Using Structuration Theory to Analyse Relationship Value Creation

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Abstract

In recent years both the marketing and accounting literatures have expressed the need for quantitative assessment of marketing assets. This concern has lead to an increase in research at the level of the firm into the creation and assessment of value in the business to business context, but the research is sparse into the relationship processes carried out at a fine level of granularity by the individual boundary personnel who work in the relationship. There is not a clear picture of what it is that the individual actors actually do to integrate resources of the partners or to engender trust and commitment. In particular, because it is not clear for buyer-seller relationships how relational governance structures and norms develop and how the actors actually work within and modify these structures to develop value, there is no framework for managers or for future research. This paper briefly reviews the literature for guidance on proceeding with relationship value research. Based on the IMP and other marketing literatures, the paper illustrates with examples how the concepts of Giddens' structuration theory can aid the analysis of the processes by which value is created in relationships, especially by the individual actor.

Keywords:

buyer-seller relationships; structuration; value creation

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Introduction

In recent years both the marketing and accounting literatures have expressed the need for quantitative assessment of marketing assets (e.g. Srivastava et al., 1998). This concern has lead to interest in the value of buyer-seller relationships and to an increase in research into assessment of this value. In the business to consumer context, the sophistication of the customer lifetime value technique, which projects customer revenues and costs, has rapidly increased. In the business to business context, the focus on research into relationship value has more deeply investigated the characteristics of relationships that aid value provision by one relationship partner to the other.

But, in both the business to consumer and business to business contexts, research is sparse into the relationship processes, at a fine level of granularity, by which value is created. This sparseness of research is apparent both with respect to the processes by which value is transferred from one partner to the other and also with respect to the processes by which value may be created within the relationship itself. The sparseness is also particularly noticeable with respect to the creation of value through intangible resources, which are noted by Barney (1991) as being particularly important. Morgan and Hunt (1999) note that the intangible resources which come through a relationship are the ones that give the greatest sustainable competitive advantage. There is also little in the literature on business to business relationship value that deals with the level of the individual boundary personnel. Most of the research reported to date is at the level of the firm and of relationships between firms, so the important human element of value transfer and of value creation is largely missing from it. This paper suggests an approach to filling these gaps in the knowledge of the transfer and creation of intangible resources by boundary personnel in business to business buyer-seller relationships.

Research to date in the business to business context has identified some of the drivers of relationship value, such as profitability of the business done in the relationship, the innovation capabilities of the relationship partner and the access that the relationship provides to the partner’s networks. It has also identified and measured a number of facilitating constructs, such as commitment and trust. But there is not a clear picture from this research of what it is that the actors, whether these are firms as a whole or individual boundary personnel, actually do in order to convert value drivers into outcomes or to engender trust and commitment as facilitators of value transfer and of value creation and delivery.

In relationships, expectations become institutionalised and the exchanges that take place in episodes over time build up contact patterns and role relationships. Within these governance structures, value-adding adaptations are made by the parties in the relationship to such things as products exchanged, social relationships, and logistical arrangements. But it is not clear for buyer-seller relationships how relational governance structures and norms develop and how the actors actually work within and modify these structures to develop value.
As a contribution to the advancement of the research of these issues, this paper briefly reviews the literature, principally in the marketing, management, innovation and information technology discipline areas, for guidance on proceeding with relationship value research. Based on the IMP and other marketing literature and on the concepts of Giddens’ structuration theory, the paper presents and illustrates a framework to aid the analysis of the processes by which value is provided through relationships, and the processes by which value is created in relationships. This framework will help to guide future research into value processes in business to business relationships.

Structuration theory (1976, 1979, 1981, 1984) is by no means the only framework for investigation that can be used for investigating relationship processes, and it is criticised on the basis of, for example, its complexity and of its difficulty in application and operationalisation. But it has many useful attributes and has been used for some time by IT researchers. It has more recently been adopted by innovation researchers and by some marketing researchers. It appears to be a useful approach to enable the advancement of research into relationship value and it goes beyond the largely positivist and covariance-based analysis that has been done to date in the field of relationship value.

