible. The most common examples in the organizations' literature are of buyer-supplier exchanges which are embedded in social relationships. Uzzi (1996) describes the relationships between buyers and sellers in the garment industry that are embedded in business friendships. The mutual affect between the parties allows them to conduct exchanges that would be very expensive if they were forced to rely on explicit contracts instead of trust.

As DiMaggio and Louch (1998) point out, buying and selling from friends comes at a substantial cost in terms of choice—relational exchange limits the availability of exchange partners to those with social relationships, a small fraction of those that might exchange in a "free" market. It is this factor that causes many economists to characterize relational exchange as a second-best solution, the type of arrangement that may prevail in an economy with weak institutions (e.g., one without modern contract law) but not in advanced economies. Yet, DiMaggio and Louch show that even in contemporary America relational exchange is not uncommon, and is both more common and more effective (in terms of buyer's satisfaction with the transaction) for transactions that are uncertain and infrequent, in other words, those where formal institutions are least effective.

Business friendships therefore play a particular role to facilitate exchanges that are hard to conduct within arms-length markets. These include exchanges over time, for example, in the Clyde River shipbuilding industry, innovation was driven by idea sharing that took place over the whole careers of builders who shared business friendships (Ingram and Lifschitz, 2006). The lifelong helping relationships between cousins, brothers, and masters and apprentices who came to run different shipbuilding companies created a community of knowledge exchange that helped the Clyde River to stay on the vanguard of shipbuilding technology for more than fifty years. More generally, knowledge lends itself to relational exchange because of its intangible nature—the economic value of an idea can be very hard to estimate at the time of exchange. And the illegitimacy of some transactions may also favor relational exchange. For example, the friendships between the managers of competing hotels in Sydney supported tacit collusion through norms against price-cutting. These normative arrangements were of substantial economic benefit to the hotels and they could not have been sustained by an explicit agreement to restrict supply or maintain prices because of anti-trust law (Ingram and Roberts, 2000).

Enhance Empathy

The example of knowledge exchange brings up the issue of empathy, which can also smooth some transactions, albeit in a different way than trust. Uzzi (1997) argued that one of the advantages of embedded relationships is that parties to a social relationship have better capacity to understand each other and communicate effectively, making business friendships particularly effective for transferring knowledge. This is more important for more tacit knowledge (Hansen, 1999). Compelling evidence in this regard is presented by Almeida and Kogut (1999) who attribute the superior rate of semiconductor innovation in Silicone Valley to "inter-regional mobility" where scientists and engineers change jobs but stay in the same geographic area. This phenomenon creates friendship ties that span research organizations, as the scientists and engineers maintain friends from their old job when they move to the new. The importance of this network for promoting knowledge transfer and innovation certainly depends on trust that allows the inter-temporal exchange of favors between scientists, but the whole process could only work if the scientists had the capacity to exchange complex knowledge effectively across organizational boundaries. This capacity can only be helped by the mutual understanding that is part of their friendly relations.

Further support that empathy in friendships promotes knowledge transfer appears in evidence from friendly relationships between colleagues in the same organization. Ibarra and Andrews (1993) found that proximity in a friendship network was a key predictor of employees' job-related perceptions, for instance, their impression of interdepartmental conflicts. And Castilla (2005) found that employees that come to a job through an internal referral learn the job faster, but only if the referrer is there to help them.

Enhance Sympathy

A third way that the affect inherent in business friendships may translate into economic benefits is through sympathy. It is important here to go beyond the basic observation that it is sometimes advantageous to have others care about you. This incontrovertible fact speaks to the advantages of *friendship*, but our topic is *business friendship*, and we want to identify the particular implications of friendships that overlap with business relations.

Mentorship is useful to illuminate the benefits of sympathy that are idiosyncratic to the business context. Although there is doubtless an element of reciprocity in such relationships, as protégés give some element of gratitude and deference to mentors, it would be missing the point to characterize a good mentoring relationship as an instance of relational exchange. Everyone who has participated in such a relationship from either role knows that good mentors will extend help to protégés purely out of their concern for the protégés outcomes (sympathy). Nobody is surprised to see a mentor help a protégé as the mentor approaches the end of her career, or even her life, and the shadow of protégé reciprocity diminishes to nothing. Chua, Ingram and Morris (2008) show that mentors and protégés are more likely to recognize each other as friends than are others in a professional network, and that the mentoring relationship is associated with trust. The role of friendship in monitoring is also demonstrated by Ragins and Cotton (1999) who show that informal mentorship relationships (which are voluntary and involve the mentors and protégés choosing each other) are perceived by protégés as being more effective than formal mentoring relationships, where mentors are assigned to protégés.

