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An Integrated Concept on the Value of Business Relationships

How could it be useful?

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Revised version

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Abstract

The participants involved in business relationships and those who are concerned by the economic situation evaluate the value of business relationships. Perceptions of value, therefore, can be individual or collective in nature, and as such, can be similar or different, with both playing a role during different organizational decisions.

The concept of business relationship value developed in this paper is useful as it integrates the knowledge of value gained in other science disciplines and incorporates both economic and social value types, and their value constituents, from the point of view of both the buyer and the seller It also contains indicators at the exchange, relational and network level of business relationships.

One original aspect of this integrated concept is that it is a complex approach, using a combination of North American and European research approaches to business relationship value. From a scientific point of view, it could be viewed as provocative and could enhance fruitful discussions among those working in different areas or disciplines. It could also be suitable for international comparative studies. In addition to various relational decisions also described in the literature, knowledge of business relationship value would equally be of use in the field of strategic management and during decisions concerning basic resources. This knowledge becomes necessary and useful during the decision-making process and is particularly interesting if we consider the intuitive nature of many decision-making processes.

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Introduction

Business relationship value "is a problematic concept which cannot be ignored" (Wilson and Jantrania 1996 p.63). The authors concluded their research into the value of business relationships with these rather un-encouraging words. What are the reasons for such uncertainty and why is value important?

Business relationship value is a complicated phenomenon and the complexity of the topic makes it necessary to adopt a multiple methods approach. The first stage of our research was based on a broad study of the existing literature, in which we examined the marketing literature in depth, and integrated the concept of value apprehension used within the social sciences.

We summarized the results concerning the value of business relationships in a Meta model and enriched this model with the essential elements of value apprehension. We then triangulated the results of three qualitative studies conducted using different methods. By associating and comparing empirical data with this theory, we have defined business relationship value and created an integrated concept that describes business value.

Definition of value

In Zeithaml's classic article examining individual consumers' evaluation of price, quality and value, she also concluded that defining value is a difficult task. This is primarily due to the fact that consumers understand many different things by the term 'value'. Using the example of a very simple product, a fruit drink, Zeithaml encountered at least four kinds of interpretation of value. There were consumers for whom low price meant value, whilst for others, value was provided by certain product attributes (a product's characteristic or a particular combination of the product's characteristics). Another group of consumers considered value to be the quality they received in exchange for the price they had paid. For the fourth group, value was part of a more general category where value was considered to be what they received in exchange for what they had given (Zeithaml 1988).

Authors dealing with the subject equally associate various different meanings with the concept of business relationship value (Mandják-Durrieu 2000). Value has been described as an advantage (Anderson-Narus 1999), or perceived advantage, as the difference between perceived advantages and expenditure (sacrifices) (Ravald-Grönroos 1996), as contributing to improved performance (Walter et al. 2001), and as the relationship's capacity to create profit (Blankenburg Holm et al. 1999).

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Definition of business relationship value

Business relationships can be defined as a process where two organisations "form strong and extensive social, economic, service and technical ties over time, with the intent of lowering total costs and/or increasing value, thereby achieving mutual benefit" (Anderson and Narus 1991 p.96)

Organisations get into business relationships with each other in order to be able to use their own resources in a more economic way and to access part of the advantages created by the resources of the other party (Ford at al. 1998). The business relationship is important for the partners because they can either increase their turnover through the relationship or decrease their costs, which is why organisations accept the investments and adaptation required to form (durable) relationships (Ford 1984). According to Wilson, business relationships create value in the sense that the competitiveness of the participating partners increases because of the relationship. They can access technologies, markets or information that they would not have been able to access on their own. Although not all relationships are symmetrical, in order for the relationship to operate well, both parties must find something in it that they would not have been able to achieve on their own. (Wilson 1995). Keep and his co-authors examined the forces influencing long-term business relationships in four American industries and found that "for all except Pullman, the joint benefits were dominant throughout the relationship" (Keep at al. 1998 p.42). The authors' research results also drew attention to the fact that these joint benefits changed over time.

Although the quoted authors have different views on the value of business relationships, some common elements were found in their approaches, which will now be discussed. The value of business relationships has an important motivational role, since that is why the participants get into the relationship. The basic condition of the creation and maintenance of the relationship is that it provides some kind of value for both parties. Values are to be understood according to the participants' own interpretation and perception and thus can be different regarding both their objects and their importance. The business relationship is on the one hand a value creating process while on the other hand; is ensuring the distribution of values between the partners.

For managers, the allocation of resources among the different business relationships constitutes one of their most important decisions (Turnbull 1990), and as such, there are various methods of portfolio analysis (Yorke 1986, Turnbull 1990, Turnbull-Zolkiewski 1995, Turnbull-Topcu 1996) which provide help in the analysis of client relationships.

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Nonetheless, decisions on resource allocation often happen without any investigation into the advantages or disadvantages of the business relationship (Turnbull et al. 1996)that is, without the consideration of the value of business relationships. A probable cause for this may be that managers do not know the value of business relationships.

Different analyses of value from the viewpoint of the supplier and the buyer

Business relationships are made up of exchange episodes. The frequency of these exchanges and the experience acquired during past exchanges form the business relationship that the participants understand according to their own point of view (Hakansson 1982, Hakansson and Snehota 1995). These individual and group perceptions play an important role in the judgement of the relationship. Individuals' and groups' have differing perceptions related to their own social reality and it logically follows that this same reality, in our case the value of business relationships, has a different meaning for the supplier compared with the buyer. This difference in perception arises at the exchange level, due to the diverse understanding of the complexity (Hallen et al. 1987) or the importance (Metcalf et al. 1992) of products exchanged by the buyer and by the supplier. At the relationship level the perception of power relations may be different for the participants (Hakansson 1982), and at the network level, the appreciation of the participants in the relationship can be very different from the point of view of the other members in the network. This is represented by the notion of network position (Anderson et al. 1984). The exchange between the two organisations affect the business network and the network in turn affects the event between the two parties through linked yet indirect relationships.

