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The emergent role of value representation in managing business relationships

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ABSTRACT

This paper explores value processes, their effects, and their management in business relationships. Over time, scholars progressively moved their interest from the value of the objects exchanged to the value of business relationships. However, how value is related to interactive processes that characterize business relationships still remained unclear. With this scope, the paper brings to the fore recent studies on the role of actors' perceptions of value and the interactive features of the business context. The empirical research involves 77 interviews carried out over two years with actors internal and external to the Mikron Tool's business network, a Swiss leader in manufacturing high-precision tools. The study shows that four key value processes – value creation, value communication, value measurement, and value appropriation – determine specific consequences that must be managed to achieve effective business relationships. Moreover, empirical evidences highlight the relevance of value representation in affecting the four value processes. The study contributes to an improved understanding of value management in interactive and interdependent business contexts. Also, it draws attention to the need for a better integration between the traditional economic view of value and recent insights from the fields of organizational psychology and sociology.

1. Introduction

Value is among the 10 most important research topics in marketing (Ostrom et al., 2010). The high number of special issues and conferences' tracks on this subject further confirms its relevance. Managers in industrial companies also rate value as a top priority for business management (ISBM, 2011).

In the past, the most diffused view of the concept was strongly influenced by classical and neoclassical economic studies. Indeed, for a long time, research on value analyzed the activities that allow for exchanges, emphasizing the physical-economic content of the transaction and the active role of the supplier over the customer. The economic perspective was based on the concept of utility maximization and mostly neglected the other social, psychological, and emotional dimensions of value. Given the absence of uncertainty, decisions were undertaken without the evaluation capacity of the subjects. From this non-interactive perspective, value was added during the production process, embedded in the products and services and objectively measured by the price paid.

In the course of time, however, scholars progressively moved their interest from the value of the objects exchanged to the value of relationships, networks, and constellations. Moving from a product-centric to a relational logic, studies on value have been enriched with new ideas and thoughts. These advancements, nevertheless, have not completely caught the complexity and richness of the interactive processes that involve actors participating in business-to-business (B2B) relationships. In addition to that, studies on value tend to refer to different phases and processes, but the connections between them remain under-investigated (Helkkula & Kelleher, 2010). For instance, only a few studies exist on how communicative interaction supports value creation (Salomonson, Åberg, & Allwood, 2012), how perceptions of value affect value creation (Gummerus, 2013), and how individuals appropriate the value created (Lindgreen, Hingley, Grant, & Morgan, 2012).

This puzzle also translates into difficulty in treating the concept at the managerial level: Research on value has not yet provided tools that can represent the complexity of the business context and hence effectively address managerial decisions based on the value of business relationships. Developing a framework for the value concept that is useful to management remains a priority (van Rensburg, 2012).

If value is associated with business relationships and networks, there is the need to examine more in depth the implications of adopting a relational perspective. This entails bringing to the fore the role of actors and the context of interaction where actors operate. Such development also passes through a better connection between the roots of the concept and fresh developments or, put differently, the traditional economic outlook on value should be better integrated with psychological and sociological perspectives, thus making the concept more interdisciplinary.

Aim of this study is to explore how actors' subjective interpretations and the context of interaction affect key value processes, and to provide indications for the management of these consequences. To do so, value

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processes are distinguished into value creation, value communication, value measuring, and value appropriation. Empirically, a longitudinal case study of Mikron Tool's business network is presented. 77 interviews have been carried out with different players, both inside and outside the company (e.g., customers, resellers, agents, competitors). In this paper, the term 'actor' is used to indicate the business organization as a collection of individual managers.

This research will provide a better understanding of value processes and their management in interactive and interdependent business contexts. It will also shed light on the relevance of the ways actors represent the value of business relationships.

The paper is organized as follows. Section 2 contains the literature review on the value concept, with a specific reference to current insights into the role of actors and the context of interaction for value conceptualizing. Section 3 describes the four key value processes. Section 4 includes the methodology for the research, while Section 5 presents the main findings. Discussion, conclusions, and implications for theory and practice end the paper.

2. Literature review

2.1. An evolving view of the value concept

The concept of value plays an important role in management studies. Scholars and managers agree that the creation of value for customers and other stakeholders is vital to the company's long-term success and a major source of competitive advantage (Anderson & Narus, 1990).

The initial conceptualization of value was mainly inspired by studies from classical and neoclassical economics. In this view, the competitive market is 'given' and individuals are perfectly rational in determining the value of 'things.' Decisions, in turn, are based on the objective convenience that descends from the costs and revenues, from foresight and calculation associated with each action.