There is also evidence of sympathy creating benefits in business friendships set in market contexts. A canonical example described by Uzzi (1996) involves a supplier who extended a favor to a customer who was moving operations out of the country, and therefore represented no potential for future business. This instance is an ideal example of relational exchange because the shadow of the future of economic benefits could not explain the supplier's favor, leaving only affect as the critical mechanism.

For many instrumental outcomes of business friendships, trust, sympathy and empathy may be jointly responsible. It is not our goal here to isolate any one of these mechanisms as an explanation for low transaction costs, knowledge transfer, or the other instrumental outcomes of business friendship. Instead, we want to emphasize the relevance of the whole set, which we subsume under the category of affective elements of friendship. Simply, the instrumental outcomes of business friendship depend on the presence of affect in the relationship. Yet it is the coexistence of affect and instrumentality that forms the challenges of managing business friendships. We explore these challenges in detail in the next section.

WHY ARE BUSINESS FRIENDSHIPS HARD TO MANAGE?

People embedded in a business friendship face conflicting demands. The emotional bond between colleagues may not overwhelm the competition they face over who will get promoted. Friendly sympathy may not mitigate the seller's need for immediate payment from the buyer after an economic downturn. Indeed, these business challenges may be exacerbated by the friendship with rival or debtor. Business friendships bring benefits but may also intensify some relational costs. In this section we analyze the challenges of managing business friendships.

Belonging motive and self-concept

One fundamental conflicting demand associated with business friendship is that between the basic motives for belonging and for maintaining a positive self-concept. It is inevitable that people seek social belonging through business friendships (Baumeister & Leary, 1995). Belonging enables people to survive and thrive (e.g., Berkman, Glass, Brissette, & Seeman, 2000; House, Landis, & Umberson, 1988) and insure them to gain acceptance and avoid rejection (Fiske, 2004). Nevertheless, business friendships bring not only belongingness benefits, but also potential threats to one's self concept. For example, you and your work colleague have been on the same team for multiple projects. You became friends and spent a significant amount of spare time together. However, this year, your colleague got promoted, but you didn't. How would you feel? Would you maintain the friendship? How would you handle the conflict of being friends and competitors for promotion at the same time? Your affective concerns may motivate you to develop the friendship and to ignore the potential competition, but your instrumental concerns may motivate you to forgo the friendship and to outperform your colleague.

The degree of conflict when a person is in a relationship that encompasses both affective and instrumental concerns can be substantial. In the field of social cognition, Tesser's (1988) "self-evaluation maintenance" model discusses this conflict. Tesser suggested three important self-evaluation dimensions: 1) the self-relevance of the comparison dimension; 2) the other's performance on the dimension relative to one's own; and 3) the degree of closeness with the other person. When affective and instrumental concerns are co-current in one relationship, the above three evaluation processes are likely to lead to conflicting experience. Empirical work demonstrates that in domains that are highly relevant to the self, people may be threatened by the success of friends, much more than by that of strangers (Tesser and Campbell, 1982; Tesser, Millar, & Moore, 1988; Tesser, Pilkington, and McIntosh, 1989). Insofar as people derive information about self-worth from comparisons with relevant others, local reference points (i.e. friends) appear to be more motivationally significant than global reference points (i.e. strangers).

On the other hand, Tesser (1988) points out that people also share in a positive attribute of friends. One well-known example is the tendency to "bask in the reflected glory" of others by subjectively taking on the attributes of others with whom one identifies (e.g., Cialdini et al., 1976). However, in the context of friendship of rivals the reflection process is less likely to occur and the cost of threats to self-concept looms larger.

Incommensurability of Exchange Resources

A critical challenge to the relational exchange processes that business friendship enables is that they often involve exchanging resources of very different types. Foa's resource theory suggests that very different resources may be incommensurable (Foa 1976; Foa and Foa 1974, 1980). According to Foa resources can be classified into six categories: love, status, information, money, goods, and services. Two dimensions are hypothesized to underlie the resource categories. One is "particularism," which indicates "the extent to which the value of a given resource is influenced by the persons involved in the exchange" (Foa and Foa, 1974, p. 81).The other is "concreteness", which captures the physical or abstract nature of the resource. Both goods and services are viewed as concrete, although services are viewed as more particularistic than goods. Both status and information are viewed as abstract resources, although status is viewed as more particularistic than information. Love is viewed as highly particularistic because its value is closely tied to a particular person. Money, on the other hand, is the least particularistic because it is easily exchanged across a wide variety of people.