Hakansson and Snehota (1995) determined three different functions; for the dyad, for the individual company, and for third parties of the business relationship. They argued that business relationships have different economic consequences on the relationship itself, on each company, and on the business network (Hakansson and Snehota 2000). These three levels of consequences make the management of business relationships more difficult and more complex. Managers must deal with each transaction involved in a business relationship and the consequences these transactions have on their own and their partner's company. He is also responsible for the management of the business relationship itself and has to cope with the events and elements which result from the interrelatedness of the business relationship. Various phenomena and various problems arise at each of these three levels; at the exchange episode, the relationship and the network level. At the exchange episode level, goods or services are the focus, at the relationship level it is the relationship itself, and at the network

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level it is the relationship's link with other agents in the business network. Thus, at each level, goals, actions and behaviours are different. Let us examine what value means for the buyer and the supplier at these three levels (episode, relationship, and network), that is to say how the two parties evaluate the value of the business relationship. Since the business relationship is interactive, it is worthwhile studying whether the business relationship has elements that are common or similar for both parties.

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We can say that the management of business relationship has three different levels which are the exchange episode level, the relational level and the network level. In

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Value at the exchange episode level

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At the exchange episode level, most of the authors discuss the buyer's perceived value. What does the value of business relationships mean for the buyer and the supplier at the exchange episodes level? Table 1 shows some of the most characteristic statements found in the literature.

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value at the exchange episode level	**In the viewpoint of:**
* the value of the exchange episode is the ratio between the perceived advantages and the perceived investments. (Ravalad and Gronroos 1996)	* the buyer
* the offer has to be considered as a value carrier, i.e. as a direct contribution to the buyer's performance. (Ravalad and Gronroos 1996)	* the supplier
* the value perceived by the buyer: the maximum price, that the buyer is still willing to pay for all the economic and non-economic properties of the good; the perceived value is in all cases the subjective comparison of the value of competing goods. (Reddy 1991)	* buyer (partly the seller because of the competition)
* the offer is for the buyer basically the totality of economic, technical, service and social advantages; the offer has two elements, its value and its price; (Anderson and Narus 1999)	* buyer (partly the seller because of the competition)
* "the buyers' basic value equation": the difference between the value and the price of the offer; based on the value, the buyer is comparing the competing offer packages on the market and chooses the one that represents for him the highest value. (Anderson and Narus 1999)	* buyer (partly the seller because of the competition)

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Table 1: Statements about the value of business relationships at the exchange episodes level

The most general way of considering the value of business relationships at the exchange episodes level is as the difference between the perceived advantages and perceived sacrifices (Ravalad and Grönroos 1996), whereby the buyer considers the product as the totality of economic, technical, service and social advantages. Therefore, in the buyer's point of view, the value of the product is the difference between the sum of all the advantages resulting from the usage of the goods or services, and the sum of all the inputs incurred for this usage. This value is compared to the purchase cost of the offer (Anderson and Narus 1999), and there is a maximum price that the buyer is willing to pay for the total economic and non-economic qualities of the product (Reddy 1991). The perceived value is in all cases the subjective comparison between the values of the competing goods (Anderson and Narus 1999), and for this reason, the seller views products as a value carrier, i.e. as a direct contribution to the buyer's performance (Ravalad and Grönroos 1996).

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Value at the relationship level

Examining the problem of value at the relationship level, we encounter even more kinds of approaches. Table 2 shows some of the most characteristic statements found in the literature.

value at the relationship level	In the viewpoint of:
* the existence of the business relationship itself contributes to the reduction of the buyer's perceived sacrifice and this represents an obvious value to the buyer. (Ravalad and Gronroos 1996)	* the buyer
* an ongoing, long run relationship is building up a mutual confidence between the partners (Ravalad and Gronroos 1996)	* the buyer and the seller
* a relationship is economical (Ravalad and Gronroos 1996)	* the buyer and the seller
* the value of a relationship incorporates three value categories; the expected value, the perceived value and the appreciated value. (Flint at al. 1997)	* the buyer
* the contribution of the relationship (Michel et al 2000)	* the seller
* the buyer's net present value (McDougall et al 1996)	* the seller
* the combination of the totality of direct functions (Walter at al. 2000)	* the seller
* the mutual value creating and sharing between partners (Anderson 1995)	* the buyer and the seller
* the value of a business relationship involves on the one hand the profit resulting from the given relationship, and on the other hand the value resulting from the existence of the relationship. (Ford at al. 1998)	* the buyer and the seller
* the value of a business relationship is composed by economic, strategic and behaviour (psychological) elements (Wilson and Jantrania 1996)	* the buyer and the seller

Table 2: Statements about the value of business relationships at the relationship level

The value of a business relationship at the relationship level is essentially the mutual value created and shared between the two parties (Anderson 1995), which is composed of economic, strategic and behavioural (psychological) elements (Wilson and Jantrania 1996).

