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Relationship Principles for the Support Economy

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Abstract

Organizations largely determine the relationship that customers have with them. This reflects the tenets of managerial capitalism that assign value primarily to the firm and emphasize firm efficiencies while obscuring customer inefficiencies. An alternative view suggests that value exists in the customer and in the relationship, itself. Organizations have opportunities to employ information technology in new ways to foster relationships with their customers and create value. This paper examines some of these possibilities.

Keywords: Support economy, relationship, customer driven transactions, care

Introduction

What is the status of personal business relationships in today's economy? Zuboff and Maxmin (2002) characterize them in distinctly unsatisfactory terms. Firm-consumer relationships are described by means of a solar system metaphor: the firm is the sun; important suppliers and partner firms are nearby planets; and the consumer is the last rock from the sun, a barren rock suitable only for resource exploitation. Consumers are subjected to 'little murders,' various indignities that provide greater efficiencies to the firm at the expense of greater inefficiencies to the customer. For example, designing lengthy voice-mail menus with long queues that leave the customer entrapped in a voice-mail jail is only efficient if we grant the customer's time and effort as having no value. Employer-employee relationships do not fare much better. In the quest for improved efficiency and a better bottom line, employees become downsized, rightsized, de-hired, best sourced, or made redundant through mergers and acquisitions. This can happen even in companies where everyone believes that "we are a family and that can't happen here."

Following their argument further, this impoverishment of relationships is the natural by-product of the enterprise logic of managerial capitalism. Managerial capitalism views the firm as central and the source of all value creation. "The transaction value is maximized as firms seek the most profitable terms in their exchanges with end consumers, thus perpetuating adversarialism between buyers and sellers" (Zuboff and Maxmin 2002, p. 10). The contribution of great entrepreneurs such as Henry Ford has been to find undiscovered convergences between people's desires, technologies, and organizational forms that release wealth. Zuboff and Maxmin conclude that the enterprise logic of managerial capitalism has outlived its usefulness and that a new relationship economics is poised to supplant it.

Relationship economics posits that value resides in individuals rather than being created by the firm. Relationship economics requires that distributed structures be designed to support relationships to individuals wherever they may be. Just as with the economic revolution that led to the mature organization of the 20th century and the benefits of managerial capitalism in the market economy, a new economy will require a match between sources of wealth, technologies, and organizational forms. Zuboff and Maxmin maintain that the sources of wealth are already present. People will release wealth for consumptive experiences that are satisfying. If this is true, the question then concerns what organizational forms, and what uses of technology will enable this new relationship economy. The remainder of this paper focuses on one of these issues, namely what uses of technology, in particular information technology, will support the relationship economy. In order to do so, it will consider how at present relationships are supported and how this is inconsistent with realizing value in relationship economics. It will then propose some remedies.

Relationship Principles

In *Nicomachean Ethics*, Aristotle (1941) characterizes three foundational relationships or friendships: Friendships of utility, friendships of pleasure, and friendships of virtue. The two relationships that apply to our purposes of characterizing the organization-customer relationship are utility relationships and virtue relationships.

A utility relationship is based on the usefulness both parties find in the relationship. If I wish to buy a home entertainment system, the relationship enacted between the salesperson and me is useful to us both. If the salesman has a home entertainment system that meets my requirements, when I make the purchase, I benefit because I have the home entertainment system and the salesperson benefits by making the sale. We have been useful to one another in this relationship, and when the transaction is complete, the reason for the relationship goes away. The parties participate in the utility relationship to satisfy their own goals, purposes and objectives and come to the relationship from a self-interested point of view. Since what is useful is impermanent and changes with circumstances, these relationships begin and end according to circumstances and needs. This relationship typifies a commercial transaction.

A virtue relationship is based on wanting what is best for one's friend. We 'love' our friend for who our friend is. Friendship is intrinsically valuable in itself, and the friendship is not entered into for personal gain. This type of relationship is not self-interested, and can be more accurately characterized as altruistic. Because this type of relationship exemplifies human ideals in relationship, words such as "love," "care," "loyalty," and "trust" are associated with it.

IT Support for Relationships

Zuboff and Maxmin assert that e-commerce's failure can be attributed to it being insufficiently revolutionary. They maintain that e-commerce is built around principles of managerial capitalism that reinforce antagonistic relationships between the firm and the consumer. In some ways, what they say sounds similar to criticisms leveled at IT during the early days of the Business Process Re-engineering movement. For example, Hammer and Champy (1993) maintained that developing information systems around old processes only made them worse by making them at minimum, fast bad processes, and in the worst cases, highly complex with added layers of inefficiencies. In this section, we will give examples of the use of IT with respect to the firm's relationships with its customers and its employees.

