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## Various Market Variants

### The marketing process is multifaceted and performance-based.

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#### Abstract

Recent sociological study under the performativity label has focused on the impact of ideas on economic reality. So far, this work has only been done in highly competitive, highly specialized areas like the financial and auction markets. In this study, we suggest a framework for thinking about the numerous theoretical effects that are likely to be at play in more everyday market settings, broadening the conversation on the significance of ideas beyond its more theoretical confines.

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Keywords: market practice, performativity, multiplicity

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#### Introduction

Recent work in economic sociology has addressed the problem of how market trade and markets are formed (Callon 1998; Callon, Méadel, and Rabeharisoa 2002; Barry and Slater 2002). This new body of literature has made us more aware of the impact that technology has on the economy, not just in the traditional IMP-sense, i.e. on the production of goods and services (see, for example, Hkansson 1987, 1989; Hkansson and Eriksson 1993), but also on the very configuration of market agents (Callon and Law 1997). Second, it has highlighted the problem of performativity—that is, the impact of external ideas and theories on the functioning of actual markets (Callon 1998; MacKenzie 2003).<sup>1</sup> These initiatives are beginning to permeate the marketing field and pose crucial concerns about marketing's function in shaping markets (Helgesson, Kjellberg, and Liljenberg 2004; Araujo 2004). However, research on the performativity of marketing theories has been limited so far (Kjellberg & Helgesson, 2004). Although formulated as a program for studying the performativity of economics broadly defined (to include accounting,

marketing, etc. Callon 1998), extant empirical studies of performativity focus on clear-cut cases where a strong relation between a specific theory and a specific market can be claimed, e.g. the role of economic theory in re-regulating markets (Callon 1998) and the role of financial theory in shaping financial markets (MacKenzie 2003). We believe that instances like this remain exceptional. In fact, we hypothesize that a number of ideas from fields as diverse as accounting, marketing, and economics often come together in reality and help shape markets. The problem of performativity when there are competing theories is the focus of this article. How various theories, by virtue of their incorporation into everyday instruments, contribute to shaping markets in various ways, for as by regulating transactions or creating representations of markets. In other words, we assume that many markets for industrial and consumer commodities are characterized by the existence of multiple initiatives to modify market behavior, and this study tackles this phenomenon.

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## Market practice and performativity

In this section we first introduce a basic model of markets focusing on market practices. Second, we discuss the link between ideas and reality and introduce the notion of performativity.

A conceptualisation of markets as constituted by market practices

We approach the issue of how markets are shaped by attending to the practices that constitute markets. This allows us to move away from polarised discussions about how certain theories provide unrealistic characterisations of markets (e.g. in academic discussions) or how certain markets are not real markets (e.g. in regulatory settings). A well-conceived approach to market practice may be used to address two

important general issues. First, it may offer a richer characterisation of what it is that is being shaped through market practice; i.e. what possible shapes may economic exchanges and markets assume? Second, it may provide us with a better understanding of the processes that led to these outcomes; i.e. how was a certain market shaped? We define market practice as all activities that contribute to shape markets (Kjellberg and Helgesson 2004). For practical purposes, we recognise three broad categories of market practices: i) exchange practices, activities involved in exchanging goods and services; ii) normative practices, activities involved in forming normative expectations for actors, and iii) representational practices, activities that produce images of markets (see Figure 1).