Structuration theory allows for research at all levels of granularity and at all levels of strategy. Structuration provides a lens through which researchers can analyse observations and build explanations of how actors interact with firm and relationship structures to accomplish value creation on the basis of the activity links and resource ties between relationship partners. It can help to elucidate the relationship between structure and agency, and thus to describe how it is that individuals work within organisational structures, while at the same time changing them and being changed by them. This paper suggests, with examples, how some of the specific processes that take place in a buyer-seller relationship can be described and explained in terms of the structuration framework and it suggests some empirical approaches to research of these processes, including longitudinal studies.

Studying value

The need to study the value of marketing assets has been repeatedly noted in the literature, both in general as noted above (e.g. Srivastava et al., 1998) and specifically for relationships (Lindgreen and Wynstra, 2005). Since the early calls for research, some interesting research has been done on relationship value in the business-to-business context, which is the context for this paper. Ulaga and co-authors (e.g. Ulaga and Eggert, 2005) have published studies of value from the perspective of the customer while Walter and co-authors (e.g. Walter et al., 2001) and Baxter and co-authors (e.g. Baxter and Matear, 2004) have studied it from the perspective of the seller.

However, there are several levels at which analysis of value, its meaning, its facilitating constructs such as commitment and trust, and its assessment in terms of performance can be undertaken. These include the industry, firm, relationship, and individual actors’ levels. The analysis in the relationship value studies noted in the previous paragraph is effectively at the level of the relationship, rather than at the level individual human actors. For example, Baxter and Matear (2004) include a set of human dimensions of relationship value, but because their unit of analysis is the relationship, the measures of these dimensions are broad statements of the attributes of boundary personnel; rather than an attempt to analyse what these personnel do to facilitate the transmission of value through, and the creation of value in, relationships. Ulaga and Eggert (2005) and Walter et al. (2001) develop sets of drivers of relationship value which are also at the relationship level rather than at the level of individual boundary personnel.

In the business-to-business context, with its high levels of emphasis on personal selling and on close contact by other boundary personnel, understanding of the way in which individuals create value is of paramount importance. The IMP-related research has always considered what actors do as central to elucidating the way in which relationships work. Early publications of the IMP concepts (Hakansson, 1982, Hakansson and Snehota, 1995) provided, and later IMP literature further explained, constructs that are relevant to value creation by resource combination, such as: interaction; episodes; atmosphere; actors (at the level of the firm and at the level of the individual); activity links; resource ties. The recent discussion of the “service-dominant logic” (S-DL) of marketing (Vargo and Lusch, 2004, Vargo and Lusch, 2008) has further pin-pointed this issue. One of Vargo and Lusch’s (2008) foundational premises (FP9) states: “All social and economic actors are resource integrators”.

3
Creation of value and the resultant performance outcomes requires the combination of resources to provide new resources and hence new value, as very clearly pointed out by many of the theoretical frameworks that are used to analyse and describe relationships, such as the resource based view of the firm (Barney, 1991) and competence theory (Sanchez et al., 1996), and most recently by the S-DL of marketing (Vargo and Lusch, 2008). This value creation can be through at least two possible paths in relationships. One of these paths is the transfer of resources from buyer to seller or vice versa through the relationship and the combination of these resources with its existing resources in the recipient partner to create new resources. This requires a “conduit” view of the relationship (Ambler and Styles, 2000). The other mechanism is through the combination of resources jointly by the two partners inside the relationship to create new resources which requires more of an “entity” view of the relationship. Both mechanisms require the facilitation of resource integration by individual actors.