Adversarial Relations with Customers – CRM and Privacy Concerns

Customer Relationship is it Management or Manipulation systems (CRM) view customers as a means to an end under the regime of managerial capitalism. This is entirely consistent with the notion that the firm creates all value. Customers are then just one essential agent in the realization of that value. The "personalized" relationship is not possible in principle, because the organization's "agent plus customer profile-base" model leaves a gap in the relationship. This model assumes that information can substitute for a relationship's development over time. The organization cannot enact the "rhetoric of care" because its customer base is too large. Customers as persons are reduced to attributes and properties in a database. The agents are replaceable, have little power to take action on an individual basis, and have no personal interest in any given customer. "Any" agent enacts the relationship between the customer and the organization; "personal" contact and knowledge of the customer is replaced with codified information. Agents have little authority and hence, cannot be responsible for the "anonymous" relationship between the customer and themselves—let alone the customer and the organization. In this limited environment, there is no recognition of essential personal identity on either the customer's or the agent's part. There can be no mutual negotiation as the relationship unfolds throughout time. Since the customer is not represented as a "person" the mechanism of discourse using narrative is lacking and there is no accounting for context and growth throughout time. While only equals can have "friendships of virtue," the large power asymmetry and paternalistic stance that organizations enact make this kind of relationship impossible.

CRMs are enacted unilaterally in organizations, without consulting the customers who will be "managed." Managing relationships implies a one-sided manipulation of customers. In this model, customers are treated as things where their person-hood and individuality are not considered. Customers are expected to behave in ways that the organization determines for them. When treated with such little respect, many times customers use their autonomy to influence these organizationally imposed relationship by boycotting stores who exploit customer choice data to manipulate prices, lying about personal data when they can, and taking their business elsewhere. When this occurs, the relationship in CRM has become truly dysfunctional. Organizations then have a choice. If their expectation is for a relationship of virtue, organizations must begin to respect their customers as narrative persons. If, alternatively, their expectation is for a utility relationship, the nature of the exchange that takes place should be more transparent and less one-sided.

The types of relationship we have entail how we are perceived and understood as individuals. Organizations that view their customers using a reductionist model are unable to hear and speak in narrative to form the bonds necessary to create and sustain virtue relationships. Models of the self and behaviors that are appropriate to utility relationships where each party wants to know enough about the other to form a relationship that will mutually satisfy a need, fall short of the equal "selves" who participate in virtue relationships. The more intimate the relationship, the higher the level of trust, self-disclosure and shared narrative. More intimate relationships also imply higher levels of trust, obligation, and mutual self-disclosure.

Privacy policies with respect to customer data reveal the true intent of the firm with respect to CRM. It is not too much to say that respect for privacy is a prerequisite of friendships of virtue. Privacy policies and behavior of firms based on The Code of Fair Information Practices give individuals control over their personal information. Often, however, a firm's posture toward privacy is a cynical attempt to exploit the customer. For example, telephone companies have objected to attempts to place stronger privacy controls on customer proprietary network information (CPNI). CPNI is data collected by telephone companies about your phone calls. In the case of Verizon, their approach is one of evasion and obfuscation when they require a complex opt out procedure and then describe your right to opt-out as placing a "restriction" on your account. Qwest is more straightforward. They describe consumers as "uneducated, inattentive adults" (Smith 2003).

The Importance of Relationship in the New Economy

E-commerce was originally thought to be the means for a firm to escape the treadmill of pressure to be a low cost producer. The economics of off-loading processes to a web-enabled environment seemed compelling. However, there are two fallacies. The first is that off-loading labor to the customer of a process simply changes the accounting. Why would a customer want to take on tasks previously performed by the firm unless there were some additional benefits that result? The second is that translating the low-cost producer strategy into the e-commerce realm results in commodification (Keen & McDonald 2000). The firm can then only compete based on low cost. This puts the firm continually in a chase for customer acquisition since choosing among firms producing commodities is solely based on low cost. A better choice is to build a more enduring relationship with the customer.