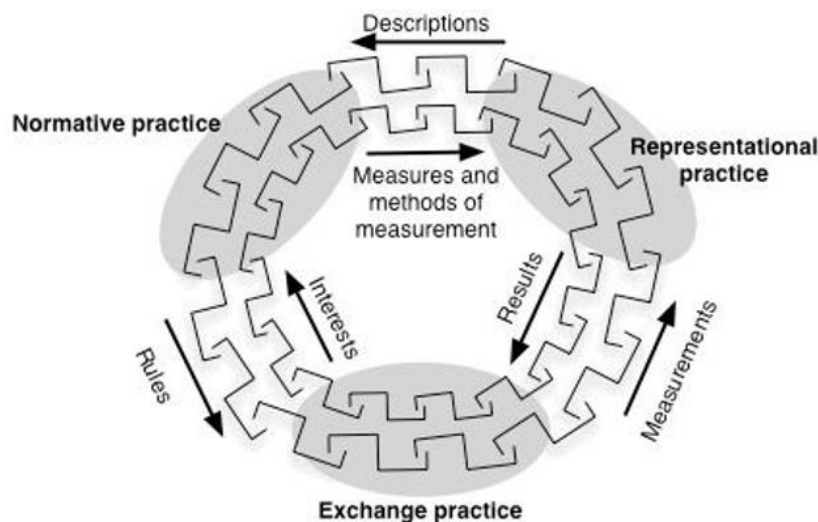


Figure 1. Market practices and chains of translations (Helgesson, Kjellberg, and Liljenberg 2004).

The practical association of entities is a central feature of our model. For instance, some of the more important outcomes of exchange practices are the constitution of buyers, sellers and products. Market actors are seen as outcomes of associating practices and are characterised as networks – actor- networks (Latour 1987), which among other things means that the ability to act is in itself an achievement. Such networks have variable geometry; they are fluid and precarious entities that are awarded characteristics by those who interact with them (confer Håkansson and Snehota 1995). The process through which market actors are configured is one of inter-definition (Law 1994; Latour 1996).

Our conceptualisation of market practice further draws on the notion of translation (Callon 1986; Latour 1986). Translation denotes a basic process by which something – a token, an idea, a rule, a text, a product, a technique, a truth – spreads across time and space (Latour 1986, 1999). The basic assumption is that if no one “picks it up”,

nothing happens. No initial or inherent force is ascribed to entities themselves. Those who pick them up, contribute in a non-trivial way to their existence and future development. Each transportation implies a transformation of that which is being moved. If an entity remains the same despite being spread, then this requires explanation. We use the notion of translation to characterise the interrelation of various market practices. Be it practices within the same broad category or indeed spanning the broad categories. Indeed, translations are themselves brought about and maintained by practices. As an example, the process of crafting a market strategy – which we consider to be a normative practice – may produce intentions that become translated into prescriptions for future exchange practices and into new methods for measuring and describing the market. As a whole, we conceive of individual market practices as linked through chains of translations (Latour 1999) that produce the market.

The notion of different practices being interlinked through translations has a powerful consequence regarding how we understand micro and macro. It may be conceived how normative and representational practices are of a more 'macro' kind than are exchange practices. Yet, one benefit from focusing on the interlinking of practices through translations is precisely that it avoids assuming that there is an essential distinction

#### Performativity, linking ideas to practice

How then, are ideas about markets linked to our conceptualisation of market practice? The issue at stake here, is one which social science extensively has dealt with, namely the relation between the world of ideas – *res cogitans* – and the world out there – *res extensa* – to use the classic Cartesian expressions. How can ideas affect reality, or more specifically, how can ideas about markets affect the practices that constitute them?

The modernist settlement of this issue is to conceive of the two worlds as separated by a radical gap

between macro and micro. What the notion of translation highlights is that any perceived larger scale is the outcome of translations rendered invisible (Callon and Latour 1981; Helgesson and Kjellberg 2005). With our focus on practices, the notion of translation allows us to study how the shaping of markets involves practices that traverse and interlink entities of different perceived scale.

(Latour 1999). This solution, well rooted in western philosophy of science, is a foundation for discussing to what extent ideas about the world are congruent with the 'actual' world. In this framework, the issue of performativity, that is, how the world of ideas might participate in shaping the world out there, becomes one of a circular causal relation between the two worlds over time. The processes at work in linking the two worlds are reflected in concepts such as making sense and taking action (see Figure 2).

