

Realising intangible business relationship value for the seller - the role of the salesperson

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Abstract

Customer relationships are seen as one of a firm's most important set of resources or assets. According to the resource advantage theory, customer's resources are potentially available to the seller once a relationship is established between them. In addition, the intangible resources that are available from the customer relationships are potentially likely to contribute to seller's sustainable competitive advantage. This paper explores the salesperson's role in realising the potential value of these intangible relationship resources.

Introduction

Customer relationships are viewed as one of a firm's most important assets (e.g., Webster, 1992). The value of relationships as assets is due to the ability to gain resources through them. Morgan and Hunt (1999) categorise these resources into seven categories: physical, financial, legal, human, organisational, relational and informational resources. Based on the resource-based view (Barney, 1991; Collis, 1991; Dierickx and Cool, 1989), Morgan and Hunt (1999) argue that it is specifically the intangible resources gained in marketing relationships which are likely to become the potential sources of a firm's competitive advantage that is sustainable in the long-term because the creation of these resources is complex, ambiguous and time dependent. In particular, they note the organisational, informational and relational resources as important. Under the service-dominant (S-D) logic (Vargo and Lusch, 2004, 2008), these intangible resources are operant resources (Hunt, 2004; Madhavaram and Hunt, 2008), which are resources that can act on other resources and create an effect (i.e., value for a firm), and are the fundamental sources of a firm's competitive advantage (Lusch, Vargo, and O'Brien, 2007). Therefore it is the realisation of the potential usability of these intangible relational resources by the seller which is the focus of the current study.

To obtain competitive advantage from relationships with their buyers, sellers need to be able to transform the potential usability of their buyers' intangible relational resources into future financial performance. Research has shown that a significant portion (29 percent) of the variation in a relationship's future financial performance is explained by the variance in the intangible relationship value (IRV) of the relationship (Baxter and Matear, 2004). However, the way in which IRV is transformed into future financial performance has not been investigated.

With reference to this transformation of resources into relationship performance, it is noted that salespeople have close contacts with customers, and that their knowledge, skills and abilities, behaviours and activities may influence the process of realising the IRV. Both marketing and sales scholars have noted that salespeople play the role of relationship promoters (Walter, 1999; Walter and Gemünden, 2000), and should play the role of relationship managers, being responsible for managing the inter-firm activities (Weitz and Bradford, 1999). Salespeople are required to establish trust and commitment with customers (Weitz and Bradford, 1999). In addition, they are in a position to identify business

opportunities for the two firms (Weitz and Bradford, 1999), and may have a vision for the development of the relationship (Rosenbaum, 2001). They should be able to persuade relationship partners to invest in the relationship so as to expand the “pie” (Weitz and Bradford, 1999). Therefore, salespeople are likely to play a critical role in the process of realising IRV. However, the majority of the studies in the sales literature have focused on the issue that salespeople should be able to orchestrate the seller firm’s resources to help customers to gain more value out of the relationship (Bistriz, Gardner, and Klompmaker, 1998; Ingram, 2004; Jones, Brown, Zoltners, and Weitz, 2005; Rosenbaum, 2001). The issue of what salespeople do, how they do it, and what are salespeople’s characteristics that may help with the realisation of IRV for the seller has not been addressed and needs to be investigated.

Intangible Relationship Value Realisation Process

According to the network approach to relationships, “[t]he value of resources lies ... in their use potential” (Håkansson and Snehota, 1995, p. 132). This helps to clarify that the potential value of a buyer’s intangible resources for the seller lies in the potential usability of these resources for the seller. It is suggested that the realised value of a resource is determined by how this resource is combined with other resources available to the firm and utilised to create value for the firm. Consistent with the network approach, the S-D logic argues that “all social and economic actors are resource integrators” (Vargo and Lusch, 2008, p. 7), and firms should always collaborate with customers and other value-network partners to co-create value through integrating their resources (Lusch et al., 2007). Therefore, the realisation of the value of the intangible resources gained in a buyer relationship can be viewed as an inter-organisational resource integration process.