The value of a business relationship involves on the one hand the profit resulting from the given relationship and on the other hand the value resulting from the existence of the relationship (Ford at al. 1998). An ongoing, long term relationship builds mutual confidence between the partners, thereby reducing the buyer's perceived sacrifice, resulting in obvious value to the buyer (Ravalad and Grönroos 1996). In the seller's point of view the value of a relationship means a combination of the totality of direct functions (Walter at al. 2000). By establishing the buyer's net present value, the seller is evaluating the economy and contribution of the relationship (McDougall at al. 1996).

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Value at the network level

In a network, further actors indirectly influence the business relationship and the interaction between the buyer and seller. At this level, the question to be asked is basically whether these actors influence the perception of the value of the business relationship of one or both of the parties concerned. Table 3 shows some of the most characteristic statements found in the literature.

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The value on the network level	In the viewpoint of:
* the network can indirectly, through the relationship commitment of the partners influence the value of the business relationship (Blankenburg Holm 1996)	* the seller and the buyer
* the positive and negative impact of networks influence the network identity of the organisation (Anderson et al 1994)	* the buyer and the seller
* the total combination of the indirect functions (Walter at al. 2000)	* the seller

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Table 3: Statements about the value of business relationships at the network level

The network indirectly influences the value of the business relationship (Blankenburg Holm at al. 1996). Positive and negative network impacts are - through the network identity of the organisation - increasing or decreasing the value of the relationship. The network can also

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influence the way the value of the business relationship is set by increasing (or decreasing) the relationship commitment of the partners (Anderson at al. 1994).

Separation of the economic and social value dimensions

Our previous analysis can be of help in making the distinction between the two value dimensions. During its evolution, marketing had taken over several theoretical constructs from economics and sociology, and as such, it is unsurprising that some of the elements describing the value of the business relationship are economic, and some are social (non-economic). By analysing value we realised that value is indeed made up of two parts, one expressing the utility and one serving as a direction for the action, and this distinction can be helpful in categorising the remaining value elements (indicators).

We consider the economic elements to be the ones that represent utility in any economic or firm-economic sense and are practically – or at least theoretically – countable, whereas the social (non-economic) elements are the ones that represent behaviour and provide the direction for the choice of the behaviour.

Based on the results of prior empirical research and the numerous theoretical models developed by authors such as Reddy (1991), Wilson (1995) and Anderson and Narus (1999) for example, we assume that the value of a business relationship has economic and social components. Therefore, we consider the value of business relationship to be a phenomenon that has economic, social, and to a lesser extent, sociological and socio-psychological characteristics. We will now summarise the components of the two main dimensions (economic and social elements) of a business relationship.

At the exchange episodes level economic and social elements are as follows.

Economic elements are, for the buyer, the difference between the financial value of the product's economic, technical and service advantages, and the purchase price in the exchange episode (Anderson and Narus 1999). The buyer analyses the product's internal and external characteristics (Ravalad and Grönroos 1996). The internal characteristics include the product's performance (in the sense that the good is appropriate for the usage expected by the buyer), adequacy (in the sense that the good is functioning adequately, without failure), technology, and the price (Reddy 1991). The external characteristics include the training offered by the seller, the maintenance training, the warranty, the supply of spare parts, and the post-acquisition costs that are incurred by the buyer (Reddy 1991).

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Social elements are the internal and external qualities of the product package. The internal qualities are the label, the packaging, and the look of the product. The external qualities are the good reputation of the supplier, the correct buyer, the response ability of the seller, the quality of the buyer-seller relationship and the services offered by the seller (Reddy 1991).

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At the relationship level, the economic and social elements are as follows.

Economic elements are the reductions that spring from the relationship, such as the value analysis performed in the relationship (Ravalad and Grönroos 1996), the quality improvement and market information acquired by the relationship (Wilson and Jantrania 1996) as well as the thriftiness of the relationship. In the seller's point of view, the economic elements are the turnover and profit resulting from the relationship, the contribution of the relationship (Michel at al. 2000) and the statement of the buyer's present value (McDougall at al. 1996).

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Social elements include the continuity of the relationship which increases the confidence between the partners (Ravalad and Grönroos 1996). For the partners, the existence of the business relationship increases the insurance and certainty of acquiring the required resources (Ford at al. 1998). The strategic dimensions of the relationship enable the partners to obtain a competitive edge, to strengthen their basic skills, and to reach more favourable market positions. The behavioural dimensions contribute to the development of a relationship culture through the evolution of a personal bond between the people involved in the relationship and the strengthening of confidence within that relationship (Wilson and Jantrania 1996).

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At the network level, the economic and social elements are as follows.

Economic elements with a potentially positive impact on the value of the business relationship are the convertibility and transferability of the resources used in the relationship, (Anderson at al. 1994), while the growing commitment of the partners can lead to the increased profit generating capacity of the relationship (Blankenburg Holm 1996). On the other hand, the uniqueness of the resources used in the business relationship can represent a negative impact (Anderson at al. 1994).

Social elements with a potentially positive impact on the value of the business relationship are the complementary nature of activities utilised in the relationship (Anderson at al. 1994) and the behavioural patterns of the people involved in the business relationship which can be used in other relationships as well (Wilson and Jantrania 1996). A negative impact of the network occurs if the activities in the relationship have no potential for further application and the

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behavioural patterns that have occurred in the relationship are very unique (Anderson at al. 1994).

Based on our extensive literature review, (Mandják and Durrieu 2000, Mandják 2002) the main characteristics of business relationship value can be summarised as follows.

The three prevalent areas of business relationship value are the exchange episode level, the relationship level and the network level and the value of business relationships differs at each of these different levels. Having said this, the values at each of the different levels are not independent of each other, but are embedded and so mutually affect one another.

