A CONCEPTUALIZATION OF RELATIONSHIP MANAGEMENT PROCESSES: DISTINGUISHING STRATEGY IMPLEMENTATION PROCESSES AND INTERACTION PROCESSES

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ABSTRACT

Different conceptualizations of relationship management have led to vagueness and ambiguity in the academic discussion regarding the domain of relationship management and potential dimensions of relationship management. Likewise, practitioners struggle to implement relationship management due to a lack of a clear description and measurement matrix. This paper offers a conceptualization of relationship management processes which applies two different approaches, a strategy implementation approach and an interaction approach. Both approaches suggest six processes each, resulting in a 6x6 matrix of relationship management. The suggested conceptualization offers new insights for the analysis and management of business to business customer relationships.

Track: Managing industrial networks
Keywords: Relationship management, relationship processes, strategy
Paper: WIP paper

Relationship management has been a popular topic for over 25 years under different labels such as “customer relationship management” (Reinartz, Krafft & Hoyer, 2004; Zablah, Bellenger & Johnston, 2004) and “relationship marketing” (Grönroos, 1994; Gummesson, 2002). In addition to varying terms, the interpretations of relationship management have been very different: ranging from the normative “running” of customer relationships to “co-evolving” (Håkansson & Ford, 2002); from arm’s length to integrative (Day, 1990; Wilson, 2000); ranging from CRM as a philosophy to CRM as information technology (Zablah et al., 2004). Relationship management has been mainly discussed as an overall concept. While this is suitable for a broader understanding of business relationships and industrial networks, such complex constructs are of little value for implementation and analysis.

Following Srivastava et al.’s (1999) suggestion to separate customer relationship management into numerous sub processes, this paper contributes to the relationship management literature by developing an understanding of relationship management processes: which processes do managers, account executives, sales representatives, etc. perform in order to manage a customer relationship? “A business process refers to a group of activities that convert organizational inputs (e.g., human resources) into desired outputs (e.g., successful new products)” (Zablah et al., 2004, p. 476, see also Davenport & Beers, 1995; Davenport & Short, 1990; Hammer, 1996). In other words, processes are sequences of connected activities which are performed in combination in order to achieve a specific deliverable. Sequences of activities span from fixed formats or standard procedures (e.g. where all activities and their connections are highly formalized) to flexible and responsive action (e.g. where activities and their connections change during repeated processing).

The paper is organized as follows: first, we will define six relationship strategies which managers can choose between in order to set the overall direction for a specific relationship. Based on these relationship strategies, we develop six corresponding relationship management processes. Following the discussion of relationship strategy, we apply the interaction perspective and define six additional processes in business relationships. Finally, we combine the two sets of processes into a relationship management process matrix. The paper concludes with managerial implications and further research questions.

RELATIONSHIP STRATEGY

Regarding relationship strategy, a firm and a single relationship perspective must be distinguished. On the firm level, managers may consider customer relationship management as an overall strategy (or part of the overall strategy) for how the firm employs its resources to maximize the life time value of their customer relationships (Zablah et al., 2004). Alternatively, relationship strategy on the individual customer relationship level captures managers’ decision on the direction they wish to develop a specific relationship. This paper applies the latter perspective.

Customer relationships are dynamic as they change over time (e.g.: Dwyer et al., 1987; Ford, 1980). These changes are (partially) driven by the involved actors. Each actor has an explicit or implicit intension of how they wish to develop the relationship, which we term an actor’s relationship strategy. As such, we apply a “strategy as plan” (Mintzberg, 1987) perspective. Without objectives, goals, and targets, managing relationships becomes a purely reactive, coping exercise. In our view customer relationship management comes into play once strategy has been determined. As a consequence, we subscribe the implementation of a relationship strategy (“strategy as action”, Mintzberg, 1987) as relationship management.

Most of the definitions of relationship management in Table 1 mention specific directions for the future state of a relationship, i.e. acquire a new customer, maintain an existing customer relationship, or terminate an existing customer relationship. While all of these options are possible intensions for relationship management in general (i.e. across customers), it is not conceivable to achieve these different outcomes in one specific customer relationship at one given point in time. Rather, we suggest conceptualizing these intensions as distinct relationship strategies and therewith strategic choices, i.e. as different intended outcomes of relationship management, as the overall goal or aim for a customer relationship by a firm. As illustrated in Figure 1, six different relationship strategies can be distinguished (4 strategies for existing relationships, 2 strategies for non-existing relationships):

- Acquire: This strategy describes a situation where a firm wants to initiate business transactions with a potential customer.
- Maintain: This strategy describes a situation where a firm wants to continue a given customer relationship in the same way as before, i.e. there are no changes intended.
- Develop: This strategy describes a situation where a firm wants to change a customer relationship in a way which makes the relationship stronger and/or the created value in the relationship higher.
- Reduce: This strategy describes a situation where a firm wants to change a given relationship in a way which makes the relationship weaker and/or the created value smaller.
- Terminate: This strategy describes a situation where a firm wants to actively end business transactions with a given customer.
- Block: This strategy describes a situation where a firm wants to avoid starting business transactions with a given customer.