Experimental evidence supports this category structure because subjects classify love and money as the most different types of resources and recognize the similarities between resources that share concreteness and/or particularlism. In addition it has been found that similar resources tend to be exchanged with each other more easily than resources with different particularism and concreteness characteristics (Foa and Foa, 1974; Donnenwerth and Foa, 1974). Teichman and Foa (1975) reported that when individuals did not have identical types of resources to offer in exchange, they tended to give less appropriate types of resources in greater amount and that in those conditions, the exchange was less satisfying. The implications of extreme incommensurable exchange are captured by the philosopher Joseph Raz (1986, p. 22): "It is impoverishing to compare the value of a marriage with an increase in salary. Likewise, it diminishes one's potentiality as a human being to put a value on one's friendship in terms of improved living conditions."

Research on the "taboo trade-off" presents more evidence about the challenge of exchanges that cross the boundaries of resource categories (Tetlock, Kristel, Elson, Green, and Lerner, 2000; McGraw, Tetlock, & Kristel, 2003). This work examines exchanges between the important secular values (e.g., money, time and convenience) with sacred values, and found that they are considered morally incompatible. Experiments have demonstrated that pricing distortions and refusals to answer certain questions when people contemplate buying or selling objects endowed with special relational significance. More pointedly, participants display moral outrage and cognitive confusion when they are asked whether they would allow market-pricing norms to influence decisions that fall under the normative purview of communal-sharing relationships.

These incommensurability arguments point to a social-psychological underpinning of the separation logic regarding combinations of affect and instrumentality. The combination of affective and economic interests in business friendships, and indeed the role of affect for facilitating all of the economic benefits of these relationships, represents juxtaposition between particular-abstract resources and unparticular-concrete ones. The evidence suggests that there is a psychological transaction cost that may offset the economic benefits available to relationships that grease with affect the wheels of material exchange.

Contrasting Norms of Reciprocity

The coexistence of the affective-communal feature and the instrumental-exchange feature in a business friendship demands distinct or even conflicting strategies for relationship management. Clark and colleagues compared and contrasted these two relational forms based on

Erving Goffman's (1961) distinction between communal and economic exchange (Clark & Mills, 1979; Mills & Clark, 1982). Central to the differences between the communal and economic exchange relationships are the patterns of the giving and receiving of benefits. In communal relationships members have a general obligation to be concerned about the other's welfare. They give benefits in response to needs of others or to please others. In economic exchange relationships members have no such obligation. They give benefits with the expectation of receiving comparable benefits in return or in payment for benefits previously received (Clark, 1984; Clark & Mills, 1979; Clark & Waddell, 1985). The economic exchange relationship is also more likely to involve money or resources that are easily quantified. People in an economic exchange relationship tend to keep track of the give and take with different exchange partners and aim to maintain a balance. In contrast, communal relationships often involves emotional support or kindred benefits that are hard to quantify.

Not only do communal and economic exchange relationships demand different management approaches, the action that is beneficial to one relationship may be detrimental for the other. A classic study in this regard examined the consequence of returning a favor immediately after receiving one (Clark & Mills, 1979). It found that the prompt reciprocation of a benefit leads to greater attraction when an economic-exchange relationship is preferred, but decreases attraction when a communal relationship is desired. In other words, people are liked more only if they follow the right relational norm, and these norms differ for economic and communal relationships. This fact is reflected in Silver's observation that "friendship is diminished in moral quality if friends consciously monitor the balance of exchange between them, for this implies that the utility friends offer each other constitutes their relationship, rather than being valued as expressions of personal commitment (1990: 1456)."

Incompatible Network Structures

Just as affective and instrumental relationships may be associated with different relational norms, they are also compatible with different social structures. A given dyadic relationship is embedded in a broader network which influences its character. We consider two archetypal structures, open and closed. Open structures occur when ego is connected to alters who are not themselves connected, an arrangement that Burt (1992) has famously labeled a structural hole. In this open structure situation, ego's benefit is to develop exclusive exchange partnerships and to obtain unique information and competitive advantages as a broker between otherwise unconnected actors (Burt, 1992; Ryall and Sorenson, 2007).

In contrast, in the closed structure, egos are connected with alters who are themselves connected. This structure is at the heart of Coleman's (1990) analysis of social capital and Granovetter's (1985, 1992) discussion of "structural embeddedness". The advantage of this network structure is to foster trust, as the fact that a given relationship is "surrounded" by other relationships to ego and alter reinforces their commonalities and provides structural checks against deception and malfeasance (Chua, Ingram and Morris, 2008). But at the same time, closed network structures typically entail stronger obligations and fewer opportunities for differentiation and competitive advantage. In other words, closed structures appear to be stronger vehicles for affect, while open structures may yield more instrumental benefits, at least for the occupants of structural holes. Supporting this, Chua, Morris and Ingram (2008) show that for American managers, affective bonds are lower in business network relationships that involve the exchange of economic resources.

Given these arguments that affective and instrumental relationships are favored by different network structures, there is an apparent tension for business friendships. Which structures will be preferred for these relationships which contain both affective and instrumental components? We investigated this question with a scenario study, where forty undergraduate students were the participants.