Whether integration of information resources results in value by way of minor adaptations, such as changing the day on which deliveries take place, or major innovations such as multi-million-dollar new product developments, researchers and managers need better understanding of ways to analyse the processes that occur at a finer level granularity than is currently available from research to date. This understanding is needed in order to be able to analyse relationship value further and to optimise the realization of relationship value by relationship partners. It is these lower level processes that, in aggregation, provide the value and performance outcomes at the higher firm and relationship levels at which analysis has taken place to date, but there is little about them in the marketing literature. By “lower level processes”, this paper means processes that occur at the individual human level. This level is regarded as critical for the advancement of relationship knowledge (Ballantyne and Varey, 2006, Varey, 2002).

A number of theoretical frameworks are applied both conceptually and empirically to the analysis of resource combination and value creation across buyer-seller relationships. Some examples are discussed as follows. The concept of resource combination is of course fundamental to the IMP frameworks, as noted above. These concepts have been used for conceptual development prior to empirical tests of relationship constructs and of models of relationship value (Blankenburg Holm et al., 1999, Walter and Ritter, 2003). The resource based view of the firm has been used for development of a model of relationship value by Baxter and Matear (2004). Transaction cost economics have been used in the past to explain value (Dyer, 1998).

But the conceptual frameworks noted above do not seem to lend themselves well to addressing two issues. One issue is the investigation of relationships at the level of individual human actors, in particular the boundary personnel in a relationship or those who interact with them. The other issue is the need for a sound framework for more inductive and more interpretive investigations at this level. The need is, therefore, for a suitable framework that will provide the foundation for such investigations.

Structuration theory (Giddens, 1984, Giddens, 1979) provides a lens through which to analyse observations and build explanations of how actors interact with firm and relationship structures. Structuration theory can be applied at multiple levels of the organisation, i.e. at differing levels of granularity, so it appears to provide a useful structure to analyse how actors accomplish value creation on the basis of the activity links and resource ties between relationship partners, at a lower level than has been done to date in relationship research, but with recognition of where these lower level interactions fit with relationship and firm structure at higher levels. Although it is well recognised that structuration theory is not in itself a research or methodological approach, it can be used as a guide to analysis when applying various such approaches, for example with visual mapping to help recognise interaction patterns over time (Pozzebon and Pinsonneault, 2005). Structuration has been applied extensively to IT issues (e.g. Orlikowski, 1996, Olesen and Myers, 1999), and is applied to technology innovation (e.g. Jones et al., 2000). Bachmann (2003) makes a case that, with respect to trust for example, structuration theory can “provide a major input to the analysis of the social dynamics and environmental influences that determine the nature and quality of economic transactions occurring in interorganizational settings”.

Structuration is already applied to marketing issues in the literature. For example, it is used to “clarify the relationship between organisational structures and individual brand supporting behaviour” (Vallaster and de Chernatony, 2006) in corporate brand management. It is used conceptually with illustrative cases to discuss the structure of franchise networks (Sydow, 1998) and in the analysis of networked after-sales service (Zackariasson and Wilson, 2004). The structuration concepts have also been introduced into the IMP-related
literature. For example, structuration is suggested conceptually as a way to interpret communications in the interaction processes that take place in business relationships, using an IMP framework (Olkkonen et al., 2000). But these publications do not apply structuration theory to analyse what really goes on at the level of granularity of the individual human actor, and how resources are integrated at this level.

The paper will now discuss how structuration theory might be applied at this level for an understanding of issues such as the following: what it is that individual actors do in the processes that transfer knowledge between one another; what they do to combine their knowledge with the knowledge of others across relationships; and how they do these things within the norms of the relationship or how they change these norms? Some key specific questions are: How is the knowledge that various actors possess integrated to form new knowledge and how is this knowledge integrated with other resources, thereby developing new products or processes? How do individual human actors interact with one another in situations specific to buyer-seller relationships to create facilitating conditions of relationship atmosphere (Hakansson, 1982) such as commitment and trust?

**Structuration theory as an analytical framework**

Structuration theory was developed by the sociologist Anthony Giddens (1984) and can be used to explain the interplay between human actors and institutions. As discussed earlier structuration theory also has the ability to be used at different levels of granularity. For example structuration theory can be used at the national level, the organisation level, the social group and the individual level. It is very useful at each level to explain what is happening.