Buttle (2001)	Customer relationship management is about the development and maintenance of long term, mutually beneficial relationships with strategically significant customers
Day (1994, 44)	Customer-linking capability [refers to] creating and managing close customer relationships.
Morgan & Hunt (1994, 22)	Relationship marketing includes all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges.
Parvitiyar & Sheth (2001)	Customer relationship management is a comprehensive strategy and a process of acquiring, retaining, and partnering with selective customers…
Reinartz, Krafft & Hoyer (2004, 295)	The customer relationship management process entails the systematic and proactive management of relationships as they move from beginning (initiation) to the end (termination).
Srivastava, Shervani, and Fahey (1999, 168)	Marketing scholars long have held that the core objective of marketing is to attract and retain customers.

Table 1: Definitions of customer relationship management

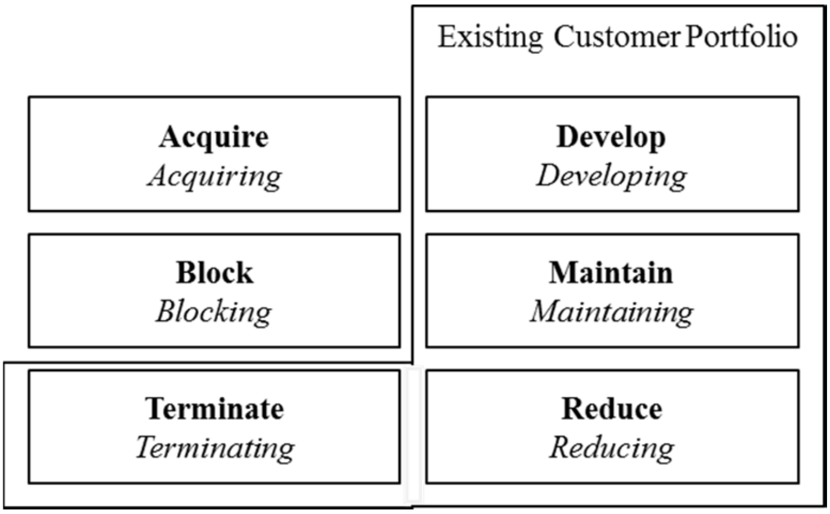

Figure 1: Six relationship strategies (bold) and corresponding strategy implementation processes (italics)

STRATEGY IMPLEMENTATION PROCESSES

Each of the above mentioned relationship strategies ("strategy as a plan", Mintzberg (1987) has an associated process, a set of activities aimed at implementing the chosen strategy. As such, there are six strategy implementation processes (cf. also Table 2):

- Acquiring: This process aims at transforming a non-customer into an active customer.
- Maintaining: This process aims at continuing an existing relationship in the same way as before.
- Developing: This process aims at changing a customer relationship in a way which makes the relationship stronger and/or the created value in the relationship higher.
- Reducing: This process aims at changing a given relationship in a way which makes the relationship weaker and/or the created value smaller.
- Terminating: This process aims at actively ending business transactions with a given customer.
- Blocking: This process aims at avoiding the initiation of business transactions with a given customer.

	Acquiring	Maintaining	Developing	Reducing	Terminating	Blocking
Objective	To establish a new customer relationship	To keep a relationship at its current state	To increase elements of a relationship in order to strengthen the relationship	To decrease elements of the relationship state	To end business transactions with a customer	To hinder a potential customer from becoming a customer
Key measure	Number of new customers	Customer satisfaction	Turnover and profit increase	Optimization targets	End of business transactions	Minimizing resource spent

Table 2: Overview over strategy implementation processes

A key challenge for this conceptualization of relationship management processes is that the processes are defined by their objective (e.g. to terminate a relationship) yet the realized outcome depends on the customer's reaction to the taken approach. For example, a relationship termination process may not result in a termination when the customer does not agree to the suggested termination and renegotiates the relationship into continuation. Conceptually, we consider such situation in a way that the firm has chosen a new relationship strategy during the course of action, and implements that new strategy (e.g. reducing instead of terminating).