Thus, in summary, the value of business relationships changes over time, and is made up of economic and social elements. In addition, the value of business relationships is subjective and of an interpretative nature and so has different meanings for the buyer and for the supplier.

To test the characteristics originating from the literature review, we conducted three different qualitative research studies.

Research design

The empirical studies had the following research design: interviews with Hungarian managers were conducted using semi-structured interviews whereas structured interviews containing open ended questions and Likert scales were used when interviewing the French managers in order to use the technique of causal mapping. The study with experts was conducted using semi-structured interviews.

Deep interviews with Hungarian managers

The essential goal of the deep-interviews has been to reveal the value of a business relationship. Or - to be more precise - to analyse what the practical specialists think about the value of a business relationship, what it means for them, whether they even consider this question, and if yes in what contexts can value be important?

The structure of the deep-interview -- that seemed in reality, considering the relatively numerous pre-drawn questions (Crimp and Wright 1995), to be closer to a semi-structured interview -- has been made in a way that it brought up the discussion of the value of a business relationship only after a deep and precise analysis of business relationships – if the interviewee was "responsive" in doing so. This hermeneutic approach (Babbie 1996) is justified partly by the complex interconnections between the business relationship and the

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value of the business relationship, partly by the fact that the value of a business relationship is less known or applied as an independent notion. Before analysing the results of the semi-structures interviews, it is important to present also the details of the data collection.

Considering that – as we saw from our previous analyses – the value of a business relationship is tightly linked with the relationship itself, with the management of the relationship and with the strategic and operative decisions related to the relationship, the questions of the interviews are directed to these matters as well. After some introductory, demographic questions we asked our interviewees to choose an important buyer relationship, to present the relationship and tell us why he considers it important. Then, we asked them to do the same with the case of an unimportant buyer. In the same manner, the two next questions were related to an important and an unimportant supplier relationship. In the course of the conversation, we paned out about the characteristics of persistent business relationships and we continued the interview with questions about decision-makings related to the creation, development, or abolition of business relationships. The final questions applied to the value of a business relationship, and of the eventual possibilities of its measurement.

Description of data collection

In the frame of the research ten deep-interviews, semi-structured interviews have been made in April and May 2002. Each interview lasted for about 1½, 2 hours. The interviews have been performed in the offices of the interviewees. The conversations have been recorded on tape, and then later written down. Essentially these written documents have been used during the research process, and in case of insecurity about some data -- misunderstanding during writing down, foreign company names or special product names – the corrections have been made based on the original vocal material.

The ten interviewees were top managers of nine companies operating in Hungary. In case of one company we interviewed the managers of two different divisions. The big majority of the respondents had at least 15 years of business experience. In the time of the interviews five interviewees worked as CEO's and the status of the others were general manager, assistant general manager, PLC-president, division manager and partner.

In total, out of the 9 companies forming our sample four are international, and five are in Hungarian ownership. All of the companies are private-owned except one Hungarian company. As far as the size of the companies, we have 5 big companies and four small and micro-enterprises in the group of the interviewed. It follows from the logic of the qualitative

research that these nine companies cannot be considered as statistically representative. In the same time, they do dispose of the particularities of the theoretical samples (Brannen 1992) that enable the recognition and the comparison of the different forms of appearance of the studied notion, which is in our research the value of a relationship.

Causal mapping

During the deep-interviews we experienced that the respondents according to their business experiences – fundamentally in a spontaneous manner – also had taken apart the value of the relationship into its elements. During the research explained as follows we had taken apart the value of business relationships into its elements too, but using another research method, which is called causal mapping. This method enables you to collect, analyse, synthesise, structure, and represent the view, thoughts, opinions of the ones joining the project, briefly their perception on the subject.

Using the method of causal mapping is not only enabling us to represent the structure of business relationships but we can also represent the perception of the people joining the research project. Comparing the individual causality maps and perceptions, the method allows us to examine their common elements defining the groups' collective causality map (Bouzdine-Chameeva and co-authors 2001).

In the followings, let us discuss some of the major characteristics of the causal mapping method and the definition of the applied research procedure.

Causality map is an expression or a graphic mathematical method to explore the components of a phenomenon. The map consists of shapes (usually rectangles) representing the components and arrows representing the causality relationship between the components. The arrow starts from the cause and leads towards the consequence. A double arrow represents the eventual mutual causality relationship. The more arrows connect to the shape the more important the component represented by the shape is. Looking at the full map the motion of arrows can sometimes define a certain expedience, but it is not a necessary characteristic of the maps.

The comparative analysis of the individual causality maps of the people participating in the project leads to the collective causality map of a certain group. The collective map we get essentially aggregates the individual ones, considering the different relationships and the importance of them (Mandják and co-writers 2002). During the research we used a special

programme-set called ANCOM to calculate the collective causality maps (Chameeva and co-writers 1997).

The expression, which is the subject of the map, must be taken into its components in advance. It is represented by an interactive group-interview with the ones participating in the research project. Thus during the group-interview, agreement develops among the participants regarding the components. With the components accepted together each of the recipients prepares his own individual causality map where shapes and arrows represent the expression. The calculation of the collective causality map is based on the individual ones. The causality map calculated with this method is considered as collective perception of the group (Bouzdine-Chameeva and co-authors 2001). In the following let us discuss how the method of causality maps can be applied to the research of the value of business relationships.

Data collection

During our research we examined an actual business relationship. The relationship connects a French aeronautic company to its strategic supplier working in the same industry. In the frame of the research we made a group interview with three executives of the aeronautic company who all knew the relationship very well, and who were also the three most important actors (concerned) of the relationship.