Structuration theory can be used to explain how human actors and organisations interact as social systems exhibit “structural properties that are produced and reproduced through interaction of human actors (Orlikowski and Robey, 1991, p 147). The process of structuration occurs as a result of interaction human actors and organisations using the modalities of structuration which are interpretative schemes, resources and norms (these concepts will be explained below). Over time the use of structuration theory has changed. in the beginning it was used “in toto” (Karsten & Jones, 2003), however, over time pieces of the theory have been used in conjunction with other theories. Giddens himself has sanctioned this use of pieces of his theory rather than all of it.

Structuration theory consistently uses the concepts of humans, organisations and the interaction between them as the duality structure. The duality of structure uses the modalities interpretative schemes, resources and norms. The process of structuration occurs as a result of the interaction of human and organisation in relation to the three modalities (interpretative, schemes, resources and norms). The interaction between the modalities occurs simultaneously and is shown through the analysis how interpretative schemes, resources or norms affect a situation. So the theory enables the breaking down of a process into its modalities to explain the power, political studies and as discussed in this paper the development of value.

Structuration theory is a theory in which the later work of Orlikowski (2000) on practice lens puts the human actions into the foreground and enables use to start with the human action when examining the recurrent practices based on how they view technology. However, structuration theory can be used to look at all interactions between humans and organisations.

All of the applications of structuration theory (Halperin, 2007; Karsten & Jones, 2003) have used the central concept of duality of structure. Duality looks at human actors and their relations with institutions. It does this via modalities of structuration which are interpretative schemes, resources and norms per figure 1. Interpretative schemes are the stocks of knowledge we all hold such as knowledge on what is right, what symbols on a price tag mean. Resources are either authoritative or allocative. Authoritative resources are the ability to order a human actor to do something. Allocative resources are the ability to allocate a human actor a resource such as money, or land. Norms are required ways of behaving, for example at a professional lawyers meeting.

An example of structuration theory in use is seen in the purchase of goods in a shop, which applies the theory at the level of the individual. If, for example, you find an item of clothing you would like to buy, attached to the item of clothing is a tag with symbols inscribed on it. We use our interpretative schemes to know that this
tag exists and that symbols on that tag equate to a price. We also use our interpretative schemes to translate this price into the notes and coins in our pocket (money) which are resources that we use to buy this item with. Using norms of behaviour for how to purchase items, we know that if we take the item to the counter and hand over our notes and coins (resources) the shop-keeper will hand us back the item we have purchased in a bag. The norms of behaviour legitimate this behaviour. We know that the shop-keeper won’t run out the back door with our money, keep our money without giving us our goods or require us to arm wrestle them for the goods. The norms of behaviour, with respect to how this transaction should work, are institutionalised in us.

However, if enough people started taking goods without paying, the norms of behaviour regarding this transaction may change. We also know that in western society the price inscribed on that tag is the price we need to pay and that we do not haggle over the price. In other cultures, haggling over the price may be the norms of behaviour. Therefore, in a simple transaction, the modalities of interpretive schemes (in the interpretation of the price and translation into money), the use of resources (the ability to buy those goods) and the norms of a purchase transaction (which legitimates what is and isn’t acceptable behaviour) enable us to demonstrate the use of structuration theory in analysing a purchase transaction. These modalities of structuration are shown separately for analytic purposes only.

![Diagram of human action and institutional properties](adapted from Orlikowski and Robey, 1991, p 148)

Another example to which structuration theory can be applied for analysis would be a phone call from a seller to a buyer in which the seller asks the buyer if mornings are suitable for delivery on Thursdays instead of afternoons. Analysing this phone call in terms of the structuration model we would look at the norms of behaviour relating to deliveries. This use of afternoon deliveries has been re-enforced over time. The re-enforcement has caused afternoons to become the regular norm of delivery for this business. This norm may have been set up inadvertently originally in that perhaps the individual to which the goods were being received originally had to drop their child off at school and preferred the afternoon delivery. However, through constant re-enforcement this has become the standard norm.

