Journal of Purchasing & Supply Management ∎ (∎∎∎∎) ∎∎∎–∎∎∎

Contents lists available at ScienceDirect

Journal of Purchasing & Supply Management

journal homepage: www.elsevier.com/locate/pursup

A grounded theory of value dissonance in strategic relationships

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ARTICLE INFO

Article history:
Received 26 January 2016
Received in revised form
14 March 2016
Accepted 26 April 2016

Keywords:
Value
Strategic relationships
B2b relationships
Perceptions
Stakeholders
Grounded theory
Focus groups

ABSTRACT

Value creation is central to major business-to-business relationships, yet despite the criticality, stakeholder value expectations may not be met. This study explores how senior buyer and seller-side relationship managers (N=25), managing relationships worth £5M–£750M per annum, perceive and manage value and the implications of these perceptions to both parties. In a novel combination, focus groups were used to generate the initial dataset and category structure of a grounded theory study. Categories were subsequently explored through 1:1 interviews. The concept of Internal Value Perception Dissonance (IVPD) is developed, and its properties, dimensions and consequences are discussed. IVPD adds a new intra-organisational dimension to the causes of relational failure. Value-dissonance theory is developed that directs practitioners toward pluralistic, internal collaboration as a precursor to inter-organisational collaboration. The disparity in buyer-side value perceptions, shows that these organisations cannot be regarded as cohesive, unitary entities. *The* buyer does not exist in these cases.

1. Introduction

Value creation from business-to-business (B2B) relationships is a crucial source of competitive advantage (Anderson and Narus, 1998; Lindgreen and Wynstra, 2005). The value derived is heightened as organisations rationalise their supply bases and outsource to deliver innovation (Cheung et al., 2010), creating smaller numbers of larger, strategically significant relationships. Strategic relationships are used as a term in this study to denote long-term, high-spend, contractually based B2B relationships that are actively and directly managed. At the heart of these strategic relationships is the expectation that suppliers will create value that can be converted to competitive advantage through innovation, reduced operational costs and improved service (Chen et al., 2004; Cheung et al., 2010). Although the importance of value is widely accepted, it is a complex and incompletely understood concept. Value from B2B relationships continues to attract broad scholarly interest including themes of relational value (Haas et al., 2012), value measurement (Keränen and Jalkala, 2013), value appropriation between partners (Pérez and Cambra-Fierro, 2015; Pinnington and Scanlon, 2009) and service value (Grönroos, 2011; Hawkins et al., 2015; Vargo and Lusch, 2004). Central issues still persist surrounding the nature, creation and assessment of value in the contract delivery period. These gaps have been identified as key research priorities for the evolving academic B2B value agenda (Lindgreen et al., 2012), particularly in complex service systems where value propositions invite, shape, and potentially transform stakeholders' engagement and experience (Chandler and Lusch, 2015).

At the heart of the persistent issues in value research is a recognition that value is contextual, temporally bound and perceptual (Day and Crask, 2000), dimensions that all increase the difficulty in its objective assessment. The inability to consistently assess the value of B2B relationships through the longer-term contract delivery phase creates tension and conflict. Failure to manage conflicts in value perceptions can ultimately lead to relationship failure (Aarikka-Stenroos and Jaakola, 2012) exposing organisations to material risk in commercial performance. Value perceptions are especially critical in strategic relationships as they are delicately balanced and can have vulnerabilities that can render one of the parties' value contributions obsolete (Ellram and Krause, 2014).

Strategic relationships are characterised by complex social interactions, founded on tacit understandings that develop during the course of a long-term association. This Grounded Theory (GT) study develops the theory of Internal Value Perception Dissonance (IVPD) to explain how buyer and supplier-side relationship managers perceive and manage value in their strategic relationships. Participants (N=25) were senior stakeholders in buyer or supplier-side roles, with a minimum of five years' experience of

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http://dx.doi.org/10.1016/j.pursup.2016.04.005
1478-4092/

managing strategic, long-term supply chain relationships worth £5M–£750M per annum across a range of industries. GT is adopted in this context because of its suitability for studying how individuals interpret reality (Suddaby, 2006), or each other's behaviour (Kaufmann and Denk, 2011). In this study, GT enables the development of new and deeper theoretical insights into value perception formation from buyers' and suppliers' perspectives. An unexpected phenomenon emerged from the early data generated; notably recurrent issues with value perception formation within buying organisations were found to be compromising relational success. The concept of Internal Value Perception Dissonance (IVPD) was eventually adopted as a central GT category and subsequently elaborated into a substantive theory of value dissonance. IVPD portrays a complex, dynamic, social system where differences in value cognition, perceptions, expectations and priorities are extended or contracted by prevailing internal discursive[1] processes. Positive value perceptions and relationship success require alignment across the B2B dyad, but crucially, alignment can only be established where first the phenomenon of buyer-side dissonance is resolved. IVPD highlights the importance of internal relationship management as a precursor to value delivery and thus challenges the dominant assumption in the B2B literature that the inter-organisational interface is the primary focus for concern and alignment.