However, over time, socio-organizational studies began to influence marketing studies, which started to go beyond economists' traditional centrality of the concept of exchange in favor of the role of relationships, primarily in their dyadic form and then as complex networks. From that moment, the economic dimension of exchange was accompanied by the social dimension of relationships. In marketing, this change was strongly promoted by the International Marketing and Purchasing Group (IMP) (Håkansson & Snehota, 1995) and by the diffusion of relationship marketing, with an important impact on value conceptualization: "*From a marketing concept related to the transaction, the value for customers is embedded in the exchange of a product for the price. However, if we assume that marketing is based on relationships, the role of the product begins to blur*" (Grönroos, 1997: 411). Scholars recognized that the attributes relevant to the creation of value were no longer those related to products and services but also, and especially, those pertaining to relational processes.

Accordingly, within a decade or so, research on value produced numerous and elaborated models aimed at defining the concept of relationship value and grasping the factors that contribute to generating value beyond products and services. This conceptualization, nevertheless, occurred mostly through the search for the best combination of benefits and sacrifices that makes up the value of relationships. Somewhat the implications deriving from value subjectivity have been neglected in this literature: "*Once it is accepted that perceptions of value are specific compared to subjects, delimited, interdependent, and therefore constantly changing, it becomes obvious that the evaluation of relational outcomes cannot be based on a given set of economic criteria (benefits and sacrifices) that reflect the content and the form of relationships*" (Corsaro & Snehota, 2010: 996).

Applying the benefit and cost approach to business relationships entails assuming that relationships are of a circumscribed content, observable, and measurable. Implicitly, relationships have been treated again as objects of exchange, like products and services or, in other words, the notion of relationship value was still strongly influenced by economic studies.

The starting point for this work is that existing research on the value of business relationships seems to offer an oversimplified view of the concept. Even if value is no longer considered as embedded in the supplier offering, but rather emerging through the use of such offering in interaction among multiple parties (Grönroos, 2008; Vargo & Lusch, 2008), a shortage of studies still exists on how value is related to interactive processes that characterize business relationships (Salomonson, Åberg & Allwood, 2012).

2.2. The role of actors and the context of interaction for value conceptualization

Marketing scholars have reinforced the criticism of the prevailing notion of value, especially emphasizing the influence of psychological and social aspects that turn away from the economic model of objective convenience. As a consequence, the literature on value is becoming more and more interdisciplinary, and with respect to not only business-to-consumer markets, but also B2B markets.

Many researchers have gone beyond the notion of 'homo-economicus,' stressing the ambiguity that characterizes managerial choices and the notion of limited rationality (March, 1994). In managerial practice, actors often have only partial information and a narrow time to undertake decisions.

Given the uncertainty and dynamic nature of markets, it is even more critical to contemplate the competitive context not exclusively based on structural characteristics that are objectively valuable. When the context is complex, the way actors assign sense to it becomes critical. The concept of sense-making from organizational psychology means that subjects make choices and decisions based more on perceptions and interpretations than on systematic evaluation of the concrete features of the context (Weick, 2001). Through processes of enactment, managers socially build aspects of the material environment (Weick, 1995), generating a loop in which individual action nurtures the social processes in the creation of collective cognition (Walsh, 2013). The market can thus be seen as a semantic and cultural frame that emerges from the interaction between subjects and that can be changed and more or less freely re-interpreted and re-invented, thanks to margins of ambiguity and uncertainty that characterize the context itself (Kaplan & Tripsas, 2008).

This behavior reflects not only managers' cognitive elaboration, but also their emotions. Value in use of complex industrial solutions can indeed be both emotional and social, and this marks a deviation from traditional B2B literature, whose focus has mainly been on utility maximization (Blocker et al., 2011). Payne et al. (2008) further developed this position and affirmed that value is composed of emotional, cognitive, and behavioral elements, all interrelated.

From an ontological perspective, it seems necessary to recognize the subjective and experiential nature of value, as well as the processes through which the customer assigns sense to it (Goulding, 2005; Woodruff, 2007). Hilton et al. (2012) argued that if value is "phenomenologically" determined by the client (i.e., a personal evaluative judgment), then it becomes "*a process of resource integration undertaken by two or more actors with the intention of each realizing a value proposition*" (2012: 1504). Value is an ongoing, iterative circular process of individual and collective sense-making as opposed to a linear cognitive process. However, the phenomenological nature of value has not yet been adequately elaborated and characterized in marketing (Helkkula et al., 2012).

One further important source of insights for recent conceptualizations of value is found in economic sociology studies (Giddens, 1984), which shed light on the performative and contextual nature of markets (Slater, 2002). Drawing from them, Vargo and Lusch proposed an alternative point of view based on an exchange that is both economic and social. Value is created from the evaluation, manipulation, and