Relationships and Structural Preferences

Specifically, the six scenarios are 1) buyer looks for seller; 2) seller looks for buyer; 3) managing a competitive business partner of another organization; 4) managing a cooperative business partner of another organization; 5) managing within an organization; and 6) friendship. Each participant read these six scenarios in a random cross-balanced sequence. Along with each role description, we asked the respondents to choose whether they preferred the given relationship to be embedded in a closed or open structure. Detailed instructions and structural patterns were illustrated for participants as appears in Figure 1. The statistics describing participants' structural preferences across scenarios are presented in Table 1.

[Insert Figure 1 about here]

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Let's start by examining the most market-oriented situations. In the buyer and seller situations, only 6.4% and 12.8% of participants preferred the closed structure. In other words, the majority of participants expressed preferences consistent with the previous arguments about the function of open structures for gaining instrumental advantages. In these two conditions, participants were asked to play anonymous buyers and sellers in a market and the relationship was depicted by us as purely market oriented. Subsequent scenarios go beyond such individually indifferent relationship and construct individually particularistic relationships.

The next two relationships represent inter-organizational contexts. Participants were asked to play managers who are responsible for managing business relationships with either competitors or cooperators. Only 23% of participants preferred the closed structure in the competitive situation, whereas nearly 43% of participants preferred the closed structure in the cooperative situation. Two significant comparative results also emerge. Though less than one quarter of participants preferred the closed structure in the competitive situation, the amount is significantly more than the buyer/seller conditions, $t(40)= 2.04$, $p <. 05$. One key difference between these two conditions is the emphasis on inter-organizational relationship. This suggests that the mere existence of an inter-organization interaction may signal the need for relational maintenance to which a closed structure network may better serve. The second significant comparison is between the competitive and the cooperative conditions, $t\ (40) = 5.45$, $p < .001$. A significantly larger percentage of participants preferred the closed structure in the cooperative condition suggesting that competitive vs. cooperative relational concerns lead to different networking preferences. This also suggests that when we analyze business friendships, we need to consider whether they are embedded in a cooperative dynamic or a competitive dynamic, a distinction which may itself depend more on participant cognitions than on the objective structure of relationships.

The final two conditions focus on an intra-organizational relationship (i.e. work colleagues) and a friendship. In the intra-organization condition, 76.2% of participants preferred the closed structure. In the friendship condition, the percentage that preferred the closed structure was 69%. Although these two conditions do not differ significantly, the larger number in the intra-organizational condition suggests an interesting dynamic at work. This number is significantly larger than in the inter-organization conditions, $t(40) = 6.43$, $p < .001$, suggesting that working within an organization creates a stronger bias towards the network structures that facilitate friendship and affect.

So, with the exception of intra-organizational colleagues, the preference for open structures is greater for all of the business roles than it is for friendship. This indicates a tension in business friendships that goes beyond the dyadic relationship itself to the broader network context. It also raises questions about the dynamics of business friendships. For example, if business people aim to embed buyer supplier relationships in open network structures, how do they build the affect that is part of a business friendship? And if they were somehow to build affect in an open structure, could they maintain it given the lack of structural support for trust and affect, and the opportunities for economic advantage inherent in their structural relations?

The findings of this small analysis also point to challenges for deriving instrumental benefits from business friendships. Consider the inter-organizational competitive condition. Participants here preferred an open structure, presumably because it is consistent with the competitive goal of creating a unique structural position. Yet in Ingram and Roberts' (2000) analysis of friendships between competing managers in the Sydney hotel industry, they found that the most instrumentally beneficial competitor-friendships were those that were embedded in closed networks (they argued that these networks facilitated the normative policing of price cutting). Thus, it appears that even when we are considering only instrumental outcomes, the structural conditions that are best for business friendships may be different than those that are best for other business relationships.

Whereas the analysis here takes the relationship for granted and examined respondents' preference for network structures, there may also be an influence from the extant network structure to the perception of a relationship. In Zou and Ingram (2007) we asked managers whether they perceive their colleagues who were "structural equivalents", that is those that shared a relatively large number of contacts in their professional networks, to be either competitors or cooperators. Network theory asserts that actors who are structural equivalent tend to have comparable social resources and are more likely to substitute each other, and are therefore competitors (Burt, 1992). To our surprise, our participants were largely blind to the competitive implications of the structural equivalence; only one-third of the respondents recognized the structural equivalent colleague as even a *potential* source of competition. Yet, all of our respondents recognized the friendly nature of these relationships as a source of support. This result suggests yet another challenge for managing business friendships: Participants may be biased or motivated to ignore the competitive nature of the relationship with business friends. In spite of the presence of affect, business friendships may be risky propositions if participants see them in purely friendly terms and fail to recognize that all business relationships represent the potential of conflicting interests.