INTERACTION PROCESSES

Adapting a different theoretical lens, the interaction approach (Håkansson, 1982) has highlighted the fact that business relationships are best understood as ongoing, connected action-reaction-re-reaction patterns where each interaction forms an episode of the business relationship that drives relationship development (Schurr, Hedaa & Geersbro, 2008). These interactions are based on the involved firms' "interaction capability" (Johnsen & Ford, 2006). The discussion of interactions is often "free" of strategic intent but focused on content of interaction. We will use this stream of literature to develop a list of content relationship management processes.

Selling Process

There is a long-standing discussion of the distinction between selling and socializing process in inter-firm interactions (e.g. Geiger & Turley, 2005). Traditionally, selling is described as a stepwise process such as "7 steps of selling" (Dubinsky, 1980; Montcrief & Marshall, 2005). The overall aim of the selling process is to reach an agreement between the customer and the supplier, often specified in a contract after a negotiation. The agreement specifies the details of the offering to the customer and the "return-offer" from the customer to the supplier. As such, the selling process results in an agreed two-way value proposition (e.g. Ballantyne et al., 2011; Storbacka & Nenonen, 2011; Andersen, Narus & Rossum, 2006).

Searching for and initiating contact to potential customers is often an element of selling (e.g. Dubinsky, 1980; Montcrief & Marshall, 2005) which relates selling to acquiring. However, selling is also a central element in ongoing business relationships – either as attempts to extent the timeframe of the initial contract, or as activities related to more-selling (selling higher volumes and therewith increasing share of customer's wallet), up-selling (selling higher end offerings), and cross-selling (selling other offerings from the supplier's portfolio). Firms sell, i.e. negotiate and convince each other, on a continuing basis as the relationship changes and develops over time. Even terminating an existing business relationship will typically entail convincing or persuasion (i.e. "you should accept the ending of our relationship"). As such, the selling process cuts across all strategy implementation processes.

Forming Process

It has been argued that selling has changed towards a more relational approach as opposed to traditional transactional selling (Weitz & Bradford, 1999) as firms have adopted a more long term perspective vis-a-vis their customers. Unfortunately this has also made the concept of selling very broad and sometimes taken to include almost everything needed to develop and maintain a customer relationship. While we do agree that the roles of the sales department and the individual sales people have changed, we want to explicitly distinguish the process of selling from the forming process.

The forming process aims at changing the structure of the business relationship itself (for discussions of relationship structure, cf. e.g. Ford, 1980; Dwyer, Schurr & Oh, 1987) but does not aim at changing the value proposition (as this is the objective of selling). A business relationship can be described by its structure (Biggemann & Buttle, 2009; Ritter & Geersbro, 2012) which describes different dimensions such as the criticality of the relationship for the two actors, the distance between the actors, the interface between the two firms, and the climate of the interaction. The forming process may include social arrangements (e.g. football and golf arrangements) to decrease the social and cultural distance, establishment of "in-customer offices" to decrease geographical distance, increasing the direct involvement of more people in the relationship to develop the interface between the firms.

With this understanding, we depart from the notion of "socializing" as taking place "outside the normal business environment" (Geiger & Turley, 2005, p. 264) because the objective of the process defines the process, not the environment in which it takes place. As such, selling can be performed at "social events" and forming may also take place at business meetings. Business-to-business relationships are inherently social in that they are manifested by people. Firms do not relate to firms rather people (representing firms) relate to other people (representing other firms). Forming activities are carried out when the structure of the relationship itself is changed.

Changes to relationship structure are inherent in most of the strategy implementation processes, e.g. developing (reducing) relationships may include more (less) meetings, more (less) people involved, increasing (decreasing) the importance of a relationship. As such, also forming processes cut across strategy implementation processes.

Delivering

While selling and forming processes develop an agreed understanding of and a platform for exchange, suppliers and customers need to establish processes to fulfill their value propositions. Most business relationships are valuable because they entail the exchange of goods and services although business relationships may provide value in other ways beside economic exchange (Ritter & Walter, 2012).

Delivering is normally not part of the marketing domain in firms but is connected to operations and production. As such, delivering is an essential process in a business relationship but not controlled by a Sales and/or Marketing department. This causes some fundamental challenges to the organization of commercial activities in firms, currently discussed as the "dispersion of marketing" (Malter, Webster & Ganesan, 2005; Moorman & Rust, 1999).