The data collection was performed using an interactive group interview. The purpose of the group conversation was that the participants, the project manager, the production manager and the purchasing manager, create their personal causality maps of the studied business relationship. In accordance to the research process presented above the first step in this process had to be the dissociation of the components of the business relationship. That's why we submitted to the interviewees a list that contained 83 statements describing the value of a business relationship. The majority of the statements we used was taken from two scales successfully applied in former researches (Lapierre 2000, Anderson and co-authors 1994) and translated them into French. We first asked the three managers to eliminate, by taking into consideration the specificity of the aeronautic industry, from the 83 statements the ones that they did not consider as appropriate. In total some ten statements have fallen out. The next task for the participants was to regroup the remaining statements in categories that would illustrate in their opinion the value of a business relationship. The condition to the category creation was that the members of the group had to agree with each other. The three managers, all concerned by the given business relationship, have finally worked out ten categories in total. This means that they decomposed the value of a business relationship into ten

components. (We will present the components more in detail in the following chapter). Using the categories (components) all the three participants have created their own causality map. These three maps represent in fact three different perceptions of the same business relationship.

In the next step of the research, by using the software package ANCOM we calculated the aggregated causality map of the three participants. This map showed us the collective perception of the value of the given business relationship.

Expert interviews

Based on the literature review our framework shows that the value of business relationships has 38 value constituents from the point of view of the buyer and 30 value components if we consider the supplier's perception. In totally our framework has 68 indicators. Do the indicators really describe the dimension we intend to apply them for? Is there no overlap among the different indicators? Is the model consistent?

For the sake of a deeper and a more circumspect analysis of the above questions, we have asked international scholars working in different fields of research on business relationships to give their opinion on the indicators figured in the framework.

Data collection

We have chosen the participants of the international expert interviews among researchers and lecturers who deal with the questions of business relationships or sales channels policy within inter-organisational marketing and who regularly publish in this topic. Among the chosen ones, there were some who primarily apply quantitative methods and others who conduct rather qualitative research. Besides Europeans, there were North Americans, Australians and even a researcher from New Zealand. They are all university lecturers whom we have met personally at various international conferences.

The questioning took place in January 2002, although the last answer arrived in May. As a first step, we asked the chosen ones via e-mail whether they would like and especially have time to take part in the study. We sent the framework to those who answered yes, as well as the definitions of the indicators, asking them to express an opinion on and comment them and to say whether they were clear enough, if there were eventual overlaps among them, or whether there was any element of the value of business relationships missing that they would consider important. We also asked their opinion on the question whether the framework in its totality apprehends the value of business relationships. At the beginning of the research, we

asked 32 specialists out of whom 22 said they would be voluntary to evaluate the model and we finally received 11 substantive answers.

The main characteristics of the research designs are summarized in the following table:

Characteristic	Method		
	In-depth interviews	Causality map	Expert interviews
Method of questioning	Individual	Group	Individual
Subject of questioning	The value of business relationships in general	A concrete business relationship	The value of business relationships in general, client and supplier
Group of interviewees	Hungarian managers	French managers involved with the given business relationship	International university professors
Sample (not representative)	Theoretical	The entire group of concerned people	By choice
Point of view of the interviewees	Primarily supplier (seller)	Purchasing (buyer)	Academic (buyer and supplier together)
Data processing	Narrative, synthesising	Mathematical, synthesising	Narrative, synthesising

Table 4: Comparison of the methods used for the analysis of the value of business relationships

We can see the diversity of the three applied methods and the two grounded studies (Babbie 1996) are different to one another in almost all aspects.

We asked Hungarian managers about the value of business relationships and they gave us their opinion and experience primarily from the supplier's point of view (Mandják et al. 2003).

On the contrary, we discussed the value of a concrete business relationship with French executives, unambiguously from the client's point of view (Bouzdine-Chameeva et al. 2002). Participants of the expert questionnaire in turn considered the viewpoint of both the buyer and supplier and used their academic knowledge to judge the value of a theoretical construction, the value of business relationships (Mandják 2002). In the eventuality that the results of the study (conducted with these three very different methods) are similar, we will rightfully consider the value constructs as having been proven from several sides.

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Our result: an integrated concept of business relationship value

By associating and comparing empirical data with theory, we have defined a business relationship value concept and have created an integrated concept that describes business value.

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As a result of our findings, our definition of business relationship value is the following.

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The value of business relationships is an existing concept that expresses usefulness and motivation recognised in, or assigned to, a business relationship. Usefulness means the economic side and motivation indicates the social side of value. Usefulness and motivation are value types that determine the value of business relationships. Business relationship value types both exist and change over time. The economic and social value types exist at all three levels of business relationships, that is, at the exchange, relational, and network levels of business relationships. Utility values are the economic components of business relationship value, while motivation values are the social components of business relationship value. The two value types are in close, dialectic interaction with each other. In addition to this close interaction, there are determining economic values.

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Borttaget: Economic and social value types appear during exchange episodes, as do relational and network levels.¶

The value constituents make up the value types, while the value types determine the value of the business relationship.

Borttaget: The individual value types consist of different value constituents. The dynamic combination of the value constituents provides the structure of the value types. The combination of the value types determines the value structure.

The participants involved in business relations and those who are concerned by the economic situation evaluate the value of business relations. Therefore, perceptions of value can be either individual or collective in nature, and as such can be similar or different and each play a role during different organisational decisions. Table 5 shows the structure of the integrated value concept.