Cultural Norms

It is may be particularly challenging to develop and maintain business friendships in nations such as the United States, where the larger relational culture is guided by *Protestant Relational Ideology (PRI).* PRI is an ideology that combines Lutheran teachings about the importance of work as a means to fulfill ones calling with Calvinist imperatives for restricting relational, social-emotional concerns while working (cf. Sanchez-Burks, 2002). As put in practice by ascetic Protestants, these restrictions were relaxed outside of work. For example, paying attention to others' socio-emotional cues was considered entirely appropriate at play and leisure (Daniels, 1995; Fischer, 1989), therefore PRI is characterized by a divergence in the attention to affective issues and relational concerns between work and non-work contexts (cf. Sanchez-Burks, 2005).In particular, relational congruence among Americans is reduced in work settings compared to social, non-work settings (Sanchez-Burks, 2002).

This tradition challenges the process through which friendship can be developed in a business context. Even though work colleagues are engaged in regular contacts, the potential for developing a strong emotional bonding is limited by the contextual norm. Yet, this could be a distinct problem to cultures rooted in Protestantism. Different relational ideologies are governed by different norms. According to Sanchez-Burk and Lee's (2007) recent review on cross-cultural difference of norms at work, Chinese organizations are characterized by an emphasis on building dense networks of personal relationships. Entrepreneurs conduct their business by developing strong friendships based on mutual obligation where business people make connections in their social networks available to one another (Solomon, 1999; Wall, 1990).

Business friendship in China fulfills significant social functions. First, the Chinese relational principle of *guanxi* is transitive and can serve as the common tie (Cai, 2001; Farh, Tsui, Xin & Cheng, 1998). For example, an American businessperson interested in connecting with a target person in an American friend's network might ask the colleague to make the connection, while a Chinese operating under the principle of *guanxi* would assume that he or she has direct access to any person in the colleague's network. Thus, *guanxi* is a base for generating goodwill and describes the transitive nature of obligations in Chinese business practices (Sanchez-Burk & Lee, 2007). Another social function of business friendship in China is manifested in preferences for business partners. Ethnographers have long documented that a Chinese businessperson would do business with another person more because he or she comes from the same village, or he or she has a mutual acquaintance (Hsu, 1953; Redding & Wong, 1986). These social "contracts" are seen as reassurances that a business partner will indeed be reliable and trustworthy (Sanchez-Burks, 2005). People who provide economic assistance (e.g., loans, jobs, investment opportunities etc) are accorded with a familial level of affective closeness. For many Asians, friendship and economic relationships are highly interrelated. Indeed, a recent cross-cultural study on trust and professional networks has shown that the effect of economic exchange on affect-based trust was significantly more positive for Chinese than Americans (Chua, Morris, and Ingram, 2008).

In sum, business friendships may result in more tension compared to pure friendships or pure business relationships. It may be particularly challenging to maintain friendships with colleagues and business partners, because of the conflicting motivational concerns, exchange patterns and structural preferences. Cultural norms may impose another layer of challenges of developing business friendship as a result of emotional inhibition at work. In the next section, we make proposals as to how research in organizational behavior might respond to these challenges.

HOW SHOULD ORGNIZATIONAL STUDIES BE DONE DIFFERENTLY

Alternated vs. Blended Views of Business Friendship

The network-focused part of organizational studies has thus far mainly treated the friendship network in business contexts as a distinct system that functions separately from instrumental networks. In other words, the norm is to include friendship as one of a number of alternative and potentially overlapping network relationships. We label this approach as an alternated view, where business people are assumed to alternate between multiple kinds of networks. We propose that this be replaced with an explicit recognition of the co-existence of affect and instrumental interest within *the same* network relationships, an approach we refer to as a blended view.

In the alternated view, friendship networks and instrumental networks are argued to serve distinct functions. Specifically, friendship allows business people to: discuss sensitive issues or new ideas that they would not share with non-friends (Sias and Cahill, 1998; Gibbons, 2004);

share resources during crisis (Krachardt and Stern, 1998); and make better career-related decisions (Kilduff, 1990; Krackhardt, 1992). In contrast, instrumental networks have been related to organizational power (Brass, 1992; Ibarra and Andrews, 1993), work-related knowledge (Hansen, 1999), job performance (Sparrowe et al., 2001; Burt, 2005), as well as self-efficacy and attitudes toward technology (Burkhardt, 1994). While people discuss work problems with coworkers, they seek counseling and companionship from friends (Fischer, 1982). When researchers are explicit about the joint occurrence of affect and instrumentality in business relationships, it is often in extreme cases, such as sexual relationships between colleagues (e.g., Hearn, Sheppard, Tancred, Sheriff and Burrell, 1999; Chan-Serafin and Brief, 2007).