Linking

Given the rising importance of open business models (Chesbrough, 2006), suppliers often need to use third party providers as complementors (Brandenburger & Nalebuff, 1997) in order to fulfill a value proposition: direct sub-suppliers, installation firms or sources of financing, etc. These firms typically have direct contact with the customer, and the establishment of *third party contact* becomes an important deliverable of a relationship. As such, the main supplier needs to link additional suppliers to their customers in order to enable theses suppliers' delivering processes. In some situations the supplier is in the role of orchestrating a wider supply network of firms (referred to as hub firms (Jarillo, 1988) or value nets (Möller, Rajala & Svahn, 2005)). Alternatively, suppliers can link their customers to additional actors beyond suppliers, such as other customers, potential customers for the customer (customer's customer), technology partners. In order to enable direct third party delivery, firms need to engage in linking processes.

Linking processes are again relevant across all relationship strategies. In particular, as linking processes also include "delinking" – for example when terminating a customer relationship, all third party relationships will be effected.

Learning

According to Zablah et al. (2004), knowledge management is a customer relationship management process. As firms interact with each other throughout the lifetime of a business relationship, the firms learn about each other. According to Selnes and Sallies (2003), relationship learning has three facets: information sharing, joint sense making, and integration into relationship specific memory. Overall, learning is about processing and storing information.

Business partners share information about successful as well as unsuccessful experiences with products, changes in needs, changes in market structure, technology, unexpected problems, and changes in strategies and policies of the respective firms. Joint sense making takes place when business partners assign joint teams to solve operational problems, assign joint teams to analyze and discuss strategic issues, insures an atmosphere that stimulates productive discussion, and often engage in face-to-face communication.

Finally the firms continuously adjust the relationship specific memory (information) about end-user needs, preferences and behavior, understanding of technology, and routines in order delivery. Formal contracts are evaluated and updated when and if needed, personal networks are refreshed through face to face meetings, and relationship information stored in electronic databases are updated.

Learning in a business relationship and network context can be divided into three types (Johanson & Vahlne, 2003): First, there is learning within a given customer relationship that allows the parties to know more about each other and thus to adapt to each other and coordinate activities between them. This learning helps strengthen the relationship and is seen as a source of commitment. Second, the partners may learn skills that can be transferred to other, typically similar kinds of relationships. Third, firms learn how to coordinate activities in the relationship with activities in other relationships such as sub-suppliers in just in time deliveries (linking), use of complementors and other third parties.

Monitoring

Beyond the more explorative learning, firms engage in monitoring activities in order to control their deliveries and to document the delivered value potential. Such activities may be meetings with customer to follow up on service level agreements (SLA), key performance indicators (KPI), and cost of supplying the customer (after calculation).

	Selling	Forming	Delivering	Monitoring	Linking	Learning
Objective	Negotiating mutual value proposition	Changing the relationship structure	Fulfilling the agreed value proposition	Controlling fulfillment	Establishing additional relationships essential for fulfillment	Building customer intelligence

Table 3: Overview over relationship processes

In conclusion, a business relationship has six possible deliverables (agreed value proposition, fulfillment of value proposition, performance reports, third party contact, knowledge, and relationship structure, cf. Table 3) resulting in six interaction processes: *Selling* (with the objective of agreeing to a two-sided value proposition), *forming* (with the objective of developing a relationship structure), *delivering* (with the objective of fulfilling the agreed value proposition), *monitoring* (with the objective of controlling delivering), *linking* (with the objective of establishing third party delivery set-ups), and *learning* (with the objective of understanding the customer better). We discuss these processes in the following.

THE RELATIONSHIP MANAGEMENT PROCESS MATRIX

As pointed out above, the two sets of processes are conceptually independent from each other but cutting across domains. Figure 2 illustrates the resulting matrix.

	Selling	Forming	Monitoring	Delivering	Learning	Linking
Acquiring						
Blocking						
Developing						
Maintaining						
Reducing						
Terminating						

Figure 2: The relationship management process matrix

The 6 by 6 matrix illustrates that different strategy implementation processes cut across different interaction processes, and vice versa. Each intersection describes a microprocess which contains the blue print for how the interaction process is (to be) applied in support of the implementation process thus supporting the chosen relationship strategy. For example: a strategic decision to develop a given relationship may be executed by different interaction processes such as persuading the customer to buy additional products (selling) by including a 3rd party complementor (linking) and shipping these products to the customer (delivering) while constantly ensuring the agreed upon quality levels (monitoring). Most of these processes will likely be particular to each relationship, but the generic categories can be described with the matrix. Thus, the matrix offers a framework for planning and analyzing relationship action. Looking at the specific interaction processes and their configuration will provide a much deeper understanding of what developing means in the specific relationship.