The phone call challenges the current norm and all the meanings that are associated with it. The buyer needs to consider their interpretative schemes to see if mornings are okay for delivery. The buyer also needs to
consider the resources required to implement this change. The trucks and goods (all the resources) all have to be organised for a morning delivery. The parties may also need to exert some allocative power to ensure this happens or using their interpretive schemes of meaning and norms of behaviour discuss this with the person who can action this. This is perhaps the person with the authority to action this change and who should be advised of this change – to engage human or computerised system resources. Once this is organised, or perhaps before it is organised depending on the buyer’s understanding of how easy this is to organise in the current business, the buyer can say “yes, that’s fine” to the seller. Morning deliveries may now occur for this customer. If morning deliveries are now listed as standard for this customer, and occur repeatedly, the norm of morning deliveries will be reinforced and replace the old norm of afternoon deliveries.

This is an example that is at a very low level in granularity. However, though it may on its own be trivial, many practices at a low level of granularity can be analysed over time to be able to build up a picture of the relationship between the buyer and the seller. This building of the relationship patterns establishes, for example, the commitment to, trust of, and satisfaction with the partner, which can all be facilitators of value creation and financial performance over the long term. In this way longitudinal studies of relationship patterns can contribute to the picture of the relationship between the buyer and the seller. Structuration theory is a good way to analyse these patterns at different level of granularity and build a process view of relationship establishment and maintenance between the buyer and seller. However, structuration theory is only explanatory - it is not predictive.

The other interesting facet of structuration theory is that the structures that the human actor reinforces in their interactions are not solid structures. A human actor reinforces structure but structure is an abstract property. Giddens defines structure as an “abstract property, which human actors create and interpret though allowing their actions to be constrained by these shared abstractions of social structure” (Orlikowski & Robey, 1991, p 147). Therefore, human actors allow their actions to be constrained by an abstract thing – structure. This concept is very important and the fact that humans more often reinforce structure rather than changing the status quo. So structural properties are reinforced via ongoing interactions of human actors. Giddens’ theory uses an explanation of how structuration theory explains the way in which “man actively shapes the world he lives in at the same time as it shapes him” (Giddens, 1982, p 21).

The concept of man shaping the world at the same time he is being shaped can be illustrated in applying structuration theory to information technology. Information technology was an area that Giddens did not mention however, was used in the information technology by Orlikowski & Robey (1991). For a computer system it is designed by a human actor and therefore all the rules that the human actors that design the system are incorporated into the computer system. Therefore, when another human actor uses the computer system they are being shaped by the interpretative schemes and norms that the developer of the computer of the computer system has incorporated into the system. In that way the human actor who uses the system is being shaped by the system. However, the human actor who is using the system is a knowledgeable human actor who chooses whether or not they wish to follow the rules in the system. Their calculated misuse or refusal to use the system shows how they are capable of shaping the use of the computer system in response to being shaped by computer system. This is relevant to the buyer seller relationship in that many interactions may occur between the relationship parties, mediated by a CRM (customer relationship management) or an order entry system. These interactions can also be analysed using structuration theory by tracing these computerised systems back to the norms and interpretative schemes that are encapsulated within their use. Ballantyne and Varey (2006) note that value-in-use is created through marketing interaction and they describe three prime value-creating activities. These are relationship development, communicative interaction, and knowledge renewal. Applying structuration concepts to the seller’s perspective of relationship development, at the level of the individual acts of agency, results in Figure 2.