2. Conceptual background

GT studies pursue a process of evolving theoretical sensitivity in preference to ex-ante conceptual model development to minimise the risk of preconceptions compromising theoretical insights (Glaser, 1978). Accordingly, the following sections are presented as a post-hoc synthesis of literature from the study's departure point of inter-organisational value development in strategic relationships. Inductively indicated conceptual themes cover complexity, subjectivity and context, and the role of perception in value assessment.

2.1. Value in strategic relationships

The value literature has evolved from a predominantly short-term focus on transactional exchanges toward a longer-term relational perspective of value (Lindgreen and Wynstra, 2005), including partnership relationships that embed collaboration, mutuality and long-term commitment (Spekman and Carraway, 2006). The size and scope of strategic supply chain relationships provide opportunities to deliver competitive advantage (Dyer and Singh, 1998) through access to partners' resources, initiatives and innovation (Barney, 2012; Håkansson and Ford, 2002). A common theme in the supply relationship literature is the need to align and manage inter-organisational interfaces to achieve value and competitive outcomes (Ambrose et al., 2010; Prior, 2012; Schurr et al., 2008).

The importance of value creation is heightened in strategic B2B relationships (Whipple et al., 2010) which are long-term and continuous rather than episodic business exchanges. The relationships themselves become valuable for the enhancement of brand reputation, inter-organisational learning, demand stability, and inter-personal social capital (Lawson et al., 2008) yet the scale, diversity, complexity and politics of contractual commitments can make the future assessment of value difficult (Corvellec and Hultman, 2014). Collaborative strategic relationships are still poorly understood and are difficult to manage in practice (Touboulic and Walker, 2015). Consequently, these relationships are not developed to their full potential (Meehan and Wright, 2013), and the failure rate is high (Fang et al., 2011). Collaborative strategic relationships are particularly susceptible to failure owing to wider organisational and behavioural issues (Emberson and Storey, 2006), highlighting the role of individuals' actions and perceptions.

Contemporary value research recognises the increasing complexity of strategic relationships and shifts the emphasis towards the importance of both inter- and intra-organisational landscapes to derive value (Makkonen and Vuori, 2014). The need to consider dynamic interactions, particularly in services (Lacoste and Johnsen, 2015) is acknowledged as service contracts rarely involve a single actor or a single point-in-time (Chandler and Lusch, 2015). An interactive view of B2B service conceptually moves the value landscape from what a supplier provides to a customer, to what is received (and perceived) by all counterparts within, and through, the service interaction (Ford and Mouzas, 2013). The extension of the context in which value is considered poses new considerations for scholars as value is temporal, conditioned by social settings, and is idiosyncratic involving sensemaking by a range of stakeholders (Corvellec and Hultman, 2014).

2.2. Value perceptions

For managers looking to realise the value-creating potential of strategic relationships it is important that differences between buyer and supplier perceptions are understood, along with differences in each party's approach to the capture and management of value. Value perceptions are complex (Helkkula and Kelleher, 2010) as they simultaneously possess enduring features conditioned by roles, behaviours, and information received (Lambert and Enz, 2012), and dynamic features influenced by social forces between individuals (Edvardsson et al., 2011). The perceived value of goods and services constitutes an economic assessment of the utility of tangible and intangible technical, service, economic, or social benefits embodied in the offering. In contrast, the value of supply chain relationships stretch beyond explicit exchanges to include latent benefits arising from enhanced reputation, market-access and innovation potential. Relational value is enhanced through inter-personal socialisation that provides shared knowledge, contacts and reputational enhancement (Cousins et al., 2006). Social and cognitive processes are important in value creation (Haas et al., 2012), as are behaviours conditioned by past experience and personal preference (Biggemann and Buttle, 2012). Despite these individual dimensions of value perceptions, inter-organisational communication is still often considered to occur between organisational rather than social entities (Gligor and Autry, 2012), and there are gaps in our understanding of the role of peoples' actions and perceptions in collaborative relationships (Touboulic and Walker, 2015).

Value perceptions form against previously established expectations (Faroughian et al., 2012; Woodall, 2003). Experientially grounded expectations vary between individuals and crucially can change over time, creating a moving target against which current performance is judged. A consistent picture of value is particularly difficult to establish where customers' value expectations change rapidly or extensively (Flint et al., 2002). The importance of understanding how value perceptions form and vary between stakeholders increases in light of these social, behavioural and experiential effects on perceptions, as value concept shifts from a relatively simple transactional exchange to a complex multi-dimensional concept in strategic relationships (Blocker, 2011).

In the context of strategic long-term relationships, partners not only have expectations of the value their organisation should receive, but also consider the fairness in value appropriation arising

[1] Used throughout in its meaning of: relating to discourse

Please cite this article as: Pinnington, B.D., et al., A grounded theory of value dissonance in strategic relationships. Journal of Purchasing and Supply Management (2016), http://dx.doi.org/10.1016/j.pursup.2016.04.005