The matrix can guide managerial action in several ways: it can provide a checklist of interaction and implementation processes to consider, it can structure different types of actions in relationships, and it can provide a managerial monitoring tool.

PROCESS DYNAMICS

One advantage of the process perspective applied here is the possibility to analyze timing and interplay of different processes. For example, the timing of selling versus forming can be quite different in different cultures. Where in Western countries business relationships often start with business transactions and later include forming processes, the reverse timing is associated with Asian and Latin American countries: a personal relationship has to be established (i.e. forming process) before the selling process can start. Figure 3 illustrates this interweavement of interaction processes and the gradual change of resource allocation to the different processes.

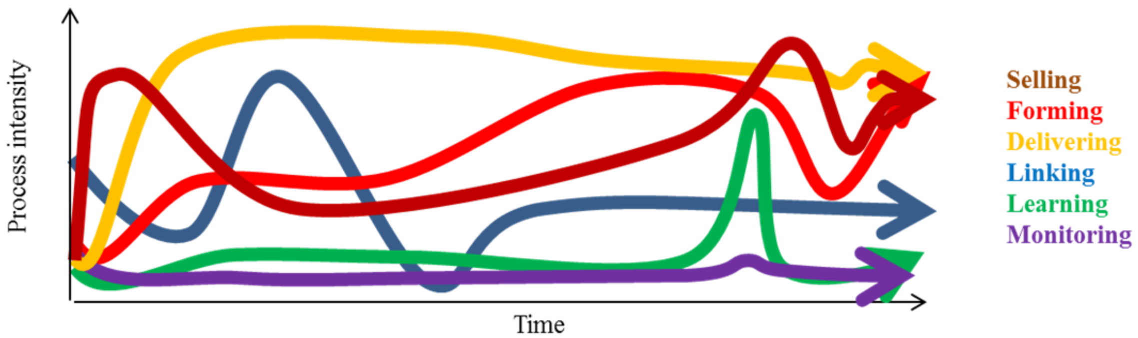

Figure 3: Process intensity over time

As indicated in Figure 3, the process perspective also allows a more detailed insight into how a business relationship develops over time compared to existing life cycle models of relationships (Ford 1980, Dwyer et al. 1987). Rather than focusing on some output of a relationship such as trust or commitment, relationship management can now be studied by looking at the pattern of the different process activity levels (intensity). Relationships with a very low forming process will probably be qualitatively very different from relationship with high forming process, although they can both provide value to the involved firms.

Relationship development can be seen, investigated, and managed as the change in interaction process configuration over time. Because the interaction processes all need resources, managing the relationship development is a matter of ensuring availability of the correct resources at the right time in the right amount taking other relationships' requirements and potential outputs into consideration.

MANAGERIAL IMPLICATIONS

The suggested conceptualization of relationship management offers a new approach to analyzing business relationships. The explicit distinction between strategy and implementation as well as between implementation and interaction approaches allows for new managerial analysis tools along these two constructs.

Managing customer relationships in this conceptualization is about the crossroads of intention with the individual relationships (what is our intention with a given relationship, do we want to develop or to reduced) and of interaction (which specific process do we employ?). Regarding relationship strategy, the following questions may guide managerial action:

- How many customer relationships does the firm have in each strategy?
- Which customer is on what strategy and why?

- How successful is the firm in implementing the different strategies?
- Where is best practice and how can and should strategy implementation be developed?

Once the strategy has been determined for the individual relationship, management of those relationships becomes a question of combinations of interaction processes: which processes should be performed, how well does the firm execute these processes, how well does the firm adjusts these processes and how well does the firm manage respective timing of processes?

Regarding relationship processes, the following questions may guide managerial action:
- Which processes does the firm handle successfully, which ones need to be optimized?
- Which processes use the most resources? Is there an adequate return on investment?
- Which processes should be focused upon at a given customer at a given point in time?

OUTLOOK

This paper contributes to the marketing literature in several ways. First, it offers a managerial process perspective that focusses on the management of individual customer relationships. Second, it provides a process-based conceptual framework for customer relationship management by identifying key relationship processes and combining them into a matrix.

This paper's contribution is a new conceptualization of relationship processes that distinguishes processes from the overall relationship strategy. Future research may evaluate the six relationship processes empirically, either by large scale studies or in specific case study settings. Further research may also look into the antecedents and consequencesof the relationship management processes.

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