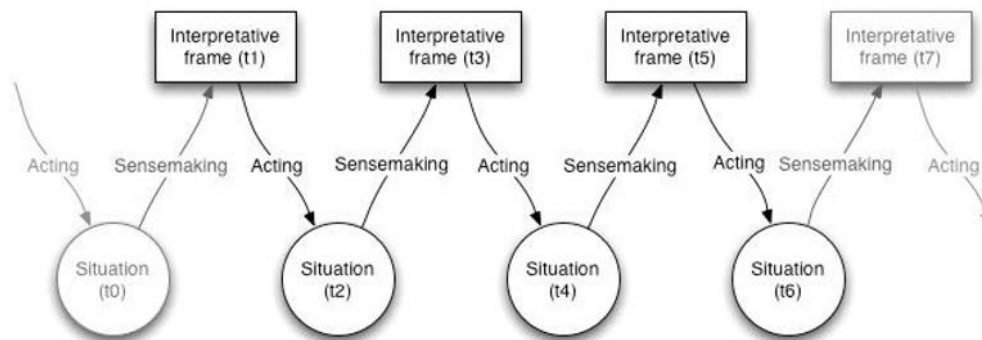


Figure 2. Linking ideas to reality over time by making sense and taking action.]

Robert Merton's discussion of unanticipated consequences and self-fulfilling prophecies is one example of this stance. "[W]e respond not only to the objective features of a situation, but also, and at times primarily, to the meaning this situation has for us" (Merton 1996). Our responses, which are based on our interpretation of the situation, will then have real consequences for the unfolding situation. This opens for a circular relation between making sense of and acting in situations and for phenomena such as self-fulfilling and self-destructing prophecies. By rendering prophecies public, expectations about situations may spread and become part of several actors' interpretative frameworks. As Merton points out, however, the spread of a prophecy does not necessarily result in its realisation, but may just as well lead to its de-realisation, i.e. a self-defeating prophecy. In stressing market practice – the concrete activities that constitute markets – we depart from this stance. Following a framework embraced by empirical studies of science (rather than philosophy of science), our starting point is that there is no radical gap between the world of ideas and the world

outthere. What many empirical studies of natural (and social) sciences convincingly have shown is the many tangible links, translations, that constantly are forged between what in stable situations appear as a world of ideas on one side and a world out there on the other (cf. Latour 1993). Indeed, we consider both to be outcomes of practice and conceive them as representing the imaginary end-points in a succession of practical translations, each infused with ideas but also located in the world (see Figure 3). Moves from the world of ideas towards the world out there perform the world, whereas moves in the opposite direction, re-present the world. (These translations can be thought of as located orthogonally in relation to our model of market practice, providing a third dimension to Figure 1.) We term the infusion of ideas into the world, which results from moving from left to right in Figure 3 (from the "world of ideas" towards the "world out there"), performativity. Following MacKenzie (MacKenzie 2004) we distinguish between two categories of performativity: Austinian and Generic performativity.

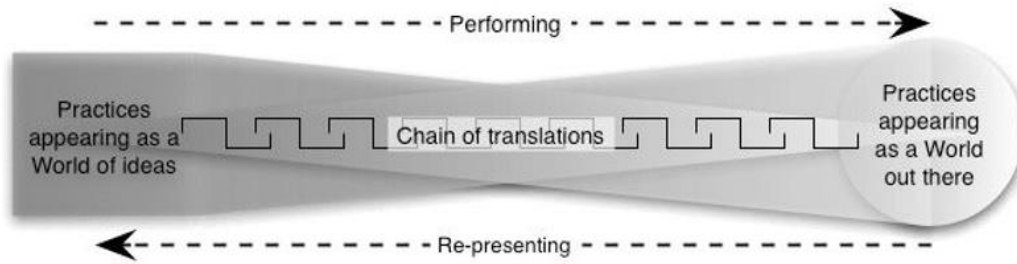


Figure 3. Outcomes of practice. The “world of ideas” and the “world out there” as imaginary end-points in a chain of translations (adapted from Latour 1999).