Further, the network approach suggests that the substance of business relationships has three layers: activity, resource and actor (Håkansson and Snehota, 1995). These three layers are associated with each other. As Håkansson and Snehota (1995, p. 35) note: “Actors carry out activities and activate resources. Activities are resource-consuming and evolve as the capabilities of actors develop. Resources limit the range of activities an actor can pursue.” An inter-firm relationship has a profile in terms of activity links, resource ties and actor bonds. In addition, Håkansson and Snehota (1995, p. 35) argue that “[t]he existence of bonds between actors is a prerequisite for them to actively and consciously develop strong activity links and resource ties”. The relationships between these three layers of relationship substance are important for the current research. It confirms that the tying of the resources of buyer and seller is a resource integration process. In addition, this inter-firm resource integration is achieved through linking two firms’ activities, i.e., inter-firm activity integration. Further, the bonding of the actors has an effect on the inter-firm activity integration.

The activity integration in buyer-seller relationships is discussed next, followed by the discussion of the role salespeople play in establishing actor bonds between the two firms and in realising IRV. Three key aspects of activity integration in buyer-seller relationships are identified and three key salespeople’s attributes that may have an impact on IRV realisation are identified and discussed. A conceptual model is shown in Figure 1, incorporating the integration, salesperson’s attributes and intangible relationship value constructs noted above. Future financial performance in Figure 1 is an outcome variable that recognises the fact that the outcomes of intangible resources occur in the future. As Figure 1 illustrates, the realisation of IRV as future performance is influenced by inter-firm activity integration and by salespeople’s attributes. The exact relationships between the constructs in the upper part of

the model are not clear from the literature and therefore require investigation. The discussion that follows further explains the components of Figure 1. The focus is on business-to-business buyer-seller relationships.

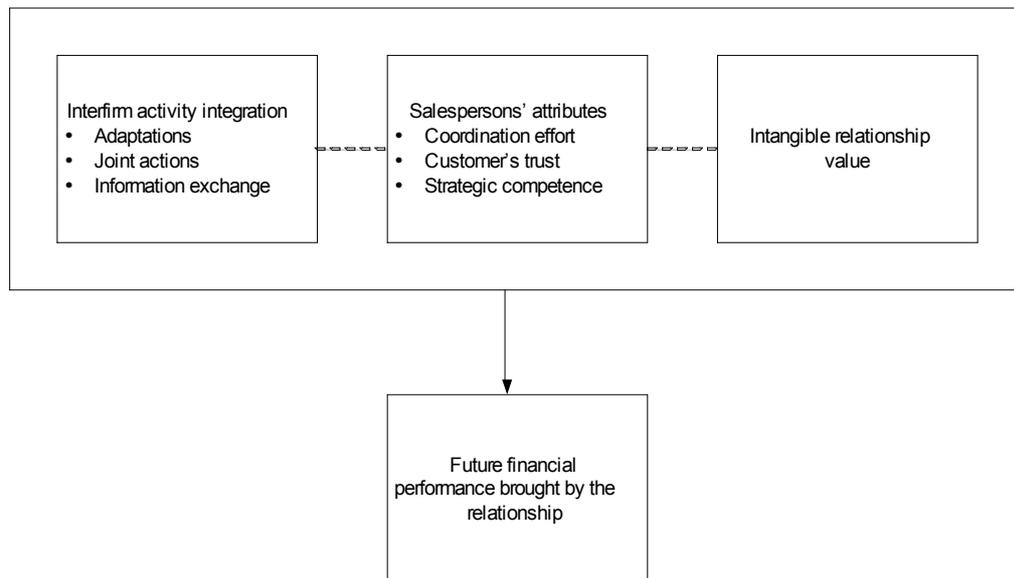


Figure 1. The process of realising intangible business relationship value – the role of the salesperson

Activity Integration in Buyer-Seller Relationships

A review of the relevant literature on integration suggests that activity integration in buyer-seller relationships has at least three aspects: relationship-specific adaptations, joint actions, and information exchange.