Figure 2 shows the institutional context, including the environmental, organisational and agent context that affect the relationships at the top of the diagram. The institutional context includes all the environmental factors such as customers, competitors and the available technology. The organisational context includes the corporate strategies and culture within the business. The agent context includes the factors relating to the policies and practices governing how the agent works in the business. Within this environment the actors (buyers and sellers) interact in basically three parts of their lifecycle. As stated above they were called prime value-creating activities. Figure 2 has also been broken down in to the three parts of the relationship. The first oval shows the intention to form the relationship which will happen first. This occurs within the institutional context (which includes the environmental, organisational and agent context).
The building of the relationship which will occur after the relationship is formed is the second oval. In this part of the relationship there are many things which can happen. Examples of these are given below the oval such as: problems that are recognised; policies and practices which the organisation may change. There may be changes in structure and operations. Also roles in the organisation may change. The result of all of these changes and how the buyer and seller react to them is detailed in the third oval. The third oval relates to the reactions and consequences of the relationship such as trust, satisfaction, commitment and financial performance. However, the reactions may be positive such as an enhancement of trust for example, or negative as a denigration of trust.

As described above this process of building the relationship takes place in an institutional context that includes all the environmental factors such as customers, competitors and the available technology. The organisational context includes the corporate strategies and culture within the business. The agent context includes the factors relating to the policies and practices governing how the agent works in the business.

The process of structuration occurs as a result of using the three modalities - interpretative schemes, resources and norms in relation to the interaction of humans and organisations. This interaction between the three modalities occurs simultaneously and is only separated at the analytical level for the purposes of analysis. Therefore Figure 2 does not explicitly show the interpretative schemes, resources and norms. If we wish to analyse a process within forming and building a relationship as outlined in Figure 2 such as the ‘change in structure and operations’ we would analytically look at how the humans and organisations interacted with the interpretive schemes, the resources and norms to discuss how the change in structure and operations came about. This ‘change in structure and operations’ would add to building the relationship either negatively or positively. Through the interplay of these modalities (the process of structuration) human actors reproduce, or less frequently, change the existing norms of behaviour. In various parts of the process of forming and building relationships different comments will be made by the buyer and seller. Analysing these conversations using structuration theory will be useful in building a process view of the relationship. An example of comments that could be made by the seller in the different parts of the process is given in Table 1 below. Using the concepts of interpretative schemes, norms and resources a sequence of comments from a supplier regarding a relationship can be analysed to show how trust and commitment are formed and how performance outcomes result.

<table>
<thead>
<tr>
<th>Process</th>
<th>Comments from suppliers regarding relationship.</th>
</tr>
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Figure 2: Processes of forming and building relationship with their institutional context
Intention to form a relationship

We expect our relationship with this supplier to continue for a long time.

Building a relationship

The design of our maintenance operation is based heavily on technical support from the supplier. This supplier has dedicated a great deal of time and effort to learning about our way of doing business. Compared to alternative repair shops, this supplier offers more technical support services. When it comes to things that are important to us, we could count on this supplier’s support. We can count on this supplier to consider how their decisions and actions affect us in the further. This supplier understands the sense of urgency we face every day.

Reactions or consequences of relationship

The renewal of our relation with this supplier is virtually automatic. (The reverse being: we are unlikely we will still be doing business with supplier over the next few years). The supplier’s employees act as if they value us a customer. The supplier’s employees could be relied upon to give accurate information in the event of a problem. The supplier’s employees treat us with respect.

Table 1: Building a process view of the relationship

Conclusion

This paper discusses the issue that, in business to business contexts more research is required at the relationship level to show how resources are developed, including facilitating conditions such as commitment and trust are built up in relationships to result in value and long-term performance. Structuration theory is one theory that may provide a way of analysing the interactions in a relationship at the low level of granularity to provide insight into the process of value creation. Structuration has been introduced as a theory and the main concept used, the duality of structure, illustrates the break-down of an interaction in a buyer seller relationship and its analysis into components. Future research can apply structuration theory to the longitudinal study of interactions between a buyer and a seller. By looking at how the relationship is formed at a low level of granularity and by analysing the ongoing actions and responses this provides a very viable path for future research.

References