Austinian performativity (MacKenzie 2004) denotes situations where there is an exclusive and exceptionally strong link between a theory (in the world of ideas) and the world out there.<sup>2</sup> The extreme case concerns performative utterances or speech acts, sentences that alter reality simply by being pronounced under the right conditions (Austin 1962). A well known example is: “I hereby declare this annual meeting opened” (see Fauconnier 1981). MacKenzie’s (2003) work on the intimate link between the Black & Scholes stock option pricing formula and real stock option markets could be placed in this category. In these cases, the very use of a certain theory so profoundly affects the workings of the market that the theory becomes inseparable from the subject matter it once was devised to describe. Generic performativity denotes a wide variety of cases where ideas (theories, social

categories, etc.) in some non-exclusive way partake in shaping reality (MacKenzie 2004). This would include attempts to organise markets based on received IO-theory (Callon 1998), e.g., in connection to the regulation orde-regulation of industries such as telecommunications (Helgesson 1999), electricity (Olsen 2000) or postal services (Mattsson 2004). The inscription of theoretical concepts borrowed from economics into anti-trust legislation, and the organisation of customer loyalty clubs based on relationship marketing models are other examples of generic performativity. The links forged between ideas and other elements range from their impact on the cognitive frameworks employed by market actors to inscriptions into goods, calculative devices and physical marketplaces (e.g. supermarket shelves).

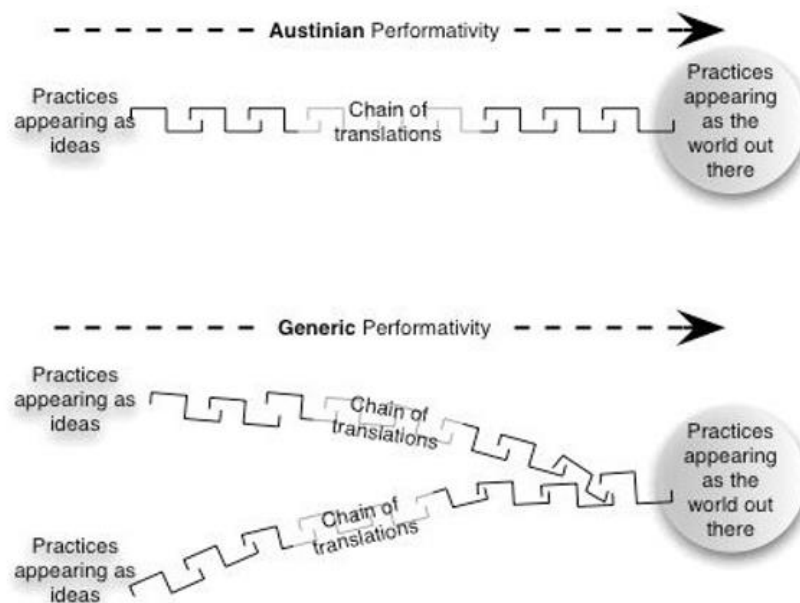


Figure 4. The principal difference between Austinian and Generic performativity.

Having presented our basic model of market practice, and our view of the link between ideas and

reality, we are ready to discuss how market practice may be infused with ideas.

### Exploring cases of performativity in practice

In this section, we discuss three cases of performativity in relation to our conceptualization of market practice. The question here is how performativity might be conceptualized given our basic model of markets as constituted by the three broad and interlinked categories of exchange, normative and representational practices (cf. Figure 1 on page 3). As stated in the previous section, we view the translations between 'practices appearing as ideas' and 'practices appearing as the world out there' as located orthogonally in relation to our model of market practice. This implies that we anticipate the possibility of performativity in any of the three

broad categories of market practices.

We start this discussion with the strong case of Austinian performativity. Then, we address the issue of strong performativity in connection to exchange, normative and representational practices, respectively. Finally, we look at controversies emerging from rival efforts to shape market practice. Since the two latter cases does not fully exhibit the characteristics of Austinian performativity, they can both be said to belong to the broad category of generic performativity.

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