According to the IMP approach, activity linking can be achieved through adaptations (Håkansson and Snehota, 1995). In fact, adaptation is viewed as a prerequisite of the development and continued existence of a typical business relationship by the IMP scholars. Firms in a relationship frequently make modifications and adaptations to the products exchanged as well as routines and rules of conduct between the two firms. Adaptations can be made mutually or individually by the firms involved in the relationship (Håkansson and Snehota, 1995). In addition, the strategy literature suggests that the alignment of actions cannot be achieved without “shared and accurate knowledge about the decision rules that others are likely to use and how one’s own actions are interdependent with those of others” (Gulati, Lawrence, and Puranam, 2005, p. 419). The understanding can be achieved through exchanging relevant information. Thus, activity integration in buyer-seller relationships should be closely associated with information exchange between the buyer and the seller.

Further, the supply chain literature suggests that both joint actions taken by the supply chain partners and information exchange between them are positively associated with the expected supply chain performance outcomes. For instance, researchers find that both supplier’s involvement in customer’s crucial projects and planning processes (Chen and Paulraj, 2004) and customer’s involvement in supplier’s decision making and planning (Duffy and Fearn, 2004) are positively associated with expected performance outcomes. Studies also show that

the integration of logistics activities of the supply chain partners is positively associated with expected performance outcomes (Bagchi, Ha, Skjoett-Larsen, and Soerensen, 2005; Gimenez and Ventura, 2005). Level and quality of information sharing with customers and suppliers are positively associated with the focal firm's financial performance and competitive advantage (Li, Ragu-Nathan, Ragu-Nathan, and Subba Rao, 2006). Thus, adaptation, joint action and information exchange are important for achieving inter-firm activity integration.

Salesperson's Influence on IRV Realisation

Three salespeople's attributes are viewed as important for IRV realisation in this study: customer's trust in the salesperson, salespeople's coordination effort and strategic competence. The effects of these three attributes are discussed next.

Effect of Customer's Trust in a Salesperson on IRV Realisation

As mentioned earlier, actor bonds developed between the two firms have an effect on the activity integration between them. In addition, Håkansson and Snehota (1995, p. 204) suggest that bonds are developed when the actors "mutually develop trust, attribute to each other certain identifies and become committed". Working at the boundary of the buyer and the seller firms, salespeople would be able to influence the development of the actor bonds of the two firms, and thus influence the activity integration between the two firms. In fact, both marketing and sales scholars suggest that boundary personnel are the ones who establish the social bonds between the two firms (Håkansson, 1982), and salespeople should be able to build up trust and commitment between the two firms (Weitz and Bradford, 1999). Consistently, researchers argue that trust is established by individuals (Narayandas and Rangan, 2004) or "has its basis in individuals" (Zaheer, McEvily, and Perrone, 1998, p. 143). Therefore, customer's trust in the salesperson is viewed as relevant to establishing actor bonds between the buyer and the seller and thus has an influence on IRV realisation.

Empirically, Swan, Bowers and Richardson (1999) conduct a meta-analysis on customer's trust in salespeople and find that this trust has consequences for (1) customer's satisfaction with the salesperson or the selling firm and products, (2) positive attitudes towards salesperson or the selling firm, (3) intentions to engage in a positive action with salesperson or the selling firm, and (4) positive sales and purchase choice towards the salesperson or the selling firm. Therefore, customers' trust in the salesperson will influence inter-firm activity integration and thus IRV realisation by the seller.

Effect of Salesperson's Coordination Effort

Salespeople's coordination effort is defined as the amount of time and energy a salesperson devotes to coordinate the inter-firm resource integration activities, including inter-firm information exchange, adaptations, and joint actions, for realising value out of customer relationships for the seller firm. Both marketing and sales researchers argue that inter-firm personal contacts need to be well coordinated (Cunningham and Turnbull, 1982), and inter-firm activities need to be well managed (Weitz and Bradford, 1999) to make effective use of the resources of the two firms. Further, Weitz and Bradford (1999) suggest that salespeople need to play the role as relationship managers, being responsible for managing the activities of teams rather than simply managing their own personal activities.