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The prevalent field of value	The BUYER's perception		The SUPPLIER's perception	
	Value types		Value types	
	Economic value (Utility)	*Social value (Motivation)*	*Economic value (Utility)*	*Social value (Motivation)*
Exchange episode level	* value constituents	* value constituents	* value constituents	* value constituents
Relationship level	* value constituents	* value constituents	* value constituents	* value constituents
Network level	* value constituents	* value constituents	* value constituents	* value constituents

Table 5: The integrated value concept of business relationships

Discussion

The value concept developed in this paper is integrated in several ways. It integrates two value types, economic and social, and the three levels of these value types. It takes into account the different perspectives of both the buyer and the supplier of the same business relationship. The difference in perceptions are represented in the different value constituents of each party.

The integrated value concept of business relationships includes a total of 36 value constituents of which 18 compose the economic (utility) value, and 18 the social (motivation) value. 18 different value constituents can be differentiated from each point of view.

Based on theoretical research and experts' opinions, we have differentiated more than 110 value statements. During field research, French managers used ten value constituents to describe the value of business relationships (Bouzdine-Chameeva et al. 2002), while Hungarian managers recognised 17 value constituents (Mandják et al. 2003). We determined the concept of business relationship value by synthesising the research results obtained so far. We have therefore used indicators from our literature review, new indicators suggested by international experts during the expert interviews, the value components mentioned by Hungarian managers (results of in-depth interviews) and the French managers' value

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Borttaget: Different value constituents are defined by the triangulation of three qualitative research studies. We asked Hungarian managers about the value of business relationships and they gave us their opinion and experience primarily from the supplier's point of view (Mandják et al. 2003). On the contrary, we discussed the value of a concrete business relationship with French executives, unambiguously from the client's point of view (Bouzdine-Chameeva et al. 2002). Participants of the expert questionnaire in turn considered both actors points of view and used their academic knowledge to judge the value of a theoretical construction, the value of business relationships (Mandják 2002). In the eventuality that the results of the study (conducted with these three very different methods) are similar in certain ways, we will rightfully consider these as having been proven from several sides. ¶ The fundamentals of triangulation are given by the verification of a statement with various methods (Babbie 1996). The primary condition of triangulation is that the results used come from different studies. We have compared the methods of the three conducted studies with the purpose of analysing this. Table 2 shows the comparison of the three methods used during the analysis of the value of business relationships. ¶

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categories which are findings from causal map research. Table 6 shows the origin of the value constituents used in the integrated concept.

Perception	Number of value constituents coming from				*Total number of constituents*
	Literature review	Experts interviews	Managers in-depth interviews	Causal mapping	
Buyer's	7	6	3	2	*18*
Supplier's	6	5	7	0	*18*
Total number of constituents	*13*	*11*	*10*	*2*	*36*

Table 6: The origin of value constituents

The next two tables (tables 7and 8) show the two perceived values with their constituents. The following tables include the name and a very short description of each value constituent.

Value level	**Value types**	
	Economic value (utility)	*Social value (motivation)*
Exchange episode	• recognition of the product • importance of the product to the supplier • suitability of the financial conditions	• personal relationships • satisfaction with the product • security of supply of the product
Relationship	• profitability of the relationship • decreasing the transactional costs • supply potential of the relationship	• smoothness of the relationship (routines) • security of the relationship • competence of the supplier
Network	• own portfolio management • network potential	• emanation of the relationship • the supplier's position in his

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	• related effects	own industry • non-market strategy of the supplier

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Table 7 Buyer's perceived value constituents

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The meaning of the buyer's perceived value constituents are the following

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Exchange episode level

Recognition of the product means the importance, the technological competence and the matching of the products bought in the business relationship.

Importance of the product to the supplier means the economic importance of the product to the supplier.

Suitability of the financial conditions means the suitability of the payment and credit conditions offered by the supplier.

Personal relationships means the personal communication and the frequency of meetings between the people involved in the relationship, through the strength and history of the relations and through the sympathy between actors.

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Satisfaction with the product means the satisfaction of the buyer with the products bought in the relationship.

Security of supply of the product refers to the decrease in the short-term risks.

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Relationship level

Profitability of the relationship means the difference between the expenses due to the relationship and the savings coming from the relationship.

Decreasing the transactional costs means the possibility to decrease the costs of different transactions.

Supply potential of the relationship, means the total of future favourable purchase possibilities coming from the supplier.

Smoothness of the relationship (routines) means that the routines developed in the relationship make it more simple, more transparent and more predictable.

Security of the relationship means the mutual confidence, persistence, trustworthiness, probability of keeping a promise and honesty of partners.

Competence of the supplier means the supplier's professionalism and ability to solve problems for the buyer.

Network level

Own portfolio management means the role of the relationship in the suppliers' portfolio

Network potential means the demanding and innovative nature of the network.

Related effects - means the transferability of the materials used in the relationship, the complementary nature of activities and the generalisability of the network patterns treated here.

Emanation of the relationship means the development of the relationship inside its own network, the reference value of the relationship towards other members of the network, and network synergy. The emanation of the relationship towards other networks plays a role in the evolution of this element of value.

Supplier's position in his own industry means the attractiveness of the supplier to the buyer and the evaluation of the supplier's network position from the buyer's point of view.

Non-market strategy of the supplier means the supplier's relationship network and his actions towards non-economic members of the network.

The next table shows the supplier's perception of business relationship value.