The very definition of business friendships suggests that the distinction between affective and instrumental ties in relationships between business people is a false one, at least if the relationships are derived from a social network rather than a formal structure such as an organizational chart. Consider what it would mean for a relationship between business people to be only friendship, or only instrumental. The former case could occur only if they had no potential influence on each other's business lives. For friendships within an organization this situation verges on impossible, as an organization with members who had *no* instrumental interdependence could hardly be called an organization at all. Between organizations, this situation could only occur for friends who worked for companies in unrelated industries.

Now consider what it means to have an instrumental relationship with no friendship. If the exchange of instrumental resources in a relationship does not depend at all on affect, then it must depend on some formal institution, whether it is an organizational hierarchy or a market. Lincoln and Miller (1979) show that instrumental and affective ties tend to overlap in organizational networks, and when they do not it is because formal structures of work drive the former but don't necessarily create the latter. The technology around which work is organized is no barrier to affect because even remote relationships in organizations (e.g., email only) can be expected to develop an affective tone and affective displays may become more intense (flaming) precisely because there is no face-to-face contact.

The risk of the alternated view is that thinking of some network relationships as purely instrumental may result in a failure to identify the role of affect in promoting their functioning. For example, consider the conclusion of the alternated view that task-related knowledge flows through "advice networks" not "friendship networks". In contrast, Blau (1964) shows convincingly that the exchange of task-related knowledge on the job, when it is not required by the formal definition of roles, depends on affect and relational exchange. By forcing a separation of the affective and instrumental dimensions of network relationships, the common empirical approach seems to identify a set of relationships that are precluded by extant theory, wherein instrumental resources are exchanged without the support of either affect or formal institutions.

Recognizing the role of affect (even in low amounts) in business networks also creates new opportunities for research. We would encourage researchers to measure affect simultaneously with the instrumental character of relationships, and also to measure the amount of affect that is present. We suspect that this approach will lead to new findings as to how much affect enables more effective instrumental exchange. This approach has already been applied effectively in research on knowledge exchange. Research in alternated-view tradition concluded that friendly relationships were good for some kinds of knowledge sharing, and instrumental relationships for others. In contrast, there is now an emerging position that affect is always enabling of knowledge sharing, and the advantage of including affect is most apparent in conditions where knowledge sharing is more challenging, for example, with tacit knowledge

(Hansen, 1999). Similarly, we suspect that other outcomes of business networks that were previously seen as driven by instrumentality, such as power, may come to be seen as interdependent with affect.

Broader Measures of the Outcomes Associated with Business Friendships

We have argued that the combination of affect and instrumentality that produces economic benefits also produces psychic, social and cultural tensions. But empirical work in organizational behavior has focused on economic and work related outcomes rather than those associated with the affective dimension of business friendships. Consider again the tearful publicity director from the vignette that opened this paper. Our field's research suggests that she probably has a higher likelihood of finding a job, getting a promotion or a raise because of the overlap between her work and friendship relations. Yet who could doubt that the advice we might give her from that research is missing something important because it ignores her sorrow? We propose that researchers do more to recognize the affective implications of business friendships, much as they already do the instrumental implications.

One remedy would be to directly measure the outcomes associated with the tensions inherent in business friendships. Stress seems a promising option here, as would be other measures that reflect the difficulties of managing business friendships that we note above. For instance, research on the taboo trade-off suggests that business friendships may be cognitively taxing, and may affect business people's moral evaluations of their own behavior. Health may also be impacted by the tension of managing business friendships. Likewise, the cultural norms for balancing affect and instrumentality are likely associated with both internal and external sanctions and it would be valuable to measure them.

While it would certainly be progress to measure the costs of business friendships like we measure the benefits, an even greater leap forward would come from weighing them against each other. Is a sleepless night or a fit of tears a good bargain for a promotion? The answer requires consideration of a comprehensive dependent variable such as job satisfaction, subjective wellbeing or happiness, that can be influenced by both affective and instrumental outcomes. The wellbeing of a person who maintains a business friendship would presumably be increased with any instrumental benefits that relationship brings, and would decrease as a function of tensions brought by the combination of affect and instrumentality. And of course, the affect in the relationship would have its own direct impact on wellbeing.

Helliwell (2005) presents research along these lines. He finds that trust in colleagues and managers at work has a notable impact on job satisfaction and overall wellbeing, a result confirmed by our own analyses of data from the 2002 General Social Survey. Given the substantial evidence from other research that business friendships also yield instrumental benefits, the overall calculus becomes more positive. The negative side of business friendships is represented indirectly in Helliwell's regressions of wellbeing by measures of physical and psychological health. Of course, we don't know yet precisely how business friendships affect those variables, but it would be possible with the right data to determine whether people with more business friendships were more or less satisfied with their lives.