In order to build a customer relationship, there must be support for that relationship. This does not argue against automating a firm's business processes and then giving access to customers. Nor does it argue against extending relationships globally. However, sometimes this extended reach needs to be augmented by proximate and immediate support. When customers perform standard, routine transactions, technology can guide them through the process effectively and efficiently. Companies can use technology to support their customers' access to and selection of resources. The technologically supported process is transparent to the customer until some breakdown in the transactional process occurs (Ihde, 1986). At that point, a customer's needs go beyond what can be provided through an automated format, and the organization must be prepared to continue the transaction in a more personalized way. Organizations need to be able to sense and make the transition from a routinized, on-line transaction to a support-based relationship. While access to generally efficient transaction processes is the basis for commodification, effective support for exceptional situations arising from conducting the transaction can be part of the basis for establishing a more profound organization-customer relationship.

Re-Valuing the Customer Relationship

If customers are uneducated, inattentive, and exist to be manipulated or exploited for the benefit of the firm, using their time and energy is trivialized. A change in customer relationship requires defining this relationship in different terms and using technology to support this new paradigm. Currently, most organizations have applied new technologies to the old paradigm of managerial capitalism; this has resulted in the perpetuation of dysfunctional organization-customer relationships and in the inability to perceive and hence support the changes that have occurred in people, society, expectations, and the environment. Zuboff and Maxmin (2002) indicate that individuals perceive consumption to be a way to express their uniqueness and identity. This orientation affects what customers expect from the process of identifying, purchasing, and using a product or service as well as what they expect from the actual product or service, itself. The "how" they are treated and esteemed begins to take a more salient part in the transaction. Customers want the transaction itself, which from the standpoint of managerial capitalism, was seen to be the quickest and most cost-effective way to push product to customers, to dignify them, their part and contribution to the process. Customers desire to participate in a transaction, rather than have it done to them. So what customers are defining as product has expanded to include the process of acquiring it as well as what this product conveys about their identity and experience.

To facilitate this new type of customer-organization dynamic, a new form of defining and valuing is required. Instead of the old way of defining all of the value of the experience to lie with the organization, the customer must be valued in the relationship. That the customer has not been considered or valued in this type of relationship has led to unsatisfactory consequences for the customer. Previously, in alignment with the tenets of managerial capitalism, the processes of customer-organizational relationship have been accounted for from the perspective of the organization. The focus has been on the ability of organizations to make the cost of transaction cheaper, less labor intensive. Organizations accomplish this by off-loading some of the labor for the transactional processes and functions to the customers via automated phone systems or web-enabled transactions. With more and more customers afforded the opportunity to "work for" the organizations that serve them, their efforts are not accounted for, and thus, the cost of doing business with organizations is not accurately represented. The "costs" of a disintermediated or labor off-loaded transaction appear minimal when considering a transaction in isolation. However, the more of these types of transactions a customer engages in, the amount of time and effort expended and opportunity cost increases. As more organizations adopt "time and labor saving" ways to transact business, customers find themselves living out a sorites paradox.

The sorites paradox is an "apparently valid argument with apparently true premises and an apparently false conclusion" (Williamson, 1994, p. 22). Williamson demonstrates this paradox using the following example:

> Premise: 1 is few
> If 1 is few, then 2 is few.
> If 2 is few, then 3 is few.
> . . .
> If 9999 is few, then 10,000 is few.
> Thus, 10,000 is few.

"The gradualness of the sorites series makes each conditional appear true…At least one of these appearances is misleading, for the conclusion cannot be both true and false"(Williamson, 1994, p. 22).

Pertaining to a customer involved in many off-loaded labor transactions, the costs in terms of time, effort, and opportunity cost go unacknowledged by the organization while the time, effort, and opportunity costs a customer expends are experienced to be significant and substantial. Since the cost and value of these transactions is defined from the perspective of the organization, these fragmented, customer costs are not included in the cost of transaction. In its current form the customer's time, effort, and opportunity cost are not valued in the transaction relationship. If in contrast, value is seen to reside with the individual customer and in the relationship, this requires an entirely different view of the seemingly harmless requests, the atomic units of the sorites paradox for the customer. What are the possibilities?

Vision of the Change

Keen and McDonald (2000) provide some suggestions for managing web content to enhance and support relationships. Their proposal identifies two factors, texture and touch. They define texture as the nature of information where richness of presentation, originality, and other aspects of content such as the degree to which the information is individualized to the recipient are included. Touch they define as creating context through dialogue. At the low end are take-it-or-leave-it transactions. At the high end are collaborative solutions designed by the firm and the customer. By providing a range of solutions that include low and high-end texture and touch, they suggest a means for evolving customer relationships from utility relationships toward relationships of friendship.