Value level	**Value types**	
	Economic value (utility)	*Social value (motivation)*
Exchange episode	• possibility of manufacturing the product • importance of the product to the buyer • suitability of the financial conditions	• personal relationships • the buyer's satisfaction with the product • security of product sales
Relationship	• profitability of the relationship • decreasing the transactional expenses • income potential of the relationship	• smoothness of the relationship (routines) • security of the relationship • competence of the buyer

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Network	• own portfolio management • network potential • related effects	• emanation of the relationship • the buyer's position in his own industry • non-market strategy of the buyer

Table 7 Supplier's perceived value constituents

The meaning of the supplier's perceived value constituents are the followings.

Exchange episode level

Possibility of manufacturing the product means the security of the supply of the materials necessary for the manufacturing of the product sold in the relationship.

Importance of the product to the buyer means the economic importance of the product to the buyer.

Suitability of the financial conditions means the payment habits and payment ability of the buyer.

Personal relationships mean the personal communication and the frequency of meetings between the people involved in the relationship, through the strength and history of the relations and through the sympathy between actors.

Buyer's satisfaction with the product, means the buyer's satisfaction with the product that can generate new purchases.

Security of product sales means the decrease in short term market risk.

Relationship level

Profitability of the relationship means the difference between the expenses due to the relationship and the income realised in the relationship.

Decreasing the transactional expenses means the possibility of decreasing the costs of different transactions.

Income potential of the relationship means the total future possibilities of favourable sales to the buyer.

Smoothness of the relationship (routines) - means that the routines developed in the relationship make it more simple, more transparent and more predictable.

Security of the relationship means the mutual confidence, persistence, trustworthiness, probability of keeping a promise and honesty of partners.

Competence of the buyer - means the buyer's professionalism and the ability to solve problems for the supplier.

Network level

Own portfolio management means the role of the relationship in the supplier's portfolio

Network potential - means the demanding and innovative nature of the network.

Related effects means the transferability of the materials used in the relationship, the complementary nature of activities and the generalisability of the network patterns.

Emanation of the relationship means the development of the relationship within its own network, the reference value of the relationship towards other members of the network, and network synergy. The emanation of the relationship towards other networks play a role in the evolution of this value item.

Buyer's position in his own industry - means the attractiveness of the buyer to the supplier and the evaluation of the buyer's network position from the point of view of the supplier.

Non-market strategy of the buyer means the buyer's network and his actions towards non-economic members of the network.

Comparison with the value functions in the literature

Analysing the integration of our framework into the literature of business relationship, there is a comparability between the valued functions of relationship and our framework.

Comparing the approaches of Walter and colleagues (Walter et al. 2000, 2001, 2003) there is a difference in the theoretical fundamentals they are based on: our approach is based on economic sociology, whereas Walter and colleagues approach is based on microeconomics. Walter and his colleagues (Walter et al. 2000, 2001, 2003) analysed the value of business relationships from the point of view of the supplier. They defined value "as the perceived trade-off between multiple benefits and sacrifices gained through a customer relationship by key decision-makers in the supplier's organisation. Those benefits and sacrifices can result from the relationship under question as well as from connected relationships on which the focal relationship has an impact or is affected by those other relationships" (Walter et al. 2000 p.3). The authors have applied the decision theory value judgement approach (Werani 1999) which is widespread in the German literature. In their definition of the value of business relationships, the authors have also tried to consider the effects of network also. In the model

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that they tested empirically, they determined the value of business relationships along two dimensions. They described the individual dimensions according to the different functions of the business relationship. The dimensions were found to differ depending on whether the business relationship functions directly or indirectly affected the supplying company. They have interpreted value as the sum of the two dimensions. In turn, they have determined the individual dimensions as the sums of the functions.

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The direct dimension of the business relationship is made up of three functions; the profit function, the value function, and the safeguard function, each of which will now be discussed (Walter et al. 2000, 2001, 2003). The profit function ensures the positive cash flow realised for the supplier, that is the basics of profit realisation. The volume function expresses the fact that the buyer purchases a quantity that is necessary for the supplier to reach the break-even point or the economical size. The safeguard function decreases the supplier's environmental uncertainty and thereby his dependence on his environment, which increases the supplier's safety. These value creating functions represent activities and resources of the supplying and purchasing companies that create value directly, independently from the existence of other business relationships for the supplier.

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Four functions build up the indirect dimension of the business relationship; the innovation function, the market function, the scout function, and the accessibility funcion. The innovation or development function represents the usability with other partners of the technical knowledge or creative ideas received from the given buyer. The market function expresses the possibility to access new markets with the given buyer. The scout function affects important, sensitive information stemming from the given business relationship and concerning other agents. The essentials of the accessibility function in turn are that the given business relationship creates opportunities to know other partners (competitors, intermediaries, authorities). The indirect functions have value creating effects through other business relationships of the company.

Through the above conceptualisation and empirical testing of the perceived value of business relationships, the authors have analysed first the relationship value separately (direct dimension), and then the network level (indirect dimension). They have concluded that both dimensions contribute to the perceived value of the business relationship. In other words, the perceived value of business relationships exists both at the relationship level and the network level, and these values are different. Meanwhile, by examining the coherence between the two dimensions (that is the two levels), the authors have found that the indirect functions influence

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the supplier's perceived relationship value at a lower extent than the direct functions do (Walter et al. 2000, 2001, 2003). That is to say that the relationship level has a more important role in the development of the perceived value of the business relationship than the network factors.

Comparing the direct and indirect function definitions of these studies with our dimensions and indicators we can say, that there is a correspondence between the functions and our definitions to some extent. The direct value functions correspond to some of the economic value types perceived by the supplier at the exchange and relationship levels in our framework, for example, the profit and volume function can be compared with profitability at the relationship level, the safeguard function corresponds to the security of sales and some other indicators. The indirect functions such as innovation or market functions correspond to the network potential and related effects at the network level in our framework. The accessibility can be found in our framework among the social values at the network level, like the emanation of the relationship.