Quite a different tact is suggested by further consideration of the crying publishing executive. What seemed to have prompted her outburst was the realization that her business friends were flourishing to the exclusion of any "real" friends. A worthwhile project would be to examine the interdependencies between business friendships and non-business affective relationships, particularly friends and family. It is routinely noted by network analysts that there is an upper limit to the number of network ties that a given person can manage. Is there a negative relationship then between the number of business friends one has and the number of purely affective relationships one maintains? Or do resources (received affection, money, information, relational experience) garnered from one domain spill over to facilitate relational maintenance in the other?

Dynamics of Business Friendships

To understand how affect and instrumentality interplay in business relationships, it would be very useful to examine the dynamics of these relationships. Indeed, a long standing critique of social network research is that a "structural bias" denies much of the dynamic nature of social relations (Emirbayer 1997; Emirbayer & Goodwin, 1994). We suggest that both interpersonal dynamics and the dynamics between individual psychology and organizational structures are critical for us to understand the development of business friendships.

First, the dynamic nature of business friendship is manifested as the process through which business relationships are evolved into friendships, or vice versa. Without denying the relevance of factors such as proximity and similarity, we posit that business friendships, even those leading to intensive affective experiences, can be initially motivated by instrumental concerns, such as profit, promotion, performance rating, or career advancement (Ingram and Roberts, 2000; Dotan, 2008). The classic relationship development model (Altman & Taylor, 1973) outlined four stages in friendship development: orientation, exploratory, affective exchange, and stable exchange. Each stage is characterized by different levels of interpersonal functioning, and is marked by different levels of mutual knowledge, openness, spontaneity, interpersonal synchrony, and communication. In the context of business friendship, it is plausible that the orientation and exploratory stages are guided by instrumental motives, whereas the development into later stages relies on a critical affective experience.

Second, another distinct feature of business friendship is the benefits and costs imposed by the larger organizational and social structures within which a friendship is developed. Future research may examine how a business friendship would differ when it is developed from business relationships to friends or is developed from friendships to business relations. Silver's (1990) account of the origins of the modern concept of friendship suggests that these two developmental paths may produce qualitatively different business friendships? Further, a developmental model of business friendship would also consider social structural factors. Does friendship across and within organizational/departmental boundaries differ, as suggested by our own results showing different preferences regarding the embedding of inter- and intra-organizational relationships? Could the structural difference be accounted by cooperative versus competitive instrumental concerns?

Third, we admit the likelihood that business friendships may differ in their dynamics and effects depending on characteristics of the friends. The most obvious characteristic is sex. The tendency for workplace friendships to be same-sex is well documented (Ibarra, 1993), although organizational structures that present more opportunity for interaction between the sexes might reduce this tendency (Ingram and Morris, 2008). Furthermore, cross-sex friendships may evoke different responses from others, with early evidence suggesting that sexual relations are viewed as illegitimate for advancing business interests in a way that other types of affective relationships are not (Chan-Serafin and Brief, 2007).

Management of Business Friendships

The tensions described above suggest that there is a very useful research line, as yet untapped, aimed at helping business people manage the combination of instrumentality and affect in relationships. The beginning of this would come from simply documenting the prevalence of business friendships and its trajectory. Part of the taboo around these relationships doubtless derives from the impression that they are unusual. We are confident that a census of business friendships would dispel that belief. Beyond that the opportunities are wide open. What strategies for finding and building business friendships are most effective? When do business friendships survive the cessation of economic interdependence between the friends (for example, who stays friends after they change jobs)? Is it possible or advisable to compartmentalize the affective and instrumental dimensions of the relationships? The questions and the possible routes to examine them are countless.

As with any important and nascent research area a promising entre here is to build a descriptive foundation of people's experience with business friendships. This is a fitting topic for ethnography, but at this early stage, we would benefit simply by asking business people about their friendships (Dotan, 2008). This interview-based approach has been the basis of some intriguing research on the ending of business friendships. Such endings are likely to be unhappy. According to the psychological principle of engagement theory (Higgins, 2006), a stronger relationship or a high engagement in a relationship will intensify the subjective experience in the relationship. While the happy experience may be heightened, the negative impact of conflict may also be intensified (Sias, Heath, Perry, Silva, and Fix, 2004; Sias and Perry, 2004). For example, Sias and colleagues conducted a narrative study on friendship deterioration at work based on in-depth interviews of 25 workers (Sias, et al. 2004). They found that friendship deterioration leads to a significant amount of emotional stress, reduced task performance and higher turnover. They also observed changes in subjects' values of business friendship. People who had experienced significant friendship deterioration and suffered from the experience tended to form an implicit belief in the negative consequence of friendship at work.