Salespeople's role to orchestrate intra-organisational resources to meet customers' requirements has been noted repeatedly in the sales literature as an important aspect of being a successful salesperson (Jones et al., 2005; Plouffe and Barclay, 2007). Ingram (2004) argues that the salespeople's role as a coordinator of organisational resources to provide "customer value" needs to be redefined to recognise salespeople's orchestration activities. However, "little empirical research exists on communication issues underlying salespeople's efforts in orchestrating the relationships between selling and buying organisations" (Jones et al., 2005, p. 107). Thus, there is a need to investigate salespeople's coordination effort on IRV realisation for the seller.

Influence of Salespeople' Strategic Competence

Salesperson's strategic competence is defined as a salesperson's competence in identifying opportunities for the relationship dyad, and the ability to help with the realisation of the opportunities. Weitz and Bradford (1999) argue that the salespeople's role has entered a new era as a value co-creator for both the buyer and the seller. They should be able to help both sides to expand the "pie" (Jap, 1999). The efforts to expand the pie typically involve making risky, relationship-specific investments (Weitz and Bradford, 1999). Thus, salespeople need to have the competence to convince both the seller and the buyer that idiosyncratic investment will pay off.

Weitz and Bradford (1999) further suggest that salespeople need to have the strategic knowledge of what the seller can do and what the buyer will want to do in the future. Walter and Gemünden (2000) argue that a relationship promoter should also possess a sophisticated knowledge about relevant third parties and the bonds between firms. In Bistriz et al.'s (1998) research, they find that a salesperson's understanding of customer's business goals and objectives is rated as the second most important factor for building credibility with customer's executives. Specifically, Siebel MultiChannel Services find that salespeople who excel at aligning customer/supplier strategic objectives use a long-term approach to doing business with customers and try to further the interests of their customers' firms as well as their own (cf., Rosenbaum, 2001). They keep current on developments that may affect customers' business strategies, and are willing to help with customising products or services. The study also suggests that salespeople should also possess the competence of establishing a vision of a committed customer-supplier relationship. It requires "expanding" customers' understanding of what a business relationship can be. Salespeople should be able to communicate achievable objectives for the relationship while challenging the creativity of both organisations (cf., Rosenbaum, 2001).

Therefore, a salesperson's strategic competence will allow them to convince two firms in the relationship to make strategic relationship-specific investments, which is part of the relationship-specific adaptation (Brennan, Turnbull, and Wilson, 2003), and thus part of inter-firm activity integration. Therefore, salespeople's strategic competence will have an effect on the integration of two firms' resources and the future development of the relationship. This in turn will have an effect on the level of IRV realisation.

The literature review above suggests that salespeople's attributes affect the utilisation by a seller of the intangible value that is potentially available from its customer. The activities are in terms of the adaptation, joint actions and information exchange and the attributes are specified in terms of the salespeople's coordination efforts, their strategic competence and

their ability to develop their customers trust. The central proposition of the current paper, as illustrated in Fig. 1, is:

In a business-to-business buyer-seller relationship, effective salespeople's attributes will positively influence the way in which activities that integrate the resources available to the two firms results in relationship performance, in the perspective of the seller.

Conclusions

This paper proposes, based on the literature, a conceptual model to guide the exploration of the important process of realising IRV for the seller in a business to business buyer-seller relationship. It suggests that the IRV realisation process is an inter-organisational resource integration process, which is achieved through inter-firm activity integration. Three key aspects of inter-firm activity integration are identified: adaptation, joint action, and information exchange. In addition, three salespeople' attributes are proposed to have an impact on the IRV realisation process: customers' trust in the salesperson, salespeople' coordination effort, and salespeople' strategic competence.

The proposed model is the basis for an empirical study. As a first empirical stage, the links between the constructs in the model in Fig. 1 need clarification and/or confirmation, in a qualitative study which will also provide information for measurement scales for a planned quantitative phase. The quantitative phase will collect survey data which will be analysed using structural equation modelling software to help establish the validity of the scales and to provide further evidence for the structure of the proposed model.

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