While evaluating their results, Walter et al. (2000, 2001, 2003) emphasised that the direct functions of business relationships (profit, volume and safeguard) closely and indirectly influence the performance of the supplying company. Taking into account that the sample was composed of primarily small- and medium sized businesses, it is possible that the proportion of direct and indirect functions are different in the case of large businesses. Furthermore, Walter and his co-authors developed and tested exclusively rational constructions (functions) of economic nature and considered this to be a limitation of their research given the fact that suppliers may maintain a business relationship with a buyer because of the relationship's past, the consideration or pressure of social relationships, or simply due to the pleasant nature of it. In some cases, Walter decides considers "soft value functions" such as truthfulness or confidence and states that "A richer picture could be drawn by including non-economic functions into our model as a third dimension (social functions)" (Walter et al. 2000 p.13). However, Walter believed that the inclusion of social, that is non-economic elements or functions would cause great difficulties during an empirical study, as their measurement is quite problematic. A further problem to consider was how these functions appeared or affected the group of decision-makers. The effects of social functions may be investigated by determining whether these functions have a positive or negative effect on the perceived value of the given business relationship. (Walter et al. 2000).

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The advantage of our framework is that social value types, such as fairness, mutual confidence and trustworthiness, were included at all levels of the analysis. In addition, the inclusion of the smoothness of the relationship takes into consideration the time element and is an attempt to include dynamic effects into our framework. Walter and colleagues considered the value sharing between supplier and buyer to be an important question not analysed within their model and so an advantage of our approach is that it consists of both sides of the relationship. In our framework the cost effect will be considered as well, together with the benefits of a relationship.

Walter and his colleagues analyzed how the business relationship was influenced by the direct and indirect value-creating functions. In their matrix (Walter et al. 2001) they determined that low-performing relationships had direct and indirect functions at a low level whereas selling relationships had direct functions at a high level but indirect functions at a low level. For relationships where the indirect functions were at a high level they found that the network relationships had a low level of direct functions, and finally, high-performing relationships were found to have a high level of both direct and indirect functions.

In our empirical studies we are expecting to determine the direct managerial implications in the next level of our research, where we will conduct a survey among suppliers and buyers.

Our contributions: How is it useful?

One original aspect of this integrated concept is that it is a complex approach, using a combination of North American and European research approaches to business relationship value. North American research has a strong dyadic tradition (Reid and Plank 2004) and has primarily focused on the working relationships in distribution channels (Stern et al. 1996) whereas European approaches are characterised by interactive models (Hakansson 1982) and by a deep network view (Axelsson and Easton 1992, Grabher 1993, Hakansson and Snehota 1995). Another originality of the concept is the separation of the supplier's and the buyer's perceptions and their common considerations. This makes several, different types of analysis possible. We can focus on the relationship itself as a phenomenon of business markets and consider its value as the matching of two different perceptions of value. This approach could lead to a better understanding of the value of business relationships and therefore help to create better knowledge of the business relationship itself, assuming that value is one of its essential characteristics. This improved knowledge can contribute to a new, value-based

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typology of business relationships, which could be a useful starting point for a new strategic view (Hakansson and Snehota 2000) of business marketing.

The concept could also be useful at a company level. In this case it could be used to create a more profound understanding of the role of each relationship in the business relationship portfolio, allowing a more efficient managing of business relationships. From a scientific point of view, it could be viewed as provocative and could enhance fruitful discussions among those working in different disciplines.

The integrated concept seems appropriate for quantitative testing and, following this, could serve as the basis for a broad quantitative study of a large sample. It could also be suitable for international comparative studies.

However, as well as various relational decisions also described in the literature (Ford 1990), knowledge of the value of business relationships would equally be of use in the field of strategic management and during decisions concerning basic resources (Mandják et al. 2003). This knowledge becomes necessary and useful during the decision-making process and is particularly interesting if we consider the intuitive nature of many decision-making processes. The Hungarian managers interviewed using in-depth interviews, were of the opinion that the value of business relationships could be measured, even if none of them currently do so (Mandják et al.2003). The most promising method would be the decomposition of business relationship value into its various components. We could then measure the individual components on different, adequate scales and the value of business relationships would be given by multiplying these value scales. This process would also give the individual a more efficient handling of the single components and consideration of their interaction, that is to say, not only the measurement, but also the management of the value of business relationships.

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Further research

With this definition of business relationship value and the presentation of the model including the value constituents that make up value, we have come to the end of the qualitative stage of a broader research program. The next research step would be to operationalise this model, that is to specify which steps, processes and procedures should constitute the measurement and identification of the variables that we intend to examine (Babbie 1996). In our case, the value constituents of the business relationships are the variables that we shall examine or rather measure in reality. Based on the definition of value constituents, the objective of the operation will be to define measurement tools that will enable us to measure these 36 variables. As the

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participants of the international experts' study have emphasised, it will be pertinent to try to use the same types of scales.

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Social (non-economic) elements are the ones that represent behaviour or a base, compass to the choice of the behaviour

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the previously studied

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foremost, but by far not exclusively

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In the course of the literature review, basing ourselves on the author's own grouping between economic and non-economic elements, we can

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following the usage conditions of the goods or services

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factor. With consideration of smoothness there

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the value sharing between supplier and buyer, while

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different dimension of value, like the dirct

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is one original aspect of this integrated concept