One interesting and practical finding in these interviews is a set of communication tactics that managers used to end a friendship, including the avoidance of talking about non-work topics; nonverbal cues of appearing indifferent; and the avoidance of socializing away from the workplace (Sias, et. al, 2004; Sias and Perry, 2004). Often, such strategies were displayed indirectly. For example, a woman with a disrespectful coworker explained, "when I see this person, I don't acknowledge her; she doesn't acknowledge me and we know that we are not friends. So that's where we're at now (Sias, et al. 2004, p 327)." There was also a case where the deterioration of the friendship was explicitly discussed. One former friend told the other that she would no longer provide personal advice, saying, "Well, you don't want to listen to my advice, you've asked me this over and over again. You need to decide. I basically don't want to be involved in that part any more, because you know it's driving me crazy and I'm getting upset and I've done all I can do (Sias, et al. 2004, p.327)." These words clearly indicate the stress produced by the deterioration of business friendships. These observations suggest research questions as to when participants adopt explicit or inexplicit approaches to end unsatisfying business friendships. There are also opportunities to examine the emotional stress by coding the explanations that people give for friendship deterioration.

Similarly, Burt (2005, p 188:196) studied through a survey the language used to describe difficult relationships in a context of work-based social network. He asked managers of a large organization to describe in a phrase or two why a colleague was difficult. Although these difficult relations may not have resulted from friendship deterioration, they are nevertheless germane to our theme, as they typically represented negative affect. Burt found that blame is a prominent feature in the description of difficult relations. Managers even attributed the difficulty to a flaw in the colleague's character, which Burt labeled as "character assassination." Burt also measured the linguistic device, such as the number of angry words, or the intensity of "character assassination" and found them dependent on the network context around the manager and the difficult colleague. When the manager and the colleague were close friends (or had close mutual friends), the manger tended to avoid extreme language. Burt reasoned that mutual friends increased the odds of a colleague hearing about the derogatory remark and therefore mitigated the harshness of descriptors. But this does not necessarily eliminate the risk to friendship through spreading negative information because common third parties may corroborate the manager's complaints about the difficult colleague, starting a contagion process of friendship deterioration. In this regard, future research might draw on insights from optimal inter-group relations (see Brewer, 1991) to examine the optimal level of friendship at work across various organizational contexts.

While emotional disturbance is a clear sign of relational disruption and friendship deterioration, studies of close relationships have found that emotion is not a good indication of closeness. Although there is considerable potential for emotional experience within a close relationship, people in the relationship often do not experience and are unaware of this potential (Berscheid, 1983). In the close relationship literature, a healthy close relationship is often characterized by a high level of interdependency but a low level of emotional intensity (Berscheid, Snyder, and Omoto, 2004). This stream of research also points out that only when the relationship is disrupted will the participants feel stress, which is consistent with many observations of the intensified emotional experience at the stage of friendship deterioration.

Fundamental questions are therefore: What are the characteristics of a functional, healthy business friendship? What is the role of emotional experience at different stages of friendship development? We advocate research to examine this phenomenon across individual, dyadic levels to network measures in a longitude design and to take into account broader social and psychological mechanisms.

Extending the idea that language presents a window into relational management, discourse analysis may illuminate how contradictions of business friendships are constituted. For example, discourse markers such as “but” or “however” (Schiffrin, 1987) may provide discursive clues on balancing affective and instrumental concerns concurrently. The utterance “I look forward to our time spent together, but it means I often fall behind in my work obligations” explicitly constructs a tension between integration and separation (Baxter & Montgomery, 1996). Alternatively, richer measures of psychological factors of individuals’ abilities to construe conflicting information (i.e. cognitive complexity, Tetlock, 1985) or individuals’ relational styles (i.e. unmitigated communion, Helgeson & Fritz, 1998) may help identify effective or ineffective styles and strategies for managing business friendships.

CONCLUSION

Business friendships represent substantial benefits to careers and organizational performance, and they are becoming more common. Our field has been on the vanguard of the effort to document their instrumental implications. But business friendships also represent notable psychic, social and cultural tensions. We don’t really know whether and when people are better off with business friendships, after considering both the benefits and costs. Yet the option of segregating economic and social worlds is not available to contemporary business people. Somehow they must find ways to lead connected business and social lives, and our field should help them. Future research would benefit from an explicit recognition that the instrumental benefits of business friendships depend on the affective component of those relationships. Even more important, we encourage the field to begin to ask how the tensions inherent in business friendships can be better managed.

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Table 1:
Percentage of participants choosing between the two network structures

	Closed Structure (%)	Open Structure (%)
Buyer selects seller	14.3	85.7
Seller selects buyer	7.1	92.9
Competitive Inter-organization relationships	26.2	73.8
Cooperative Inter-organization relationships	47.6	52.4
Intra-organization (i.e. work colleagues)	76.2	23.8
Friendship	69	31