Whether this approach, or the creation of organizational structures that provide *concierge* type services as advocated by Zuboff and Maxmin (2002), there are three intertwined enablers of such relationships: support for dialogue, respect for privacy, and trust.

If as Zuboff and Maxmin state, that the value is in the relationship and the customer, organizations have the opportunity to rethink the way that they are currently enacting customer relationships, and utilize technology to support more truly customer-centric relationships. Instead of "spinning" what are currently organizationally advantageous relationships as customer care relationships, firms must be willing to examine the possible ramifications of doing business with the customer as person. Cass and Lauer (2002) examine the impact of organizations attempting through rhetoric to transform their utility relationships with their customers into relationships of care. Most organizations, in their current state, do not allow for the realization of authentic care relationships.

To fully comprehend the impact of perspectival change in the organization-customer relationship, it is useful to identify characteristics that make up this relationship and how they are enacted given the different outlooks. Table 1. identifies some of the major attributes in the organization-customer relationship and how they would differ with an organizationally centered viewpoint or a customer centered viewpoint. When the relationship is defined and designed from the organization's point of view, value is perceived to be held by the organization. The organization wields power in that it defines the structure, mechanism, and possibilities of the relationship. Customers are perceived to be similar, needing limited choices to enact communication with the organization. Usually the channel of communication is automated, and allows for little if any deviation from the script. When a relationship is defined and designed from a customer's point of view, value exists in each customer, herself, as well as in the individual relationships. The power in the relationship is shared, and the relation takes on a spontaneous and cooperative character. Relationship possibilities are open and negotiated. The customer is perceived as an individual having value and her own unique story. Processes are flexible, any automated process is easily navigated and left, and customers are allowed to disclose themselves in a relationship grounded in trust, using rich narrative and dialogue, which the organization can support and further.

Table 1. Attributes in Organization Centric and Customer Centric Transactions

Attribute	Organization Centric Transaction	Customer Centric Transaction
Value	In organization	In customer and relationship
Power	With Organization	Shared Organization and Customer
Relationship	Organizationally Defined, Adversarial	Spontaneous, Cooperative
Possibilities	Dictated	Negotiated
Customer	Anonymous, Similar	Personal, Individual
Processes	Rigid	Exceptions supported
Communication	Limited Choices	Narrative, Dialogue
Process Emphasis	Automated and Rigid	Automated with Easy Exits

Currently the relationship between organization and customer is skewed toward the organization in terms of power and the application of power through access to information. Organizations as massive, impenetrable entities dictate the structure, process and content of the way that customers can interact with them. If a customer has a need to communicate with the organization that is outside the firm's predetermined methods of communication, then that communication will go unregistered, or will be transformed into something that can use the methods and structures present. Currently the customer is perceived to benefit from the value provided by the firm. Customers can provide value to the firm in the way of personal and behavioral information, control over which they oftentimes lose. To raise the status and value of customers in relation to organizations, a different type of relationship must be enacted.

Companies must move beyond their perception of a customer as being a means to an end, and to perceive customers as having value in themselves and the relationship having value. For organizations and customers to truly have relationships, then customers need to be perceived as and treated as persons with dignity. Many customers will choose to relate to organizations based upon relationships of utility, and the organizations that structure their automated processes to be easy to use for these routine transactions will be successful. If customers wish for more individualized assistance, or a breakdown occurs in their attempt to enact a relationship of utility, then they may choose to enter into a more individual type of relationship with the organization, one that will support non-standard and individual requests with narrative and respect for persons. The system will be able to provide this different level of support seamlessly and with little work on the part of the customer.

In these non-standard technology-supported relationships, the customer can expect that an organization will respect her privacy and behave toward her in a trustworthy way. The organization will ascribe to fair information practices and behave in ways that respect privacy and engender trust in its customers. Realizing that trust is developed though time, customer-support systems will be flexible enough to moderate and respond to the pace and amount of disclosure appropriate to for each individual. Organizations will openly receive, respond to, and understand their customer's individualized expression of their needs. The process of working with customers becomes dignified and humanly affirming. Dialogue, negotiation, and good faith from both customer and organization create value in the relationship. The organizational perspective of the customer shifts from seeing them as something to be mined and exploited for the good of the organization to being someone who is unique, has a special set of needs, and matters. The process and experience of doing business is elevated, and becomes humanly affirming for both customer and organizational representative. This type of interaction will engender goodwill for the organization, and attract more customers, as they are treated more respectfully and ethically. The technology to create these types of relationships currently exists; it must be applied in an environment where both organization and customer are esteemed participants in the process.

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